

Internal Capabilities, Corporate Governance, and IFRS Sustainability Standards Adoption Readiness: A Bayesian Linear Regression Analysis in Vietnam

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Abstract: - Sustainability accounting is increasingly important amid global integration and climate concerns. This study examines factors affecting Vietnamese firms' readiness to adopt IFRS Sustainability Standards using Bayesian linear regression on survey data from 159 firms. Results show that Internal Capacity & Resources and Corporate Governance have statistically significant positive effects on readiness. In contrast, Regulatory & External Pressures, Perceived Importance & Benefits, and IFRS Adoption & Related Experience do not exhibit significant impacts. These findings highlight that internal organizational capabilities and governance structures are more critical than external pressures or prior experience in driving adoption readiness. The study suggests that improving internal resources and strengthening corporate governance are essential to support the effective implementation of IFRS Sustainability Standards in Vietnam.

Key-Words: - IFRS Sustainability Standards, Corporate Readiness, Bayesian Linear Regression, Internal Capacity & Resources, Corporate Governance, ESG Reporting.

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1 Introduction

Sustainability accounting, which is closely related to green accounting and ESG (environmental, social, and significance of sustainability accounting is further

governance) reporting, is gaining much more significance in the context of a globalized economy and increasing awareness of climate change. The

highlighted in the context of Vietnam, as the Government has pledged to achieve net-zero emissions by 2050 and recognizes the private sector as a key driver for the green transition. The global landscape for ESG reporting is shifting from voluntary to mandatory, based on data and independently verified. For an export-oriented economy such as Vietnam, it is imperative to meet stringent international standards, such as the EU's Corporate Sustainability Reporting Directive (CSRD).

Current International Financial Reporting Standards (IFRS) and new sustainability disclosure accounting standards, such as IFRS S1 and IFRS S2, have played a vital role in promoting transparency and comparability in financial reporting. However, the adoption of IFRS Sustainability Disclosure Standards, particularly IFRS S1 General requirements for the disclosure of Sustainability - related financial information and IFRS S2 Climate - related disclosure, issued by the International Sustainability Standards Board (ISSB), is becoming an inevitable trend in promoting the transparency and accountability of businesses in terms of ESG factors. These IFRS Sustainability Disclosure Standards will come into effect for reporting periods starting January 1, 2024, and businesses will start adopting and disclosing information according to these standards from 2025. In the context of emerging economies such as Vietnam, being ready to adopt IFRS Sustainability Disclosure Standards is vital for adapting to international integration.

In Vietnam, businesses are seen to be transitioning from awareness to action. A professional survey conducted in 2025 revealed that 89% of businesses are committed to or will commit to ESG within the next 2-4 years, up from 80% as of 2022, and over half (54%) of them have already implemented these commitments, [1]. The objective of this study is to examine the impact of various factors on the readiness to adopt IFRS Sustainability Standards and its perceived impact on the quality, relevance, and value of financial reporting. Expected results indicate a high level of awareness of sustainable accounting and the partial or full adoption of sustainable IFRS in many companies, leading to improved transparency, comparability, and usefulness in financial reporting for decision-making. The study contributes to clarifying the factors that encourage or hinder the readiness of businesses in Vietnam to adopt sustainable accounting.

Research results from 159 businesses in Vietnam show that Internal capacity and resources, and Corporate governance structure and practices are two factors with a positive and statistically significant influence on this readiness. There is no clear evidence to suggest that Regulatory context and external pressures, Perceived importance and benefits, IFRS adoption and related experience have a significant impact.

The article is structured as follows: Beyond the introduction and conclusion, the paper comprises a literature review, methodology, estimation results, and discussion.

2 Literature Review and Hypothesis Development

Numerous empirical studies in several countries and regions have indicated several primary factors influencing the readiness of businesses to adopt sustainable accounting.

2.1 Internal Capacity and Resources

The readiness to adopt IFRS and Sustainability Reporting standards is influenced by the capacity and level of internal resources within each enterprise. Internal capacity and resources refer to the tangible and intangible assets that an enterprise possesses, including knowledge, skills, technology systems, and financial scale, to implement new processes. In the application of IFRS Sustainability Standards, the aforementioned factors are of fundamental importance in determining the ability to adapt and successfully apply complex requirements, and the lack of resources is considered one of the major barriers for implementation.

According to the resource dependency theory, companies seek and utilize internal resources to cope with uncertainty and pressure from the external environment, such as the increasingly prevalent sustainability reporting requirements. A study in 2024 in Vietnam indicated that accountant qualifications and information technology systems have a significant and positive impact on the readiness of Vietnamese businesses to report ESG, [2]. Highly qualified accountants play a crucial role in preparing ESG reports and collaborating with foreign experts. Another recent report in Vietnam in 2025 also confirmed that a lack of internal skills/expertise (60%) and difficulties in measurement and reporting (54%)

are the top obstacles for businesses in the development stage. Furthermore, findings in 2025 in Hong Kong show that the lack of internal human resources and expertise is the most pressing challenge (65%) for climate reporting, [3].

Firm size is also a crucial factor, as larger companies typically exhibit great readiness due to having abundant resources. A survey in 2025 in Vietnam also indicates that enterprise size has a positive influence on the level of environmental accounting information disclosure (EIA), with a 1% significance level, showing that larger enterprises tend to voluntarily disclose EIA information more readily, [4]. The research also proposes improving the capacity and professional qualifications of accounting staff as an important solution. Then the hypothesis that can be proposed is:

H1: Internal capacity and resources have a positive impact on the readiness to implement IFRS Sustainability Standards.

2.2 Corporate Governance Structure and Practices

Corporate governance structure and practices encompass the processes, systems, and principles through which a company is run and controlled. A robust governance structure with diversity and transparency can foster the integration of sustainability issues into business strategy and reporting. Agency theory explains that effective governance mitigates conflicts of interest between managers and shareholders by enhancing monitoring and accountability, including on sustainability issues. Additionally, the resource dependency theory also suggests that board members provide valuable resources and connections, influencing a company's capability to address sustainability requirements.

Board size shows a positive and statistically significant relationship with the willingness to disclose sustainability information. A larger board brings more diverse perspectives, improves governance and decision-making processes, thereby strengthening commitment to sustainability reporting, [5].

A study in 2024 in Vietnam found that management processes and women's participation in management had a significant positive impact on readiness to report ESG, [2].

