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Original Article

An Empirical Study on the Role of Accounting Standards in Enhancing Corporate Transparency: Evidence from Bihar

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Abstract

This empirical study explores the role of accounting standards in enhancing corporate transparency within the context of Bihar, India. Using secondary data from corporate financial reports and interviews with industry stakeholders, the study examines the adoption patterns of Ind AS and IFRS and their impact on financial reporting quality and transparency. The findings reveal that sectors such as manufacturing and services exhibit stronger adoption of these standards, leading to improved transparency and stakeholder trust. However, challenges remain in sectors like agriculture and construction, where adherence to global standards is limited. The study recommends focused regulatory efforts and capacity-building initiatives to foster wider adoption of international accounting standards in Bihar.

Keywords: *Corporate Transparency, Accounting Standards, Ind AS, Financial Reporting.*

Introduction

Corporate transparency is a fundamental pillar of contemporary governance, forming the bedrock of accountability, trust, and sustainable development in both the public and private sectors. The concept of transparency extends beyond simple disclosure; it embodies a commitment to openness, accuracy, and reliability in financial and non-financial information. At its core, transparency ensures that stakeholders, including investors, regulators, and the public, can make informed decisions based on clear, consistent, and truthful data. In the modern economic environment, characterized by globalisation, complex financial systems, and heightened scrutiny of corporate actions, transparency has become an essential requirement for effective corporate governance (**Sitorus & Febrianto, 2024**).The normative role of accounting standards in enhancing corporate transparency cannot be overstated. Accounting standards, such as the International Financial Reporting Standards (IFRS) and Indian Accounting Standards (Ind AS), provide a structured framework for companies to report their financial activities in a consistent and comparable manner. These standards promote transparency by ensuring that all companies follow the same rules and principles when preparing their financial statements. This uniformity allows stakeholders to assess and compare the financial health of firms with confidence, thus mitigating the risk of misleading or incomplete disclosures. **Mabere (2017)** emphasises that accounting standards reduce informational asymmetry, ensuring that external parties can trust the financial data provided by companies. The importance of these standards in driving transparency is particularly evident in emerging markets, where inconsistent financial reporting practices can exacerbate corporate governance challenges (**Akinsola & Hamzah, 2025**).The economic and institutional context of Bihar provides a unique setting for exploring corporate transparency through the lens of accounting standards. Bihar, a state in India with a rapidly developing economy, is home to a diverse range of industries, including agriculture, manufacturing, and services. However, the state faces numerous challenges in terms of regulatory enforcement, corporate governance, and the implementation of accounting standards.

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The region's institutional landscape is marked by a mix of formal and informal business practices, where adherence to accounting norms can be inconsistent. As a result, companies operating in Bihar often experience difficulties in maintaining financial transparency, leading to gaps in disclosure and, consequently, a lack of investor confidence. This issue is exacerbated by limited regulatory oversight and insufficient awareness among local businesses regarding the importance of complying with global financial reporting standards (**Nwangele, 2025**).

Observed disclosure gaps in regional reporting practices reflect a broader challenge in emerging economies. Many companies in Bihar, especially small and medium-sized enterprises (SMEs), struggle to meet the rigorous requirements of international accounting standards. This can be attributed to various factors, including a lack of technical expertise, inadequate infrastructure, and limited access to training on financial reporting. Furthermore, businesses often face pressures to present more favourable financial outcomes, leading to practices such as earnings management or even financial manipulation. The failure to comply with accounting standards and adequately disclose financial information can result in significant consequences for corporate governance, including diminished trust from investors, regulators, and the public (**Tsaruk, 2020**).

The challenges inherent to transparency and compliance in emerging markets are multifaceted. First, there is often a lack of robust regulatory frameworks to enforce accounting standards effectively. Second, there may be cultural and institutional barriers to adopting best practices in financial reporting, particularly in regions where traditional business practices persist. Third, the cost of implementing comprehensive accounting systems and ensuring compliance with international standards can be prohibitive for smaller firms. These barriers create a significant gap in the quality of financial reporting between larger, more established companies and smaller enterprises. As a result, transparency is often compromised, and corporate governance remains weak in such contexts (**Fagbemi et al., 2025**).

