The Impact of IFRS Adoption on Liquidity, Profitability, and Cost of Capital in Emerging Markets: A Comparative Analysis of Financial and Non-Financial Firms

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Abstract

This study investigates the impact of International Financial Reporting Standards (IFRS) adoption on the financial performance of listed companies in emerging economies, focusing on liquidity, profitability, and cost of capital. Using a sample of 43 emerging economies from 2005 to 2014, the research employs ANOVA and Ordinary Least Squares (OLS) regression models to analyze the effects of IFRS adoption on key financial ratios. The findings reveal that IFRS adoption does not significantly affect profitability (ROE and ROCE) or cost of capital (WACC). However, the impact on liquidity is mixed, with a significant negative effect on the quick ratio (QR) but no significant effect on the current ratio (CR). The study also finds no significant differences in the impact of IFRS adoption between financial and non-financial firms. These results suggest that the benefits of IFRS adoption in emerging markets may be limited, particularly in terms of improving financial performance metrics.

Keywords: IFRS, emerging markets, liquidity, profitability, cost of capital, financial performance, ANOVA, OLS regression.

* Introduction

The International Financial Reporting Standards (IFRS) have undergone significant evolution over the years, shaping the financial reporting on a global scale. The

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journey of IFRS began with the establishment of the International Accounting Standards Committee (IASC) in 1973, which laid the foundation for international accounting harmonization. Over time, the IASC transformed into the International Accounting Standards Board (IASB), which took on the responsibility of developing and issuing IFRS.[1]

The required adoption of the IFRS in EU countries began in 2002 and became effective in 2005. This change is believed to aid investors around the world in making decisions, thus increasing the efficiency of stock markets.[2] However, there is little evidence of the direct economic benefits of the adoption of the IFRS in developing countries.[3]

A vast body of literature emphasises the benefits of IFRS adoption because of the increase in consistency and the transparency of financial statements.[4] the coordination of both internal and external reporting.[5] the decline in information asymmetry.[6], in addition to the fact that IFRS adoption may enhance the performance of capital markets. [7] Moreover, the IFRS is argued to enhance the credibility of financial statements.[8]

* Literature Review

1- Theoretical Framework: The literature was reviewed and revised that explores the effects of the adoption of the International Financial Reporting Standards (IFRS) on various accounting and market performance ratios.

The present study is conducted to investigate a sample of 43 countries in the period from 2005 to 2014. The countries include Botswana, Egypt, Ghana, Kenya, Malawi, Morocco, Namibia, Sierra Leone, South Africa, Tanzania, Uganda, Zambia, Zimbabwe, Bangladesh, China, Jordan, South Korea, Oman, Sri Lanka, Turkey, United Arab Emirates, Chile, Ecuador, Jamaica, Nicaragua, Panama, Peru, Salvador, Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Portugal, Romania, Ukraine, Slovenia, Slovakia and Macedonia, three theories underpin the study:

Value Maximization Theory: Firms adopt IFRS to maximize shareholder wealth through transparent reporting.

According to the value maximisation theory, the most prominent objective of a company's activities is the maximisation of its profits in the short term and the maximisation of shareholders' wealth

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in the long term. [9] Thus, this theory can be applied to explain the activities of an enterprise and demonstrate that the maximisation of the wealth of shareholders leads to the maximisation of wealth of other financial claimants, such as warrant and debt holders. From this viewpoint, the adoption of and compliance with internationally accepted accounting standards can maximise a company's value.

Capital Needs Theory: Firms seek cost-effective capital by reducing information asymmetry via IFRS.

Capital needs theory suggests that firms have growth opportunities and need capital that is often obtained from external financing. Consequently, firms issue more shares or borrow from the capital market, which implies that there is some competition in the capital market across such companies that seek cost-effective capital. In order to stay competitive, enterprises tend to disclose more information to outside stakeholders in order to inform them about the corporate environment and business activities and thus to increase the certainty of future cash flows.[10].

Signaling Theory: High-quality disclosures under IFRS signal superior performance to investors.

