

# Audit committee effectiveness, isomorphic forces, managerial attitude and adoption of international financial reporting standards

Juma Bananuka

*Department of Accounting,*

*Makerere University Business School, Makerere University, Kampala, Uganda*

Arafat Walugyo Kadaali

*Department of Accounting and Finance, Mbarara Regional Campus,*

*Makerere University Business School,*

*Makerere University, Kampala, Uganda, and*

Veronica Mukyala, Bruno Muramuzi and Zainab Namusoby

*Department of Accounting,*

*Makerere University Business School, Makerere University, Kampala, Uganda*

## Abstract

**Purpose** – The purpose of this paper is to report the results of a study carried out to establish the contribution of audit committee (AC) effectiveness, isomorphic forces and managerial attitude to the adoption of international financial reporting standards (IFRS).

**Design/methodology/approach** – This study is cross-sectional and correlational. Data were collected through a questionnaire survey of 67 MFIs that are members of the Association of Microfinance Institutions of Uganda (AMFIU).

**Findings** – Both AC effectiveness, isomorphic forces and managerial attitude significantly contribute to the adoption of IFRS. However, the explanatory power of managerial attitude is subsumed in isomorphic forces and AC effectiveness. Results further indicate that AC effectiveness partially mediates the relationship between isomorphic forces and adoption of IFRS. In terms of control variables, ownership and capital structure are not significant predictors of adoption of IFRS.

**Originality/value** – To the authors' knowledge, this is the first study to investigate the contribution of AC effectiveness, isomorphic forces and managerial attitude to the adoption of IFRS in MFIs using evidence from a developing country on the African scene like Uganda. Further, earlier literature has not tested the mediating effect of AC effectiveness in the relationship between isomorphic forces and the adoption of IFRS which has been reported in this paper.

**Keywords** Audit committee effectiveness, Isomorphic forces, Managerial attitude, Microfinance institutions, Uganda

**Paper type** Research paper

## 1. Introduction

The adoption of International Financial Reporting Standards (IFRS) is important to both developing and developed countries. IFRS bring about transparency by enhancing the international comparability and quality of financial information (IFRS Foundation, 2018; Phan, Joshi and Mascitelli, 2018; Uzma, 2016; Tsunogaya *et al.*, 2015). IFRS strengthens accountability by reducing information gap between management and the resource providers and, contribute to economic efficiency by helping investors to identify opportunities and risks across the world (IFRS Foundation, 2018). The adoption of IFRS lowers the cost of capital (Uzma, 2016; Daske *et al.*, 2008; Karamanou and Nishiotis, 2009) and reduces international



reporting costs (IFRS Foundation, 2018). According to IFRS Foundation (2018), 166 jurisdictions have been profiled with Europe in the lead (44 jurisdictions) followed by Africa (38 jurisdictions), Americas (37 jurisdictions), Asia and Oceania (34 jurisdictions) and finally the Middle East with 13 jurisdictions. Africa's countries have adopted IFRS (IFRS Foundation, 2018) at the national level but it is not clear to what extent domestic firms have embraced the use of IFRS in financial reporting. Of the 166 jurisdictions, 86 jurisdictions require or permit the IFRS for small and medium enterprises (IFRS Foundation, 2018).

According to Phan *et al.* (2018) the willingness to adopt IFRS is facilitated by the perceived benefits of IFRS usage and knowledge of IFRS. It therefore follows that if an entity's managers have knowledge of IFRS and are aware of the benefits of adopting IFRS, it is likely that IFRS are adopted by that particular entity. We thus reason that, it is implied for an entity that has managers who are knowledgeable in IFRS and are aware of the benefits of preparing financial statements that are IFRS compliant to adopt IFRS given that IFRS are mandatory in those countries that adopted them. In Uganda, IFRS were adopted at the national level. The Institute of Certified Public Accountants of Uganda (ICPAU) adopted the use of IFRS in 1998 and subsequently adopted the IFRS for small and Medium Enterprises in 2010 (ICPAU, 2016). According to IFRS Foundation (2017), all listed entities, banks, insurance companies and other publicly accountable entities are required to apply full IFRS. In Uganda, MFIs are listed among publicly accountable entities by ICPAU and thus must apply full IFRS. The World Bank (2005) report indicates that the adoption of IFRS in Uganda was expected to promote reliable financial reporting but this has not been achieved. At firm level, the World Bank (2014) reveals that a number of audit reports show that the financial statements of savings and credit cooperative societies (SACCOs) in Uganda did not disclose all the information as per the relevant IFRS. Therefore, questions continue to abound about which models, mechanisms and instruments firms could use to ensure the adoption of IFRS.

From literature, a number of factors for adoption of IFRS exist for example, Zeghal and Mhedhbi (2006) argued that factors such as the proportion of the population that is educated, the country's economic growth and the degree of external economic openness are critical for adoption of IFRS. Nurunnabi (2017) found that the factors for implementation of IFRS in developing countries range from auditors charging low audit fees, availability of qualified accountants, interest of managers of some firms in IFRS, organizational culture and the influence of professional accountancy bodies. As noted by Samaha and Khlif (2016), there are minimal studies exploring the adoption of IFRS in developing countries. Samaha and Khlif (2016) note that isomorphism is important for the adoption of IFRS in developing countries. The agency theory as suggested by Jensen and Meckling (1976) points out that auditors are critical for reducing agency costs. Jensen and Meckling (1976) further point out that managers will pass decisions that maximize their utility and this means that if the adoption of IFRS maximizes managers utility, then they will be adopted.

To the researchers' knowledge, no study has investigated the contribution of audit committee (AC) effectiveness, managerial attitude and isomorphic forces to the adoption of IFRS in MFIs on the African scene using evidence from Uganda's MFIs. MFIs are the providers of finance to majority of rural Ugandans. Unfortunately, several MFIs have collapsed (Kyazze, 2010) and those that have not collapsed, their reporting practices are far from desirable (World Bank, 2014). Even when Uganda adopted IFRS in 1998, a number of sectors in Uganda including MFIs have not fully embraced the usage of IFRS in the preparation of financial statements. Therefore, the desire to understand which factors affect the adoption of IFRS in Uganda's MFIs formed the motivation for this study. We try to understand such factors by establishing the contribution of AC effectiveness, isomorphic forces and managerial attitude to the adoption of IFRS in Uganda. This is achieved through a questionnaire survey of 67 MFIs that are members of AMFIU. Results suggest that both AC effectiveness, isomorphic forces and managerial attitude significantly contribute to the adoption of IFRS but managerial

attitude's explanatory power is subsumed in isomorphic forces and AC effectiveness. Results further indicate that AC effectiveness partially mediate the link between isomorphic forces and adoption of IFRS.

This study results add knowledge to the existing literature on adoption of IFRS by providing an initial empirical evidence on the contribution of AC effectiveness, managerial attitude and isomorphic forces to the adoption of IFRS in MFIs. The study is important to regulators of MFIs in Uganda. The regulator of MFIs in Uganda is Uganda Microfinance Regulatory Authority (UMRA) which was inaugurated in 2017. UMRA may initially start off by ensuring that MFIs have ACs with members who are non-executive directors, have expertise in financial reporting practices where IFRS are a backbone of quality financial reports and are empowered to exercise their authority. UMRA may also exert pressure on MFIs to prepare financial statements that are IFRS compliant as well as encourage MFIs to adopt those reporting practices that provide adequate information to their various stakeholders.

The remainder of the paper is structured as follows. The next section is study setting where Uganda's profile is discussed and this section is followed by literature review and hypothesis development. Methodology follows next and Section 4 is results. Then the discussion section follows and finally summary and conclusion.

## 2. Study setting

Uganda is a landlocked country in East Africa. Uganda gained independence in 1962 from British colonialists and soon after independence, there were civil wars and political unrest (Nkundabanyanga *et al.*, 2014). A number of laws were enacted during the colonial times while others were enacted immediately after independence for example the cooperative ordinance of 1946, Money Lenders Act of 1951 and the Companies Act of 1961. It is until the year 2000, when we began to see a number of laws governing different sectors come on board for example the Financial Institutions Act of 2004 which was amended in 2016 to pave way for agency banking and Islamic banking, Tier IV microfinance institutions (MFIs) and Money Lenders Act of 2016, the companies Act of 2012 among others. In Uganda, financial institutions have been grouped into Tiers. Tier I is comprised of commercial banks, Tier II is comprised of credit institutions, Tier III is comprised of micro-deposit taking institutions (MDI) while Tier IV is MFIs and SACCOs that were registered under the Companies Act of 1961, NGO (Amendment) Act of 2006, Cooperative societies Act of 1991, Money lenders Act of 1952 as well as informal institutions (AMFIU directory, 2017/2018). Financial institutions in Tier I and II are governed under the Financial Institutions Act of 2004 while Tier III financial institutions are governed under the MDI Act of 2003. Institutions under Tier I–III are regulated by the Bank of Uganda.

The Tier IV MFIs and money lenders Act, 2016 created Uganda Microfinance Regulatory Authority (the regulator) which was inaugurated in 2017. Surprising, this law is silent on ACs of MFIs in terms of their duties, meetings etc. This then implies that the UMRA has to pass policies that establish these ACs and any other committees of the board or make recommendations to government to ensure that the law is amended. Until 2017, Tier IV MFIs were largely guided by the District Commercial Officers, Uganda Cooperative Societies and Credit Union (UCSCU) and Association of MFIs of Uganda (AMFIU). UCSCU was formed in 1961 as a confederation of corporative movement in Uganda (Kyazze, 2010) while AMFIU was established in 1998 and fully registered in 1999 under the NGO Act. AMFIU was established to handle the financial needs of MFIs. To date, AMFIU has tried to share information and improve governance among its members. Unlike UCSCU whose membership and details of members cannot be traced on its website or online, AMFIU has labored to provide a full list of its members together with the contact addresses and products offered by each member. Presently AMFIU has 90 members including some commercial banks, credit institutions and SACCOs (AMFIU directory, 2017/18). AMFIU has gone ahead to develop a code of conduct for

---

its members. The code of conduct of AMFIU member institutions among many things provides for sound corporate governance practices. Therefore, a study on adoption of IFRS among Tier IV MFIs in Uganda is timely and a worthwhile endeavor.

