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The Governance Role of International financial reporting standards in Promoting Sustainable and Equitable Value Creation

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Abstract:

This study evaluates how International financial reporting standards (IFRS) can control the development of sustainable and fair value of economic entities through the governance role. Following the growing dynamism of the global business world and the growing demands of transparency and accountability, the International Financial Reporting Standards (IFRS) that have been created by the International financial reporting standards Board (IFRSB) are now instrumental to the quality of financial reporting and accruing greater investor and stakeholder trust. In addition, the implementation of these standards in the framework of the effective governance system also helps in enhancing financial and non-financial disclosure concerning sustainability that helps in attaining the long-term value taking into account both economic, social and environmental aspects.

The methodology in the study was descriptive-analytical. The sample size of 50 accountants and auditors of different companies was employed to create data using a questionnaire. Analytical data was conducted on the basis of SPSS software and path analysis models. The research model contained three key variables namely, the governance role of IFRS, which serves as the independent variable, the quality of disclosure and transparency, which relates to sustainability as the mediator variable, and the generation of sustainable fair value as dependent variable.

The findings showed the direct and indirect influence of governance on sustainable value creation wherein disclosure quality was a partial mediator in such a connection.

The results indicate that when corporate governance is combined with the use of international standards, the transparency and corporate responsibility increase and this adds to the long-term corporate value as well as supporting sustainable development and equity among the stakeholders.

Keywords: corporate Governance, International financial reporting standards, Sustainability, Value Creation**.**

Conclusions:

Statistical analysis found out that the application of the principles of governance on International financial reporting standards has a significant and a positive impact on improving the quality of disclosure and transparency. It also revealed that the disclosure on sustainability helps to generate sustainable and fair value to companies.

Introduction:

A global financial system relies on International financial reporting standards (IFRS) which increases transparency and quality of the financial reporting. The growing interdependence of the global financial

market has led to the need to adopt common standards that will reduce differences in accounting practice between countries Suvakov, P., & Sekicki, V. (2025). This in turn enhances comparability of financial statements and increase investor and stakeholder confidence. In this regard, the International financial reporting standards Board (IFRSB) has been relatively at the forefront in coming up with International Financial Reporting Standards (IFRS) which currently has become the framework of choice in most countries in the aim of ensuring that financial disclosure is regulated and that greater transparency and accountability are achieved.

As the modern business environment has evolved at a fast pace, the scope of accounting has gone beyond the provision of the traditional financial information. It is currently also involved in the promotion of sustainable development and corporate social responsibility Akisik, O., & Gal, G. (2011).. The economic institutions are becoming obliged to present information that reflects their ability to generate sustainable value beyond economic factors to the aspect of environment and society. Therefore, the role of governance in the implementation of the International financial reporting standards (IFRS) has now been made apparent. The system of governance helps to enforce the adequate use of such standards and increase the credibility of published information. This, consequently, facilitates the decision-making of the investor and minimizes the manipulation or information asymmetry. Akinsola, K., & Taofeek, A. (2025).

The modern business world has undergone great changes due to the economic globalization and the rising calls of transparency and accountability. This has also contributed to the increased desire to implement International financial reporting standards especially international financial reporting standards (IFRS), which the international financial reporting standards board (IFRSB) established to enhance the quality of reporting in the financial statements as well as the comparability of the financial statements across national borders.

Nevertheless, the achievement of the objectives of the application of such standards cannot be complete without the presence of effective governance mechanisms that will guarantee proper implementation of such standards and promote transparency of financial and non-financial disclosure. Following the international movement towards sustainable development and equity among the stakeholders, institutions must now not just be able to make economic profits but also assist in the production of sustainable and equitable value which takes into account economic, social and environmental aspects.

Although there has been an increase in scholarly and practical attention to International financial reporting standards (IFRS) and sustainability, numerous researches have been conducted on how the accounting standards influence the quality of the financial reporting or corporate financial performance. Nevertheless, the connection between the governance role by IFRS and the generation of sustainable and fair value has not been well researched especially in emerging market settings.

1-Research Problem

The main question to be answered in the research problem is as follows:

1. What is the role of corporate governance in creating sustainable value
2. What is the role of International Financial Reporting Standards (IFRS) in creating sustainable value?
3. What is the role of the integration between corporate governance and IFRS in creating sustainable value?

1. **Importance of the research**

The idea of developing sustainable and equitable value is strictly connected with the possibility of institutions to balance the process between attaining economic benefits and the realization of social and environmental obligations. The use of IFRS in a good governance structure is an important instrument in securing this balance Amelio, S. (2016). These standards give a basis on open reporting of financial and non-financial performance, thus increasing corporate responsibility and bringing equity amongst the different stakeholders.