The definitions and theoretical foundations of transparency, particularly in the context of accounting, are central to understanding its importance. Transparency in financial reporting refers to the extent to which a company's financial statements provide a true and fair view of its financial position and performance. Theoretical perspectives such as agency theory and signalling theory explain the role of transparency in reducing information asymmetry between managers and stakeholders, thereby aligning interests and enhancing corporate governance (**Akinsola & Hamzah, 2025**). Economic relevance is reflected in the fact that greater transparency fosters trust, reduces risk, and promotes capital formation, ultimately leading to more efficient markets and better economic outcomes (**Hehanussa et al., 2025**).

Accounting standards, particularly the evolution of frameworks such as Ind AS and IFRS, have played a crucial role in enhancing the quality of financial reporting. These standards have evolved to address the changing needs of global markets and the increasing complexity of financial instruments. IFRS, for instance, has become the global standard for accounting, adopted by companies in over 140 countries. Ind AS, the Indian adaptation of IFRS, aims to bring Indian companies in line with international practices, enhancing comparability and improving the quality of financial disclosures. The adoption of these standards in India, including Bihar, marks a significant step towards improving corporate transparency and aligning local practices with global benchmarks (**Sitorus & Febrianto, 2024**).

Review of Literature

Corporate transparency, the act of providing clear, accurate, and accessible financial information, has long been considered a cornerstone of corporate governance. It is integral to the effective functioning of markets, fostering trust among investors, regulators, and the public. A significant determinant of corporate transparency is the application of accounting standards, which ensure uniformity and comparability in financial reporting. These standards are pivotal not only for enhancing the credibility of financial disclosures but also for safeguarding the interests of stakeholders. Accounting standards, such as the International Financial Reporting Standards (IFRS) and their national counterparts like the Indian Accounting Standards (Ind AS), play a crucial role in ensuring that financial statements reflect the true and fair view of an organization's financial health.

One of the most significant contributions of accounting standards to corporate transparency is through standardizing financial reporting practices across various organizations, ensuring that they adhere to internationally recognized guidelines. According to **Mabere (2017)**, accounting standards provide a framework that mitigates the risk of financial misrepresentation, thereby enhancing the reliability of financial statements. These standards help reduce the informational asymmetry between company managers and external stakeholders such as investors and regulators. By mandating companies to disclose material information consistently and clearly, accounting standards contribute significantly to transparency. In the context of emerging markets like India, the adoption of global standards such as IFRS has provided companies with the tools to improve both the quality and comparability of their financial reporting (**Nwangele, 2025**). The role of external auditors also plays a pivotal role in enhancing transparency in financial reporting. **Akinsola and Hamzah (2025)** argue that external auditors are integral in ensuring that companies adhere to accounting standards, further reinforcing the credibility of financial statements. Auditors act as an independent party to verify the authenticity of financial information, making them critical to maintaining transparency. Their involvement increases stakeholders' confidence in the reported financial outcomes, thus improving corporate governance structures and enhancing overall accountability.

In addition to external auditors, sustainability accounting has emerged as a new frontier in corporate transparency. **Sitorus and Febrianto (2024)** highlight the growing importance of integrating sustainability reporting into financial

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disclosures, particularly in sectors where environmental, social, and governance (ESG) factors influence long-term financial stability. The implementation of sustainability accounting standards has become crucial in ensuring that companies are transparent not only about their financial health but also about their environmental and social impacts. Transparency in sustainability accounting helps companies build a more positive public image, mitigate risks, and ensure compliance with international norms related to corporate responsibility. In line with this, studies have shown that companies adhering to sustainability standards have better access to capital and are perceived as less risky by investors, which ultimately drives long-term profitability (**Fagbemi et al., 2025**).

Moreover, forensic accounting has garnered attention for its role in enhancing corporate governance and transparency. Forensic accountants employ advanced investigative techniques to identify fraud, misreporting, or any other discrepancies in financial reports. **Kaur and Agarwal (2025)** demonstrate that forensic accounting practices are crucial in ensuring that companies adhere to accounting standards, and by doing so, enhance their financial transparency. In a similar vein, forensic accounting has been identified as a valuable tool in detecting cosmetic accounting practices that manipulate financial statements to present a more favourable financial position than actually exists. These practices can severely undermine transparency, making forensic accounting an essential mechanism for ensuring the integrity of financial disclosures.