The proportion of women in management also showed a significant positive impact on readiness to report ESG. Women in directors and management are

more sensitive to environmental and social issues, encouraging companies to focus on sustainable practices and transparent disclosure, [2].

The proportion of independent board members also showed a positive correlation with readiness to disclose sustainability information in the study in 2025, [5]. This is consistent with the Resource dependency theory that argues that board directors, especially independent directors, provide valuable resources that can help in effective decision-making and strategic alignment to meet the company's sustainability goals. The higher proportion of independent directors on boards is associated with companies' increased readiness to implement IFRS S1 and IFRS S2 sustainability reporting standards, [5].

A professional report in 2025 in Vietnam shows that the role of the Board of Directors in Vietnam is becoming increasingly structured, with more than half of businesses having a dedicated ESG subcommittee (28%) or appointed members (27%), [1]. The research in 2025 in Vietnam indicates that the age of the Board of Directors has a positive influence on the level of environmental accounting information disclosure (coefficient 0.03448% with a significance level of 1%), [4]. Boards of directors with higher average ages tend to disclose more and more diverse information. However, no significant impact was found on board size and gender in Vietnam.

The report in 2025 in Hong Kong emphasizes that responsibility for sustainability reporting is often delegated to the audit committee (44%), [3], sustainability committee (37%), or C-suite executives (75%, mainly CEOs or CFOs). Then the hypothesis that can be proposed is:

H2: Corporate governance structure and practices have a positive impact on readiness to implement IFRS Sustainability Standards.

2.3 Regulatory Context and External Pressures

The regulatory context encompasses laws, decrees, guidelines, and standards issued by the government or regulatory bodies, while external pressure comes from stakeholders such as investors, the media, the community, and customers. These factors create incentives or barriers to the adoption of new standards and help businesses maintain their legitimacy.

Legitimacy theory suggests that organizations seek to operate within the framework of social norms and expectations to maintain their legitimacy. According to Institutional theory, the structure and

operation of an organization are shaped by pressure from institutions such as the government, professional bodies, and society, [6]. Furthermore, this theory is often used to explain the diffusion of financial reporting standards globally, showing that companies comply with IFRS due to pressures from external organizations. For example, Japanese companies that adopt ESG guidelines disclose 39% more sustainability information than those that do not, [2]. Several studies have shown the influence of regulations and pressure on the disclosure of sustainability reports by entities, such as:

Government guidelines and public media pressure are often expected to have a positive impact on the adoption of Sustainability Reporting standards, [7]. However, a study in Vietnam found no statistically significant relationship between these two factors and the readiness to report ESG, [2]. Possible reasons for this lack of include a lack of significance, a lack of expertise, no detailed guidelines for implementation, or even that ESG information could prove to be detrimental.

In Vietnam, a professional survey conducted in 2025 revealed that 70% of businesses reported that “complying with government regulations/policies” was their most important motivation for publishing reports, [1].

In terms of the quality of national-level institutions, this too plays a significant regulatory role in the relationship between IFRS adoption and economic growth, emphasizing the significance of a wider framework, [8].

However, regulations and institutions could also pose a problem for companies in terms of adopting new systems for reporting due to “incomplete legal frameworks on ESG disclosure”. This may be due to the complexity of new standards and a lack of support from regulatory bodies, technical limitations, and a lack of regional/industry-specific adaptation guidance, [4]. In emerging markets such as Jordan, green accounting reporting remains largely voluntary and unregulated, leading to differences in reporting culture, [9]. For Vietnamese businesses that have developed and published sustainability reports, it has been pointed out that the lack of supportive government policies and regulations (45%) is the biggest barrier. Businesses call for specific supportive policies such as financial financing (59%), green standards (56%), and statutory incentives (55%), [1]. Based on the above discussion, the following hypothesis is proposed:

H3: Regulatory context and external pressures impact the readiness to implement IFRS Sustainability Standards

2.4 Perceived Importance and Benefits of Sustainability Reporting

Perception refers to the level of understanding and appreciation of stakeholders within a business (especially leadership) regarding sustainability issues and the role of sustainability reporting. The perceived importance of the benefits of sustainability reporting, such as enhanced transparency and investor confidence, is a driving force behind its readiness to adopt it.

According to Signaling theory, companies tend to send reliable signals to mitigate information asymmetry with external stakeholders, especially investors. A study in 2025, [10], found that companies tend to disclose ESG information to convey a positive image and their contributions to society and the community. Internationally standardized green accounting disclosures promote a positive message about the company's commitment to sustainable business practices, thereby increasing competitive advantage and market value. In emerging markets like Jordan, where sustainability reporting is voluntary, extensive green accounting disclosure sends a powerful signal to investors and can significantly boost company value, [9].

The professional report in 2025 in Vietnam indicates a strong increase in the perceived strategic importance of ESG: Businesses are increasingly recognizing that a credible ESG strategy is key to market expansion, attracting foreign investment, and maintaining competitiveness. Notably, 45% of CEOs in the Asia-Pacific region believe their businesses will no longer be viable in the next 10 years without transformation. However, previous research [2] found no statistically significant relationship between leadership's ESG perception and ESG reporting readiness in the Vietnamese context. Findings in 2025 in Hong Kong show that higher risk awareness motivates companies to enhance their preparation for climate reporting. Additionally, an empirical study in 2025 in Jordan indicates that the disclosure of green accounting information has a positive and statistically significant impact on the market value of the enterprise, [9]. This suggests that the adoption of IFRS and progress towards sustainability reporting standards can have a positive impact on operational efficiency and enterprise value. Another study in 2025

in Vietnam also addresses the limited readiness of enterprises, especially managers and accounting staff, regarding the benefits of environmental accounting and the disclosure of environmental accounting information, [4]. Based on the above discussion, the following hypothesis is proposed:

H4: Perceived importance and benefits of sustainability reporting have a positive impact on the readiness to implement IFRS Sustainability Standards

2.5 Factors Related to General IFRS Adoption and Related Experience

This group of factors refers to the broader context of IFRS adoption within a country, including prior experience with IFRS, awareness of the broader benefits of IFRS for the economy, and the development of sustainable accounting standards from the IFRS framework. The shared objective of IFRS and Sustainability Reporting Standards is to enhance transparency and accountability in the disclosure of information by entities, [1]. The adoption of IFRS standards plays a crucial role in supporting the long-term viability of businesses by integrating sustainability into financial reporting frameworks, mitigating risks related to climate change and social inequality, encouraging companies to disclose ESG factors, and thereby increasing social responsibility and the ability to contribute long-term value, [1]. It is found that the quality of accounting information positively and significantly influences sustainable development performance, with digital transformation acting as a mediator in this process, [11].

