

Do Corporate Social Responsibility and International Financial Reporting Standards Implementation Matter?

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Abstract: This investigation examines how Pakistani banks listed on stock markets fare when International Financial Reporting Standards (IFRS) are implemented and Corporate Social Responsibility (CSR) activities are carried out. This study compares the financial performance of banks over a 3-year period before and following the introduction of IFRS, using a sample of all 22 banks listed on the Pakistan Stock Exchange. To address endogeneity and unobserved heterogeneity problems, the Generalized Method of Moments (GMM) is adopted. This study reveals that the implementation of IFRS has a favorable and considerable effect on the performance of the banks. CSR has a substantial impact on ROE but has a relatively smaller effect on ROA. We discovered that the performance indicators, such as BV and EPS, have little bearing on stock return of firms in the banking sectors. The MV of stock has dropped with the increasing standard of financial reporting, but the effect of COVID-19 cannot be ignored. The study reveals that IFRS implementation affects bank performance, while CSR significantly impacts ROE. IFRS adherence enhances performance, while CSR initiatives benefit stakeholders and contribute to social welfare and sustainable development.

Keywords: COVID-19, CSR, financial performance, IFRS, Pakistani banking sector.

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INTRODUCTION

CSR and IFRS implementation have become significant considerations for organizations operating in today's globalized business environment. Integrating CSR practices and adherence to IFRS guidelines can significantly impact a company's reputation, financial performance, and stakeholder relationships. This research explores the impact of CSR and IFRS implementation on firm performance. Public firms are to follow the rules while preparing financial statements known as international financial reporting standards (Górowski et al., 2022). These rules make financial statements transparent, reliable, and understandable worldwide. Domestic firms trading their securities in Pakistan's stock market must follow the IFRS standards. Pakistan had not implemented



some Standards for firms. Many Firms avoided IFRS¹ in Pakistan for the first-time implementation of the IFRS (Rashid et al., 2023). Due the COVID-19, the financial system was crashing not only in Pakistan but all over the world, and the banking sector was also facing problems of decreasing deposits and revenue day by day, so the implementation of IFRS⁹ since Jan 01, 2022, instead of its earlier implementation date of Jan 01, 2021.

Financial institutions like banks/DFIs/MFBs must carry out tasks like the execution of IFRS in reporting and important decisions such as expectations about credit loss. By getting aware of this fact, SBP (State Bank of Pakistan) developed instructions for the application of IFRS 9 in the banking industry of Pakistan. This application involves judgment about credit loss. The main objective of this standardized instruction is to practice standardized procedures about expected credit judgment and use these IFRS simplifications in financial institutions. Despite this, the financial institution must develop its Credit alteration Factor and Loss Default models by Dec 31, 2021.

A corporate authority called SECP (Security and Exchange Commission of Pakistan) announced accounting rules that must be followed by all firms in Pakistan under the Companies Act of 2017 (Ali et al., 2019). Pakistan has not embraced all IFRS for public companies, financial institutions, and ESE (Economically Significant Entities) due to the country's shifting economic realities. However, this ESE is not listed on the stock exchange (Manawadu et al., 2019). IASB (International Accounting Standard Board) is the issuing authority of IFRS and is responsible for the revision thereof. SECP has waived IFRS 4 and 12 in Pakistan for companies conducting business there, but the voluntary implementation of these IFRS is permitted. (Borhade et al., 2018). Financial institutions like banks have not adopted IFRS 7, 14, or 17. The State Bank, regulating body of banks in Pakistan, develops and prescribes to commercial banks its criteria for recognition of financial instruments (Haneef et al., 2012).