Signaling theory assumes that investors have less information on company performance compared to insiders such as managers and directors. Therefore, enterprises may provide additional voluntary information to demonstrate their superiority over other enterprises in the market. This demonstration can also be achieved through the implementation of internationally accepted accounting standards, such as the IFRS. [11] This dissertation shows that various theories can be used to explain how IFRS adoption may influence the profitability ratios of companies as well as their cost of capital and liquidity ratios.

* Empirical Evidence

This part of the literature review discusses previous empirical studies on the implementation of the IFRS by companies and how it affects their profitability ratios, liquidity ratios, and the cost of capital

* IFRS and Profitability Ratios

Accounting standards do not influence the financial performance of companies, but they can affect the way in which earnings, expenses and assets are measured and disclosed. Thus, there are implications for profitability ratios. Previous studies provide evidence of both the direct and indirect effects of IFRS adoption on profitability ratios.

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* Direct and Indirect Effects

1- Demmer et al. (2015): Across 23 countries, mandatory IFRS adoption improved the accuracy of financial statement-based profitability forecasts (e.g., ROA, RNOA), especially in countries with enhanced reporting enforcement. Analyst forecast accuracy also improved indirectly.

2- Ferrer and Ferrer (2010): In the Philippines' telecom industry, IFRS compliance positively influenced profitability ratios, suggesting a positive effect post-adoption.

3- Hou et al. (2011): In China, IFRS adoption reduced accounting quality (e.g., accruals, conservatism) and negatively affected profitability's role in capital investments.

4- Alsaqqa (2012): In Dubai and Abu Dhabi, IFRS adoption positively impacted profitability ratios and stock performance, though findings are sample-specific.

5- Aksu and Kosedag (2005): Turkish companies adopting IFRS showed improved ROA, ROE, and excess returns, with higher transparency.

6- Palka (2013): In Czech SMEs, IFRS adoption increased ROA and ROS but decreased ROE and interest coverage, with no significant differences in other ratios.

7- Palka and Svitakova (2011): In Czech SMEs, IFRS adoption slightly reduced ROE (0.74%), though the change was insignificant.

8- Bozcuk (2012): Turkish early IFRS adopters had higher profitability ratios than non-adopters, influenced by firm size and signaling.

9- Elbakry (2010): In the UK and Germany, IFRS adoption positively affected profitability ratios and stock performance, with stronger effects in Germany.

10- Wu and Zhang (2009): In the EU, voluntary IFRS adoption improved earnings quality, indirectly affecting profitability.

11- Beke (2012): In Hungary, IFRS adoption enhanced profitability through better management decisions and global investor access.

* Industry-specific Effects

1- Jin (2011): In China's high-tech industry, IFRS adoption had insignificant effects on R&D intensity and profitability.

2- Mullerova et al. (2010): In the Czech Republic, IFRS adoption costs outweighed benefits for small firms, potentially reducing profitability due to administrative burdens.

3- Adenola et al. (2012): In Nigeria's banking sector, IFRS compliance significantly improved bank performance

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* Quality of Earnings and Profitability Ratios

1- Van Tendeloo and Vanstraelen (2005): German IFRS adopters showed lower earnings management than GAAP users, though differences were minor.

2- Zeghal et al. (2011): In France, IFRS adoption reduced earnings management, indirectly boosting profitability ratios.

3- Tanko (2012): In Nigeria, IFRS adoption lowered earnings variability, improved loss recognition, and increased EPS, enhancing profitability.

* Hypotheses

This section of the literature review concludes by re=stating the research hypotheses related to the effects of IFRS on profitability ratios.

1- H1.1: The adoption of the IFRS in developing countries significantly and positively influences the ROCE of listed companies in these countries.

2- H1.2: The adoption of IFRS in developing countries significantly and positively influences the ROE of listed companies in these countries.

These hypotheses are confirmed by previous empirical research, such as Aksu and Kosedag (2005) and Tanko (2012), who found the presence of a positive influence of IFRS adoption on accounting profitability ratios in the international context.