### 3. Literature review and hypothesis development

#### *Theoretical foundation*

In this study, we use the agency theory and the institutional theory. We use the agency theory (Jensen and Meckling, 1976) to examine the relationship between AC effectiveness, managerial attitude and adoption of IFRS by MFIs in Uganda. The popularity of this theory gained momentum when economists explored risk-sharing among individuals or groups (Arrow, 1971). The risk-sharing literature in the agency theory was broadened to include the agency problem that managers have selfish interests and will exploit all possible avenues to satisfy their self-seeking interests (Jensen and Meckling, 1976). Our choice of this theory is because it reduces the entire firm to only two participants, that is to say, the managers (agents) and shareholders (principals), and thus it can easily be conceptualized (Nkundabanyanga *et al.*, 2014; Daily *et al.*, 2003). In the agent–principal relationship, the interests of the shareholders (principal) are different from those of the manager (agent) and as such, there are bound to be conflicts and thus agency costs. To bring into line the different interests, monitoring and bonding costs are incurred (Samaha and Khlif, 2016). Monitoring costs arise as a result of overseeing the behavior of managers by the shareholders or persons entrusted by the shareholders to monitor the behavior of managers such as the board. The board can then constitute itself into committees for ease of their work and specifically, an AC may be instituted to monitor the activities of managers.

Bonding costs are borne by management to assure shareholders that they (management) are working in the best interests of shareholders/resource providers. Because of such costs (monitoring and bonding), managers will take the various accounting methods choices to reduce agency costs. Managers may opt for accounting choices and disclosure practices that limit the information given to shareholders or those methods that disclose more information to shareholders depending on the interests of the managers. If a firm adopts IFRS, it is possible that more strict rules of financial reporting are adhered to. It then follows that a firm that adopts IFRS will disclose more information to the shareholders than the one which does not. The AC is important in reviewing the financial statements of MFIs (Lin, Xiao and Tang, 2008). Within the agency theoretic logic, financial statements and other activities of the organization should be verified by an auditor whether internal or external so that there are no material misstatements and to achieve that an AC is put in place to assist in such. We therefore reason that, an effective AC may improve IFRS adoption in MFIs. Further, the agency theory posits that the behavior of a manager will depend on what the manager expects from the firm (Jensen and Meckling, 1976). Managers will thus pass those decisions that maximize their utility. Therefore, managerial attitude is important in deciding whether the firm adopts IFRS or not depending on what managers take as benefits of adoption of IFRS and probably the knowledge managers have regarding IFRS. Further, according to Jensen and Meckling (1976), an entrepreneur or a manager may have a mixed-finance structure where debt and equity financing are employed. In this regard, once a firm uses both equity and debt financing, then the firm will choose a set of activities that make the firm to be of a higher value than it would be if it relied only on one source of financing or if the firm is owned by a sole person. Further, a firm may be owned solely or by a number of people regardless of whether they are nationals or foreigners in that country where the firm is located. From this theory, we notice that AC effectiveness and the attitude of management are critical in the adoption of IFRS. We also observe other variables such as capital structure and ownership coming out clearly.

The institutional theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) is used in this study to examine the relationship between isomorphic forces and adoption of IFRS. According to DiMaggio and Powell (1991), there are three types of isomorphism and these are relevant in explaining the adoption of IFRS. One of the types of isomorphism is the coercive isomorphism which refers to the presence or absence of institutions that can force economic actors to adopt IFRS and for this case, the clients of MFIs have an upper hand in forcing them to adopt IFRS as well as their regulator. Other institutions that may force MFIs to adopt IFRS are their Umbrella associations such as AMFIU and UCSCU. Government through Ministry of Trade and international bodies that provide aid to emerging economies can also force MFIs to adopt IFRS. Next is the mimetic isomorphism which refers to the imitation of other firms viewed as more legitimate and successful for example, MFIs may imitate what commercial banks, Credit institutions or Insurance firms are doing in regard to adoption of IFRS. Finally, the normative isomorphism which refers to the level of education attainment of a country (DiMaggio and Powell, 1991). In this regard, the percentage of the population that is educated may also affect accounting practices and therefore the shift toward IFRS (Hassan, 2008). The qualifications of employees in a given firm play a big role in shaping organizational practices. Samaha and Khelif (2016) suggested that isomorphism is important in formulating decisions aimed at adopting IFRS in developing countries.

According to Berthod (2016), the institutional theory of organizations puts institutions at the forefront of the analysis of organizations' design and conduct. This implies that organizations have different beliefs, rules and norms that shape them. Organizations will thus comply with different institutionalized recommendations in order to gain acceptability, decrease uncertainty and increase unambiguousness of their actions and activities (Berthod, 2016). It is widely known that under the current globalization era, organizations do not operate in a vacuum but rather operate within a social arena. Institutional theory considers the social rather than purely economic influences on organizational practice (Rogers *et al.*, 2007). The theory asserts that organizational practices are shaped by the existence and operation of institutions within the industry or country (Musimenta *et al.*, 2017) and these institutions include the legal system, other organizations and cultural and professional norms. Therefore, institutions will respond to institutional pressures in order to gain legitimacy. According to Mizruchi and Fein (1999), firms constantly aim to maintain and increase legitimacy through responding to pressures that arise from their institutional environment.

In this study therefore, we test whether isomorphic forces as derived from the institutional theory is important in the adoption of IFRS. We further test whether AC effectiveness and managerial attitude as derived from agency theory are significant in the adoption of IFRS. We derive our control variables that is to say ownership structure and capital structure from the agency theory (Jensen and Meckling, 1976) as well.

#### *Audit committee effectiveness*

ACs are one of the corporate governance mechanisms that are concerned with ensuring that the agency problems between managers and investors are controlled (Bin-Ghanem and Ariff, 2016; Akhtaruddin and Haron, 2010). Bin-Ghanem and Ariff (2016), understands an effective AC in the perspective of AC independence, AC members financial expertise (in this study referred to as financial expertise), AC meetings, AC authority (in this study referred to as authority) and AC size. AC independence is critical to ensuring accounting quality. According to Mohd *et al.* (2007), the presence of a fully independent AC reduces earnings management practices. Relatedly, Juhmani (2017) found that AC independence is significantly associated with the level of IFRS disclosure in Bahrain. Contrary, Agyei-Mensah (2017) found that AC independence does not drive the extent and quality of IFRS 7 *risk disclosure compliance*. An AC is critical in reducing information asymmetry and improving the quality of financial information disclosed to various users (Bananuka *et al.*, 2018; Bin-Ghanem and Ariff, 2016).

AC effectiveness involves the performance of AC roles such as reviewing corporate accounting information, supervision of internal audit systems and liaison with the external auditors (Lin *et al.*, 2008).

However, Kelton and Yang (2008) consider an effective AC as the one that organizes meetings frequently and where members have financial expertise. In another study of AC characteristics and earnings management using evidence from Malaysia by Mohd *et al.* (2007), firms that held more AC meetings recorded fewer earnings management practices compared to other firms. According to a study about accounting quality in the pre-/post-IFRS adoption periods and the impact on AC effectiveness using evidence from Australia by Bryce *et al.* (2015), there is a significant negative association between the number of AC meetings and the level of discretionary accruals implying that higher frequency of meetings are related to lower levels of discretionary accruals. However, in some cases, meetings may be ceremonial where whatever is discussed during such meetings is aimed at impressing the chairman of the committee for example, Uddin *et al.* (2017) carried out a study in Sri-Lanka and found that boards hold meetings but those meetings are just ceremonial. In another study by Ahmed and Uddin (2018) it was found that in Bangladesh family business groups, ACs do not discuss matters of risk management, external audit and internal control during their meetings but rather focus mainly on review and approval of quarterly and semiyearly financial reports with no single case of recommendations on such reports.

In terms of AC size, Bryce *et al.* (2015) found that ACs with higher numbers of committee members are more likely to have less earnings management through discretionary accruals due to having more members analyzing accounting practices. Bédard *et al.* (2004) suggest that larger ACs are more likely to reduce potential problems in financial reporting process because of increased monitoring capacity. However, larger committees are associated with dispersed opinions and lack of quick decision-making potentially undermining their effectiveness (John and Senbet, 1998). Karamanou and Vafeas (2005) maintain that as the number of AC members increases, each may be comforted by the presence of others and free riders may emerge. Therefore, there should be an acceptable AC size possibly a minimum of not less than two members may be sufficient to carry out the AC work efficiently and effectively. In Uganda, section 59(1) of the Financial Institutions Act of 2004 stipulates that “the board of directors shall constitute from among its members, a committee on audit, consisting of not less than two persons to perform such functions as the board of directors shall specify.” In his study of corporate governance and the level of Bahraini corporate compliance with IFRS disclosure, Juhmani (2017) found that AC size is not significantly associated with the level of IFRS disclosure in Bahrain. Further, Mohd *et al.* (2007) found that firms which had more knowledgeable AC members recorded fewer earnings management practices.

ACs are thus effective in promoting accounting quality through adoption of IFRS. The adoption of IFRS in MFIs is one way to improve accountability in MFIs since IFRS enable reliable financial reporting. According to Bananuka *et al.* (2018), AC effectiveness is significantly associated with accountability. Also, Agyei-Mensah (2019) found that AC effectiveness is significantly associated with corporate voluntary disclosure quality using evidence from Ghana. Further, Bryce *et al.* (2015) found that ACs are effective in promoting accounting quality under IFRS. Bryce *et al.* (2015) conclude that accounting quality is better observed through an AC with accounting expertise, more members and frequent meetings. In a study by Ahmed and Uddin (2018), it was found that ACs in family business groups in Bangladesh are made dysfunctional by various measures such as appointing family members and trusted individuals, keeping the terms of reference vague and controlling information flows. This implies that, ACs in family business groups in Bangladesh are not accorded full independence and have less authority. The implications of the above findings are that once an AC has the required independence and the authority to execute its roles, an adequate number

of members (AC size), holds meetings frequently and has financial expertise, it is expected that adoption of IFRS will be achieved. Therefore, we hypothesize that:

*H1.* There is a significant positive relationship between AC effectiveness and adoption of IFRS.

