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Identifying Factors Influencing the Adoption of CIFRS/CIFRS for SMEs in Cambodia

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ABSTRACT

The data collected from the survey in this study revealed that a total of 2431 firms successfully filled out and returned the questionnaire. Among these, 73.79% were categorized as non-adopters of CIFRS, whereas 26.21% were recognized as adopters of CIFRS. The findings derived from the logistic regression model indicated that the latent variables, including financial reporting components, stakeholder knowledge and attitudes, the internal control system, and the costs related to the implementation of CIFRS, exerted a highly positive and statistically significant impact on the probability of adopting CIFRS in Cambodia at the 1% significance level. However, the variable concerning financial reporting components demonstrated significance only at the 5% level. It is important to mention that the estimated latent variables were determined using explanatory factor analysis (EFA). The estimated coefficients for the control variables were 0.997 for number of employees, 1.243 for assets, 5.581 for filing financial reports with ACAR, −0.725 for ACAR's enforcement of laws related to CIFRS implementation, and −0.644 for inconsistencies in financial information provided by CIFRS compared to standards set by the General Department of Taxation. Each parameter associated with the control variables had statistical significance at the 1% level.

Keywords: CIFRS/CIFRS for SMEs, Logistic Regression Model, Explanatory Factor Analysis, Latent Variables, Manifest Variables
JEL Classifications: M40, M42, M48, N20

1. INTRODUCTION

To effectively convey the financial transparency of a unit or institution, it is essential to prepare and disseminate a financial report that complies with the accounting standards set forth by the Accounting and Auditing Regulator (ACAR). This obligation is relevant for both profit-oriented and non-profit organizations. Furthermore, a financial report that aligns with international standards not only appeals to domestic investors but also possesses the capability to draw in foreign investors. The ACAR, functioning under the auspices of the Ministry of Economy and Finance (MEF), is instrumental in upholding adherence to accounting standards and auditing practices within Cambodia. Notably, the Law on Corporate Account, Audit, and the Accounting Profession has been in force since 2003, coinciding with the founding of KICPAA in the same year (Lim and Flores, 2023).

In accordance with Prakas No. 068, issued on January 8, 2009, the MEF has officially endorsed the International Financial Reporting Standards (IFRS). This endorsement encompasses 17 articles of CIFRS and International Accounting Standards (IASs), as well as 26 articles of CIASs, without any alterations. Prakas No. 101, issued on February 24, 2011, mandates that all companies registered at the Cambodia Securities Exchange (CSX) and intending to offer securities to the public must utilize CIFRS for the preparation of their financial statements. Public interest entities (PIEs) such as banks, MFIs, and insurance companies are also required to adopt CIFRS for their financial reporting. However, other profit-making entities have the option to use either CIFRS for SMEs or CIFRS (Cadungog-Uy, 2017). Additionally, to enhance the quality of financial information preparation and publication, the Cambodia Financial Reporting Standard (CFRS) for Not-For-Profit Entities (NFPEs) was approved and came into effect on January 1, 2018 (Lim and Flores, 2023).

The implementation of CIFRS will provide the entities with a variety of immediate benefits. These advantages encompass enhancing the institution's reputation, expanding support networks, and serving as an effective tool for drawing in investors, funders, and strategic partners (National Accounting Council, 2018). Although many benefits are purportedly linked to the adoption of CIFRS, there remains a significant gap in thorough research that examines the difficulties encountered during the transition from the previous accounting standard. The main aim of this research is to apply Explanatory Factors Analysis (EFA) to pinpoint the specific variables that act as predictive elements affecting the probability of compliance with CIFRS/CIFRS for SMEs in Cambodia. In the subsequent sections of this study, the acronym CIFRS will be employed to denote CIFRS/CIFRS for SMEs. It is important to note that the implementation of CFRS for NFPEs is outside the scope of this investigation. The logistic regression model is designed to identify four key independent variables: Financial Reporting Components (FRC), Stakeholder Knowledge and Attitude (SKA), Internal Control System (ICS), and Costs of Adoption of CIFRS (CAC). These variables will be utilized to estimate the likelihood of CIFRS adoption within the Cambodian context.

This study is organized into five distinct chapters. The initial chapter functions as an introduction, while the second chapter provides a comprehensive literature review. The third chapter details the research methodologies utilized, and the fourth chapter showcases the results obtained from the investigation. Furthermore, the fifth chapter summarizes the conclusions derived from the research.