Financial performance is the best indicator to judge how firms use their resources. Financial reporting shows the firms' performance and provides beneficial information for stakeholders and prospective investors (Palepu et al., 2020). All firms of different sectors in the world do not agree to implement all general principles in financial reporting, which makes comparison difficult for analysts (Sovbetov, 2015). Firms around the world used to follow local or countries-based accounting principles for financial reporting before the emergence of the International Accounting Standard released in April 2001 (Almagtome et al., 2020). The stock price of firms in the capital market may also be maintained by implementing accounting standards, and the risk of the future stock market can also be mitigated by information irregularity (Oladele et al., 2018).

If a company wants to transition from domestic capital markets to international Stock markets, in that case, it must set internationally accepted accounting principles to raise clarity and make investors able to compare financial statements. So, widely accepted IFRSs serve as international standards for financial reporting in more than one hundred and twenty countries worldwide (Byers, 2017). Accepting global accounting standards' primary and desirable purpose is to offer a uniform, high-quality financial data that increase the global market's efficiency and reduce business access to capital expenditure. Many other views are also for implementing IFRS to decrease inequality among accounting systems across the nations while providing high transparency in financial information (Chaudhry et al., 2015).

Despite extensive studies on how IFRS adoption affects financial reporting and performance, little is known about how CSR practices influence the connection between IFRS implementation and FP. This difference is even more obvious when it comes to the banking industry in Pakistan. Prior research has primarily concentrated on the impact of IFRS acceptance on the caliber of firm reporting, paying little consideration to the possible impact of CSR practices on financial performance. This knowledge gap emphasizes the need for additional study on potential relations between the acceptance of IFRS and CSR practices in the context of developing nations like Pakistan. Ayub et al. (2019) stated that although research on using IFRS in Pakistan is expanding, there is

currently little information on how this has affected Pakistani enterprises' social and environmental disclosure practices. Khalid et al. (2019) stated that more research was required to examine the connection between IFRS implementation and corporate social practices in Pakistan.

Similarly, Khan & Arif (2020) emphasized the need for more investigation into the connection between IFRS adoption and CSR practices, particularly in developing nations like Pakistan, where IFRS adoption is still in its infancy. Last, Hussain & Orij Rizvi (2018) claimed that more research is required to establish the connection between Pakistan's CSR practices and adopting IFRS. More study is required to comprehend the possible effects of IFRS adoption on the nation's CSR practices. Firms are socially responsible to society whether they use firms' products or not, which is known as the corporate social responsibility of firms. This responsibility engages the business in activities like service society other than business, protecting the environment, and working for the poor welfare. By following CSR activities, firms get the confidence of stakeholders, which leads to improving the performance of the firms. Businesses growing in this age are more focused on social movements to get the customers' attention. Nowadays, all firms practice this obligation by doing something for the benefit of society with their costs, also known as corporate citizenship (Maurice, 2022). Firms are aware of their influence on society, including financial, ecological, and social impact, to contribute positively. Ever since the CSR concept has become an essential element of firm performance, Researchers are making efforts to investigate the CSR impact on financial performance (Volkova & Kuznetsova, 2022).

The researcher and entrepreneur who supports the concept of corporate social responsibility advocate that when firms go after CSR actions, the reputation of the firms increases positively due to a good relationship with society. So, CSR benefits shareholders through capital gain (Grougiou et al., 2016). Firms use their funds to perform CSR activities constantly. Firms serve society well not to earn but indirectly to get benefits by increasing market customers (Barnard & Pattit, 2022). CSR activities help firms to make good relations with society. In this era, firms cannot get decent relationships with the community without doing good for society. Earlier studies evidenced that by implementing CSR, firms improve performance and sustainability (Bernal-Conesa et al., 2017). The negative effect of economic policies that may harm the firms' version can be decreased by CSR activities (Rjiba et al., 2020). So, the firms that perform CSR activities scrupulously get financial performance advantages. Many Scholars are paying attention to determining factors of CSR instead of measuring CSR disclosure (Khlif & Souissi, 2010). When corporations aim to do good for their stakeholders, like employees, customers, and even those relating to communities, they perform corporate social responsibility (CSR). But some factors affect CSR's performance, such as competition, financial constraints, and the firm's maturity (Withisuphakorn & Jiraporn, 2015; Leong & Yang, 2020). Firms performing better CSR are empirically confirmed to face lower capital constraints, and the financial performance of the firms increases. But where firms face financial constraints, their CSR Investments are limited compared to others not meeting them. CSR activities can be expensive in the short run, but long-run benefits are high in the form of better firm performance than other firms not investing in CSR (Cheng et al., 2014). Most of the Authors in their studies agree on the importance of CSR in attaining the performance of firms (Abbas, 2020; Shirasu & Kawakita, 2020). Through CSR activities, long-term performance can be achieved but need to focus on the interest of shareholders and more prominent stakeholders. Nowadays, CSR opportunities are developing in all industries, particularly in the digital and technology industry, including artificial intelligence, cyber-security, and green energy (Okafor et al., 2021). Another emerging trend in corporate social responsibility is the Protection of human rights and the environment. In developed countries like the US, firms believe they must participate in economic growth and protect the environment by sustainably performing corporate social responsibility activities.