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It is hence necessary to consider the position of governance in enhancing sustainable and equitable value creation in IFRS. This discussion will entail a discussion on how these standards, when implemented in a proper governance structure, can enhance the quality of financial disclosure and increase investor confidence and work towards attainment of sustainable development. On the one hand, this paper aims to identify the connection between International financial reporting standards (IFRS) application and governance systems, and the possibility of economic units to attain sustainable and fair value on a long-term basis, on the other.

2. Research Objectives:

This research aims to achieve a set of main and sub-objectives, which are as follows:

Main Objective: To analyze the role of governance in International financial reporting standards (IFRS) in promoting the creation of sustainable and equitable value for economic units.

Sub-Objectives

.1To demonstrate the role of applying IFRS in improving the level of transparency and the quality of financial reports.

.2To analyze the role of corporate governance in enhancing the effectiveness of applying IFRS within economic units.

.3To clarify the impact of sustainability-related disclosure in supporting the creation of sustainable value for economic units.

.4To study the relationship between corporate governance and the application of IFRS in promoting equity among stakeholders.

5. To determine the extent to which the integration of governance and IFRS contributes to achieving long-term value for economic units.

3. Research Hypotheses:

Based on the literature and previous studies, the following hypotheses can be derived:

Main Hypothesis: There is a statistically significant impact of the governance role of IFRS on enhancing the creation of sustainable and fair value for economic entities.

Sub-Hypothesis:

H1: There is no statistically significant role for corporate governance in creating sustainable value

H2: There is no statistically significant role for financial reporting standards in creating sustainable value

H3: There is no statistically significant role for the integration of corporate governance and financial reporting standards in creating value.

5.Main Variables in the Research Model

1. Independent Variable: The Governance Role of International Accounting Standards

This refers to the extent to which organizations adhere to International Financial Reporting Standards (IFRS) within an effective governance framework overseen by standards-setting bodies such as the International Accounting Standards Board. Potential Measurement Indicators are (Level of adherence to international standards, Board independence, Effectiveness of audit committees, Quality of internal controls, Level of regulatory compliance

2. Mediating Variable: The Quality of Disclosure and Transparency Related to Sustainability.

This variable represents the mechanism by which accounting standards and governance influence the achievement of sustainable value. Potential Measurement Indicators are (Level of disclosure of sustainability information, Transparency of financial and non-financial reports, Quality of integrated reporting, Level of disclosure of ESG (Environmental, Social, and Governance) practices)

3. Dependent Variable: Creating Sustainable and Equitable Value

This refers to the organization's ability to achieve long-term value that considers the interests of various stakeholders. Potential performance indicators are (Long-term financial performance, Company market capitalization, Investor confidence, Stakeholder equity, Environmental and social performance)

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6. Research population and sample:

The sample size of 50 accountants and auditors of different companies was employed to create data using a questionnaire. Analytical data was conducted on the basis of SPSS software and path analysis models. The research model contained three key variables namely, the governance role of IFRS, which serves as the independent variable, the quality of disclosure and transparency, which relates to sustainability as the mediator variable, and the generation of sustainable fair value as dependent variable.

7. Research Methodology:

The methodology in the study was descriptive-analytical. It was employed to create data using a questionnaire. Analytical data was conducted on the basis of SPSS software and path analysis models. The research model contained three key variables in this research.

Section One: Theoretical Aspect

Literature review

Comparing past research, one can see that there is certain tendency to highlight the essential role of transition to International Financial Reporting Standards (IFRS) and disclosure governance in ensuring sustainability and value creation. Nevertheless, this agreement has some issues that are of high value and thus, critical analysis is necessary. Although Palmybetova (2025) research approach concentrates on the direct role of the IFRS implementation in enhancing the ESG indicators by increasing the level of transparency, Bulyga,s et al. (2023) paper goes further to provide a more detailed viewpoint on the matter, stating that this effect can be effectively achieved only with strong corporate governance. This implies that accounting standards cannot act alone without an effective oversight mechanism. In the same way, Zaro, E. S. (2019). study provides a narrower financial aspect by associating the quality of integrated disclosure with the cost of capital. This reaffirms the point that sustainability has not only ceased to be a moral imperative but has also turned into an instrument of value creation.

Conversely, Ombai, & Odollo, L. (2024). study extends the area of the analysis in that it concentrates on sustainable accounting as a strategic methodology that combines both **non-**financial and financial information. This corresponds to the conceptual model of study conducted by Adams, C. A. (2017), who argues that incorporating ESG factors in corporate reporting is also an important driver of sustainable value creation. What is interesting, though, is that most of these works are inclined to focus on the positive correlation between IFRS and sustainability without going into details of the issues of practical implementation, e.g. the non-uniformity of corporate settings or the scarcity of harmonization of standard of non-financial disclosures.