2. LITERATURE REVIEW

The rise of globalization and international trade has allowed investors to explore opportunities for expanding their wealth beyond national borders. Over the past few decades, international trade and cross-border investments have gained significant popularity and have played a crucial role in driving economic growth. They have contributed to increased production and consumption. However, in order to assist investors and analysts in making informed and clear investment decisions, it is of utmost importance to establish a standardized set of accounting principles. This ensures that the information utilized by investors and analysts is accurate and can be compared across all companies and market sectors. Since 2005, European companies that are publicly traded on a stock exchange have been obligated to adhere to IFRS. The adoption of these guidelines has been mandated by the IASB, making them the widely acknowledged standard worldwide (Al-Refiay et al., 2023). In the realm of advancing global integration, particularly in the realm of accounting and auditing, amidst the widespread adoption of IAS/IFRS worldwide, the implementation of IAS/IFRS is not solely the concern of individual nations but also a shared objective among countries worldwide. For the corporate sector, the adoption of IAS/IFRS is an essential measure to enhance the dependability and comparability of financial reporting data (Hung, 2022).

Uwalomwa et al. (2016) conducted a study to examine the correlation between the implementation of IFRS and the cost of equity capital in Nigeria. The research employed a cross-sectional research design and utilized the Ordinary Least Square technique for measurement purposes. The findings revealed that the cost of equity capital experienced an increase after the adoption of IFRS, as opposed to the pre-IFRS period. This rise can be attributed to challenges encountered during the implementation of IFRS accounting policies. Ball (2016) conducted a study on the progress of IFRS a decade after its introduction and adoption. The study concluded that the differences in IFRS adoption pose a challenge to accounting harmonization. To overcome this challenge, Ball suggested that a uniform adoption strategy is necessary in order to fully reap the benefits of the IFRS. On the other hand, Pricope (2016) aimed to explore the relationship between institutional factors and IFRS adoption in developing countries. The study utilized logit analysis to examine the adoption status of IFRS in developing countries in relation to institutional theory. The findings revealed that the adoption of IFRS in developing countries is significantly influenced by mimetic pressure from developed countries. Developed countries utilized international aid and trade as incentives to encourage developing countries to adopt the IFRS. Furthermore, the study concluded that the adoption of IFRS in developing countries is primarily driven by the desire for legitimacy, rather than serving the economic purpose, which is a by-product of the mimetic pressure.

Bakre and Lauwo (2016) held the belief that the implementation of IFRS could address the political and economic challenges in Nigeria. Their study utilized content analysis and interviews to examine how IFRS could improve accountability, reduce corruption in the public sector, enhance market efficiency, and attract foreign investment. However, the authors discovered that the notion put forth by international and national institutions, such as the World Bank and FRCN, that the adoption of IFRS would lead to reduced corruption, increased accountability, and greater foreign investment, was merely an illusion. The authors concluded that the adoption of IFRS in Nigeria was primarily driven by political cronyism rather than economic benefits. The main focus of their study was to analyze how politicians utilized fair value and other accounting practices to conceal cronyism by undervaluing assets, selling them to cronies at significantly lower prices, and diverting the proceeds from these sales into private bank accounts. Thompson (2016) made an attempt to examine the difficulties faced by developing nations in adopting. The research discovered that the challenges reported in various studies differ to some extent, with a few similarities. The study concluded that the challenges related to IFRS are not exhaustive. It is recommended to conduct further research to identify other challenges that are currently unknown. Similarly, Osemeke and Adegbite (2014) employed a similar approach of reviewing literature and analyzing signaling theory. The study found evidence of company managers relying on conflicting regulations to justify noncompliance with regulatory requirements. The study concludes that conflict signaling theory assumes that multiple codes create conflicts among managers, companies, and regulators, and managers utilize these conflicts as justifications to evade compliance with one code while complying with another code.

Tsunogaya et al. (2015) focused on analyzing the content of the Business Accounting Council of Japan and identified

various factors that influenced the cautious approach taken by the Japanese accounting regulatory authority in implementing IFRS. These factors included the social, organizational, and professional environments. The authors also discovered that the Japanese automotive industries favoured GAAPs over IFRS for their financial reporting due to practical reasons. Additionally, they highlighted a discrepancy between Japanese culture and the principles of IFRS. Istrate (2015) conducted a content analysis comparing the translation of IFRS in Romania to the original IFRS published in English by IASB. The study identified errors in the translation of a list of 16 items, which were found to be influenced by language as a cultural concept. In contrast, Cascino and Gassen (2014) utilized a difference-in-differences analysis and a battery of analyses to examine the impact of mandatory IFRS adoption in Germany and Italy. The study found that the level of IFRS compliance among German and Italian firms varied systematically based on country, region, and firm-level incentives. Furthermore, public firms that adopted IFRS became less comparable to the information provided by local GAAP private firms. Furthermore, in a study conducted by Dauda et al. (2015), an attempt was made to examine the obstacles and risks faced by the accounting profession in Nigeria when adopting IFRS. This investigation utilized a survey questionnaire and cluster sampling technique. The findings of the study revealed that the absence of objectivity in accounting regulation and a deficient education system were potential threats and disadvantages to the standardization of accounting practices in Nigeria. Similarly, Nurunnabi (2015) aimed to analyze the political influence on listed firms in Bangladesh. The study focused on the challenges posed by the political institution and accounting regulation in a developing economy. To achieve this, semi-structured interviews and content analysis of official documents were employed. The results indicated that coercive, normative, and mimetic isomorphism were significant obstacles to the slow adoption of IFRS in Bangladesh. This challenge was interpreted as a culture of blame, where accountants held themselves and political leaders responsible for the lack of optimism in IFRS adoption.