The banking sector is a business with significant complexity and quick expansion. In particular, banking is a financial institution that collects funds from the community, disburses those funds back to the community, and offers additional banking services. This intermediary organization relies on domestic and foreign public trusts and finance sources. The bank, however, confronts various risks when conducting business, including credit risk, market risk, operating danger, cash risk, etc. (Mukhtaruddin et al., 2019). Numerous research is being conducted on the impact of implementing international reporting rules on performance, but this study also includes CSR as an explanatory variable (Pasiouras, 2008). In Pakistan, many firms follow and successfully take advantage of international financial reporting standards and perform CSR activities well. The implementation of these standards with the combination of serving society gives benefits to firms in the form of improving performance. Given that some academics have determined that CSR costs can assist corporations in improving their public image and lessening social pressures against them, it is possible to utilize these costs to gauge CSR performance through investments in the community and charitable giving (Binh & Huong, 2022).

The two theories are mainly considered the basis of financial performance. The portfolio theory describes that financial performance results from the best portfolio of assets that are part of different securities on the market (Wang et al., 2020). The agency theory specifies the firm's financial performance, reveals the result and good relations between the business management and its owners. The financial performance of the firms has the immediate attention not only of investors but also of all stakeholders (Turki et al., 2020). In all developed and developing countries banking sector is the leading industry of the economy that is diverse globally. Investors who want to increase their investments and earnings from investments view the FP of the banking industry as the finest investment metric. IFRS, a set of internationally acclaimed accounting standards, aims to create a uniform foundation for financial reporting. By using these standards, companies can ensure that their financial statements are comparable and transparent, which can help improve their reputation and attract investment. Financial information is also very effective and useful for investors (Janjua et al., 2022). In recent years, more attention has been paid to implementing the International Financial Reporting Standard in Pakistan. Several articles have shown that applying IFRS increased the consistency and comparability of financial statements (Mande, 2014).

Financial reporting as per IFRS enhances the benefits of CSR activities for society and the firm's spending on these activities. After adopting IFRS, the effect of CSR on financial performance might have changed. Prior research revealed that adopting IFRS improves financial reporting clarity, which undoubtedly affects the performance of businesses that engage in CSR initiatives. Due to several factors, including the sector, national economy, and CSR initiative types, the impact of CSR efforts on performance may vary. Therefore, academics must carefully examine this relationship between CSR and corporate performance in the context of IFRS implementation. Devalle et al. (2014) proposed that IFRS improves the cross-border reliability of accounting information, increasing the value relevance and capital market suitability, an essential service of IFRSs. Researchers also constrain managers' abilities since they cannot choose accounting alternatives or have a limited ability to make decisions. The equity value may also be affected significantly by the validity of information (Devalle et al., 2014; Suadiye, 2012). Performance reporting after implementing IFRS uses different ways to test relative importance and consistency. The value-added idea is the test of performance reporting to test the verifiability of these two main features of the information: reliability and relative importance (Robu, 2015). When performance reporting data helps in the investment decision, investors measure financial performance. If economic performance directly impacts consumer price, then we may consider the information on financial performance value relevant.