* IFRS and Liquidity Ratios

IFRS adoption can be correlated with not only profitability ratios but also liquidity indicators. However, the findings are mixed because some studies focus on evidence across countries, whereas others found only evidence from a single country.

* Cross-Country Evidence

1- Drake et al. (2010): In 22 countries, IFRS adoption improved liquidity ratios (e.g., turnover, bid-ask spread) due to comparability, despite a perceived decline in reporting quality.

2- Chakrabarty and Shaw (2012): IFRS firms had higher bid-ask spreads than US GAAP firms, indicating some liquidity loss.

3- Ball (2006): IFRS reduced information costs, enhancing liquidity and market efficiency.

4- Christensen et al. (2013): Liquidity effects were significant only in EU countries with strong enforcement changes, not universally tied to IFRS adoption.

* Country-specific Effects

1- Lovin (2013): In Romania, IFRS adoption improved bank liquidity management via government securities holdings.

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2- Leung and Clinch (2014): In Hong Kong, IFRS enhanced liquidity in non-family-controlled firms but not in family-controlled ones.

3- De Lima et al. (2010): In Brazil, IFRS adoption increased liquidity and reduced trading costs.

4- Iatridis (2012): In the UK, voluntary IFRS disclosures improved equity and earnings but reduced liquidity in non-voluntary cases.

5- Iatridis and Dalla (2011): In Greece, IFRS negatively affected liquidity in some sectors.

6- Sun (2011): In China, IFRS convergence increased foreign investment but had mixed liquidity effects.

* Quality of Earnings and Liquidity Ratios

1- Jeanjean and Stolowy (2008): In Australia, France, and the UK, IFRS adoption did not reduce earnings management; in France, it increased.

2- Chung et al. (2009): Higher earnings management correlated with lower liquidity ratios.

3- Ewert & Wagenhofer (2005): Tighter standards like IFRS reduced accounting earnings management but increased total management costs.

4- Han et al. (2012): Earnings management negatively affected stock liquidity.

Based on the review of empirical literature provided in this section, the following hypotheses are re-stated: -

1- H2.1: The adoption of the IFRS in developing countries has a significant and positive effect on current ratio of listed companies in these countries.

2- H2.2: The adoption of the IFRS in developing countries has a significant and positive effect on the quick ratios of listed companies in these countries.

These hypotheses are supported by previous studies, such as Drake et al. (2010) and Leung and Clinch (2014), which report a boost in the accounting liquidity figures reported by companies after they adopted the IFRS.

* IFRS and Cost of Capital

IFRS adoption may influence the cost of capital through improved disclosure quality and comparability, with varying international and country-specific effects.

* International Evidence

1- Daske et al. (2008): Voluntary IFRS adoption reduced the cost of capital and increased liquidity, but benefits depended on transparency and enforcement.

2- Li (2010): Mandatory IFRS adoption significantly lowered the cost of equity.

3- Bao et al. (2010): IFRS reduced gearing ratios and improved liquidity, indirectly affecting the cost of capital.

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4- Han and He (2013): IFRS increased the cost of equity for international firms listed in the US post-2007.

* Country-specific Effects

1- Garanina and Kormiltseva (2014): In Russia, IFRS adoption had no significant effect on the cost of equity.

2- Cordazzo (2013): In Italy, IFRS affected profitability but not equity values or cost of capital

To conclude this section of the literature review, the following hypothesis is re-stated: -

1- H3: The cost of capital of listed companies in developing economies is significantly and negatively affected by the adoption of IFRS in these economies.

This hypothesis is based on and justified by previous empirical studies, such as Karamanou and Nishiotis (2009), Hail, Leuz and Wysocki (2010) and Li (2010), which found a negative effect of IFRS on the cost of capital in the international context.