Zakari (2014) conducted a study to examine the difficulties faced by Libyan companies in adopting IFRS. The study utilized a survey of Libyan companies and found that the main challenges for Libya in adopting IFRS were inadequate accounting education and economic issues. Similarly, Faraj and El-Firjani (2014) conducted a study on the challenges faced by Libyan listed companies in adopting AISs/IFRS. However, their study employed semi-structured interviews with financial managers and internal auditors from the listed companies. The study concluded that the key challenges for Libya in effectively adopting IFRS were the lack of necessary training programs, lack of awareness, and the language barrier. Additionally, Taiwo and Adejare (2014) conducted a study to explore the impact of IFRS adoption in Nigeria. Their study primarily focused on the benefits of IFRS adoption and utilized interviews and questionnaires as the main methods for collecting primary data. The study found that the benefits of IFRS adoption were mainly derived from the non-restatements of financial statements due to the universal acceptability of IFRS financial statements.

A logistic regression model was employed to assess the probability of IFRS adoption in the European Union. The model considered four variables: company size, number of subsidiary firms, continued use of big-4 service, and company profit margin (EU). The findings of this study revealed that the coefficient for each nation had no significant effect on the likelihood of IFRS adoption. Interestingly, the level of internationalization of the company had a statistically significant impact on the likelihood of adoption, contradicting the initial assumption. Furthermore, the size of the company and the reputation of the auditor were positively associated with voluntary IFRS adoption in the European Union (Pietila, 2017). According to a study analyzing 84 adopters and non-adopters of IFRS for SMEs, companies in both emerging and developed nations without their own financial accounting standards but with experience in implementing IFRS and a common law legal framework were more inclined to adopt IFRS for SMEs. Conversely, EU member countries were less likely to adopt standards for the empirical outcomes of the logit macroeconomic model (Bonito and Pais, 2018). In a research study utilizing qualitative meta-analysis, three significant obstacles to successful IFRS adoption were identified in each respective country: The cost in terms of time and labor, as well as the need for ongoing IFRS amendment (Gibru and Aynalem, 2019). The implementation of international financial reporting standards (IFRS) poses a challenging endeavor.

The implementation of IFRS in large companies in Kosovo was examined through Chi-square tests, comparing the dependent variable (Implementing IFRS is a complicated process) with the independent variables (Lack of adequate knowledge by IFRS implementers and lack of adequate explanations and trainings for IFRS). The results of the Chi-square tests revealed that the main challenges faced during the adoption of IFRS were the accountants' lack of understanding, limited professional growth opportunities, and insufficient training (Ferati et al., 2020). In order to assess the likelihood of IFRS adoption by companies listed on the Ho Chi Minh Stock Exchange (HOSE) in Vietnam, a dummy variable was created based on six variables: corporation size, reputation of auditors, major of foreign shareholders, category of financial institutions, return on equity, and debt to equity ratio. This model was referred to as the logistic regression model. The study conducted by Ta et al. (2021) found that the debt-to-equity ratio had a negative impact on the adoption of IFRS by businesses listed on HOSE, while the other five variables had a positive influence on the probability of adoption. Accountants, academics, and practitioners are increasingly recognizing the growing importance of understanding the impact that the international financial reporting standards (IFRS) have on the credibility and dependability of financial statements (Rashid et al., 2021).