Research in 2021 proves that countries using IFRS have better economic growth and receive more capital inflows, thus creating a macroeconomic background for the implementation of international norms in general, [8]. The adoption of IFRS in developing countries like Vietnam is expected to enhance the transparency, accuracy, comparability, and reliability of financial reporting, thereby creating a favorable foundation for gradually transitioning to sustainability reporting standards. Furthermore, the global trend of IFRS development shows a shift from a focus on traditional financial reporting to an integrated approach, aiming to include non-financial information related to sustainability through the introduction of ISSB. The recent study in 2025 in Vietnam proposes that regulators need to update Accounting Standards and Regulations and implement a roadmap for IAS/IFRS adoption, especially IFRS S1

and IFRS S2, to establish high-quality sustainable development information, [4]. This shows the importance of the common IFRS application context and related experience for readiness to implement new sustainability standards in Vietnam. The professional report in 2025 in Vietnam does not directly mention IFRS, but provides strong evidence of the trend of adopting international standards in Vietnam and the region: The percentage of businesses implementing ESG reporting according to established standards has increased sharply to 43% (compared to 30% in 2022). Asia is moving towards unifying the ISSB (the organization that issues IFRS S1/S2) as a common framework, demonstrating a convergence of international standards. Based on the discussion above, the following hypothesis is proposed:

H5: IFRS adoption and related experience influence the readiness to implement IFRS Sustainability Standards

3 Research Methodology

3.1 Research Model

Based on an overview of typical studies on factors affecting IFRS Sustainability Standards Implementation Readiness, the study employs a Bayesian Linear Regression model to estimate the relationship between the dependent variable, ISR and a set of predictors (IC, CG, RE, AW, and IF). The model is specified as:

$$ISR_i = \beta_0 + \beta_1 IC_i + \beta_2 CG_i + \beta_3 RE_i + \beta_4 AW_i + \beta_5 IF_i + \varepsilon_{li} \quad (1)$$

with $\varepsilon \sim N(0, \sigma^2)$ (2)

where: ISR is the dependent variable that measures the implementation Readiness of IFRS Sustainability Standards (Implementation Readiness); the independent variables are: IC - Internal capacity & resources; CG - Corporate governance; RE - Regulatory context & external pressures; AW - Perceived importance & benefits; IF - IFRS adoption & related experience.

The variables used in the model are systematically derived from key theories (Table 1, Appendix).

Internal capacity and resources (IC): Following the premises of Resource dependency theory, we suggest that technical infrastructures and expertise of staff are not only preconditions for IFRS adoption, but also have been argued in previous literature.

Corporate governance structure and practices (CG): This construct was derived from Agency theory and Resource dependency theory. The key concern of the construct is how monitoring activities and corporate commitment play the role of a linchpin for translating resources into actual actions.

Regulatory context and External pressures (RE): This construct was derived from institutional theory. The key concern of this structure is how corporate activities are affected by environmental and regulatory pressure to attain legitimacy.

Perceived importance and benefits (AW): This construct was developed from signaling theory. This construct tests the readiness hypothesis from an epistemological perspective, in which firms use IFRS adoption as a “positive signal” for the market.

IFRS adoption and related experience (IF): Following the premises of transition contexts in developing economies, we assume that prior experience for financial reporting will generate “psychological leverage” for the market and offset barriers for sustainability reporting.

This mathematical model is a meticulous and rigorous attempt at quantifying existing theoretical relationships particular the context of Vietnamese enterprises, such that each component of the equation has a scientific background.

The choice of Bayesian Linear Regression for this study enables a more flexible and robust estimation of parameters, particularly when dealing with intricate relationships within organizational factors. This selection is in line with existing methodological innovation in environmental and development studies, as highlighted by a study in 2023, which stressed the significance of choosing the right statistical models for an accurate description of complex interactions within datasets, [12].

For this purpose, the estimation procedure has been carried out using Stata version 17. Since no historical data is available for these new standards, which are still in the process of development, we have used non-informative (flat) priors for all coefficients to let the data dominate the posterior distribution, thereby ensuring objectivity. For posterior inference, we have used Markov Chain Monte Carlo (MCMC) simulations. We have used a total of 60,000 iterations, out of which 10,000 iterations have been used as burn-in to eliminate the effect of initial values to ensure that the chains reached a stable stationary distribution.

By utilizing this framework, the current research has ensured that the uncertainty in the estimation of

the parameter has been fully taken care of, and hence, more reliable inferences can be made in terms of the readiness of IFRS Sustainability Standards adoption.

The variables used in the model are latent variables measured by multiple observed variables. Therefore, we first performed a Cronbach's test to assess the quality of the scales. The test results showed that all scales had Cronbach's Alpha >0.6 ; all observed variables had Corrected Item-Total Correlation >0.3 . The scales employed in this study demonstrate high reliability, with all observed variables meeting the established inclusion criteria. Specifically, every item maintained a Cronbach's Alpha coefficient above 0.3 and a corrected item-total correlation exceeding 0.3, ensuring the overall quality of the measurement model. The results of the scale test are presented in the Appendix, Table 2.

Since the independent variables in the model are all latent variables, measured by multiple observed variables, we chose Principal Component Analysis (PCA) to measure the variables ISR, IC, CG, RE, AW, and IF. We performed two tests, Bartlett and Kaiser-Meyer-Olkin (KMO), to check the fit of these data in PCA. The results of the Bartlett and Kaiser-Meyer-Olkin (KMO) tests, shown in Appendix, Table 3, indicate that all variables, ISR, IC, CG, RE, AW, and IF, have KMO values greater than 0.5 and within the range of 0 to 1. For the Bartlett test, the calculated p-values for all variables are smaller than the significance level $\alpha = 0.01$. Thus, according to studies conducted Σφάλμα! Το αρχείο προέλευσης της αναφοράς δεν βρέθηκε. and [13], the results of both tests showed that the use of PCA was appropriate in measuring the variables ISR, IC, CG, RE, AW, and IF. Therefore, in this study, we used the PCA method to measure the variables ISR, IC, CG, RE, AW, and IF.

The results of the total explained variance of the variables ISR, IC, CG, RE, AW, and IF are summarized in Appendix, Table 4.