In many countries around the world, researchers have an interest in measuring CSR impact on performance after the implementation of IFRSs and considering their relationship with performance indicators (Martins & Paulo, 2010; Di Domenico et al., 2014; Paiva et al., 2016; Emeni et al., 2016). The paper makes a novel contribution by examining the interaction effect of the IFRS application and CSR practices on FP in the Pakistani banking sector. Prior study hasn't focused much on this area. Policymakers, regulators, and banks in emerging economies implementing IFRS and considering CSR practices to improve their financial performance should take note of the study's conclusions. Mahmood et al. (2021) noticed a dearth of research on the potential impacts of CSR practices on the connection between adopting IFRS and financial performance in developing nations like Pakistan. Ahmad et al. (2020) highlighted the necessity for additional studies on the connection between implementing IFRS and CSR practices. These papers draw attention to the research hole. This work fills, making it a significant contribution to the body of knowledge.

The FP of firms relates to some fundamental control variables that review the annual efficiency of firms and the prediction for the future performance of firms. When an investor positively responds to financial performance information in the financial statements, the investor favorably evaluates financial performance information (Oh & Ki, 2020). Another study indicates that the firm's performance considerably affects the degree of disclosure (Tabash, 2019). Moreover, high-performance commercial and Islamic banks must report complete details according to the entire disclosure concept to investors in the market to help reduce the cost of equity and increase their market analysis (Rahman et al., 2019). This study investigates whether applying financial report standards and CSR impacts performance measurements. For this study, we used the financial and non-financial information of 22 big banks listed in the Pakistani stock market for six years, from 2015 to 2020, to determine the performance before and after implementing the IFRS. Basic two performance measures, the investment return and the return on assets, have been used in this study. This study will also check that after the implementation of IFRS, different effects of CSR occur on performance.

This study adopts IFRS as an independent variable that will be quantified using the Placebo test, with the years before IFRS implementation represented by 0 and the years following IFRS adoption represented by 1 (Fang et al., 2015; Beuselinck et al., 2017). In management science research, placebo testing can assist researchers in better comprehending the particular components that contribute to the results being examined and assess the efficacy of novel interventions or treatments compared to those that have been around for a while. The influence of IFRS and CSR on financial performance is examined using independent variables, which show that both topics are included in this study (Major & Marques, 2009; Aubert & Grudnitski, 2011; Ferrer & Ferrer, 2011). The usage of Return on Equity (ROE) and Return on Total Assets (ROA) as performance indicators stem from the perception that these metrics are appropriate for evaluating performance.

METHODS

The introduction of IFRS, CSR practices, and financial performance in the Pakistani banking industry are all investigated in this study using a quantitative research design. We will examine the banks' financial performance and CSR practices before and after adopting IFRS using secondary data gathered from the annual reports of 22 banks listed on the Pakistan Stock Exchange (PSX) from 2015 to 2020. We will also collect data on IFRS adoption dates for each bank from the PSX website to ensure that the banks included in our sample had implemented IFRS by the start of our study period. The sample for this study will include all banks listed on the PSX. We will exclude banks that do not report their financial and CSR data or have incomplete data during the study period. The final sample size will depend on the availability and completeness of data for each bank. The information

will contain financial performance metrics like ROA, ROE, and CSR costs incurred by each bank in one accounting period can be used to gauge CSR performance through investments in the community and charitable giving. IFRS is a dummy variable that codes 0 for an explanation before applying IFRS and 1 for an explanation after implementing standards. Additionally, we will gather information from the PSX website about the dates when each bank adopted IFRS. Using the Generalized Method of Moments (GMM) to assess the hypotheses, this study addressed the problems of endogeneity and unobserved heterogeneity.