Nakamura et al. (2022) conducted a study to examine the factors influencing preparers' choices regarding the adoption of IFRS. The researchers matched the firms' decision to adopt or not adopt IFRS with numerical data and analyzed descriptive comments obtained through an original survey of Japanese listed firms. The findings of this investigation revealed that firms are inclined to adopt IFRS when they anticipate enhanced communication with investors, irrespective of the associated costs. Interestingly, the perceived costs associated with IFRS adoption do not necessarily have a negative impact on their decision-making process. Nguyen et al. (2023) conducted a research study using a combination

of qualitative research methods, quantitative analysis, and structural equation modeling (SEM). The purpose of the study was to analyze the causal relationship between various influencing factors and the willingness of enterprises in emerging economies to voluntarily adopt international financial reporting standards (IFRS). The evidence gathered from the study indicates that factors such as compliance with accounting regulations and principles, qualifications and experience of accountants, accounting regimes and government circulars, capabilities and perceptions of managers, and the perceived benefits of IFRS adoption all have a positive impact on the application of IFRS. Additionally, the study found that firm size and audit activities also play a role in promoting the willingness of enterprises to adopt IFRS.

The ACAR of Cambodia, similar to numerous other nations, has already incorporated international financial reporting standards (IFRS) for SMEs and IFRS issued by the international accounting standard board (IASB) for Financial Statements with periods commencing on or after January 1, 2010 and January 1, 2012, respectively. Limited or no research has been conducted in Cambodia to offer a comprehensive response to the challenges of implementing the aforementioned accounting standard, specifically the CIFRS. The objective of this study is to utilize the EFA to identify the variables that are presumed to influence CIFRS compliance in Cambodia. By examining the elements that significantly impact the likelihood prediction of CIFRS, this research endeavor has also aimed to determine the factors that have a significant effect on the adoption of CIFRS.

3. METHODOLOGY

This section begins with a detailed description of the logistic regression model specification in order to predict the likelihood of adoption of CIFRS/CIFRS for SMEs for short it is called CIFRS, followed by the explanation of the estimation method employing in the estimation of all parameters of the model. The subsequent part explores the process of estimating the latent variables using manifest variables through the explanatory factor analysis (EFA). The section concludes with an overview of the research design, the process of determining the sample size, and the methodologies utilized for data collection.

3.1. Logistic Regression Model

$$\text{CIFRS Adoption}_i = \beta_0 + \beta_1 EMPL_i + \beta_2 ASSET_i + \beta_3 SUBM_i + \beta_4 LAWE_i + \beta_5 FINF_i + \beta_6 FRC_i + \beta_7 SKA_i + \beta_8 ICS_i + \beta_9 CAC_i + \varepsilon_i \quad (1)$$

As outlined in equation (1), the probability of CIFRS adoption is determined by two categories of variables: those that are observed and those that are unobserved. The observed variables consist of five key factors, which include the number of employees (EMPL), the value of assets (ASSET), the submission of financial reports to ACAR, the enforcement of laws by ACAR regarding the implementation of CIFRS, and the discrepancies in financial information provided by CIFRS compared to the requirements set forth by the General Department of Taxation (GDT). Additionally, there exist five unobserved variables, specifically the financial reporting component (FRC), stakeholder knowledge and attitude (SKA), internal control system (ICS), and the cost associated with the adoption of CIFRS/CIFRS for SMEs (CAC). These variables are referred to as latent variables or constructs, which are inferred from the observed variables, commonly known as manifest variables. A comprehensive description of each latent variable along with its corresponding manifest variables is provided in Table 1.

The below display illustrates the anticipated likelihood of CIFRS adoption,

$$P_i\left(Y_i = 1\right) = \frac{1}{1 + e^{-\beta X_i}} \quad (2)$$

Where, Y_i is the dichotomous choice (1 if a company/organization adopts CIFRS and 0 otherwise). P_i is the probability that a company/organization adopts CIFRS and $(1–P_i)$ is the probability that the company/organization does not adopt CIFRS. X is a vector of independent variables and β is a vector of parameters to be estimated. The odd ratio, which represents the choice of CIFRS adoption or non-adoption, is

$$\frac{P_i}{1 - P_i} = e^{-\beta X_i} \quad (3)$$

Taking logarithm to derive a logistic regression equation,

$$log\left(\frac{P_i}{1 - P_i}\right) = -\beta X_i \quad (4)$$

Maximum likelihood estimated method is carried out to predict a vector of sample parameters, $\hat{\beta}$. Log-likelihood function is indicated as follow,

$$L = \prod_{Y_i - 1} P_i \prod_{P_i - 0} \left(1 - P_i\right) \quad (5)$$

Marginal effects (M_j) is a partial derivative of the probability of adoption of CIFRS with respect to each individual explanatory variable is performed since the interpretation of the effect of each independent variable under consideration on the predicted probability can not be conducted directly.

$$M_j = \frac{\partial P_i}{\partial x_{ij}} = \beta_j P_i \left(1 - P_i\right) \quad (6)$$

The increase or decrease of the predicted probability is caused by a unit change in an explanatory variable. Since the dependent variable, Y, of the regression model is binary, 1 and 0, the marginal effect is written as follow,

$$\frac{\partial P_i}{\partial x_{ij}} = \left[P_i\left(Y = 1\right) \middle| x_{ij} = 1\right] - \left[P_i\left(Y = 1\right) \middle| x_{ij} = 0\right] \quad (7)$$

To investigate how well the data fit the model, four different types of goodness-of-fit tests such as likelihood ratio test, McFadden Pseudo R^2, Hosmer-Lemeshow test and predicted ability measure, are applied in this research.