The review of the literature demonstrates that most previous studies confirm the positive effects of IFRS adoption on the profitability ratios of companies. Profitability ratios and performance are measured by various ratios and factors, including ROA, ROE, accounting quality, and stock market performance. Accounting quality that is associated with earnings management can be determined by the accounting standards used by an enterprise. Moreover, there is evidence that earnings management is correlated with profitability ratios, liquidity ratios, and cost of capital. Therefore, the adoption of particular accounting standards such as the IFRS can also affect the performance ratios of companies as measured by factors such as profitability ratios, liquidity ratios and cost of capital. Nevertheless, the majority of studies examine only one country and do not allow for an across-country comparison. Thus, their observations are limited in terms of the sample size, and it is possible that country-level effects might influence the outcomes of their investigations. The present study aims to fill this gap in the research by conducting an across-country analysis using a large sample of companies in emerging economies.

* Research Methodology

The study employs a quantitative research design, using data from 43 emerging economies over the period 2005-2014. The sample includes both financial and non-financial firms, with data collected from the Thomson One

Banker database. The research uses ANOVA to compare the mean values of key financial ratios (ROE, ROCE, CR, QR, and WACC) before and after IFRS adoption. OLS regression models are then used to analyze the impact of IFRS adoption on these ratios, controlling for firm size and industry type. The Hausman test is applied to determine whether fixed or random effects models are appropriate for the analysis.

the methodological framework for a study investigating the economic consequences of International Financial Reporting Standards (IFRS) adoption on listed companies in emerging economies. The primary objective is to assess whether IFRS adoption enhances profitability, liquidity, and cost of capital, addressing the overarching research question: "Does the adoption of IFRS in emerging economies improve the profitability, liquidity, and cost of capital of listed companies?"

The study employs a quantitative, deductive approach rooted in positivism, utilizing a multiple case study design across 43 emerging economies. It examines four specific research questions (RQs) and corresponding hypotheses: -

1- RQ1: Are profitability indicators (return on capital employed [ROCE] and return on equity [ROE]) influenced by IFRS adoption? Hypotheses H1.1 and H1.2 posit a significant positive effect, despite mixed empirical evidence from prior single-country studies.

2- RQ2: Does IFRS adoption affect liquidity indicators (current ratio and quick ratio)? Hypotheses H2.1 and H2.2 predict a significant positive impact, supported by theoretical expectations of reduced information costs and enhanced transparency.

3- RQ3: Is the cost of capital (measured by weighted average cost of capital [WACC]) influenced by IFRS adoption? Hypothesis H3 anticipates a significant negative effect, reflecting improved financial disclosure quality, though empirical findings vary.

4- RQ4: Do profitability, liquidity, and cost of capital effects differ between financial and non-financial firms? Hypotheses H4.1–H4.3 explore industry-specific impacts, expecting greater influence on financial firms due to their economic significance and transparency demands.

Data spanning 2005–2014 are sourced from the Thomson One Banker database, covering at least 215 firms (five per economy) and

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yielding over 2,150 observations per variable. Dependent variables (ROCE, ROE, current ratio, quick ratio, and WACC) are calculated using financial metrics like operating income, equity, and debt, with firm size and industry as controls. The analysis employs ANOVA to compare pre- and post-IFRS adoption ratios and OLS regression to test hypotheses, conducted via SPSS software.

The study's random sampling and secondary data approach enhance reliability, though limitations include missing data (addressed by omission in analysis) and a focus on specific variables, suggesting avenues for future research. This across-country analysis extends prior literature by offering a comprehensive, comparative perspective on IFRS adoption's financial impacts in emerging markets.

* Results
* Findings and Analysis

The descriptive statistics reveal significant variations in the financial ratios across the sample. ANOVA and t-tests show that the mean values of ROE, ROCE, CR, and QR differ significantly before and after IFRS adoption, while WACC remains unaffected. The OLS regression results indicate that IFRS adoption has a significant negative impact on the quick ratio (QR) but no significant effect on the current ratio (CR). Profitability measures (ROE and ROCE) and cost of capital (WACC) are not significantly affected by IFRS adoption. The study also finds no significant differences in the impact of IFRS adoption between financial and non-financial firms.