Thus, one can argue that the literature is implicitly unanimous that sustainable value creation is a result of the combined action of the three factors, international financial reporting standards, the quality of governance, and the quality of sustainability disclosure, but it variances on the factor of the most significant impact. This is where a research gap lies, namely, more analytical models that take into account the dynamism of the interaction of these variables, as opposed to analyzing them separately, in particular in new settings that continue to have weak institutional and legislative frameworks.

Section Two: Research Methodology

The researcher used a questionnaire distributed to 50 accountants, auditors, and academics in different sectors such as banking and education. The questionnaire contained 12 sub-variables (indicators) distributed across three main variables in the research model. All variables were calculated using a Likert scale (1–5). The results were analyzed using SPSS software.

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Table (1): Descriptive Statistics for the Variables

variable	N	Minimum	Maximum	Mean	Std. Deviation
Governance	50	2.209	5.000	3.74598	.475068
Disclosure	50	2.652	5.000	3.77649	.472635
Value	50	1.973	5.000	3.49660	.567916
Valid N (listwise)	50				

The results indicate a relatively high average application of governance and international standards, demonstrating companies' commitment to enhancing transparency and sustainability.

Table (2): Reliability Test (Cronbach's Alpha)

variables	items	Cronbach's Alpha
G	6	0.82
D	5	0.81
V	5	0.84

All values are greater than 0.70, which indicates that the measuring instrument has a high degree of stability and reliability.

Table (3): Pearson Correlation

variables	G	D	V
G	1		
D	0.63**	1	
V	0.59**	0.71**	1

There is a strong positive correlation between governance and the quality of disclosure, and a strong correlation between disclosure and the creation of sustainable value.

Table (4): Regression Analysis

The Impact of Governance on Creating Sustainable Value

Variable	(Beta)	s.d	t	Sig. level
G in Appling standards	0.52	0.07	7.41	0.000

R^2	F	Sig
0.34	54.90	0.000

Governance in the application of international standards has a significant positive impact on creating sustainable value

Table (5) Results of the Path Transactions

relations	Path coefficient	T value	P value
G → D	0.58	9.21	0.000
D → V	0.46	7.34	0.000

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relations	Path coefficient	T value	P value
G → V	0.29	4.18	0.000

The results indicate a significant positive effect of variable G on variable D, with a path coefficient of 0.58, a high t-value, and a statistical significance level of less than 0.05. This demonstrates that an increase in variable G leads to an increase in variable D. Therefore, the first hypothesis can be accepted, indicating that variable G has a significant positive effect on variable D. This suggests that an increase in the level of variable G leads to an improvement or rise in the level of variable D.

The results also showed a significant positive effect of the mediating variable D on the dependent variable V, with a path coefficient of 0.46. This indicates that an improvement in variable D contributes to strengthening variable V. Therefore, the second hypothesis can be accepted, indicating a significant positive effect of variable D on variable V. This suggests that changes in the mediating variable D contribute to explaining a significant part of the change in the dependent variable V.

Furthermore, the results showed a significant positive direct effect of variable G on variable V, with a path coefficient of 0.58. (0.29), which indicates that the variable G contributes directly to explaining the changes that occur in the variable V. Based on this, the third hypothesis can be accepted, which indicates that there is a direct, positive and significant effect of the variable G on the variable V.

Table (6) Results of Indirect Effect

Indirect relationships	Indirect effect	T value	P value
G → D → V	0.27	6.11	0.000

The results indicate that the indirect effect of variable G on V through D was (0.27), a statistically significant effect, as the p-value was less than 0.05.

Comparing the direct and indirect effects reveals that both are significant, indicating that variable D plays a partial mediating role in the relationship between variables G and V. This demonstrates that the indirect effect is statistically significant, meaning that variable D acts as a mediator in the relationship between variables G and V.

Based on this, it can be concluded that the relationship between the three variables is characterized by integration and interaction, with the mediating variable acting as a transitional mechanism that contributes to enhancing the effect of the independent variable on the dependent variable. This is a manifestation of dynamite of the relationships in the research model.Thus, the hypothesis test end conclusion is as follows:

Seventh: Table (7): Hypothesis Testing

hypothesis	hypothesis	results
H1	There is a positive impact of applying IFRS on improving the level of transparency and the quality of financial reporting.	accepted
H2	Corporate governance contributes to enhancing the effectiveness of applying International financial reporting standards.	accepted
H3	Disclosing sustainability practices contributes to enhancing the creation of sustainable value for economic entities.	accepted
H4	The quality of governance and the application of International Standards lead to enhanced equity among stakeholders.	accepted

Discussion of Results and Their Connection to Previous Studies

First: Discussion of the Relationship Between Variable G and Variable D

The analysis outcomes displayed that variable G had a positive and significant impact upon variable D because the path coefficient was rather large. This means that the variation in the independent variable is important in explaining the variation in the mediating variable. This is an indication that variable G is a powerful tool of improving or creating variable D, which underlines the theoretical assumption on which the study was premised.