3.2. Explanatory Factor Analysis (EFA)

The main aim of exploratory factor analysis (EFA) is to identify the elements that serve as predictors for the factors affecting the

adoption of CIFRS. This study has revealed a total of eighteen elements, which are organized into four primary factors that present practical challenges in the implementation of CIFRS. The first factor, known as financial reporting components (FRC), consists of three distinct elements. The second factor, stakeholder knowledge and attitude (SKA), includes six elements. The third factor pertains to the internal control system (ICS) and comprises four elements. Finally, the fourth factor addresses the Costs of Adoption of CIFRS (CAC), which is evaluated through five observed variables.

3.3. Research Design

To collect data regarding the adoption of CIFRS, a structured questionnaire has been developed to obtain insights from a variety of firms. These firms have been divided into two primary categories: Publicly accountable companies and non-publicly accountable companies. Publicly accountable companies are characterized as those that are listed or are in the process of being listed on the Cambodia securities exchange (CSX) or in international markets. This group also encompasses banks, microfinance institutions (MFIs), insurance companies, and securities firms. The survey has been meticulously designed to explore the factors that affect the decisions of companies regarding CIFRS adoption, incorporating a diverse array of question formats, including multiple-choice questions, Likert scale assessments, nominal questions, and dichotomous questions.

3.4. Sample Size

In the pursuit of research focused on examining the behaviors and trends within firms, establishing an appropriate sample size is essential for guaranteeing the reliability and validity of the results. A total of 3000 firms have been chosen as the sample, a decision based on sound statistical principles. This sample size was calculated using a confidence level of 95% and a margin of error of 5%, effectively balancing accuracy with practical considerations. This sufficiently large sample minimizes the potential for sampling error and enhances the ability to generalize findings across different sectors. To further improve the representativeness of the chosen sample, the selection process will be stratified according to industry type, company size, and geographic region. This methodology will address the variations present within the business environment, thereby ensuring that the research outcomes of this study are relevant to a wide range of firms. In summary, the established strategy for determining sample size and collecting data aims to produce meaningful insights that can contribute to both scholarly discussions and practical implementations in the realm of business research.

4. RESEARCH FINDINGS

As indicated in Table 2, the results show that 42.4% of the participants are in the age range of 18-30 years. In contrast, 40.6% are between 31 and 40 years old, 15.4% between 41 and 50 years old and 1.6% between 51 and 60 years old. The table also shows a chi-square value of 294.501, indicating a probability of 0.00, which is below the significance level of 0.05. This indicates a

Table 1: CIFRS adoption's observed and unobserved variables

Items	Factors	
	Factor 1: Financial reporting components (FRC)	
1	FRC1	Calculating the accounting values is not a challenging task
2	FRC2	Measuring income and expenses in accordance with CIFRS is not a complex task
3	FRC3	Forecasting profitability from CIFRS financial statements is not a challenging task
	Factor 2: Stakeholder Knowledge and Attitude (SKA)	
4	SKA1	The expertise and proficiency of CIFRS staff knows no bounds.
5	SKA2	Understanding CIFRS accounting policies is not a challenging task
6	SKA3	CIFRS is considered significant by investors and/or managers
7	SKA4	Positive reactions from subordinates
8	SKA5	Positive reactions of main business partners
9	SKA6	Awareness IFRS is mandatory
	Factor 3: Internal control system (ICS)	
10	ICS1	There is no need for my company to incorporate extra internal control mechanisms for overseeing CIFRS compliance
11	ICS2	Understanding the procedures involved in applying CIFRS is not a challenging task
12	ICS3	There has no issue of management accounting system
13	ICS4	My company has not to change the Information Technology (IT) system to suit CIFRS
	Factor 4: Costs of adoption of CIFRS (CAC)	
14	CAC1	The implementation of CIFRS does not result in an increase in the requirements for staff training
15	CAC2	The adoption of CIFRS does not lead to an increase in the cost of preparing financial reports
16	CAC3	The adoption of CIFRS does not lead to an increase in audit costs
17	CAC4	There is no conflict of interest between management and stakeholders
18	CAC5	Adopting CIFRS does not come at a high cost

Table 2: Age group

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

Chi-square tests			
Statistics	**Value**	**df**	**Asymptotic significance (2-sided)**
Pearson Chi-square	294.501[a]	3	0.000
Likelihood ratio	290.102	3	0.000
Linear-by-linear association	42.933	1	0.000
N of valid cases	2431		

[a]0 cells (0.0%) have expected count <5. The minimum expected count is 10.22

significant discrepancy in the age distribution between CIFRS adopters and non-adopters.