### *Managerial attitude*

Managerial attitude is defined by Bhattacharyya (2014) in terms of cognitive legitimacy and moral propriety while Suchman (1995) explained managerial attitude in terms of pragmatic attitude, cognitive legitimacy and moral propriety in his study of managing legitimacy. According to Suchman (1995) pragmatic legitimacy rests on the self-interested calculations of an organization's most immediate audiences. Managers will continue to pass those decisions that favor their immediate audiences and will therefore have an attitude of doing what they perceive to be the best according to their immediate audiences. For moral propriety, Suchman (1995) posits that managers of organizations will pass those decisions that favor the many that is to say, if society and regulators demand financial statements that are IFRS compliant, managers' decisions may favor the adoption of IFRS. Further, Suchman (1995) argues that cognitive legitimacy is created when an organization pursues goals that society deems to be proper and desirable. This implies that if society deems the adoption of IFRS is proper and desirable, then management of MFIs will pass those decisions that favor their adoption.

To the authors' knowledge, there are few studies that link managerial attitude to adoption of IFRS. In a study by Hu (2012) on management attitudes toward adopting international accounting standards in Japan, it was found that Japanese companies had a negative attitude toward adoption of IFRS because the managers of Japanese firms expected IFRS to be difficult in terms of usage and also there was no regulatory requirement for the adoption of IFRS. Following Hu (2012) results, it can be argued that the knowledge level and the benefits of adopting IFRS are true representatives of adoption of IFRS. If the Japanese had knowledge of IFRS and were aware of the benefits of adopting IFRS, then their decisions would have been aimed at adopting IFRS. Further, Bananuka, Tumwebaze, Musimenta and Nuwagaba (2019) found that managerial attitude is significantly associated with adoption of IFRS.

Other available literature in the field of accounting link managerial attitude to sustainability reporting (Bhattacharyya, 2014), Internet financial reporting (Bananuka *et al.*, 2018; Singh *et al.*, 2010) and integrated reporting (de Villiers *et al.*, 2017). Bananuka *et al.* (2018) found that managerial attitude is a significant determinant of internet financial reporting adoption. In his comparative study, Bhattacharyya (2014) found that managers' decisions about sustainability reporting were positive implying that, managers passed decisions that support sustainability reporting. Further, Singh *et al.* (2010) found that managerial attitude is positively associated with localizing local content on a company's website and this was a result of managerial attitudes being biased toward localizing content on an entity's website. In a study by de Villiers *et al.* (2017), managerial attitude was proposed as an internal factor in the adoption of integrated reporting. Given that managers are key decision makers and implementers of the various key decisions, it can be argued that even when the board AC passes a decision, it may not rightly be implemented and at times, managers may not succumb to pressures. The fact that there is minimal literature on the association between managerial attitude and adoption of IFRS, we try to expand literature by establishing whether managerial attitude can lead to the adoption of IFRS by hypothesizing that:

*H2.* Managerial attitude is positively and significantly related to the adoption of IFRS.

### *Isomorphic forces*

"Isomorphism is the notion that corporations in similar positions in a field encounter similar circumstances, and so they often construct similar responses to each other on

these fronts” (Amoako *et al.*, 2017 p. 190). Studies linking isomorphic forces to adoption of IFRS are evident (see Aboagye-Otchere and Agbeibor, 2012; Nurunnabi, 2017; Louw and Maroun 2017). Aboagye-Otchere and Agbeibor (2012) note that significant isomorphic pressures such as legal requirements are brought to bear on them to adopt the IFRS for SMEs. Nurunnabi (2017) suggests that isomorphism especially coercive isomorphism should be more proactive to ensure a successful implementation of IFRS. Further, Louw and Maroun (2017) argue that isomorphic pressures are an important means for demonstrating how corporate reporting requirements can be enforced and are, therefore, more than just symbolic. Nyahas *et al.* (2017) found that isomorphic forces are positively associated with voluntary disclosures of listed firms in Nigeria. Samaha and Khlif (2016) note that the decision to adopt IFRS in developing countries can be justified by isomorphism. Kribat *et al.* (2013) note that pressures from other organizations and pressure from regulators impact positively on voluntary disclosure.

Isomorphic forces/pressures have also been linked to adoption of other innovations in accounting such as internet financial reporting adoption (Bananuka, Night, Ngoma and Muganga, 2019; Bananuka *et al.*, 2018), integrated reporting (Bananuka, Tumwebaze and Orobia, 2019; de Villiers *et al.*, 2017) and sustainability reporting (Amoako *et al.*, 2017). Bananuka, Night, Ngoma and Muganga (2019) found that isomorphic pressures are significant predictors of internet financial reporting adoption. Further, Bananuka, Tumwebaze and Orobia (2019) found that stakeholder demands/pressures are important for the adoption of integrated reporting in Uganda. Further, de Villiers *et al.* (2017) proposed that institutional pressures are some of the external factors for the adoption of integrated reporting. Relatedly, Amoako *et al.* (2017) found that legislation and societal pressures are responsible for sustainability reporting practices among the five plants of Newmont Mining Corporation which has its regional headquarters in the five continents (Africa, Asia, Australia, North America and South America). Further, Bananuka *et al.* (2018) found that pressures such as stakeholder pressures, regulatory pressures, clientele pressures and employee pressures have an effect on the adoption of internet financial reporting in Uganda. The fact that isomorphic forces have been at the center of adoption of new accounting practices, it is highly probable that they can play the same role when it comes to adoption of IFRS. It can therefore be hypothesized that:

*H3.* There is a significant positive relationship between isomorphic forces and adoption of IFRS.

In addition, we reason that isomorphic forces may not effectively influence the adoption of IFRS unless there is an internal mechanism within the organization to mediate such a relationship (the relationship between isomorphic forces and adoption of IFRS). As earlier noted, Louw and Maroun (2017) argue that isomorphic pressures are an important means for demonstrating how corporate reporting requirements can be enforced and are, therefore, more than just symbolic. According to Ahmed and Uddin (2018), ACs in Bangladesh family business groups are formed because it is a regulatory compliance matter but thereafter, these ACs are made dysfunctional. This implies that if they are made functional, then they will be in position to perform their roles effectively. In the context of this study, if there are pressures to have an AC which is effective, there will be an effective AC and if these pressures are aimed toward adoption of IFRS, then ACs will work toward ensuring that their entity (ies) adopt IFRS. We therefore consider that an effective AC would help to mediate the relationship between isomorphic forces and adoption of IFRS. We hypothesize that:

*H3a.* AC effectiveness mediates the relationship between isomorphic forces and adoption of IFRS.

**4. Methodology**

*Design, population and sample*

This study’s research design is cross-sectional and correlational. The study population is 85 AMFIU member MFIs. According to AMFIU directory (2017/2018), there are 85 MFIs that are members of AMFIU. Given the small population, all MFIs were studied. Of the 85 AMFIU member MFIs, usable questionnaires were received from 67 MFIs representing a response rate of 79 percent. The high response rate was due to the adequate time provided to the respondents to fill the questionnaires. We enlisted responses from either the Chief Finance Officer (CFO) or General Manager (or Chief Executive Officer) of the MFI. We chose the CFO or manager on condition that he or she was knowledgeable in IFRS and operations of the ACs. We first asked the manager of an MFI on whether he or she has knowledge on IFRS and only those managers with knowledge on IFRS were given a questionnaire. Of the 67 usable questionnaires received from respondents, 43 questionnaires were received from male respondents while 24 were received from female respondents. Majority of the respondents were aged below 30 years (37 respondents) implying that MFIs are largely managed by the youth. 64 respondents had a work experience of 10 years and below and majority of these had Certified Public Accountants (CPA) qualifications. In total, 50 respondents had a bachelor’s degree and only one respondent had a PhD degree. Details of the respondents profile are provided in Table I.

*The questionnaire and variables measurement*

We utilize a six-point Likert scale questionnaire ranging from completely disagree to completely agree with close-ended questions. Questionnaires may contain close-ended questions or open answer questions. The open answer system allows and encourages the respondents to give their opinion fully and with as much nuance as they are capable (Sudman and Bradburn, 1982). However, the open answer system was considered inadequate for our study since we had intentions of calculating the mean ratings of the extent of agreement with each statement (measurement items). We used a questionnaire because, the data supplied in it never pass through any ones hand other than the data gatherers and for that case, there is confidentiality of the information. As we constructed the questionnaire, a careful review of literature on AC effectiveness, isomorphic forces, managerial attitude and adoption of IFRS was done.

Category	Scale	n = 67 (100%)
Gender	Male	43 (64%)
	Female	24 (36%)
Age of the respondent	Less than 30 years	37 (55%)
	30 to 39 years	30 (45%)
	40 years and above	0 (0%)
Experience	Less than 5 years	32 (48%)
	5–10 years	32 (48%)
	10–15 years	3 (4%)
Professional qualification	CPA	41 (61%)
	ACCA	6 (9%)
	Others	20 (30%)
Education	Diploma	14 (20%)
	Bachelor’s degree	50 (74%)
	Master’s degree	1 (2%)
	PhD	1 (2%)
	Others	1 (2%)

**Table I.**  
Demographic profile  
of the respondents

**Source:** Primary data

The dependent variable for this study is adoption of IFRS which we operationalize in terms of knowledge level of IFRS and perceived benefits of preparing financial statements that are IFRS compliant (Phan *et al.*, 2018, 2014; Appiah *et al.*, 2016). We sought the perceptions of chief finance officers and managers of various MFIs on the knowledge level of IFRS and what they perceive as benefits of preparing financial statements that are IFRS compliant by requiring the respondents to indicate their degree of agreement on a six-point Likert scale on statements such as “Financial statements of MFIs that are prepared in accordance with IFRS requirements are reliable,” “Financial statements of MFIs that are prepared in accordance with IFRS are comparable,” “IFRS complied financial statements increases investor’s confidence,” “I am aware of the requirements of various IFRS” among others. We reason that for IFRS to be adopted, *ceteris paribus*, the adopters have to first understand the IFRS and appreciate the benefits of adopting IFRS. Rogers (1962) defined adoption process as the mental process an individual passes from first hearing about an innovation to final adoption. Feder *et al.* (1985) defined final adoption in the context of agricultural innovations adoption at the level of an individual farmer as the degree of use of a new technology in long-run equilibrium when the farmer has full information about the new technology and its potential. For purposes of this study, we define adoption as a process through which an individual or firm chooses to take up an innovation through having full knowledge of what is being adopted and by being aware of the benefits of taking on such an innovation. From this definition of adoption, it then follows that adoption of a given innovation is being knowledgeable of a given innovation that enables the adopter to continue using such an innovation and being aware of the benefits of such an innovation. In the accounting profession, if the accountant is knowledgeable in IFRS and aware of the benefits of IFRS, then adoption of IFRS will have taken place because every accountant is expected to prepare financial statements that are IFRS compliant.