* Descriptive statistics

The descriptive statistics (Table 1) summarize the variables used in the models, including ROE, ROCE, CR, QR, WACC, INDUSTRY, SIZE, and IFRS. The sample includes 1,934 observations for ROE, with a mean of 0.142, indicating an average return on equity close to zero, but with a wide range (-8.565 to 6.161). Likewise, ROCE has a mean of 0.131, CR a mean of 1.452, and QR a mean of 1.096. WACC has a mean of 0.037, suggesting an average cost of capital of 3.7%. The industry variable shows that 74.6% of the sample consists of non-financial firms, and IFRS adoption is represented in 46% of the observations.

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Table 1: Descriptive Statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
ROE	1,934	0.142	0.360	-8.565	6.161
ROCE	1,883	0.131	0.216	-0.938	4.327
CR	1,330	1.452	0.909	0.072	8.032
QR	1,328	1.096	0.756	0.034	5.732
WACC	1,344	0.037	0.035	0.000	0.604
INDUSTRY	2,130	0.746	0.435	0.000	1.000
SIZE	1,957	4.238	1.276	0.710	8.449
IFRS	2,130	0.460	0.498	0.000	1.000
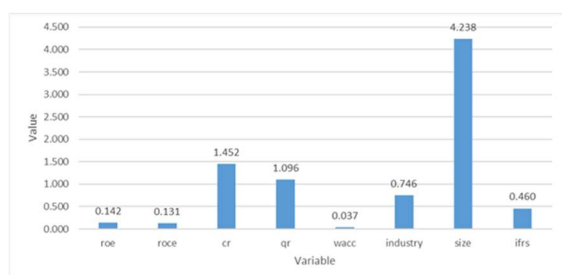
Figure 1 shows the average values.
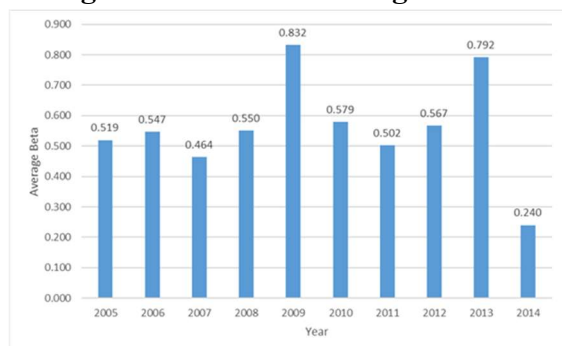
Figure 1: Average Annual Betas

* ANOVA and t-tests

The ANOVA tests (Table 2) reveal significant differences in the mean values of ROE, ROCE, CR, and QR before and after IFRS adoption, but not for WACC. This suggests that IFRS adoption influenced profitability and liquidity ratios but not the cost of capital.

The results of the ANOVA tests are shown in Table 2.

ANOVA	P-value	Bartlett's test
ROE	0.001	0.000
ROCE	0.021	0.134
CR	0.000	0.000
QR	0.000	0.000
WACC	0.278	0.000

The t-tests (Table 3) confirm these findings, showing significant differences in ROE, ROCE, CR, and QR, but not in WACC.

T-test	Pr(|T| > |t|)
ROE	0.002
ROCE	0.021
CR	0.000
QR	0.000
WACC	0.293

* OLS Models

Pooled Regressions ROE Model (Table 4): Industry has a positive impact on ROE, while IFRS adoption has a negative impact. Firm size is insignificant.

ROE	Coef.	t	P>|t|
INDUSTRY	0.047	2.420	0.016
SIZE	0.005	0.780	0.434
IFRS	-0.046	-2.690	0.007
_cons	0.107	2.770	0.006
R-squared	0.009	F-test (p-value)	0.001

ROCE Model (Table 5): Industry positively affects ROCE, while size and IFRS adoption negatively affect it.