3.2 Data Sources

In this study, we used primary data collected from 159 businesses. Our research model consists of 5 independent variables and 1 dependent variable. Therefore, if, according to the proposal of a research in 1996 [15], the sample size must be ensured by the formula $n \geq 8m + 50$ (n is the sample size, m is the number of independent variables in the model), then the minimum sample size for this study is: $8 \times 5 + 50 = 90$ samples. When using the exploratory factor

analysis (EFA) method, research by [16] suggested that the minimum sample size is 50, preferably 100, and the minimum sample size should be 5 times the total number of observed variables. Our survey results yielded 159 valid responses; thus, the sample size used in this study meets the requirements proposed by these findings.

Of the 159 enterprises, 21 were unlisted (13.2%); 41 were listed (25.8%); 22 were state-owned (13.8%); 56 were private (35.2%); and 19 were other enterprises (FDI, partnerships, etc.) (11.9%). Regarding enterprise size, 65 enterprises had fewer than 100 employees (40.9%); 53 had 100-300 employees (33.3%); and 41 had more than 300 employees (25.8%). Of the 159 respondents, 20 (12.6%) were board members; 22 (13.8%) were chief financial officers; 41 (25.8%) were chief accountants; 10 (6.3%) were ESG managers; and 66 (41.5%) held other positions.

4 Research Results and Discussion

4.1 Research Results

Descriptive statistics of the observed variables are shown in Appendix, Table 5. According to the results in Appendix, Table 5, all observed variables have average values higher than 3.5 points, and two observed variables, AW3 (Contribution to long-term growth) and AW4 (Helping businesses access international capital/financial funds), have average scores greater than 4 points.

The sample size in this study is small (159 samples). Therefore, to achieve stable and reliable estimation results in the context of limited data, we chose the Bayesian linear regression model to estimate the influence of factors on IFRS Sustainability Standards Implementation Readiness in Vietnamese enterprises. To achieve full convergence and mixing of the Markov series, the Metropolis-Hastings random algorithm was performed with 60,000 iterations, a burn-in period of 10,000, and a post-experimental sample size of 50,000.

To thoroughly assess the model's goodness-of-fit and its capacity to balance explanatory power with parsimony, we looked at the Deviance Information Criterion (DIC). The obtained DIC value is 203.1118, which, together with the Log marginal-likelihood of -145.9473, indicates that the model fits the empirical data surprisingly well. Based on the Bayesian information criteria, such a low DIC value is strong

evidence that the inclusion of internal factors (IC, CG) as main predictors is statistically justified without overfitting the data.

The Bayesian model test results (Table 6, Appendix) revealed a Posterior Model Probability ($P(M|y)$) of 1.0000, which strongly supports that the current model configuration is the most likely account for IFRS sustainability readiness as measured in Vietnamese firms. The Efficiency metrics (average of 0.049) and the Acceptance rate of 0.3196 make it an undeniable fact that the numerical stability has been maintained very well. Notably, the acceptance rate fell within the standard optimal range of 0.15 to 0.5, ensuring that the Metropolis-Hastings algorithm achieved efficient exploration of the posterior distribution. The Monte Carlo Standard Errors (MCSE) for all main predictors, e.g., IC (0.0016) and CG (0.0031), are remarkably low, less than 5% of their posterior standard deviations. That guarantees the estimated means are accurate and the simulation is at a very high level of convergence, meeting the criteria for sound statistical inference in sustainability studies.

In addition, to guarantee that the Bayesian inference based on the MCMC model is logical, the author again tested the convergence of the MCMC of the parameter estimates using visual diagnostics via plots. Research by [17] states that the graphs for diagnosing MCMC series convergence are trace graphs, posterior distribution graphs, autocorrelation graphs, and density estimation graphs. Figure 1 (Appendix) reveals the full set of diagnostic graphs for parameters of the model. They show a variety of ways in which the parameters can be considered stable and stationary. The Trace plots (blue lines) mainly describe quick variations around a contrast mean without the presence of any noticeable increasing or decreasing trends. This type of pattern indicates that the chains have thoroughly examined the parameter space and reached a state of stationarity. In addition, the Density plots perform a split-half check to confirm that they have, in fact, converged.

The near-perfect overlap of the first 25,000 iterations (red dashed line) and the last 25,000 iterations (green dotted line) confirms that the posterior distribution is independent of the starting conditions and has converged to a stationary target distribution. Further, the bell-shaped and symmetric profiles of the posterior distributions of all parameters match the theoretical assumptions of normality in Bayesian large-sample estimation. The

Autocorrelation plots illustrate a very fast decay, where correlations drop to negligible levels within a small number of lags (usually < 40). This rapid decay of serial dependency helps ensure that the MCMC samples are approximately independent, thereby reducing Monte Carlo Standard Errors (MCSE). Taken together, these diagnostic tests, ranging from visual stationarity to distributional stability, confirm that the MCMC algorithm has achieved optimal convergence, rendering the subsequent Bayesian inferences robust and highly reliable.

According to the estimation results in Appendix, Table 6, the two factors, internal capacity and resources (IC), and Corporate governance structure and practices (CG), have a positive and statistically significant influence on the readiness to implement IFRS Sustainability Standards. This result implies that businesses with a workforce possessing sustainable accounting and reporting capacity, the ability to coordinate internally, and adequate investment in information technology infrastructure, will have a higher level of readiness in implementing IFRS Sustainability Standards. Corporate governance (CG) plays a crucial role in promoting sustainable reporting practices, especially the involvement of management, the level of transparency, and the internal oversight mechanism. This result is consistent with previous studies by [5], which pointed out that good governance is the foundation for implementing new reporting standards and increasing transparency in non-financial information disclosure.

Meanwhile, the remaining factors (RE, AW, IF), although having positive coefficients, have confidence intervals containing 0, so there is insufficient evidence to confirm a significant impact. This finding means that, while external forces such as global trends and investor demands may create momentum, in the early stages of preparing for the implementation of IFRS Sustainability Standards in Vietnam, internal factors of the enterprise (capacity and governance) still play a more decisive role than external pressure and awareness.

The research results show that the readiness of Vietnamese enterprises to implement IFRS Sustainability Standards is mainly driven by internal strengths, including organizational capacity and governance foundation. This also shows that the implementation of IFRS Sustainability Standards depends not only on international policies or trends but also requires thorough preparation in terms of

resources and appropriate management structures within each enterprise.