AC effectiveness was operationalized in terms of AC independence, financial expertise, AC meetings, authority and AC size and this was adopted from the works of Bin-Ghanem and Ariff (2016), Haji and Anifowose (2016), Kelton and Yang (2008) and Bédard *et al.* (2004). Isomorphic forces was operationalized in terms of coercive, mimetic and normative forces and this is in line with Nyahas *et al.* (2017) and DiMaggio and Powell (1983). Managerial attitude was operationalized in terms of cognitive legitimacy and moral propriety and these measures were adopted from the works of Suchman (1995). We also control for variables such as ownership and capital structure. This is because, according to the works of Bartov *et al.* (2000), failure to control for confounding variables could lead to falsely rejecting the hypothesis when in fact it should be accepted. According to Tusiime *et al.* (2011), ownership structure is positively associated with performance of firms. Further, Nkundabanyanga *et al.* (2018) found that ownership is positively associated with competitive advantage of a firm. For capital structure, increased debts in a firm increases monitoring costs (Bekiaris *et al.*, 2014; Jensen and Meckling, 1976) since shareholders want to be aware on how debt finances have been utilized or invested (see Table II for variable measurement).

#### *Reliability, validity and parametric tests*

We tested for reliability of the questionnaire using Cronbach’s  $\alpha$  coefficient and the Cronbach’s  $\alpha$  values for AC effectiveness, isomorphic forces, managerial attitude and adoption of IFRS are 0.877, 0.885, 0.881 and 0.941, respectively. Cronbach (1951) requires a Cronbach’s  $\alpha$  coefficient of at least 0.7 and above and for this study the Cronbach’s  $\alpha$  coefficients are all above 0.7 and thus the instrument was reliable. To establish convergent validity, the principal components for each variable were extracted by running principal component analysis using varimax rotation method and factor loadings below 0.5 coefficients were suppressed to avoid extracting factors with weak loadings. Before performing the principal component analysis for scales, we assessed the suitability of the

**Table II.**  
Measurement  
of variables

Variable	Acronym	Variable description
<i>Dependent variable</i>		
Adoption of IFRS	IFRS	Measured by average rating on a six-point Likert scale of questions on knowledge level and perceived benefit
<i>Predictor variable</i>		
Audit committee effectiveness	ACE	Measured by average score of questions on a 6 point Likert scale on audit committee independence, financial expertise, audit committee meetings, authority, audit committee size
Isomorphic forces	IF	Measured by average score of questions on a six-point Likert scale on coercive forces, mimetic forces and normative forces
Managerial attitude	MAT	Measured by average score of questions on a six-point Likert scale on moral propriety and cognitive legitimacy
Ownership	OWNP	A dummy variable coded as 0 if the firm is owned by indigenous Ugandans, 1 if the firm is owned by foreign investors, 2 if the firm is owned by both indigenous Ugandans and foreign investors while 3 is others
Capital structure	CAP	A dummy variable coded as 0 if the firm employs only equity funding, 1 if the firm employs equity and loans financing, 2 if the firm employs donations financing while 3 if the firm employs debt financing
	$\beta_0$	Constant
	$\epsilon_j$	Error term

data for factor analysis based on sample size adequacy, the Kaiser–Meyer–Olkin (KMO) and Bartlett tests. The results show that the KMO for the study variables were 0.754 for AC effectiveness, 0.739 for isomorphic forces and 0.756 for managerial attitude. Bartlett’s test of sphericity in all scales reached statistical significance ( $p < 0.05$ ) (significant value was 0.00 for each scale). The main reason for conducting a factor analysis was to reduce the data to a manageable size (Field, 2009). Previous studies (see Phan *et al.*, 2018; Bananuka *et al.*, 2018; Kabuye *et al.*, 2017; Nalukenge *et al.*, 2017) have employed factor analysis to extract principal components for various variables with an intention to ensure that only those factors/questionnaire items that are relevant for the study are retained. In this study, we follow such practices of previous scholars in the field of accounting to extract principal components for our independent variables and we present our principal component matrices (factor analysis results) in Tables III–V.

We further test for normality of the data by obtaining skewness and kurtosis values. Field (2009) explains that, normal data will have values of skewness and kurtosis ranging from 3.29 to  $-3.29$ . Table VI results indicate that our data set is normally distributed with values ranging from 3.29 to  $-3.29$ . Multicollinearity which is a situation in which two or more variables are very closely linearly related was tested using tolerance statistics and Variance inflation factor (VIF). Field (2009) recommended that tolerance values below 0.1 indicate a serious multicollinearity problem and tolerance values below 0.2 indicate a potential problem. Myers (1990) suggests that a value of 10 is a good value at which to worry. For this study, the VIF values are all below 10 and the tolerance statistics are above 0.2 (see Table VIII). Therefore, there were no multicollinearity problems in our data.

### *Model*

The study utilizes a hierarchical regression model in investigating the contribution of AC effectiveness, isomorphic forces and managerial attitude to adoption of IFRS while controlling for ownership structure and capital structure. Hierarchical regression analysis is ideal for studies that aim to establish the contribution of any independent variables to the variances in the dependent variable (Field, 2009; Sekaran, 2003). If the intention of the study is to find out among the list of predictors which one is the most important in explaining the variance and

Item	Component				
	1	2	3	4	5
Majority of the audit committee members were once auditors	0.843				
Majority of the audit committee members have accounting professional qualifications	0.806				
Majority of the audit committee members have an accounting background	0.691				
Majority of the audit committee members previously worked in accounting or finance departments	0.655				
Our audit committee is directly responsible for appointing the external auditors	0.604				
Majority of the audit committee members have previously been members of the audit committees in other organizations which prepare financial statements that are IFRS compliant	0.594				
There is a combined assurance provision in place in respect to the use of IFRS in preparing financial statements	0.552				
Our audit committee size is satisfactory enough to execute its functions		0.763			
Our audit committee has more members than those in other microfinance institutions		0.726			
Our audit committee comprise of at least 3 members		0.712			
Our audit committee has reliable members as compared to other financial institutions		0.592			
The composition of our audit committee is satisfactory enough to execute its functions		0.577			
Our audit committee size is in line with audit committees of other MFIs		0.542			
We have a recommendable audit size		0.522			
Audit committee meetings are organized in the appropriate time			0.846		
At least 75% and above of the audit committee members attend audit committee meetings			0.833		
The audit committee held more meetings than the required minimum (quarterly)			0.782		
Our audit committee has a clear responsibility in the financial reporting processes				0.782	
Our audit committee supervises internal audit systems that promote quality reporting				0.637	
Our audit committee demand that financial information is captured in the books of accounts as per the IFRS requirement				0.611	
Our audit committee is not under strict guidelines from any authority					0.768
Our audit committee is comprised of majorly external members					0.714
Eigenvalues	7.03	2.56	1.78	1.49	1.39
Percentage of variance	18.94	16.60	12.30	9.73	7.22
Cumulative percentage	18.94	35.54	47.84	57.57	64.78

**Notes:** KMO = 0.754; Bartlett's test of sphericity: approx.  $\chi^2 = 773.06$ , df = 231, Sig = 0.000. 1 = financial expertise; 2 = audit committee size; 3 = audit committee meetings; 4 = authority; 5 = audit committee independence; Extraction method: principal component analysis. Rotation method: varimax with Kaiser normalization

**Source:** Primary data

**Table III.**  
Rotated component  
matrix for audit  
committee  
effectiveness

then which follows next, and so on, a stepwise multiple regression analysis can be used (Sekaran, 2003). However, if the intention is to know which variable would significantly add to the variance explained in the dependent variable over and above that explained by other independent variable(s), a hierarchical regression analysis can be used (Sekaran, 2003). Field (2009) explains that in stepwise regressions, decisions about the order in which predictors are

Item	Component		
	1	2	3
Our practice of financial reporting is shaped by peers in the industry	0.874		
We prepare our financial statements because other players in the same industry are doing so	0.856		
We copy industrial peers in coping up with environmental uncertainties in our organizational practices	0.794		
We follow industry leaders when dealing with new developments	0.712		
Our regulator is not strict on the use of IFRS while preparing financial statements	0.700		
We benchmark our competitors when coping up with uncertainties	0.686		
We adopted IFRS because other players in the same industry adopted them	0.589		
We prepare financial statements that are IFRS compliant because our mother companies are doing so	0.583		
Our financial statements are reviewed by our umbrella associations to be sure that financial information has been recorded following the requirements of IFRS		0.751	
We adhere to guidelines provided by our regulator and clients		0.724	
We comply with IFRS because our clients require us to do so		0.716	
Our license to operate may be invoked by the clients and or regulator if we do not disclose enough as per the requirements of IFRS		0.679	
We adhere to guidelines provided by our umbrella association (AMFIU)		0.674	
We adhere to guidelines provided by our influential lenders like Microfinance Support Centre Limited		0.640	
Provision of quality financial information to the public by this firm is mandatory		0.615	
We prepare our financial statements that comply with IFRS because we may be penalized for non-compliance		0.609	
Our umbrella association (AMFIU) requires us to prepare financial statements that are IFRS compliant		0.518	
Our industrial association emphasizes adherence to professionalism			0.895
Our staff believe in independence of decision making			0.834
Our organization considers professional qualifications in their recruitment policy			0.799
Our staff are encouraged to adhere to professional code of ethics of their respective professions			0.765
Employees in this organization believe in public interest			0.743
Eigenvalues	6.83	3.81	2.22
Percentage of variance	20.37	19.52	18.56
Cumulative percentage	20.37	39.89	58.45

**Table IV.**  
Rotated component matrix for isomorphic forces

**Notes:** KMO = 0.739; Bartlett's test of sphericity: approx.  $\chi^2 = 1085.59$ ,  $df = 231$ ,  $Sig = 0.000$ . 1 = mimetic forces; 2 = coercive forces 3 = normative forces. Extraction method: principal component analysis. Rotation method: varimax with Kaiser normalization;  
**Source:** Primary data

entered into the model are based on a purely mathematical criterion and the computer is used to select the predictor variable with the highest simple correlation with the outcome variable. Field (2009) further explains that using a hierarchical regression model, known predictors from previous work are entered first but the researcher decides in which order to enter the predictors into the model. Therefore, for this study, a hierarchical regression model is more suitable than stepwise regression and simple ordinary least squares (OLS) regression. Ordinary least squares (OLS) regression is a generalized linear modeling technique that may be used to model a single response variable which has been recorded on at least an interval scale but can also be applied to single or multiple explanatory variables and also categorical explanatory variables that have been appropriately coded. Simple or multiple OLS regression may thus not be in position to establish the incremental contribution of each independent variable to the variances in the dependent variable. Specifically, the models below were tested.