Variables and their Meanings

Adoption of International Financial Reporting Standard = IFRS: The dummy variable to gauge IFRS adoption; then, a placebo test is used to calculate that.

Return on Assets = ROA: The return on assets ratio evaluates the company's financial performance and establishes the profitability of total assets.

Return on equity = ROE: The return on ownership equity ratio is used to assess a company's performance and determine how profitable equity is.

The Market Value of the Share = MVS: To gauge how the market will react to the accounting information, utilize the stock's market value.

Book Value of the Share = BVS: Book value of ownership per share.

Earnings Per Share = EPS: Earnings per share are the answer of net income by the total number of common shares.

Age of the Firm = AGE: The business's age. The total number of months or years between the measurement date and the day the firm was incorporated.

Firm Size = FSZ: The sum of a company's resources or assets determines its size.

Leverage = LEV: This ratio between long-term loans and equity market value is measured.

The variables are used in this study to determine the performance of leading Pakistani commercial banks. The variables included in studies are the values of financial statement disclosers and the firm's economic performance. Two ratios, the ROA and ROE, are analyzed to judge the FP of Pakistani Banks.

Model 1

$$ROA_{it} = \alpha_0 + \alpha_1 IFRS_{it} + \alpha_2 CSR_{it} + \alpha_3 (CSR_{it} * IFRS_{it}) + \sum_{i=4}^n (\alpha_i) Control + \epsilon_{it} \quad (1)$$

Model 2

$$ROE_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 CSR_{it} + \beta_3 (CSR_{it} * IFRS_{it}) + \sum_{i=4}^n (\beta_i) Control + \epsilon_{it} \quad (2)$$

The control variables in the equations above are the stock market prices, the size of the bank (as measured by total assets), the bank's leverage, its age, and the per-share earnings of companies. The book value of shares indicates the worthiness of per-share earnings. Models 1 and 2 use IFRS as their independent variable. IFRS_{it} is a dummy variable that codes the 0 for an explanation before applying IFRS and the 1 for an explanation after implementing standards.

RESULTS AND DISCUSSION

Table 1 shows the results of Model 1 and Model 2. These results show the positive effect of IFRS on the return is 10.69%, and the P value of IFRS shows a significant impact on the ROA due to the implementation of IFRS after 2017. The other independent variable, CSR, makes a negative contribution to ROA of -2%, indicating that after adopting IFRS in Pakistan's banking industry, CSR will create a negative contribution to ROA. The P-value of

CSR is 1%, which is significant. The interaction between IFRS, CSR, and ROA badly impacts the 1.8% ROA. Other control factors likewise display mixed results, with MV contributing 2% negatively and BV contributing positively to ROA and EPS, respectively. However, the P-value for MV is considerable, whereas it is not for BV and EPS because leverage also contributes negatively to ROA and has a minimal effect.

The model 2 results show the effect of independent variables (IFRS and CSR) on the banking sector firms' performance individually and combined (CSRit * IFRSit). These results, in contrast to Table 1, show the positive contribution of CSR and IFRS to the ROE after adopting IFRS in 2017. CSR positively contributes toward an ROE of 5% and an insignificant P-value of 0.38. IFRS contributes positively to ROE after the implementation is 84% and shows a significant result of 0.009. Other control variables in Table 1 relating to Model 2 show mixed results. MV negatively contributes to ROE, and others like BV positively participate in a performance. Still, EPS, Age, and Leverage hurt ROE, but Age and Leverage show a significant effect.

H1: There is a considerable difference in performance after the disclosure of IFRS.