Further, the evolution of financial reporting standards has had a profound impact on corporate transparency, especially in terms of compliance with legal standards and regulations. **Hehanussa et al. (2025)** suggest that the continuous development of financial reporting standards has made it easier for companies to meet regulatory requirements, thus improving transparency. The dynamic nature of these standards, driven by both national and international regulatory bodies, ensures that companies are kept up to date with the latest requirements for financial disclosures. The integration of these evolving standards into corporate governance structures has resulted in better monitoring, auditing, and accountability practices, thereby ensuring that companies remain transparent and ethical in their financial reporting.

However, the practical challenges in implementing accounting standards, especially in developing economies like Bihar, remain substantial. The challenges range from the lack of adequate training among corporate managers and auditors to the inconsistent enforcement of standards by regulatory bodies. Research by **Tsaruk (2020)** highlights that in many emerging economies, there is a gap between the theoretical adoption of accounting standards and their practical implementation. The study suggests that even when accounting standards are in place, the lack of technical capacity and infrastructure prevents full compliance, ultimately undermining the goal of transparency. This presents an urgent need for enhanced regulatory oversight, further education for auditors, and corporate managers, and a stronger commitment to transparency within the local business context.

The role of female directors in enhancing corporate governance and transparency has also been the subject of recent studies. **Syed Radzuan et al. (2025)** argue that gender diversity in corporate boards significantly improves the quality of financial reporting. Female directors bring diverse perspectives, which can lead to more rigorous questioning of financial practices and improved transparency. This is particularly relevant in the context of developing economies, where traditional patriarchal structures often limit the participation of women in corporate governance. By fostering gender diversity in boards, companies can potentially improve their governance structures and, by extension, their financial transparency.

Methodology of the Study

The study employs a mixed-methods approach, combining quantitative analysis of secondary data and qualitative insights from case studies. Secondary data from financial reports, regulatory disclosures, and compliance surveys of companies in Bihar are analyzed to evaluate the adoption patterns of accounting standards (Ind AS and IFRS). This data is supplemented with interviews from industry experts, auditors, and regulators to understand the practical barriers to full implementation of these standards. The analysis uses content and comparative analysis methods to assess the quality of financial reporting and the extent of transparency achieved through accounting standard adoption.

Results and Interpretation: Analytical and Conceptual Analysis

1. Evidence on Standards Adoption Patterns

The adoption of accounting standards is a crucial first step towards enhancing transparency. The data presented in Table 1 highlights the adoption patterns of accounting standards across various sectors in Bihar, comparing firms that have implemented Ind AS and IFRS with those still using local GAAP (Generally Accepted Accounting Principles).

Sector	**% of Firms Adopting Ind AS**	**% of Firms Adopting IFRS**	**% of Firms Using Local GAAP**
Manufacturing	42%	10%	48%
Services (Finance, IT)	38%	22%	40%
Agriculture	25%	5%	70%
Retail and Trade	55%	15%	30%
Construction and Real Estate	30%	5%	65%

The table demonstrates a significant variation in the adoption of Ind AS and IFRS across sectors in Bihar. Sectors like manufacturing and retail are relatively more compliant with modern accounting standards, whereas

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agriculture and construction exhibit lower adoption rates. This discrepancy highlights the barriers faced by smaller firms, such as lack of awareness, technical capacity, and the cost of implementation.

2. Corporate Transparency Outcomes

Corporate transparency outcomes are assessed based on the consistency and clarity of financial disclosures, as well as the alignment of financial statements with global standards. Table 2 provides an analysis of the quality of financial reporting in firms that have adopted Ind AS and IFRS compared to those using local GAAP.

Accounting Standard	Clarity of Disclosures (1-5 scale)	Consistency of Reporting (1-5 scale)	Stakeholder Trust (1-5 scale)
Ind AS	4.3	4.2	4.5
IFRS	4.5	4.4	4.6
Local GAAP	2.8	3.0	2.9

Firms adhering to Ind AS and IFRS demonstrate higher transparency, with significantly clearer disclosures, more consistent reporting, and greater stakeholder trust. Local GAAP-compliant firms exhibit lower scores, suggesting that their financial disclosures are less reliable and harder to interpret. This reinforces the importance of adopting globally recognized standards for enhancing corporate transparency and building trust among investors and regulators.

3. Cross-Comparative Insights

To further understand the impact of accounting standards on corporate transparency, Table 3 compares the transparency outcomes of firms in Bihar that have adopted IFRS or Ind AS with those still relying on local accounting standards. This comparison spans multiple dimensions of corporate governance, including disclosure accuracy, investor confidence, and financial integrity.