Item	Component	
	1	2
Our management is responsive to industry pressures	0.806	
Our management respects our clients demand	0.802	
Our management supports efforts by society to transform this institution through means of ensuring quality financial reporting	0.798	
Our management supports the changes proposed by the community in respect to the quality of financial statements	0.780	
Our management consults other institutions to improve its operations	0.777	
Our management respects decisions made by our board that are directed to satisfy society demands	0.723	
This entity's decisions are aimed at improving society's welfare	0.671	
Our management responds to societal demands in time especially when it comes to adoption of IFRS	0.639	
Our management is committed to serving in the best interests of society in terms of financial reporting	0.535	
Our financial reporting practices are so far the best in the industry		0.901
We are comfortable with what we are as of now in terms of financial reporting practices		0.850
We believe that no Microfinance institution has better financial reports than ours		0.814
It is a matter of time, everything will be well		0.786
We are not under pressure to adopt to new trends in financial reporting		0.776
This institution's activities are the best in the industry		0.527
Eigenvalues	6.12	3.69
Percentage of variance	30.85	30.47
Cumulative percentage	30.85	61.31

**Notes:** KMO = 0.756; Bartlett's test of sphericity: approx.  $\chi^2 = 812.05$ ,  $df = 120$ , Sig = 0.000. 1 = moral propriety; 2 = cognitive legitimacy. Extraction method: principal component analysis; Rotation method: varimax with Kaiser normalization

**Source:** Primary data

**Table V.**  
Rotated component  
matrix for  
managerial attitude

Variable	n Statistic	Min. Statistic	Max. Statistic	Mean Statistic	SD Statistic	Skewness		Kurtosis	
						Statistic	SE	Statistic	SE
Adoption of IFRS	67	3.05	6.00	4.62	0.77	-0.23	0.29	-0.95	0.58
Knowledge level	67	2.24	6.00	4.34	0.87	-0.41	0.29	-0.55	0.58
Perceived benefit	67	2.89	6.00	4.89	0.90	-0.54	0.29	-0.83	0.58
Audit committee effectiveness	67	2.73	5.82	4.20	0.77	0.22	0.29	-0.43	0.58
Audit committee independence	67	1.00	6.00	3.49	1.14	0.23	0.29	-0.54	0.58
Financial expertise	67	1.40	6.00	3.90	1.16	-0.04	0.29	-0.62	0.58
Audit committee meetings	67	1.75	6.00	4.43	1.03	-0.66	0.29	0.45	0.58
Authority	67	2.50	6.00	4.54	1.01	-0.23	0.29	-0.85	0.58
Audit committee size	67	2.00	6.00	4.38	0.97	-0.27	0.29	-0.36	0.58
Isomorphic forces	67	2.64	6.00	4.36	0.78	-0.17	0.29	-0.04	0.58
Coercive forces	67	2.30	6.00	4.46	0.92	-0.37	0.29	-0.67	0.58
Mimetic forces	67	1.00	6.00	3.97	1.12	-0.15	0.29	-0.59	0.58
Normative forces	67	1.00	6.00	4.73	1.08	-0.91	0.29	0.80	0.58
Managerial attitude	67	1.80	5.98	4.43	0.82	-0.53	0.29	0.75	0.58
Moral propriety	67	1.56	6.00	4.69	0.91	-0.81	0.29	1.03	0.58
Cognitive legitimacy	67	1.64	6.00	4.17	1.15	-0.35	0.29	-0.51	0.58
Ownership	67	0.00	3.00	0.37	0.71	2.14	0.29	4.46	0.58
Capital structure	67	0.00	4.00	0.76	0.78	2.03	0.29	7.29	0.58

**Source:** Primary data

**Table VI.**  
Descriptive Statistics

Model 1:

$$IFRS = \beta_0 + \beta_1 CAP + \beta_2 OWNP + \epsilon_j.$$

Model 2:

$$IFRS = \beta_0 + \beta_1 CAP + \beta_2 OWNP + \beta_3 MAT + \epsilon_j.$$

Model 3:

$$IFRS = \beta_0 + \beta_1 CAP + \beta_2 OWNP + \beta_3 MAT + \beta_4 IF + \epsilon_j.$$

Model 4:

$$IFRS = \beta_0 + \beta_1 CAP + \beta_2 OWNP + \beta_3 MAT + \beta_4 IF + \beta_5 ACE + \epsilon_j,$$

where *IFRS* is Adoption of IFRS; *CAP* is Capital structure; *OWNP* is Ownership; *MAT* is Managerial Attitude; *IF* is Isomorphic Forces; *ACE* is AC Effectiveness;  $\beta_0$  is a constant;  $\epsilon_j$  is the error term.

## 5. Results

### *Descriptive statistics*

We present descriptive statistics in Table VI for AC effectiveness, managerial attitude, isomorphic forces and adoption of IFRS in MFIs. We report the means and standard deviations since the calculated means represent the data while standard deviations show how well the means represent the data (Field, 2009). For this study, the means and standard deviations for AC effectiveness, managerial attitude, isomorphic forces and adoption of IFRS is 4.20 and 0.77, 4.43 and 0.82, 4.36 and 0.78, and 4.62 and 0.77, respectively. Given that the standard deviations as compared to the mean values of the study variables are small, it implies that the means highly represent the data.

### *Correlation analysis*

In this study, we use the Pearson correlation coefficient to establish whether or not there are relationships between the study variables as hypothesized from literature review. From Table VII results, AC effectiveness is positively and significantly related to adoption of IFRS ( $r = 0.655, p < 0.01$ ) and this implies that a positive change in AC effectiveness brings about a positive change in the adoption of IFRS. Results further indicate a positive significant relationship between isomorphic forces and adoption of IFRS ( $r = 0.570, p < 0.01$ ) and this means that a positive change in isomorphic forces leads to a positive change in the adoption of IFRS. Finally, managerial attitude is positively and significantly associated with adoption of IFRS ( $r = 0.451, p < 0.01$ ) implying that a unit positive change in managerial attitude will lead to 0.451 change in adoption of IFRS. Also to note is that both AC effectiveness and isomorphic forces are positively and significantly associated with managerial attitude. This means that an effective AC will change the attitude of management toward adoption of IFRS as well the isomorphic forces influence the attitude of management toward adoption of IFRS. In terms of AC dimensions, AC size, authority and financial expertise are positively and significantly associated with adoption of IFRS while AC independence and meetings are not significantly related to adoption of IFRS. For isomorphic forces, coercive and normative forces are significantly associated with adoption of IFRS while mimetic forces is not. Moral propriety and cognitive legitimacy as dimensions of managerial attitude are positively and significantly associated with adoption of IFRS. In terms of control variables, ownership and capital structure are not significantly associated with adoption of IFRS.

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Adoption of IFRS (1)	1																	
Knowledge level (2)	0.864**	1																
Perceived benefit (3)	0.872***	0.508**	1															
Audit committee effectiveness (4)	0.655**	0.575**	0.562**	1														
Audit committee independence (5)	0.203	0.182	0.171	0.548**	1													
Financial expertise (6)	0.573**	0.517**	0.479**	0.828**	0.359**	1												
Audit committee meetings (7)	0.198	0.148	0.196	0.494**	0.188	0.230	1											
Authority (8)	0.647**	0.582**	0.542**	0.863**	0.327**	0.657**	0.224	1										
Audit committee size (9)	0.598**	0.508**	0.530**	0.766**	0.260*	0.528**	0.231	0.688**	1									
Isomorphic forces (10)	0.570**	0.541**	0.449**	0.625**	0.313**	0.560**	0.180	0.548**	0.561**	1								
Coercive forces (11)	0.611**	0.560**	0.501**	0.645**	0.213	0.564**	0.248*	0.601**	0.578**	0.836**	1							
Mimetic forces (12)	0.194	0.234	0.106	0.366**	0.297*	0.328**	0.044	0.267*	0.380**	0.721**	0.327**	1						
Normative forces (13)	0.478**	0.417**	0.413**	0.343**	0.195	0.333**	0.083	0.321**	0.237	0.690**	0.464**	0.270*	1					
Managerial attitude (14)	0.451**	0.383**	0.400**	0.511**	0.166	0.485**	0.257*	0.354**	0.531**	0.516**	0.551**	0.294*	0.266*	1				
Moral propriety (15)	0.323**	0.123	0.433**	0.303*	0.047	0.247*	0.261*	0.222	0.285*	0.327**	0.422**	0.002	0.311*	0.733**	1			
Cognitive legitimacy (16)	0.384**	0.447**	0.224	0.486**	0.198	0.493**	0.158	0.326**	0.529**	0.475**	0.447**	0.417**	0.131	0.840**	0.246*	1		
Capital structure (17)	0.004	0.179	-0.167	0.240	0.184	0.115	0.101	0.288*	0.151	0.268*	0.282*	0.202	0.072	-0.160	-0.216	-0.056	1	
Ownership (18)	0.175	0.267*	0.040	0.167	0.021	0.113	0.047	0.228	0.133	0.118	0.153	0.003	0.108	-0.035	-0.053	-0.008	0.407**	1

Note: \*\*Correlations are significant at the 0.05 and 0.01 levels, respectively (two-tailed)

Source: Primary data

Table VII.  
Zero-order correlations

*Testing for mediation*

Mediation is believed to occur if the predictor variable accounts for a certain variance in the mediator variable which should also account for the variance in the criterion variable. This means that the mediator variable carries the effect of the predictor variable onto the criterion variable (Baron and Kenny, 1986). According to Baron and Kenny (1986) and Kenny *et al.* (1998), mediation occurs if the following conditions are met:

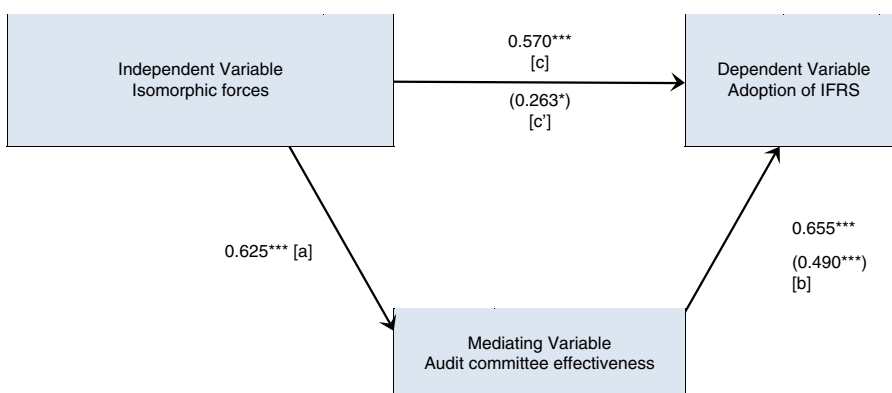
- variations in the independent variable significantly account for variance in the presumed mediator;
- variations in the mediator significantly account for variance in the dependent variable;
- variations in the independent variable significantly account for variance in the dependent variable; and
- the effect of the independent variable on the dependent variable significantly reduces when the mediator is included in the third equation.

All the above-mentioned conditions were met because the relationships between isomorphic forces and AC effectiveness; AC effectiveness and adoption of IFRS; and isomorphic forces and adoption of IFRS were all significantly supported. When AC effectiveness is introduced in the relationship between isomorphic forces and adoption of IFRS, the association between the predictor variable and the outcome variable is reduced from 0.570 to 0.263. To test for the significance of the mediation, the Sobel test was conducted using Jose's Medigraph. We found that AC effectiveness mediate the link between isomorphic forces and IFRS adoption ( $Z = 3.526$ ) and thus *H3a* which states that AC effectiveness mediates the relationship between isomorphic forces and adoption of IFRS is supported. Further, given that the association between the independent variable (isomorphic forces) and the dependent variable (Adoption of IFRS) reduced from 0.570 to 0.263 but remained significant, we conclude that there is a partial type of mediation. The model indicates that 53.6 percent (0.306/0.57) of the effect of isomorphic forces to adoption of IFRS is through AC effectiveness while 46.4 percent is the direct effect. There are arguments that if the indirect effect is above 0.5, then it is full mediation. However, the mediation remains partial if the correlation between the predictor variable and outcome variable reduces but remains significant (Figure 1).

*Regression analysis*

After obtaining preliminary results from the bivariate correlations between the independent and the dependent variable, we run a hierarchical regression analysis to further substantiate our hypotheses. Given that we aim to establish the contribution of the independent variables to the dependent variable, a hierarchical regression analysis was suitable. In the accounting literature, studies that have used hierarchical regression analysis to establish the contribution of the independent variables to the dependent variable are evident (see Bananuka *et al.*, 2018; Musimenta *et al.*, 2017; Kabuye *et al.*, 2017). The hierarchical regression analysis is powerful in testing which independent variable contributes more to the variances in the dependent variable and also indicates the incremental power of an additional independent variable to the already existing variable(s) in explaining the dependent variable (Sekaran, 2003; Field, 2009). Field (2009, p. 212) argues that in hierarchical regression, predictors are selected based on past work and the experimenter decides in which order to enter the predictors into the model. Model I in Table VIII is the starting model with only control variables and the results indicate that control variables do not explain any significant variance in the adoption of IFRS. This means that the models are not sensitive to confounding factors and thus the models are highly credible.

Type of mediation	Significant	
Sobel z-value	3.526657	$p=0.000421$
95% Symmetrical Confidence interval		
Lower	0.13425	
Higher	0.47016	
Unstandardized indirect effect		
a×b	0.3022	
SE	0.08569	
Effective size measures		
Standardised Coefficients		
Total:	0.57	
Direct:	0.263	
Indirect:	0.306	
Indirect to Total ratio	0.537	



**Figure 1.** Mediation effect of Audit committee effectiveness on the link between isomorphic forces and adoption of IFRS

Item	Model 1	Model 2	Model 3	Model 4	Tolerance	VIF
Constant	4.593	2.636	1.790	1.326	n/a	n/a
Managerial attitude		0.458**	0.164	0.000	0.564	1.774
Isomorphic forces			0.512**	0.311**	0.511	1.955
Audit committee effectiveness				0.497**	0.530	1.886
<i>Control variables</i>						
Capital structure	-0.080	0.000	-0.186	-0.264		
Ownership	0.208	0.192	0.196	0.163		
Model <i>F</i>	1.199	6.628**	10.292**	13.754**		
$R^2$	0.036	0.240	0.399	0.530		
Adjusted $R^2$	0.006	0.204	0.360	0.491		
<i>F</i> change	1.199	16.890**	16.417**	16.986**		
$R^2$ change	0.036	0.204	0.159	0.131		
Durbin Watson				2.422		

**Table VIII.** Hierarchical regression analysis

Source: Primary data

We wish to alert the readers of these hierarchical regression results that the standardized  $\beta$  values were used. The standardized  $\beta$  values were used in this study and not the unstandardized  $\beta$  because, the later takes on real values with no common measurement and yet this study had control variables which were measured differently from the study variables. Field (2009) explains standardization as a process of converting a variable into a standard unit of measurement and the unit of measurement typically used is standard deviation units. Therefore, standardization allows the researcher to compare data when different units of measurement have been used. Model 2 suggests that managerial attitude is a significant predictor of adoption of IFRS at  $p = 0.001$  or better but is not significant in Models 3 and 4 when isomorphic forces and ACs are introduced, respectively. In model 3, isomorphic forces are a significant predictor while in Model 4 which is our final model, isomorphic forces and AC effectiveness are significant predictors of IFRS while managerial attitude is not. Overall, the independent variables explain 49.1 percent of the variance in the adoption of IFRS. In our final model, AC effectiveness is a stronger predictor of adoption of IFRS as compared to isomorphic forces. This is evidenced by a higher standardized  $\beta$  of 0.497 for AC effectiveness as compared to a standardized  $\beta$  of 0.311 for isomorphic forces. Therefore, *H1* and *H3* are supported while *H2* is not supported.

## 6. Discussion

According to the present study results, the contribution of AC effectiveness, isomorphic forces and managerial attitude to adoption of IFRS is now known. Correlation analysis results provide preliminary evidence of associations between the independent and dependent variables. From the regression analysis, the contribution of AC effectiveness, isomorphic forces and managerial attitude to adoption of IFRS is such that: Both managerial attitude, isomorphic forces and AC effectiveness are significant predictors of adoption of IFRS by MFIs in Uganda. However, managerial attitude ceases to be a significant predictor of adoption of IFRS once isomorphic forces and AC effectiveness are at play. This means that, the explanatory power of managerial attitude is subsumed in isomorphic forces and AC effectiveness. The contribution of AC effectiveness to the adoption of IFRS can best be observed through having a board AC with financial expertise, an AC with authority and a large board size. The finding that AC size is significantly associated with IFRS adoption contradicts findings by Juhmani (2017), who found that AC size is not significantly associated with the level of IFRS disclosure in Bahrain. For financial expertise, our study findings are in line with those of Mohd *et al.* (2007), who found that firms with more knowledgeable AC members recorded fewer earnings management practices. For AC authority, our study findings are consistent with those of Haji and Anifowose (2016), who found that AC authority is significantly associated with integrated reporting practices in South Africa.

AC meetings and independence are not significantly associated with IFRS adoption and this may be that what is discussed in those meetings may not be significant. According to Uddin *et al.* (2017), there are ceremonial board meetings in Sri-Lanka where whatever is discussed is aimed at impressing the chairman of the board. Also, in another study by Ahmed and Uddin (2018), it was clear that ACs are put in place because it is a regulatory compliance matter but in terms of performing their duties, their responsibilities are made vague and AC members only aim at approving financial reports without making any single recommendation on such reports. So, considering the current study, it is possible that AC meetings are just ceremonial or only review financial reports without making any recommendations such as preparing financial statements that are IFRS compliant. Also to note, the members of the board may be working toward impressing the chairman of the board and merely approving the financial reports. In Uganda, it is

common practice that ACs are employees of other entities or have their own businesses and as such, they may not pay attention to details of the matters being discussed because, they are in hurry to go and attend to their jobs or businesses. There is no law in Uganda on how long a meeting should last. It is thus possible that ACs of some institutions do not take longer in their meetings to properly internalise and discuss fully the matters presented to them. In terms of adoption of IFRS, ACs may not in a single short meeting lasting say an hour examine whether IFRS have been considered in preparing financial statements and in that case, the preparers of those financial statements may only make a disclosure that financial statements have been prepared in accordance with IFRS when in fact, its not the case. Therefore, meetings should not be ceremonial. In terms of AC independence, it is not significant because members of the AC could have obtained loans from the same MFIs at more favorable terms or obtained other favors from management of such MFIs which impairs their independence.

The contribution of isomorphic forces to the adoption of IFRS is better observed through coercive and normative influences. The contribution of managerial attitude to the adoption of IFRS is observed through moral propriety and cognitive legitimacy. Also, results suggest that AC effectiveness partially mediates the relationship between isomorphic forces and adoption of IFRS. Isomorphic pressures alone may not influence the adoption of IFRS effectively unless there is an internal mechanism to aid them. In real sense, these pressures shape the AC in terms of its being in place and subsequently in the performance of its duties.

These results suggest that adoption of IFRS is more associated with AC effectiveness than isomorphic forces though AC independence and meetings as dimensions of AC effectiveness are not significantly associated with adoption of IFRS. If ACs are critical in the adoption of IFRS, then it is important that every MFI has an AC with financial expertise, authority and of a size required to perform its duties. AC authority can better be understood in terms of having an AC with clear responsibility in the financial reporting process, demanding that financial information is captured in the books of accounts as per IFRS requirements, supervising internal audit systems that promote quality financial reporting, being directly responsible for appointing external auditors among others. According to Bananuka *et al.* (2018), an effective AC reviews corporate accounting information and liaises with external auditors to be able to achieve accountability of statutory corporations. AC members are also expected to have an accounting background and must have worked previously in accounting or finance departments. It is also important to have ACs whose members have professional accounting qualifications and if possible, have been members of ACs elsewhere. The AC should at least be comprised of not less than two members and the AC size should be satisfactory enough to execute its functions.