4.2 Sensitivity and Robustness Analysis

To ensure the reliability of the empirical findings and address potential estimation biases, a two-stage robustness check was conducted. First, a comparative analysis between the frequentist Ordinary Least Squares (OLS) and Bayesian Linear Regression was performed. Second, a sensitivity analysis was executed by varying the Markov Chain Monte Carlo (MCMC) sample sizes to evaluate numerical stability.

4.2.1 Comparison between OLS and Bayesian Estimates

As summarized in Appendix, Table 7, the results from both OLS and Bayesian methods (MCMC = 50,000; Burn-in = 10,000) demonstrate a high degree of convergence in both the direction and magnitude of the coefficients. Variables IC and CG consistently emerge as the primary drivers of ISR, maintaining statistical significance across both methodologies.

However, the Bayesian approach provides a more rigorous inferential framework, addressing concerns regarding parameter uncertainty. The Bayesian posterior standard deviations are marginally lower than the OLS standard errors, suggesting refined precision in estimation. Furthermore, while OLS relies on point estimates and asymptotic assumptions, the Bayesian method generates a full posterior distribution, providing 95% Equal-tailed Credible Intervals that offer a more direct probabilistic interpretation of the parameters. As shown in Appendix, Table 6, the diagnostic metrics, characterized by an optimal Acceptance Rate (0.3196) and a negligible Monte Carlo Standard Error (MCSE), confirm that the MCMC chains have achieved satisfactory convergence and stability.

4.2.2 Sensitivity Analysis and Numerical Stability

To further validate the numerical integrity of the Bayesian model, a sensitivity analysis was conducted by comparing the posterior means across different MCMC sample sizes. Appendix, Table 8 illustrates the comparison between the primary model (50,000 samples) and a reduced-scale simulation (10,000 samples).

The results indicate exceptional stability, with absolute differences in posterior means ranging from a mere 0.0004 to 0.0032. The core predictors, Internal Capacity (IC) and Corporate Governance (CG), showed negligible fluctuations, reinforcing that the

findings are not sensitive to simulation length or initial seed conditions. The consistency of non-significant variables (RE, AW, IF) and the error variance further confirms the structural robustness of the model. These diagnostics collectively mitigate concerns regarding sampling error and ensure that the conclusions regarding IFRS readiness among Vietnamese firms are both reliable and generalizable.

4.3 Discussion of Results

The results of the study indicate that Internal capacity and resources (IC) are the most important factor that influences the readiness of businesses to implement IFRS Sustainability Standards. The strong influence of IC confirms the assumption of the Resource Dependence Theory. The substantive factors, i.e., financial resources, skills, and human resources, as well as the businesses, are the prerequisites of the implementation of IFRS Sustainability Standards. Businesses become ready when they have accumulated resources. The influence of IC in the implementation of IFRS Sustainability Standards reflects the reality that IFRS Sustainability Standards are not just a reporting standard, it is a system that needs new (non-financial) data, data collection technology, as well as professional skills at the highest level. In the context of Vietnam, the readiness of businesses depends on their ability to allocate financial resources to improve the business system as well as their ability to recruit/train competent personnel. The readiness of businesses is measured by their intrinsic capacity, not their willingness.

The high influence of Corporate governance structure and practices (CG) on the implementation of IFRS Sustainability Standards practices confirms that CG is a strategic decision, not an operational decision. The presence of good governance mechanisms (transparent human resource policies, incentives for career development, reward systems linked to professional competence) encourages employees to be motivated in achieving international professional advancement. This is in accordance with the theory that governance structure and culture influence motivation and career aspirations. This is an affirmation of the importance of the role of management and the board of directors. Commitment and governance oversight practices are essential in converting competence (IC) into action and effective direction. It is only through management commitment and the establishment of oversight practices and sustainability that readiness is established.

The results indicate that the Regulatory context and external pressures (RE), Perceived importance and benefits (AW), and IFRS adoption and related experience (IF) are not powerful enough to influence the readiness of businesses in Vietnam to implement the IFRS Sustainability Standards. This may indicate that, although the current legal environment and the trend of trends towards ESG around the globe are promoted, these factors are not powerful enough or have not been translated into actual actions at the business level. This result may be explained by the practical context of Vietnam, as the implementation of sustainability reporting standards is still at the initial stage. The majority of businesses are only concerned with internal preparation and organizational capacity, not external pressures. The absence of influence on the implementation of the IFRS Sustainability Standards may indicate that, at the time of the study, the domestic legal regulations or international market requirements were not powerful enough or were not binding for the vast majority of businesses under study. Current external pressures in Vietnam are exploratory or voluntary, not sufficiently strong or binding to create a statistically significant difference in the readiness to adopt IFRS Sustainability Standards. Businesses may be aware of the pressure, but they delay action until it becomes tangible or mandatory. The absence of significant AW reinforces the view that awareness of potential benefits (such as improved image, access to capital) is not the primary driver of action during the costly and complex preparation phase. Businesses are most aware of the costs and complexities associated with benefits, leading to excessive caution or delay in action. Instead, action is driven by the ability to perform (IC). Businesses do not act because of promised benefits, but because they can do so under good leadership (CG). The unclear impact of IF suggests that prior experience with IFRS or sustainability reporting does not offer sufficient leverage in moving to IFRS Sustainability Standards.

4.4 Empirical Validation and Contextual Discussion

The Bayesian results of this study are not merely quantitative results, but rather are deeply rooted in the current corporate scenario in Vietnam. The significant positive role of Internal Capacity (IC) and Corporate Governance (CG) is a result of the proactive nature of leading listed corporations on the Ho Chi Minh City Stock Exchange (HOSE) in Vietnam. For example,

ESG reporting in Vietnam is characterized by companies that have developed a strong information technology infrastructure and accounting departments, thus aligning with the results on IC. Vietnam Dairy Products JSC (Vinamilk) and Vingroup JSC (Vingroup) are examples of leading large-scale enterprises that are utilizing their large capital and strategic resources in favor of ESG frameworks. Consequently, they are becoming pioneers in institutionalizing transparency and corporate accountability in the field of sustainable development. In Vietnam, both companies were early adopters of GRI standards and are among the top 50 most valuable company brands in Vietnam by Forbes Vietnam, [18]. Vinamilk was distinguished as the only Vietnamese representative in the top 10 most efficient companies in 2017, [19], [20].