This finding is in line with various past studies that have established that organizational or institutional factors pertaining to governance or administrative practices have the potential to have direct effect on mediating factors pertaining to performance, disclosure, or organizational efficiency. According to the research conducted by Kenneth A. Bollen, structural equation model usually has a high direct impact of institutional variables on mediating variable, which are the mechanisms of influence transmission in the organization.

Second: Discussion of the Relationship Between Variable D and Variable V

The study results demonstrated indicating that the mediating variable plays a crucial role in enhancing the dependent variable which it is a significant positive effect of variable D on variable V, This finding suggests that variable D represents a key explanatory mechanism through which the effects of the independent variable are transmitted to the dependent variable.

Third: Discussing the Direct Relationship Between Variable G and Variable V

The analysis results showed indicating that the independent variable has a direct explanatory power in interpreting changes in the dependent variable which it is a direct, positive, and significant effect of variable G on variable V,.

This result reflects that variable G not only influences the dependent variable but also has an independent effect on it. This suggests that the relationship between the two variables may be multidimensional, with several explanatory mechanisms operating simultaneously to transmit the effect.

This result is consistent with numerous studies in the fields of accounting and management that have confirmed the direct impact of institutional or organizational practices on organizational performance outcomes or information quality. For example, Afriyie &etals (2020). showed that direct relationships between primary variables in structural models often remain statistically significant even in the presence of mediating variables, reflecting the complex nature of organizational relationships.

Fourth: Discussion of the Mediation Role of Variable D

The results of the indirect effects analysis revealed a significant influence of variable G on variable V through the mediating variable D, indicating that variable D plays a mediating role in the relationship between the two variables.

The results showed that the mediation in the model is partial mediation, as the direct influence of variable G on variable V remained significant even after introducing the mediating variable into the model. This means that the mediating variable explains part of the relationship between the two variables, but it does not eliminate the direct influence between them.

This result also supports the findings of Băndoi,&etals.(2021) study, which confirmed that mediating variables related to transparency and disclosure can enhance the impact of corporate practices on performance and sustainability, without negating the direct impact of these practices.

6. Theoretical and Research Implications of the Results

The study's findings point to a number of important theoretical implications, most notably that the relationships between organizational or institutional variables are not direct but often mediated through mechanisms that reflect organizational processes within institutions. This means that understanding the nature of the relationships between variables

requires analyzing the mediating roles that can influence the strength and direction of the relationship.

The study's findings also contribute to the scientific literature on structural equation models in accounting and management studies by providing an explanatory model that clarifies the nature of the interaction between the three variables under study.

From a practical standpoint, the results indicate that improving the mediating variable can enhance the impact of the independent variable on the dependent variable. This highlights the importance of developing policies or practices related to the mediating variable to achieve better performance outcomes or higher quality outputs.

Conclusions and recommendations

1.Conclusions

In light of the study's findings, several scientific conclusions can be drawn, most notably the following:

1. Corporate governance ensures the effective application of International Financial Reporting Standards (IFRS) by utilizing governance mechanisms, such as board independence and effective audit committees, to promote compliance with standards and improve the quality of financial reporting.
2. Implementing International Financial Reporting Standards (IFRS) enhances the reliability of accounting information and increases the comparability of companies' financial statements, thereby promoting transparency and financial disclosure.
3. Non-financial information related to environmental, social, and governance (ESG) dimensions helps enhance investor and stakeholder confidence, thereby improving the quality of sustainability disclosures and creating sustainable value.
4. Effective governance practices contribute to improved corporate performance and enhanced long-term sustainability through the direct impact of governance, thereby creating sustainable and equitable value.
5.Governance not only directly impacts value creation, but it also improves the quality of corporate disclosure, thus playing an intermediary role in the relationship between governance and sustainable value creation.
6. The use of both international financial reporting standards and corporate governance can promote fairness among stakeholders, reducing information asymmetry between them and leading to a more balanced distribution of economic benefits.
7. The study's findings underscore the importance of developing corporate policies that support integrated disclosure of financial and non-financial performance, aligning with global trends toward sustainable accounting

2.Recommendations: The relevant authorities should take the results of this research into consideration

Data availability:

The data used to support the findings of this study are included in the article.

Conflict of interest:

The authors declare that they have no conflict of interest.

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