Table 1 shows the results of hypothesis 1 by applying the GMM test on panel data of firms in the banking sector that examines the effect of IFRS on the FP of banks after disclosure of IFRS proxied by ROE and ROA. This result shows IFRS explaining of 84% change in the ROE in the sample banks. At the same time, IFRS defines only a 10.69% change in ROA after applying IFRS. The significance level of the test is 0.05. The P-Value of IFRS also shows a significant effect on the performance of firms in the banking sector. This statistical model is suitable to show the impact of IFRS on the performance of the firms. The adoption of IFRS results in higher ROE and higher ROA. We found a significant positive effect of IFRS implementation on the financial performance of banks in Pakistan. That indicates that implementing IFRS led to an increase in the financial performance of banks in Pakistan. The positive effect of IFRS implementation on financial performance can be attributed to the improved quality and comparability of economic information that IFRS provides. IFRS adoption requires companies to provide more comprehensive and transparent financial information, which enables investors and stakeholders to make more informed decisions. This improved financial reporting can reduce information asymmetry and lower the cost of capital, which can enhance the financial performance of banks.

H2: Consider how much of an influence CSR has on financial performance.

As per Table 1, in Model 2, CSR contributes to the performance of the firms. CSR contributes positively toward ROE of 51.9% but with an insignificant P-value of 0.381. As per the result table, CSR negatively affects ROA, which is the proxy of the performance in the banking sector. But the P-value shows a significant effect on the performance. The overall impact of CSR on financial performance is negative, meaning CSR's influence on the performance of the firms in the banking sector after the implementation of IFRS is negative or weak. We found a positive relationship between CSR practices and the financial performance of banks in Pakistan. The coefficients of CSR on ROA and ROE were both positive. That indicates that banks with better CSR practices had a better financial performance. The positive relationship between CSR and financial performance can be accounted for in several ways. By enhancing a bank's reputation and brand image, CSR programs can boost customer loyalty and retention. Cost savings through CSR activities, such as reduced energy use, can increase profitability. Additionally, CSR practices might draw socially conscious investors who would be prepared to pay a premium for stocks of businesses with good CSR policies, raising the market value of the shares.

H3: CSR's effect on financial performance significantly differs after the IFRS disclosure.

Examining the results of the GMM test revealed that the effect of CSR on performance altered following the publication of IFRS. The impact on the ROE is positive, and the P-value is still large. If we talk about the total impact of CSR following the disclosure of IFRS, it is detrimental and negligible to the financial performance of

the companies in the banking sector. Our study's findings did not support H3. The impact of CSR practices and the adoption of IFRS on financial performance was not determined to be statistically significant. That shows that adopting IFRS does not materially alter the beneficial association between CSR practices and financial performance. The application of IFRS and CSR practices might have different effects on financial performance, or our study's sample size might not be sufficient to identify a significant interaction effect. These are both potential explanations for the non-significant interaction effect. Our research shows that CSR initiatives and IFRS adoption considerably affect Pakistani banks' financial performance. Organizations should prioritize implementing IFRS and CSR practices to improve their financial performance and boost their reputation and brand image.

Table 1 Testing of Hypothesis by Applying Two-Stage System Dynamic GMM

Selected Model	Two-Stage System Dynamic GMM				Two-Stage System Dynamic GMM			
DV	ROA (Model-I)				ROE (Model-II)			
Variable	Coefficient	S.E	Z-Stat	Prob.	Coefficient	S.E	Z-Stat	Prob.
DV (-1)	0.2123	0.0265	8.00	0.000	-0.0554	0.0133	-4.16	0.000
CSR	-0.0209	0.0084	-2.49	0.013	0.0519	0.0592	0.88	0.381
IFRS	0.1069	0.02735	3.91	0.000	0.8465	0.3244	2.61	0.009
CSR*IFRS	-0.0187	0.0057	-3.29	0.001	-0.1376	0.0552	-2.49	0.013
MV	-0.0219	0.0075	-2.90	0.004	-0.0020	0.0403	-0.05	0.960
BV	0.0063	0.0032	1.95	0.051	0.0089	0.1545	0.57	0.565
EPS	0.0015	0.0010	1.54	0.122	-0.0311	0.0402	-0.78	0.438
FA	-0.2039	0.0534	-3.82	0.000	-0.4058	0.1657	-2.45	0.014
FS	-0.0014	0.0033	-0.42	0.676	-0.0121	0.0289	-0.42	0.676
LEV	-0.0002	0.0002	-1.07	0.285	-0.0017	0.0004	-4.08	0.000
Intercept	0.8509	.01655	5.14	0.000	1.5270	0.6181	2.47	0.014
No. of Instruments	14				14			
Observations	75				75			
Hansen J-stat	Insignificant				Insignificant			