Table 3 in the following section provides an overview of the participants' accounting qualifications. The results show that 52.7% of the respondents have a bachelor's degree in accounting. In contrast, 12.2% of the participants reported having an associate's degree in accounting, while 2.1% had a master's degree in accounting. In addition, 35.1% of respondents had an alternative degree in accounting. The table also shows that the Chi-square value is 625.311, with a corresponding probability value of 0.000. This probability value is lower than the significance level of 0.05. Consequently, the null hypothesis is rejected, indicating that there is a significant difference in accounting qualifications between CIFRS adopters and non-adopters.

The results of the survey indicated that among the participants, 44.4% were classified as accountants or senior accountants, while 8.6% occupied the role of accounting managers. Furthermore, 1.2% were identified as financial managers, 32.6% as controllers, and 2.2% as CFOs, with the remaining 10.9% categorized under other job titles. Moreover, Table 4 illustrated a Chi-square value of 568.983 and a probability value of 0.000, which is below the threshold of 0.05, suggesting a statistically significant difference in job titles between those who adopted CIFRS and those who did not.

The EFA is employed to assess the practical challenges and obstacles related to the adoption of CIFRS. This evaluation encompasses four key factors: Financial reporting components (FRC), Stakeholder Knowledge and Attitude (SKA), Internal Control System (ICS), and the Cost of Adoption of CIFRS (CAC). Collectively, these four constructs comprise a total of eighteen items. The findings reveal that the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy stands at 0.790, which is notably close to the threshold of 0.9.

Additionally, the approximate Chi-square value is recorded at 4849.350, with a degree of freedom (df) of 91, and this result is highly significant at the 1% level, indicated by $P \leq 0.000$. A total of 48.84% of the variation across the eighteen items can be attributed to the four identified factors. The first factor, which assesses the FRC, is characterized by a single loaded item and accounts for 13.931% of the overall variance as derived from the four-factor analysis. The second factor, designated as SKA, similarly comprises one factor loading and contributes 25.078% to the total variance. The third factor, representing the ICS, also includes just one loaded factor, explaining 29.428% of the total variance among the four constructs. Finally, the fourth factor, CAC, is made up of two items and accounts for 33.329% of the total variance. In this analysis, any item with a factor loading lower than 0.3 will be excluded. The scores derived from these four factors, as predicted by the exploratory factor analysis, will serve as independent variables in the subsequent logit regression model (Table 5).

The classification accuracy of the model is recorded at 73.8%. Within the study, there were 637 individuals identified as CIFRS Adopters and 1794 classified as CIFRS Non-Adopters. The statistical analysis reveals a significant frequency difference between these two groups, as demonstrated by the Wald test, which produced a value of 503.989 and a $P = 0.000$, indicating significance at a level below 1%. The intercept value is −1.035, and its exponential counterpart of 0.355 suggests that the likelihood of not being a CIFRS Adopter is 64.5% higher. The null hypothesis, which posits that the variables within the model do not jointly account for the likelihood of being a CIFRS Adopter, is decisively rejected. This conclusion is substantiated by a Chi-square statistic

Table 3: Accounting qualification of respondents

Qualification	CIFRS adoption		Total
	CIFRS Non-adopter (%)	CIFRS adopter (%)	
Have you earned one of the following accounting qualifications?			
1) Associate degree in accounting	12.2	0.0	12.2
2) Bachelor degree in accounting	27.9	24.8	52.7
3) Master degree in accounting	1.6	0.5	2.1
4) CAT	1.6	0.3	2.0
5) ACCA/CPA	0.9	0.0	0.9
6) Other	29.5	0.5	30.1
Total	73.8	73.8	26.2
Chi-square tests			
Statistics	**Value**	**df**	**Asymptotic significance (2-sided)**
Pearson Chi-square	625.311[a]	5	0.000
Likelihood ratio	776.455	5	0.000
Linear-by-linear association	249.920	1	0.000
N of valid cases	2431		