Furthermore, the significance of CG is validated by the fact that enterprises with diverse board compositions and dedicated sustainability committees are currently at the forefront of preparing for IFRS S1 and S2. Vinamilk has demonstrated a highly diversified Board of Directors, with the inclusion of independent directors and international members with experience in sustainable development standards, [20]. Furthermore, the board's heterogeneity - spanning gender, nationality and multidisciplinary expertise - ensures a robust framework for sustainability reporting. Therefore, Vinamilk is the first Vietnamese enterprise to attain carbon neutrality certification for its industrial facilities and farms. By quantifying its carbon footprint according to ISO 14064 standards, the company demonstrated an important step to meet the quantitative disclosure requirements of IFRS S2 [20]. In contrast, the non-significance of external factors like Regulatory Enforcement (RE) and Industry Influence (IF) reflects the transitional period of Vietnamese regulations, where mandatory requirements for sustainability standards are still being finalized. This empirical alignment confirms that our mathematical model accurately captures the "readiness gap", where internal organizational strength is currently a more reliable predictor of IFRS adoption than external institutional pressures in an emerging market context.

5 Conclusion and Recommendations

The results of the Bayesian linear regression model from survey data of 159 enterprises in Vietnam show that internal capacity and resources (IC) and corporate structure and governance practices (CG) have a

positive and statistically significant influence on the readiness to implement IFRS Sustainability Standards. Meanwhile, the remaining factors (RE, AW, IF) do not have sufficient evidence to show a significant impact on the readiness to implement IFRS Sustainability Standards. Based on the estimation results obtained, to promote the implementation of IFRS Sustainability Standards, the authors propose the following recommendations:

Firstly, on the part of enterprises, they should not wait until external pressure becomes mandatory. Instead, enterprises need to strengthen internal factors, prioritizing proactive investment in internal resources such as expert training, upgrading data systems, and investing in information technology. Strengthening internal capacity, such as developing a dedicated team, investing in data systems, and establishing reporting and control processes, is a prerequisite for businesses to achieve a high level of readiness when IFRS Sustainability Standards are officially implemented. In addition, businesses need to establish clear internal governance and control mechanisms for ESG reporting and develop a roadmap for implementing IFRS Sustainability Standards. Efforts to enhance readiness must shift from promoting benefits (AW) to investing in core structures (IC and CG). Businesses should prioritize budgets for personnel training and governance restructuring.

Secondly, concerning the government and the relevant regulatory bodies: The government must provide guidelines and regulations regarding the implementation of IFRS Sustainability Standards, especially with regard to listed companies. It must also promote the development of training programs and technical support to enable businesses to enhance their internal capacities and share best practices. Establish incentive mechanisms (e.g., prioritized access to capital, ESG credit ratings) that can encourage businesses to be more proactive in the implementation of IFRS Sustainability Standards. The relevant bodies must change from soft pressure to clear mandatory pressure by announcing the roadmaps and the corresponding sanctions regarding the implementation of IFRS Sustainability Standards. When the pressure is no longer just a trend but becomes mandatory, businesses, especially those with weak IC and CG, will be forced to act.

The government should concentrate on reducing IC barriers by supporting in-depth training programs and providing tax incentives to invest in sustainable data collection systems.

Thirdly, associations and auditing firms should enhance their role in supporting information, training, and developing a set of guidelines on sustainable information disclosure based on IFRS Sustainability Standards. In addition, associations should collaborate with government agencies to standardize the auditing and review process of sustainability reports to ensure the reliability of information disclosed.

6 Research Limitations and Future Directions

In spite of its contributions, this study also has some limitations that need to be recognized. Firstly, the sample size at 159 enterprises is still relatively small in comparison with the total number of businesses in the country. This may limit the generalizability of the findings to specific sub-sectors or smaller enterprises that were underrepresented in the survey.

Secondly, the study relies on self-reported surveys from managers and accountants of the enterprises. Although common in social science research, this approach may introduce subjective bias or social desirability bias, where respondents might overestimate their firm's actual readiness level.

Thirdly, as the IFRS Sustainability Standards (IFRS S1 and S2) are in the early stages of global and domestic introduction, the 'readiness' captured in this study is perceptual and preliminary. Future research could benefit from longitudinal data to track the actual implementation progress over time.

Finally, while this study focused on five key predictors, other factors such as industry-specific characteristics or the influence of specific audit firm sizes (e.g., Big 4 vs. non-Big 4) could be integrated into future models to provide a more comprehensive view of the adoption landscape in emerging markets.

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The authors equally contributed to the present research, at all stages from the formulation of the problem to the final findings and solution.

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Conflict of Interest

The authors have no conflicts of interest to declare.

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APPENDIX

Table 1. Summary of scales for variables

Measurement content scale	Code	Scale	Expected sign	Theoretical basis/Reference source
Readiness to Implement IFRS Sustainability Standards	ISR			General research: The objective of this study is to assess the extent to which factors influence the readiness to adopt IFRS Sustainability Standards and to explore the factors affecting the readiness to implement these standards.
The company has a team responsible for sustainability reporting.	ISR1	Likert		[1], [2]
The company has invested in a data system to support sustainability reporting.	ISR2	Likert		Agency theory, [1], [2], [3]
The company's management is committed to fully implementing IFRS Sustainability Standards.	ISR3	Likert		Signal Theory, [2]
The company assesses its readiness level as high compared to other companies in the same industry.	ISR4	Likert		[4]
The company has organized training/capacity building programs for employees on IFRS Sustainability Standards.	ISR5	Likert		[2], [4]
The company has a clear roadmap for implementation.	ISR6	Likert		[4], [1]
Internal capacity and resources	IC		+	
Competent personnel in accounting and sustainability reporting	IC1	Likert		Resource dependence theory, [1], [2], [3], [4]
Financial resources to invest in reporting systems	IC2	Likert		Resource dependence theory; Capital demand theory (Developed from research).
IT systems that meet the requirements for sustainable data collection	IC3	Likert		[2], [1]
Regular training of employees on IFRS Sustainability Standards.	IC4	Likert		[4]
Good coordination between departments in data provision	IC5	Likert		Agency theory; [2], [11] (Developed from research).
Support from external consultants/audits in the process of preparing to implement IFRS Sustainability Standards.	IC6	Likert		Resource dependence theory (Developed from research).
Corporate governance structure and practices	CG		+	
Board of Directors has a member responsible for sustainable development	CG1	Likert		Resource Dependence Theory; [5], [1], [3]
Leadership encourages and supports the implementation of sustainability reporting	CG2	Likert		Agency theory, [1], [2], [3]
Mechanisms for monitoring and	CG3	Likert		[1], [3]