ROCE	Coef.	t	P>|t|
INDUSTRY	0.038	0.002	0.014
SIZE	-0.002	0.716	-0.010
IFRS	-0.020	0.055	-0.040
_cons	0.119	0.000	0.072
R-squared	0.009	F-test (p-value)	0.001

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CR Model (Table 6): Industry positively affects CR, while IFRS adoption negatively affects it. Size is insignificant.

CR	Coef.	t	P>|t|
INDUSTRY	0.187	3.170	0.002
SIZE	-0.030	-0.360	0.716
IFRS	-0.301	-1.920	0.055
_cons	1.528	4.970	0.000
R-squared	0.026	F-test (p-value)	0.000

QR Model (Table 7): Only IFRS adoption negatively affects QR; industry and size are insignificant.

QR	Coef.	t	P>|t|
INDUSTRY	-0.039	-0.140	0.885
SIZE	-0.001	-0.070	0.944
IFRS	-0.190	-4.450	0.000
_cons	1.227	4.460	0.000
R-squared	0.015	F-test (p-value)	0.000

WACC Model (Table 8): Industry and size negatively affect WACC, but IFRS adoption is insignificant.

WACC	Coef.	t	P>|t|
INDUSTRY	-0.006	-2.590	0.010
SIZE	-0.003	-3.190	0.001
IFRS	0.001	0.400	0.688
_cons	0.053	11.110	0.000
R-squared	0.012	F-test (p-value)	0.001

The Hausman endogeneity test is applied to compare two alternative estimators of coefficients. The test includes fitting the model by both independent variables and ordinary least squares and comparing the weighted squares of the difference between the two coefficient estimators. The weights reflect the difference in the variances between the consistent estimator of independent variables and the efficient estimator of OLS.

The results of the Hausman tests and respective p-values of the test are shown in Table 9.

Table 2: Hausman Tests

Hausman test	P-value
ROE	0.243
ROCE	0.124
CR	0.041
QR	0.298
WACC	0.014

* Fixed and Random Effects Models

ROE Random Effects Model (Table 10): No significant effects of industry, size, or IFRS adoption on ROE.

ROE	Coef.	z	P>|z|
INDUSTRY	0.050	1.690	0.092
SIZE	0.006	0.650	0.517
IFRS	-0.030	-1.600	0.109
_cons	0.093	1.730	0.084
R-squared	0.034	F-test (p-value)	0.096

ROCE Random Effects Model (Table 11): No significant effects of industry, size, or IFRS adoption on ROCE.

ROCE	Coef.	z	P>|z|
INDUSTRY	0.038	1.460	0.144
SIZE	-0.005	-0.580	0.559
IFRS	-0.003	-0.270	0.786
_cons	0.124	2.880	0.004
R-squared	0.011	F-test (p-value)	0.407

CR Fixed Effects Model (Table 12): No significant effects of size or IFRS adoption on CR.

CR	Coef.	t	P>|t|
SIZE	-0.021	-0.240	0.810
IFRS	-0.088	-1.630	0.103
_cons	1.580	4.460	0.000
R-squared	0.053	F-test (p-value)	0.158

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QR Random Effects Model (Table 13): IFRS adoption negatively affects QR, while industry and size are insignificant.

QR	Coef.	z	P>|z|
INDUSTRY	-0.001	0.000	0.998
SIZE	-0.002	-0.060	0.953
IFRS	-0.103	-2.570	0.010
_cons	1.143	2.000	0.046
R-squared	0.029	F-test (p-value)	0.082

WACC Fixed Effects Model (Table 14): Size negatively affects WACC, but IFRS adoption is insignificant.

WACC	Coef.	t	P>|t|
SIZE	-0.013	-3.080	0.002
IFRS	-0.001	-0.400	0.689
_cons	0.093	5.260	0.000
R-squared	0.005	F-test (p-value)	0.001

The results (Table 15) show that IFRS adoption negatively affects profitability (ROE and ROCE) and liquidity (CR and QR) but has no significant impact on the cost of capital (WACC). The hypotheses regarding the positive impact of IFRS on profitability, liquidity, and cost of capital are all rejected. Additionally, there is no evidence that the effects of IFRS adoption differ between financial and non-financial companies.

