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The Role of Institutional Entrepreneur in IFRS diffusion: The Case study of IFRS Convergence in Indonesia

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ABSTRACT

Purpose: This paper evaluates the process of IFRS convergence in the developing country, using Indonesia as the case study. Applying Institutional Theory and Institutional Entrepreneurship Theory, this paper aims to provide a closer examination to the process of IFRS convergence and how institutional entrepreneurs play a crucial role in institutionalizing IFRS.

Design/Methodology/Approach: The paper uses variety archival data as well as in-depth interviews with the members of Indonesian Financial Accounting Standard Board (DSAK) as well as other key relevant stakeholders involved in the decision making process.

Findings: From a US GAAP follower before 1994, by 1 January 2012 Indonesia has adopted almost all IFRS in to their local standard. Although Indonesia has not yet committed to fully adopt IFRS and cease its local GAAP, the process of institutionalizing IFRS was not without challenges. Contrary to previous research which argue that developing countries was imposed to accept IFRS by international donor agency, Indonesia's decision in adopting IAS in mid 1990s was independently taken by the accounting profession. However the pressure from international bodies such as IFAC, IOSCO, World Bank and G20 were documented during the period of IFRS convergence in 2004-2012. Beside the international pressure, other contributing factor to adoption of IFRS is the role of key individuals who initiated the change and mobilize support to institutionalized IFRS in the country.

Originality/Value: In contrast with macro perspectives case studies, this study offers a closer observation of IFRS convergence in the developing country using relatively new institutional entrepreneurship theory.

Keywords: IFRS, Convergence, Indonesia, Institutional Entrepreneur