Measurement content scale	Code	Scale	Expected sign	Theoretical basis/Reference source
evaluating sustainability reports exist				
High level of transparency and accountability	CG4	Likert		Agency theory, [5]
The company has a department that monitors sustainability content.	CG5.	Likert		Agency theory, [3], [5], (Developed from research)
Regulatory context and External pressures	RE		+	
Global trends on ESG	RE1	Likert		Legitimacy theory, Institutional theory (Simulation pressure), [1]
Recommendations from auditing organizations/ professional associations	RE2	Likert		Institutional theory (Normal pressure) (Developed from research).
Pressure from international financial institutions/ investment funds	RE3	Likert		Capital demand theory, Institutional theory (Compulsion pressure) (Developed from research).
Media and public opinion demand transparency	RE4	Likert		Institutional theory, [2]
Perceived importance and benefits	AW		+	
IFRS Sustainability Standards helps increase investor confidence	AW1	Likert		Signaling theory, [3], [9], [10]
Reduces legal and reputational risks	AW2	Likert		[3], [4]
Contributes to long-term growth	AW3	Likert		[1]
Helps businesses access international capital/financial funds	AW4	Likert		Capital demand theory, [1]
Enhances international competitiveness	AW5	Likert		[1]
IFRS adoption and related experience	IF		+	
Financial IFRS experience facilitates access to IFRS Sustainability Standards	IF1	Likert		[8], [11]
Businesses that have prepared sustainability/ESG reports	IF2	Likert		[1]
Businesses with experience collaborating with international consultants/accountants	IF3	Likert		Resource dependence theory; [4] (Developed from research).
Accounting personnel who have received formal IFRS training	IF4	Likert		[4]
Businesses that have participated in international ISSB/IFRS workshops/training courses	IF5	Likert		Resource dependence theory (Developed from research).
Businesses that have been audited/reviewed by international auditing firms	IF6	Likert		Signal theory; Agency theory, [3], [4], (Developed from research).

Source: Compiled by the research team

Table 2. Summary of scale validation

No.	Scale	Observed Variables Removed	Cronbach's Alpha	Conclusion
1	ISR	None	0.927	Good reliability
2	IC	None	0.938	Good reliability
3	CG	None	0.922	Good reliability
4	RE	None	0.921	Good reliability
5	AW	None	0.927	Good reliability
6	IF	None	0.926	Good reliability

Source: Processed by the research team

Table 3. Scale Validity and Reliability Test Results

KMO and Bartlett's Test		ISR	IC	CG	RE	AW	IF
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.892	0.905	0.877	0.846	0.865	0.884
Bartlett's Test of Sphericity	Approx. Chi-Square	797.558	779.500	578.541	465.088	611.350	721.871
	df	15	15	10	10	10	15
	Sig.	0.000	0.000	0.000	0.000	0.000	0.000

Source: Compiled by the research team

Table 4. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Total Variance Explained for the ISR Variable						
1	4.600	76.661	76.661	4.600	76.661	76.661
2	0.401	6.681	83.341			
3	0.351	5.848	89.190			
4	0.277	4.623	93.813			
5	0.228	3.803	97.616			
6	0.143	2.384	100.000			
Total Variance Explained for the IC Variable						
1	4.594	76.565	76.565	4.594	76.565	76.565
2	0.368	6.137	82.701			
3	0.337	5.624	88.326			
4	0.292	4.866	93.192			
5	0.251	4.191	97.383			
6	0.157	2.617	100.000			
Total Variance Explained for the CG Variable						
1	3.828	76.560	76.560	3.828	76.560	76.560
2	0.400	8.006	84.566			
3	0.319	6.383	90.949			
4	0.267	5.344	96.293			
5	0.185	3.707	100.000			

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Total Variance Explained for the RE Variable						
1	3.236	80.900	80.900	3.236	80.900	80.900
2	0.322	8.047	88.947			
3	0.239	5.977	94.924			
4	0.203	5.076	100.000			
Total Variance Explained for the AW Variable						
1	3.872	77.433	77.433	3.872	77.433	77.433
2	0.418	8.361	85.795			
3	0.295	5.896	91.690			
4	0.253	5.060	96.750			
5	0.162	3.250	100.000			
Total Variance Explained for the IF Variable						
1	4.397	73.278	73.278	4.397	73.278	73.278
2	0.539	8.989	82.267			
3	0.398	6.637	88.904			
4	0.280	4.674	93.578			
5	0.242	4.037	97.616			
6	0.143	2.384	100.000			

Extraction Method: Principal Component Analysis.

Source: Compiled by the research team

Table 5. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ISR1	159	1	5	3.72	1.084
ISR2	159	1	5	3.65	1.056
ISR3	159	1	5	3.72	1.074
ISR4	159	1	5	3.71	0.989
ISR5	159	1	5	3.60	1.073
ISR6	159	1	5	3.58	1.098
IC1	159	1	5	3.69	1.038
IC2	159	1	5	3.61	1.006
IC3	159	1	5	3.74	1.116
IC4	159	1	5	3.68	1.069
IC5	159	1	5	3.71	1.051
IC6	159	1	5	3.73	1.071
CG1	159	1	5	3.67	1.089
CG2	159	1	5	3.83	0.969
CG3	159	1	5	3.64	0.983
CG4	159	1	5	3.82	0.986
CG5	159	1	5	3.69	1.061
RE1	159	1	5	3.85	1.026
RE2	159	1	5	3.84	0.978
RE3	159	1	5	3.82	0.965
RE4	159	1	5	3.91	0.992
AW1	159	1	5	3.98	0.997
AW2	159	1	5	3.99	0.955
AW3	159	1	5	4.05	0.980
AW4	159	1	5	4.04	0.957
AW5	159	1	5	3.99	0.971

	N	Minimum	Maximum	Mean	Std. Deviation
IF1	159	1	5	3.76	0.984
IF2	159	1	5	3.59	1.080
IF3	159	1	5	3.65	1.074
IF4	159	1	5	3.64	1.098
IF5	159	1	5	3.72	1.062
IF6	159	1	5	3.64	1.105
Valid N (listwise)	159				

Source: Compiled by the research team

Table 6. Simulation results of the model

Predictors	Mean	Std.dev.	MCSE	Median	95% Credible interval of mean	
IC (Internal capacity & resources)	0.4377	0.0725	0.0017	0.4384	0.2988	0.5795
CG (Corporate governance)	0.4239	0.0831	0.0032	0.4243	0.2600	0.5838
RE (Regulatory & external pressures)	0.0383	0.0701	0.0021	0.0378	-0.0985	0.1752
AW (Perceived importance & benefits)	-0.0209	0.0652	0.0023	-0.0215	-0.1476	0.1077
IF (IFRS adoption & related experience)	0.0622	0.0671	0.0021	0.0617	-0.0706	0.1923
Cons	-0.0004	0.0352	0.0007	-0.0030	-0.0706	0.0682
MCMC iterations	60,000					
Burn-in	10,000					
MCMC sample size	50,000					
Number of obs	159					
DIC (Deviance Information Criterion)	203.1118					
Log-marginal likelihood (ML)	-145.9473					
P(M y)	1.000					
Acceptance rate	0.3196					
Efficiency:						
- Min	0.0136					
- Avg	0.0495					
- Max	0.1883					

Source: Processed by the research team from survey data.