These study results are consistent with the agency theory which posits that auditors are in position to minimize conflicts that arise between the principal (shareholder) and the agent (manager) through reviewing corporate accounting information. Further, the study results are consistent with the findings of Bryce *et al.* (2015), who found that ACs are critical in ensuring accounting quality through IFRS adoption. The study results are further consistent with the findings of Bananuka *et al.* (2018), who found that AC effectiveness is significantly associated with accountability. These findings are further consistent with the findings of Mohd *et al.* (2007), who found that firms which had more knowledgeable AC members recorded fewer earnings management practices.

Whereas AC effectiveness is a stronger predictor of adoption of IFRS, isomorphic forces should not be taken for granted. Isomorphic forces are also critical in the prediction of adoption of IFRS. Whereas, MFIs in Uganda have a new regulator still in infancy, ministry of Trade has acted as a regulator for long and in every district, there exists a District Commercial Officer who supervises MFIs within that district. If the commercial officer

issued guidelines that enforce financial reporting as per IFRS requirements, then MFIs would adhere to such guidelines. Financial statements need to be reviewed by the regulator to ensure that there is compliance with IFRS. MFIs that are members of AMFIU have a code of conduct that requires them to be transparent and at all times, information must be understandable and provided to clients and other members of the public. The finding that isomorphic forces are a significant predictor of adoption of IFRS is consistent with institutional theory which suggests that isomorphic pressure is critical in shaping the direction of a given institution or society. The findings are further consistent with those of Nyahas *et al.* (2017), who found that isomorphic forces are positively associated with voluntary disclosures of listed firms in Nigeria. These study findings are also in line with the argument for Samaha and Khelif (2016), who suggested that isomorphism is critical for the adoption of IFRS in developing countries. The descriptive statistics results imply that majority of the Chief Finance Officers and Managers of MFIs have knowledge of IFRS and are aware of the benefits of IFRS. This means that a minimal force exerted on them in respect to the adoption of IFRS is sufficient.

### 7. Summary and conclusion

In this study, we aimed to establish the contribution of AC effectiveness, isomorphic forces and managerial attitude to the adoption of IFRS. This study's aim was achieved through a questionnaire survey of 67 MFIs that are members of AMFIU. Results suggest that AC effectiveness and isomorphic forces are significant predictors of adoption of IFRS while managerial attitude is only a significant predictor of adoption of IFRS by MFIs before considering isomorphic forces and AC effectiveness. The explanatory power of managerial attitude is subsumed in isomorphic forces and AC effectiveness. Further, AC effectiveness mediate the relationship between isomorphic forces and adoption of IFRS.

Results of this study have important implications for academics and policy makers regarding adoption of IFRS. For academics, results suggest that both AC effectiveness, isomorphic forces and managerial attitude contribute greatly to the adoption of IFRS although the explanatory power of managerial attitude is subsumed in isomorphic forces and AC effectiveness. The study contributes to the theoretical position by deriving variables such as capital structure, ownership structure, managerial attitude and AC effectiveness. It should be noted that the ACs are at the forefront at minimizing agency problems among MFIs in Uganda. For policy makers, the results are important for policy development especially in ensuring that the Uganda Microfinance Regulatory Authority is fully operational. Guidelines aimed at improving the quality of financial reporting among MFIs may be put in place by policy makers and once UMRA is fully operational, then measures to improve financial reporting and corporate governance in general need to be the first item on the agenda for improving and regulating the operations of MFIs in Uganda. Financial reporting quality can best be achieved when the applicable IFRS are adopted as this will reduce information asymmetry.

Finally, we discuss the study limitations alongside the directions for further research. This study only focused on MFIs in Uganda and it is highly possible that the results may be generalized to the Ugandan MFIs. The study predictor variables only account for 49 percent of the variance in the adoption of IFRS. Future research may be conducted to establish other predictors of adoption of IFRS and identify more other variables that can be controlled for such as firm size, profitability, auditor type among others. For the first time (to the authors' knowledge), this study tests whether AC effectiveness mediate the relationship between isomorphic forces and adoption of IFRS and thus there is no previous literature to compare with. Future studies may be conducted to validate our mediation results. In the presence of the above limitations, this study results remain useful to both academicians and policy makers in Uganda's MFIs and other environments with a similar setting.

---

**References**

- Aboagye-Otchere, F. and Agbeibor, J. (2012), "The international financial reporting standard for small and medium-sized entities (IFRS for SMEs): suitability for small businesses in Ghana", *Journal of Financial Reporting and Accounting*, Vol. 10 No. 2, pp. 190-214.
- Agyei-Mensah, B.K. (2017), "The relationship between corporate governance mechanisms and IFRS 7 compliance: evidence from an emerging market", *Corporate Governance: The International Journal of Business in Society*, Vol. 17 No. 3, pp. 446-465.
- Agyei-Mensah, B.K. (2019), "The effect of AC effectiveness and audit quality on corporate voluntary disclosure quality", *African Journal of Economic and Management Studies*, Vol. 10 No. 1, pp. 17-31.
- Ahmed, S. and Uddin, S. (2018), "Toward a political economy of corporate governance change and stability in family business groups: a morphogenetic approach", *Accounting, Auditing & Accountability Journal*, Vol. 31 No. 8, pp. 2192-2217.
- Akhtaruddin, M. and Haron, H. (2010), "Board ownership, ACs' effectiveness and corporate voluntary disclosures", *Asian Review of Accounting*, Vol. 18 No. 1, pp. 68-82.
- AMFIU directory (2017/2018), *Uganda Microfinance Directory*, 8th ed., Kampala.
- Amoako, K.O., Lord, B.R. and Dixon, K. (2017), "Sustainability reporting: insights from the websites of five plants operated by Newmont mining corporation", *Meditari Accountancy Research*, Vol. 25 No. 2, pp. 186-215.
- Appiah, K.O., Awunyo-Vitor, D., Mireku, K. and Ahiagbah, C. (2016), "Compliance with international financial reporting standards: the case of listed firms in Ghana", *Journal of Financial Reporting and Accounting*, Vol. 14 No. 1, pp. 131-156.
- Arrow, K. (1971), "Discrimination in labour markets", Industrial relations section, Working paper No. 30A, pp. 1-31.
- Bananuka, J., Tumwebaze, Z. and Orobia, L.A. (2019), "The adoption of integrated reporting: a developing country perspective", *Journal of Financial Reporting and Accounting*, Vol. 17 No. 1, pp. 2-23.
- Bananuka, J., Kaawaase, T.K., Musimenta, D. and Namusobya, Z. (2018), "A qualitative inquiry on the determinants of internet financial reporting in Uganda", *Makerere Business Journal*, Vol. 14 Nos 1/2, pp. 88-105.
- Bananuka, J., Night, S., Ngoma, M. and Muganga, G.N. (2019), "Internet financial reporting adoption: exploring the influence of board role performance and isomorphic forces", *Journal of Economics, Finance and Administrative Science* (forthcoming).
- Bananuka, J., Nkundabanyanga, K.S., Nalukenge, I. and Kaawaase, T. (2018), "Internal audit function, AC effectiveness and accountability in the Ugandan statutory corporations", *Journal of Financial Reporting and Accounting*, Vol. 16 No. 1, pp. 138-157.
- Bananuka, J., Tumwebaze, Z., Musimenta, D. and Nuwagaba, P. (2019), "Determinants of adoption of international financial reporting standards in Ugandan microfinance institutions", *African Journal of Economic and Management Studies* (forthcoming).
- Baron, R.M. and Kenny, D.A. (1986), "The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations", *Journal of Personality and Social Psychology*, Vol. 51 No. 6, pp. 1173-1182.
- Bartov, E., Gul, F.A. and Tsui, J.S.L. (2000), "Discretionary-accruals models and audit qualifications", *Journal of Accounting and Economics*, Vol. 30 No. 3, pp. 421-452.
- Bédard, J., Chtourou, S.M. and Courteau, L. (2004), "The effect of AC expertise, independence, and activity on aggressive earnings management", *Auditing: A Journal of Practice & Theory*, Vol. 23 No. 2, pp. 13-35.
- Bekiaris, M., Psimada, C. and Sergios, T. (2014), "Internet financial reporting quality and corporate characteristics: the case of construction companies listed in Greek and Cypriot stock exchange", *European Research Studies*, Vol. 17 No. 2, pp. 41-57.