[a]0 cells (0.0%) have expected count <5. The minimum expected count is 6.03

Table 4: Profile of the respondents

Positions	CIFRS adoption		Total (%)
	CIFRS Non-adopter (%)	CIFRS adopter (%)	
What is your job title?			
1) Accountant/senior accountant	23.3	21.1	44.4
2) Accounting manager	6.9	1.7	8.6
3) Finance manager	0.2	1.0	1.2
4) Controller	31.1	1.5	32.6
5) CFO	1.7	0.5	2.2
6) Other	10.6	0.4	10.9
Total	73.8	73.8	26.2
Chi-square tests			
Statistics	**Value**	**df**	**Asymptotic significance (2-sided)**
Pearson Chi-square	568.983[a]	5	0.000
Likelihood ratio	633.690	5	0.000
Linear-by-linear association	431.585	1	0.000
N of valid cases	2431		

[a]0 cells (0.0%) have expected count <5. The minimum expected count is 7.86

Table 5: Explanatory factor analysis

KMO and bartlett's test		
Kaiser-Meyer-Olkin measure of sampling adequacy.		0.790
Bartlett's test of sphericity	Approx. Chi-square	4849.350
	df	91
	Sig.	0.000

Latent variables	Pattern matrix[a] Manifest variables	Factor 1	2	3	4
FRC2	Measuring income and expenses in accordance with CIFRS is not a complex task.	0.779			
SKA3	CIFRS is considered significant by investors and/or managers.		1.058		
ICS1	There is no need for my company to incorporate extra internal control mechanisms for overseeing CIFRS compliance.			0.845	
CAC2	The adoption of CIFRS does not lead to an increase in the cost of preparing financial reports.				0.461
CAC3	The adoption of CIFRS does not lead to an increase in audit costs.				0.710

Extraction method: Maximum Likelihood. Rotation method: Promax with Kaiser normalization

[a]Rotation converged in 6 iterations

of 1649.186 with 9° of freedom, accompanied by a P-value that is <1%, as demonstrated by the Omnibus tests of model coefficients. Furthermore, the Pseudo-R^2 statistic serves to evaluate the model's fit, indicating that 49.3% of the variability in the dependent variable can be explained by the independent variables.

The Hosmer and Lemeshow test reveals a Chi-square statistic of 404.534, accompanied by a P = 0.0000%, which is significantly lower than the 5% threshold for significance (Table 6). Consequently, this result necessitates the rejection of the null hypothesis, which posits that the model's predictive capacity is not misspecified. In the final category, specifically the 10th category, as indicated in the contingency table for the Hosmer and Lemeshow test, the expected value stands at 254.041, demonstrating a close alignment with the observed value of 250. The minor discrepancy between the observed and anticipated values signifies a robust predictive ability of the model. Among the total, 1715 entities were forecasted not to embrace CIFRS, whereas 538 were anticipated to do so. In contrast to the null model, which predicted 1794 companies would not adopt CFRS and only 79 would adopt it, there were 99 cases that the model failed to predict. The accuracy of these predictions stands at 84.5%. Furthermore, the model's predictive capacity has improved significantly, rising from 73.8% to 92.7%, which translates to a 21.8% enhancement in classification accuracy.

The four identified factors have been shown to statistically account for the likelihood of CIFRS adoption at significant levels of 5%

Table 6: Logistic regression results

Hosmer and Lemeshow test			
Step	Chi-square	df	Sig.
1	404.534	8	0.000

Contingency Table for Hosmer and Lemeshow test						
CIFRS/ CIFRS for SMEs	Have your company complied with CIFRS/CIFRS for SMEs? = CIFRS Non-Adopter			Have your company complied with CIFRS/CIFRS for SMEs? = CIFRS Adopter		Total
		Observed	Expected	Observed	Expected	
Step 1	1	226	242.243	17	0.757	243
	2	241	240.944	2	2.056	243
	3	240	238.514	2	3.486	242
	4	241	238.196	3	5.804	244
	5	226	219.415	2	8.585	228
	6	234	224.123	7	16.877	241
	7	234	205.799	9	37.201	243
	8	102	127.730	137	111.270	239
	9	37	48.078	208	196.922	245
	10	13	8.959	250	254.041	263