Table 7. Comparison of OLS Regression and Bayesian Linear Regression Results

Variable	OLS Coefficient	Bayesian Posterior Mean	OLS Std. Err.	Bayesian Post. Std. Dev.	OLS [95% Conf. Interval]		Bayesian [95% Cred. Interval]	
IC	0.4368	0.4377	0.0736	0.0725	0.2913	0.5823	0.2988	0.5795
CG	0.4244	0.4239	0.0826	0.0831	0.2612	0.5875	0.2600	0.5838
RE	0.0361	0.0383	0.0724	0.0701	-0.1069	0.1792	-0.0985	0.1752
AW	-0.0195	-0.0209	0.0661	0.0652	-0.1501	0.1111	-0.1476	0.1077
IF	0.0634	0.0622	0.0680	0.0671	-0.0708	0.1976	-0.0706	0.1923
Constant	1.12e-06	-0.0004	0.0355	0.0352	-0.0701	0.0701	-0.0706	0.0682

Source: Processed by the research team from survey data

Note: For OLS, Sigma2 represents the Mean Squared Error (MSE) of the residuals

Table 8. Sensitivity Analysis and Numerical Stability Results

Variables	Model 1 (50,000 samples)	Model 2 (10,000 samples)	Abs. Diff	Inference
IC	0.4377	0.4373	0.0004	Strong positive impact
CG	0.4239	0.4257	0.0018	Strong positive impact
RE	0.0383	0.0351	-0.0032	Not significant
AW	-0.0209	-0.0196	0.0013	Not significant
IF	0.0622	0.0639	0.0017	Not significant
Cons	-0.0004	-0.0027	0.0023	-
sigma2	0.2026	0.2030	0.0004	High stability

Source: Processed by the research team from survey data.

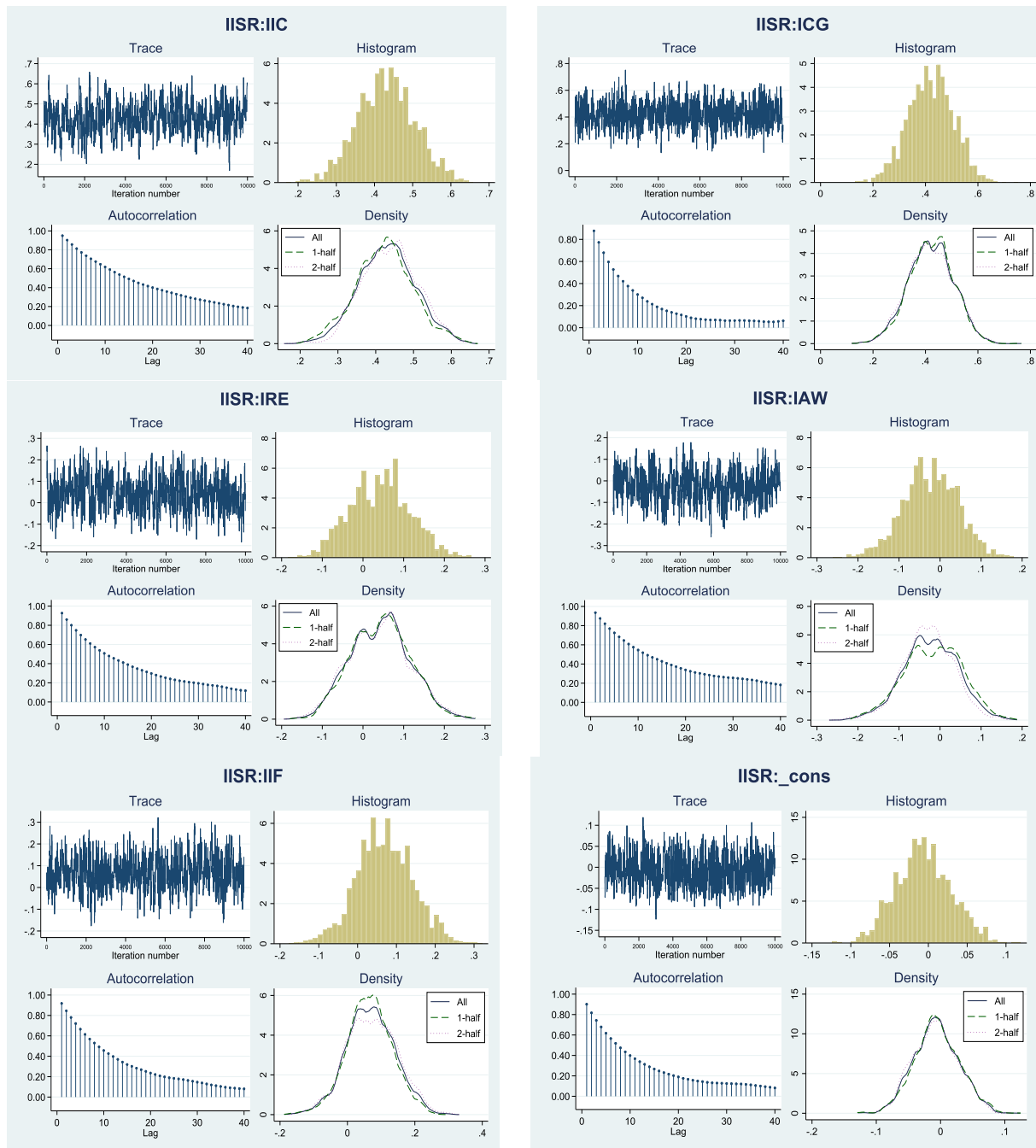


Fig. 1: MCMC Convergence Diagnostic Plots for Predictors
Source: Compiled by the research team