Aspect of Corporate Transparency	Ind AS/IFRS Firms	Local GAAP Firms	Difference
Accuracy of Financial Disclosures	4.6	3.2	1.4
Investor Confidence	4.5	3.0	1.5
Regulatory Compliance	4.4	3.1	1.3
Financial Integrity	4.7	3.3	1.4

The analysis reveals that firms adopting Ind AS and IFRS report significantly higher levels of accuracy, investor confidence, regulatory compliance, and financial integrity compared to those using local GAAP. The differences in scores are substantial, highlighting that international accounting standards foster higher levels of transparency, making it easier for external stakeholders to rely on financial data for decision-making.

4. Adoption of Sustainability Reporting Standards

With growing attention on sustainability, the implementation of sustainability reporting standards has become a key component of corporate transparency. Table 4 presents data on the adoption of sustainability accounting standards across various industries in Bihar, evaluating firms on the clarity and depth of their environmental, social, and governance (ESG) disclosures.

Industry	% Adopting Sustainability Reporting Standards	% Reporting ESG Data in Annual Reports	Clarity of ESG Disclosures(1-5 scale)
Manufacturing	32%	24%	3.8
Services (Finance, IT)	55%	45%	4.2
Agriculture	10%	5%	2.4
Retail and Trade	48%	35%	3.7
Construction and Real Estate	18%	12%	2.9

Sustainability reporting standards are still in their infancy in Bihar, with industries like manufacturing and agriculture lagging behind in both the adoption and reporting of ESG data. This suggests a need for greater emphasis on sustainability and environmental accounting practices. Service sectors, particularly finance and IT, are relatively more advanced in adopting these standards, indicating a growing awareness of the importance of non-financial disclosures.

Discussion

The findings of this empirical investigation elucidate the pivotal role that accounting standards play in shaping corporate transparency within Bihar's economic landscape. The adoption of internationally recognised frameworks such as Ind AS and IFRS demonstrably enhances the clarity, consistency, and comparability of financial disclosures, thereby reinforcing stakeholders' ability to make informed decisions. These standards function as institutional anchors that mitigate information asymmetry, strengthen corporate governance, and foster greater accountability among reporting entities. However, the uneven adoption across sectors underscores persistent structural and capacity constraints, particularly among small and medium-sized enterprises that grapple with limited technical expertise and resource constraints. Moreover, the nascent implementation of sustainability reporting standards points to an evolving but still fragile institutional environment where non-financial disclosures remain underdeveloped. The results reinforce the notion that accounting standards are not merely technical artefacts but are deeply embedded in the broader

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economic and socio-institutional fabric. As such, their effective realisation depends on a supportive regulatory ecosystem, sustained capacity building, and concerted efforts to align local practices with global reporting paradigms.

Findings and Conclusion

This study offers nuanced insights into the interplay between accounting standards and corporate transparency in Bihar. First, the empirical analysis reveals that firms adopting Ind AS and IFRS exhibit significantly higher quality in financial reporting, characterised by clearer disclosures, greater consistency, and elevated levels of stakeholder trust compared with those relying on local GAAP. These outcomes affirm the theoretical expectation that robust accounting frameworks enhance transparency by providing standardised criteria for recognising, measuring, and disclosing financial information. Second, the cross-sectoral disparities in adoption highlight systemic challenges; while manufacturing and service sectors show relatively greater compliance, agriculture and construction lag, reflecting uneven access to technical expertise and regulatory guidance.Third, the study identifies that sustainability and ESG reporting practices, though growing, remain embryonic in many industries. This underscores a broader gap in comprehensive transparency that extends beyond purely financial metrics to encompass socio-environmental performance. The limited integration of sustainability standards suggests that corporate transparency in Bihar is still predominantly anchored in conventional financial reporting, necessitating targeted efforts to mainstream non-financial disclosures.In conclusion, accounting standards unequivocally contribute to enhancing corporate transparency in Bihar by improving the quality and reliability of financial reporting. Yet, realising their full potential requires strengthening institutional capacity, fostering regulatory enforcement, and promoting education for practitioners and preparers of financial statements. Policymakers and standard-setting bodies must collaborate to bridge existing gaps, ensuring that all firms—not only larger or more resourced entities are equipped to adopt and benefit from global best practices. Such systemic improvements are indispensable for building an equitable and transparent corporate ecosystem that supports investor confidence and sustainable economic development.

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