Table 3: Results

Null Hypothesis	Result
H1.1: The adoption of IFRS in developing countries significantly and positively influences ROCE of listed companies in these countries.	Rejected
H1.2: The adoption of IFRS in developing countries significantly and positively influences ROE of listed companies in these countries.	Rejected
H2.1: The adoption of IFRS in developing countries has a significant and positive impact on current ratio of listed companies in these countries.	Rejected
H2.2: The adoption of IFRS in developing countries has a significant and positive impact on quick ratio of listed companies in these countries.	Rejected
H3: Cost of capital of listed companies in developing economies is significantly and negatively affected by the adoption of IFRS in these economies.	Rejected
H4.1: Profitability is differently influenced by the adoption of IFRS across financial and non-financial listed companies in developing countries.	Rejected
H4.2: Liquidity is differently influenced by the adoption of IFRS across financial and non-financial listed companies in developing countries;	Rejected
H4.3: Cost of capital is differently influenced by the adoption of IFRS across financial and non-financial listed companies in developing countries.	Rejected

* Discussion and Conclusions
* Discussion

The first conclusion of the study is related to the estimation of the means of the ROE, ROCE, CR, QR, and WACC before and after IFRS adoption. The results of the ANOVA tests and the two-sample t-test with unequal variances showed that IFRS adoption significantly affected companies' ROE, ROCE, CR, and QR although it had an insignificant effect on WACC. These findings are based on the average values of the variables.

The Hausman tests showed that the CR and WACC models were fixed effects models, whereas the ROE, ROCE, and QR models were random effects regression models.

ROE was significantly and positively affected by the industry

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variable at the significance level of 10%. This finding indicates that the non-financial firms performed better than financial companies did in terms of ROE. However, the findings for ROCE were different because the variable was not significantly correlated with industry, size or IFRS adoption.

CR was not associated with any variables either. By contrast, QR was negatively and significantly affected by IFRS adoption. In particular, the study showed that the adoption of IFRS in emerging economies led to the reduction in quick ratios.

The findings showed that WACC had a significant correlation with firm size. Large companies had a lower cost of capital than small companies had. Moreover, IFRS adoption did not influence WACC.

Thus, the study found that IFRS affected only the quick ratio of enterprises in the period from 2005 to 2015 although an alternative liquidity measure as well as profitability and the cost of capital were not influenced by the adoption of IFRS.

The first objective of the study was to compare the ROCEs and ROEs of listed companies in emerging economies before and after IFRS was adopted. This comparison was performed with the help of ANOVA tests and two-sample t-tests that addressed the issue of unequal variance in the samples. The findings confirmed that the values were significantly different before and after IFRS adoption.

The second objective was to compare the current ratio and the quick ratio of listed firms in emerging economies before and after IFRS was adopted. The findings showed that the mean values of the variables were significantly different, which was confirmed by an ANOVA and two-tailed t-tests.

The third objective was to identify the effects of IFRS adoption on profitability, liquidity, and the cost of capital of listed companies in emerging economies. The results showed that the adoption of IFRS affected only the current ratio of firms. The effect was significantly negative, suggesting that after IFRS was adopted companies faced a greater number of liquidity issues. However, the effects of IFRS adoption on ROE, ROCE, quick ratio and WACC were insignificant. Thus, based on these findings, the effects of IFRS adoption are inconclusive, which may warrant further research. Thus, the study answered the research questions about the effects of IFRS adoption on the profitability, liquidity, and the cost of capital of

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listed companies in emerging economies. The study demonstrated that the ROCE, ROE and quick ratios of listed firms in emerging economies were not sensitive to the adoption of IFRS. However, the current ratio was sensitive to the adoption of IFRS

* **Hypotheses**

1- Profitability (H1.1, H1.2): H1.1 (IFRS → ↑ ROCE) and H1.2 (IFRS → ↑ ROE) were rejected.