Variables in the equation							
Independent variables		B	S.E.	Wald	df	Sig.	Exp (B)
Step 1[a]	EMPL	0.997	0.144	48.051	1	0.000	2.709
	ASSET	1.243	0.138	81.330	1	0.000	3.467
	SUBM	5.581	0.269	429.568	1	0.000	265.252
	LAWE	−0.725	0.088	67.087	1	0.000	0.484
	FINF	−0.644	0.095	45.556	1	0.000	0.525
	FRC	0.291	0.132	4.893	1	0.027	1.338
	SKA	0.883	0.107	67.726	1	0.000	2.419
	ICS	0.738	0.124	35.377	1	0.000	2.092
	CAC	1.114	0.158	49.936	1	0.000	3.047
	Constant	−9.640	0.749	165.790	1	0.000	0.000

for FRC and 1% for SKA, ICS, and CAC. A stronger correlation between the elements of Financial Reporting Components, Stakeholder Knowledge and Attitude, Internal Control System, and the Cost of Adoption of CIFRS and the probability of CIFRS adoption results in a higher logit value. Specifically, a one-unit increase in FRC corresponds to a 0.291 increase in the logit variable, which closely aligns with the probability of an entity adopting CIFRS. The odds ratio can be understood in a manner akin to the unstandardized beta (B) weights, suggesting that an increase of one unit in FRC corresponds to a 1.338-fold increase in the probability of adopting CIFRS, while accounting for individual variations in the other independent variables. The slope coefficient for SKA is recorded at 0.883, with an associated odds ratio of 2.419, indicating that a one-unit rise in SKA results in a 2.419-fold increase in the likelihood of adopting CIFRS. Likewise, the slope coefficients for ICS and CAC are also positive, measuring 0.738 and 1.114, with corresponding odds ratios of 2.092 and 3.047, respectively. In conjunction with the four latent factors identified through the exploratory factor analysis (EFA), the logit regression model incorporates five control variables. Among these control variables are the total assets and the total number of employees within the companies, which serve as indicators of the company's size. The other three variables include the company's submission of reports to the Accounting and Auditing Regulator (ACAR), its perception of inadequate law enforcement, and the belief that the requirements of CIFRS diverge from those of tax regulations.

The empirical results of this study, after taking into account the previously mentioned control variables, have further illustrated a positive correlation between company size and the adoption of CIFRS. In particular, it has been observed that larger companies, measured by both employee count and total asset value, are more likely to implement CIFRS. The slope coefficients for these two variables are statistically significant at the 1% level, recorded at 0.997 and 1.243, respectively. Additionally, the odds ratio for the number of employees stands at 2.709, which indicates that a one-unit increase in employee count corresponds to a 2.709-fold increase in the likelihood of adopting CIFRS. Likewise, the odds ratio for total asset values is 3.467, implying that each one-unit increase in total asset values results in a 3.467-fold increase in the probability of adopting CIFRS.

The estimated parameter concerning the submission of the company's financial report to ACAR stands at 5.581, demonstrating a high level of significance at the 1% threshold, as evidenced by a P = 0.000. This suggests that an increase of one unit in this variable correlates with a notable rise of 265.252 in the probability of adopting CIFRS. In addition, the research indicates that a perception of inadequate enforcement of CIFRS negatively impacts the likelihood of its adoption. The estimated parameter for this perception is −0.725, which is also highly significant at the 1% level, with a P = 0.000. The corresponding odds ratio of 0.484 implies that for each unit increase in the perception of low enforcement, the probability of adopting CIFRS diminishes by a factor of 0.484. Moreover, the findings suggest that if a company believes that the financial information mandated by CIFRS significantly diverges from that required by the General Department of Taxation, the likelihood of providing such information is reduced. This is corroborated by a negative slope coefficient of 0.644, which is statistically significant at the 1% level.

5. CONCLUSION

The likelihood of adopting the CIFR in Cambodia was assessed using a logistic regression model that integrated two types of variables: observed and unobserved. The unobserved variables included elements such as financial reporting components, the knowledge and attitudes of stakeholders, the internal control system, and the costs associated with the adoption of CIFRS. Although eighteen observable variables were included in the exploratory factor analysis (EFA), the results indicated that only five remained as the primary predictors of the latent variables being examined. It was proposed that the four latent variables exerted a statistically significant impact on the probability of adopting CIFRS, as the estimated parameters for each variable were positive and statistically significant at the 1% level, with the exception of the financial reporting components construct, which demonstrated a significant effect on the likelihood at the 5% level. This research incorporated five control variables alongside the latent variables, specifically the number of employees, asset value, the submission of financial reports to ACAR, the enforcement of laws by ACAR concerning the implementation of CIFRS, and the inconsistencies in financial information presented by CIFRS in relation to the stipulations established by the General Department of Taxation. The estimated coefficients for these variables were 0.997, 1.243, 5.581, −0.725, and −0.644, respectively. Notably, each individual coefficient demonstrated statistical significance at the 1% level. It is important to highlight that the target respondents consisted of 3000 firms conducting business in Cambodia. Of these, 2431 firms successfully completed and submitted the questionnaire, representing approximately 81% of the selected sample. Among the firms that participated in the survey, 73.79% were classified as non-adopters of CIFRS, while 26.21% were identified as adopters of CIFRS.

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