- Berthod, O. (2016), *Institutional Theory of Organisations*, Springer International Publishing, Berlin.
- Bhattacharyya, A. (2014), "Managerial attitude and support for social responsibility through the lens of legitimacy theory—a cross country comparison", *Social Responsibility Journal*, Vol. 10 No. 4, pp. 716-736.
- Bin-Ghanem, H. and Ariff, A.M. (2016), "The effect of board of directors and AC effectiveness on internet financial reporting: evidence from gulf co-operation council countries", *Journal of Accounting in Emerging Economies*, Vol. 6 No. 4, pp. 429-448.
- Bryce, M., Ali, M.J. and Mather, P.R. (2015), "Accounting quality in the pre-/post-IFRS adoption periods and the impact on AC effectiveness – evidence from Australia", *Pacific-Basin Finance Journal*, Vol. 35, pp. 163-181.
- Cronbach, L.J. (1951), "Coefficient Alpha and the internal structure of tests", *Psychometrika*, Vol. 16 No. 3, pp. 297-334.
- Daily, C.M., Dalton, D.R. and Canella, A.A. (2003), "Corporate governance: decades of dialogue and data", *Academy of Management Review*, Vol. 28 No. 3, pp. 371-382.
- Daske, H., Hail, L., Leuz, C. and Verdi, R. (2008), "Mandatory IFRS reporting around the world: early evidence on the economic consequences", *Journal of Accounting Research*, Vol. 46 No. 5, pp. 1085-1142.
- de Villiers, C., Hsiao, P.K. and Maroun, W. (2017), "Developing a conceptual model of influences around integrated reporting, new insights and directions for future research Meditari Accountancy", *Research*, Vol. 25 No. 4, pp. 450-460.
- DiMaggio, P.J. and Powell, W.W. (1983), "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 No. 2, pp. 147-160.
- DiMaggio, P.J. and Powell, W.W. (1991), *Social Structure, Institutions, and Cultural Goods: The Case of the U.S. Social Theory for a Changing Society*, Westview Press, Boulder, CO.
- Feder, G., Just, R.E. and Zilberman, D. (1985), "Adoption of agricultural innovations in developing countries: a survey", *Economic Development and Cultural Change*, Vol. 33 No. 2, pp. 255-298.
- Field, A. (2009), *Discovering Statistics Using SPSS*, 3rd ed., Sage Publications, London.
- Haji, A.A. and Anifowose, M. (2016), "AC and integrated reporting practice: does internal assurance matter?", *Managerial Auditing Journal*, Vol. 31 Nos 8/9, pp. 915-948.
- Hassan, M. (2008), "The development of accounting regulations in Egypt", *Managerial Auditing Journal*, Vol. 23 No. 5, pp. 467-484.
- Hu, D. (2012), "Management attitudes toward adopting international accounting standards: how Japanese management attitudes changed in the past decades", *Journal of International Business Research*, Vol. 11 No. 2, pp. 57-72.
- ICPAU (2016), "The adoption of international financial reporting standards".
- IFRS Foundation (2017), "IFRS application around the world, jurisdictional profile: Uganda".
- IFRS Foundation (2018), "Analysis of IFRS jurisdiction profiles", available at: [www.ifrs.org/use-aroundthe-world/Pages/Jurisdiction-profiles.aspx](http://www.ifrs.org/use-aroundthe-world/Pages/Jurisdiction-profiles.aspx) (accessed May 15, 2018).
- Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305-360.
- John, K. and Senbet, L.W. (1998), "Corporate governance and board effectiveness", *Journal of Banking & Finance*, Vol. 22 No. 4, pp. 371-403.
- Juhmani, O. (2017), "Corporate governance and the level of Bahraini corporate compliance with IFRS disclosure", *Journal of Applied Accounting Research*, Vol. 18 No. 1, pp. 22-41.
- Kabuye, F., Nkundabanyanga, K.S., Opiso, J. and Nakabuye, Z. (2017), "Internal audit organisational status, competencies, activities and fraud management in the financial services sector", *Managerial Auditing Journal*, Vol. 32 No. 9, pp. 924-944.

- Karamanou, I. and Nishiotis, G.P. (2009), "Disclosure and the cost of capital: evidence from the market's reaction to firm voluntary adoption of IAS", *Journal of Business Finance & Accounting*, Vol. 36 Nos 7/8, pp. 793-821.
- Karamanou, I. and Vafeas, N. (2005), "The association between corporate boards, audit committees, and management earnings forecasts: an empirical analysis", *Journal of Accounting Research*, Vol. 43 No. 3, pp. 453-486.
- Kelton, A.S. and Yang, Y. (2008), "The impact of corporate governance on internet financial reporting", *Journal of Accounting and Public Policy*, Vol. 27 No. 1, pp. 62-87.
- Kenny, D.A., Kashy, D. and Bolger, N. (1998), "Data analysis in social psychology", in Gilbert, D., Fiske, S. and Lindzey, G. (Eds), *Handbook of Social Psychology*, 4th ed, McGraw-Hill, New York, NY, pp. 233-265.
- Kribat, M., Burton, B. and Crawford, L. (2013), "Evidence on the nature, extent and determinants of disclosures in Libyan banks' annual reports", *Journal of Accounting in Emerging Economies*, Vol. 3 No. 2, pp. 88-114.
- Kyazze, L.M. (2010), *Cooperatives: The Sleeping Economic and Social Giants in Uganda*, ILO, Dar es Salaam.
- Lin, J.Z., Xiao, Z.J. and Tang, Q. (2008), "The roles, responsibilities and characteristics of ACs in China", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 5, pp. 721-751.
- Louw, A. and Maroun, W. (2017), "Independent monitoring and review functions in a financial reporting context", *Meditari Accountancy Research*, Vol. 25 No. 2, pp. 268-290.
- Meyer, J.W. and Rowan, B. (1977), "Institutionalized organizations: Formal structure as myth and ceremony", *American Journal of Sociology*, Vol. 83 No. 2, pp. 340-363.
- Mizuchi, M.S. and Fein, L.C. (1999), "The social construction of organizational knowledge: a study of the uses of coercive, mimetic, and normative isomorphism", *Administrative Science Quarterly*, Vol. 44 No. 4, pp. 653-683.
- Mohd, S., Iskandar, M.T.N. and Rahmat, M.M. (2007), "AC characteristics and earnings management: evidence from Malaysia", *Asian Review of Accounting*, Vol. 15 No. 2, pp. 147-163.
- Musimenta, D., Nkundabanyanga, K.S., Muhwezi, M., Akankunda, B. and Nalukenge, I. (2017), "Tax compliance of small and medium enterprises: a developing country perspective", *Journal of Financial Regulation and Compliance*, Vol. 25 No. 2, pp. 149-175.
- Myers, R. (1990), *Classical and Modern Regression with Applications*, 2nd ed., Boston, MA.
- Nalukenge, I., Tauringana, V. and Ntayi, J.M. (2017), "Corporate governance and internal controls over financial reporting in Ugandan MFIs", *Journal of Accounting in Emerging Economies*, Vol. 7 No. 3, pp. 294-317.
- Nkundabanyanga, K.S., Ntayi, J.M., Ahiauzu, A. and Sejjaaka, S.K. (2014), "Intellectual capital in Ugandan service firms as a mediator of board governance and firm performance", *African Journal of Economic and Management Studies*, Vol. 5 No. 3, pp. 300-340.
- Nkundabanyanga, S.K., Muhwezi, M. and Tauringana, V. (2018), "Management accounting practices, governing boards and competitive advantage of Ugandan secondary schools", *International Journal of Educational Management*, Vol. 32 No. 6, pp. 958-974.
- Nurunnabi, M. (2017), "Auditors' perceptions of the implementation of international financial reporting standards (IFRS) in a developing country", *Journal of Accounting in Emerging Economies*, Vol. 7 No. 1, pp. 108-133.
- Nyahas, S.I., Munene, J.C., Orobia, L. and Kaawaase, T.K. (2017), "Isomorphic influences and voluntary disclosure: the mediating role of organizational culture", *Cogent Business and Management*, Vol. 2017 No. 4, pp. 1-18.
- Phan, D., Joshi, M. and Mascitelli, B. (2018), "What influences the willingness of Vietnamese accountants to adopt international financial reporting standards (IFRS) by 2025?", *Asian Review of Accounting*, Vol. 26 No. 2, pp. 225-247.
- Phan, D., Mascitelli, B. and Barut, M. (2014), "Perceptions towards international financial reporting standards (IFRS): the case of Vietnam".

- Phan, T.N., Baird, K. and Su, S. (2018), "Environmental activity management: its use and impact on environmental performance", *Accounting, Auditing & Accountability Journal*, Vol. 31 No. 2, pp. 651-673.
- Rogers, E. (1962), "Diffusion of innovations", Iowa State Agricultural Experiment Station Special Report No. 18. Iowa State University, New York: Free Press of Glencoe, Ames.
- Rogers, K., Purdy, L., Safayeni, F. and Duimering, R.B. (2007), "A supplier development program: rational process or institutional image construction?", *Journal of Operations Management*, Vol. 25 No. 2, pp. 556-572.
- Samaha, K. and Khlif, H. (2016), "Adoption of and compliance with IFRS in developing countries: a synthesis of theories and directions for future research", *Journal of Accounting in Emerging Economies*, Vol. 6 No. 1, pp. 33-49.
- Sekaran, U. (2003), *Research Methods for Business*, John Milley and Sons, New York, NY.
- Singh, N., Baack, D.W. and Bott, J.P. (2010), "Are multinationals localizing their web sites? The link between managerial attitudes and MNE web content", *International Journal of Commerce and Management*, Vol. 20 No. 3, pp. 258-267.
- Suchman, M.C. (1995), "Managing legitimacy: strategic and institutional approaches", *Academy of Management Review*, Vol. 20 No. 3, pp. 571-610.
- Sudman, S. and Bradburn, N.M. (1982), *Asking Questions: A Practical Guide to Questionnaire Design*, 3rd ed., Jossey-Bass, San Francisco, CA.
- Tsunogaya, N., Hellmann, A. and Scagnelli, S.D. (2015), "Adoption of IFRS in Japan: challenges and consequences", *Pacific Accounting Review*, Vol. 27 No. 1, pp. 3-27.
- Tusiime, I., Nkundabanyanga, S.K. and Nkote, I.N. (2011), "Corporate governance: Ownership structure, board structure and performance of public sector entities", *Journal of Public Administration and Policy Research*, Vol. 3 No. 9, pp. 250-260.
- Uddin, S., Jayasinghe, K. and Ahmed, S. (2017), "Scandals from an island: testing Anglo-American corporate governance frameworks", *Critical Perspectives on International Business*, Vol. 13 No. 4, pp. 349-370.
- Uzma, S.H. (2016), "Cost benefit analysis of IFRS adoption: developed & emerging countries", *Journal of Financial Reporting and Accounting*, Vol. 14 No. 2, pp. 198-229.
- World Bank (2005), "Report on the observance of standards and codes (ROSC)", Republic of Uganda.
- World Bank (2014), "Uganda – report on the observance of standards and codes (ROSC): accounting and auditing", World Bank Group, Washington DC.
- Zeghal, D. and Mhedhbi, K. (2006), "An analysis of the factors affecting the adoption of international accounting standards by developing countries", *The International Journal of Accounting*, Vol. 41 No. 4, pp. 373-386.

#### Further reading

IFAC (2018), "Adoption of international standards".

#### Corresponding author

Juma Bananuka can be contacted at: jbananuka@mubs.ac.ug

---

For instructions on how to order reprints of this article, please visit our website:

[www.emeraldgroupublishing.com/licensing/reprints.htm](http://www.emeraldgroupublishing.com/licensing/reprints.htm)

Or contact us for further details: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)