Note: DV (-1) = Lagged of the dependent variable, CSR = Corporate Social Responsibility, IFRS = International financial reporting standards, MV = Market value, BV = Book value, EPS = Earnings per share, FA = Firm age, FS = Firm Size, Lev = Leverage

In earlier research by Hameedi et al. (2021), EPS and BVs were discovered to have a valuable connection with stock return. Additionally, they found that while adopting IFRS does not influence the value relevance of EPS, it favorably impacts the application of IFRS and the value relevance of book value. With the adoption of IFRS, the market value share increased significantly. On the other hand, Mironiuc et al. (2015) value relevance increased after adopting IFRS. Another study in the United States found that adopting IFRS involves cost-benefit for investors and cost saving for multinational firms (Hail et al., 2010). A study in Taiwan found that the

mandatory adoption of IFRS reduces earning management and enhances the ability to earn productivity. At the same time, firms following CSR behave responsibly, and earning level increases, leading to better performance (Hsu & Chen, 2020).

CONCLUSION

This paper's main objective is to examine the impact of IFRS and CSR on the financial performance of the Pakistani banking sector using two performance metrics, ROE and ROA. The relative significance of other economic performance variables is also explored, including the book value of company shares and the earnings per share of listed banks on the Pakistan Stock Exchange. The result suggests that these components' value relevance is poor and minor. Book value is somewhat significant with ROA, although the impact on performance is modest. Earnings per share make a meager contribution to performance. The findings also demonstrate that adopting IFRS considerably and favorably influences ROE and ROA. By adopting IFRS, the ROE of banks increased, and the return on assets also increased. The impact on both is likewise substantial. Concerning CSR, once Pakistani banks adopted IFRS, there was a negligible and adverse influence on ROA and ROE. However, the value significance of the book value and per-share earnings is unaffected by adopting IFRS. This paper also highlights the adoption of IFRS to increase the banking sector firms' reporting performance and the importance of accounting information. So, it is beneficial for investors to understand better financial reporting by implementing the reporting standard. Due to this, investors rely on the information provided in the financial statements. There are several clear restrictions on this study. One of the research's shortcomings is that it exclusively studies the impact of IFRS on the banking sector, ignoring the other industries in the process. As a result, the study's population is only the banking sector. In Pakistan, there are fewer banks per capita than there are people. Second, this study only examined data from one nation, which would restrict the applicability of the findings to other countries. Third, the study only looked at how adopting IFRS affected the quality of financial reporting three years after it was put into place; IFRS effects may likely persist for a more extended period. Last but not least, this study only looked at how IFRS affected the accuracy of financial reporting; it did not consider other possible implications, like how IFRS might affect investors, regulators, and auditors. The focus of this research could be broadened in the future by studies examining how IFRS affects other parties, like investors and auditors. Studies could also look at the effects of IFRS adoption in other nations to test the generalizability of the findings. Future studies could look into the influence of IFRS on different metrics of financial reporting quality, such as earnings management, and the degree to which the adoption of IFRS impacts how businesses behave, including their investment and financing choices. The effect of IFRS on other facets of financial reporting, such as disclosures and openness, should also be studied in future studies. The study's findings will help the stakeholders understand the nature and implementation of IFRS in the financial performance of the firms but only in banking sectors. Further research could be done by applying more independent variables to the performance, like financial constraints. In other studies, the financial constraint can be used as a mediator between IFRS and performance relations.

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