No significant link between IFRS adoption and ROE/ROCE.

National accounting standards may have already aligned with IFRS principles, limiting profitability impact.

2- Liquidity (H2.1, H2.2): H2.1 (IFRS → ↑ CR) was rejected (no significant effect).

H2.2 (IFRS → ↑ QR) was rejected; instead, IFRS adoption negatively affected QR.

IFRS may have altered inventory valuation/management, reducing quick assets (QR) but not current assets (CR).

3- Cost of Capital (H3): H3 (IFRS → ↓ WACC) was rejected.

WACC was unaffected by IFRS but lower for larger firms, highlighting the role of firm size.

4- Industry-Specific Effects (H4.1–H4.3): All hypotheses (profitability, liquidity, WACC varying by industry) were rejected.

Exception Industry weakly influenced ROE (10% significance), with non-financial firms outperforming financial firms.

* **Key Implications**

Profitability IFRS adoption did not enhance ROE/ROCE in emerging economies, likely due to pre-existing alignment of local standards with IFRS.

* **Liquidity Paradox**

Quick Ratio IFRS adoption reduced QR, suggesting stricter liquidity thresholds (e.g., inventory write-downs).

Current Ratio Insignificant model results contradict initial mean differences, warranting deeper sector-level analysis.

* **Cost of Capital**

Firm size, not IFRS, drove WACC reductions, emphasizing scale advantages in emerging markets.

Industry Neutrality IFRS impacts were largely consistent across financial/non-financial sectors, except for marginal ROE differences.

Table 4: Comparison of Results

Impact	Same as Previous Research	Different from Previous Research
Industry		Jin (2011); Adenola et al. (2012)
IFRS on Profitability	Palka (2013); Haller and Schlossgangl (2005); Mullerova et al. (2010);	Demmer et al. (2015); Ferrer and Ferrer (2010); Hou et al. (2011); Alsaqqa (2012); Aksu and Kosedag (2005); Palka and Svitakova (2011); Bozcuk (2012);
IFRS on Liquidity	Christensen et al. (2013); Sun (2011); de Lima et al. (2010);	Drake et al. (2010); Ball (2006); Chakrabarty and Shaw (2012); Lovin (2013); Leung and Clinch (2014); Leung and Clinch (2014); Iatridis and Dalla (2011)
IFRS on Cost of Capital	Garanina and Kormiltseva (2014);	Karamanou and Nishiotis (2009); Bao et al. (2010); Han and He (2013);

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* Conclusion

This study provides evidence that IFRS adoption in emerging markets has a limited impact on financial performance, particularly in terms of profitability and cost of capital. The negative effect on liquidity, as measured by the quick ratio, raises concerns about the potential challenges of IFRS implementation in these economies. The findings highlight the need for stronger regulatory enforcement and institutional support to maximize the benefits of IFRS adoption in emerging markets. Future research should explore the role of country-specific factors and the potential differences between voluntary and mandatory IFRS adoption.

* Recommendation's

Compared to the data used in the present study, future research should access a more extensive dataset of the years of IFRS adoption. The large body of data would allow differentiation between the effects of voluntary and mandatory IFRS adoption on profitability, liquidity, and cost of capital of companies.

The exact effects of IFRS adoption on financial performance ratios and the cost of capital could be moderated by regulatory efficiency factors. This assumption could be tested in future investigations.

Moreover, there may be across-country differences in terms of the effects of IFRS. This research did not provide a across-country comparison, so future studies could also address this limitation.

In future research, the proxies of firm performance, liquidity and the cost of capital could be replaced by other variables. This would allow for identifying the effects of the use of different factors in the models. In this research, profitability is measured through ROE and ROCE, liquidity is estimated as current ratio and quick ratio, and the cost of capital is represented by WACC. Other proxies of profitability include margin ratios, return on assets, and return on investments. Liquidity can also be estimated through cash ratio or working capital turnover. Cost of capital could be measured through dividends.

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