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Theoretical Basis of International Economic Integration and Socio-Cultural and Educational Levels Affecting the Application of International Financial Reporting Standards for Small and Medium Enterprises in Hanoi

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Abstract

Around the world, researchers have applied a number of theories to study the factors affecting financial reporting conversion according to IFRS.

These are: Behavioral theory, agency theory, uncertainty theory. Based on the study of the above theories, the authors established a list of factors that affect the application of IFRS in general, including: International integration, Enterprise size, Costs, Accounting qualifications, culture. Socialization, capital scale, law. Within the scope of this research, the author presents the theoretical basis for international economic integration and the level of social

culture and education that affects the application of standards. International financial accounting standards for small and medium enterprises in Hanoi. Hanoi is home to the largest proportion of small and medium enterprises in Vietnam. From there, determining Hanoi's position in applying international financial reporting standards for small and medium enterprises helps small and medium enterprises in Hanoi in particular and Vietnam in general to be able to integrate with small and medium enterprises around the world.

Keywords: International Financial Reporting Standards, Small and Medium Enterprises, International Economic Integration, Cultural and Social Level

1. General theoretical basis

In Vietnam and around the world, up to now, there have been many studies on factors affecting financial reporting conversion according to IFRS. The authors selected the following studies as the theoretical basis for the study:

*** In the world**

▪ Behavioral theory

Ajzen, I. (1991), The Theory of planned behavior: Organizational behavior and human decision processes. Theory of Planning Behavior shows the relationship between someone's beliefs and behavior, in which beliefs include 3 types: Beliefs about behavior, beliefs about common standards, belief in autonomy. This theory was introduced by Icek Ajzen in 1991. From the theory, it helps to determine the intention to convert financial statements according to IFRS, which will be affected by the understanding of IFRS, the attitudes of stakeholders about the operation. Conversion action, perception of conversion results [6].

Cooke & Sheeran (2004), also address the relationship between beliefs and behavior, further developing Ajzen's theory (1991) [6].

▪ Representation theory

Jensen & Meckling (1976) - Agency theory. According to Jensen & Meckling (1976), agency theory refers to the relationship between the owner (the principal) and should be authorized through a contract. At that time, the owner must delegate the authority to operate the business to the authorized party and this party has the right to make economic decisions affecting the operations of the business. According to agency theory, both parties want to maximize their benefits, so disagreements also arise, and it is likely that managers will find ways to influence financial statements to achieve their desired goals by How to

choose policies that are beneficial to managers when preparing reports. This theory mentions a number of factors that affect the ability to apply IFRS such as business size, ownership, and type of business^[7].

▪ **Uncertainty theory**

Uncertainty theory is used by the authors in the topic to explain the influence of factors.

This theory developed in the 1960s based on the development of organizational theory and by the mid-1970s, it began to be applied in research in the field of accounting. Some researchers argue that random factors have an important influence on the design of accounting systems, whose effective functioning depends on their ability to adapt to changes in external and internal circumstances. Internal factors of the organization. Chenhall (2006) pointed out the random factors that affect the design of accounting systems, including: Business environment, organizational strategy, organizational mission, size, form of ownership, field of business field..., based on a summary of research based on contingency theory for accounting system design.

* **In Viet Nam**

In Vietnam, there are currently quite a few studies on IFRS in general and a few studies on IFRS for small and medium enterprises. The author selected the following studies on IFRS for the general theoretical foundation:

1. Ha Xuan Thach & Pham Ngoc Hiep (2018), Factors affecting the conversion of financial statements from Vietnamese Accounting Standards to IFRS. The group of factors includes economic integration, legal system, cultural environment, administrator support, and accountant qualifications. Converting financial statements prepared according to Vietnamese accounting standards (VAS) to IFRS will create certain effects on the processing and provision of information. The difference between VAS and IFRS has such specific effects. Any conversion needs to be considered carefully^[3].
2. Nguyen Thu Hien (2020), Factors affecting voluntary application of IFRS at Vietnamese enterprises. The author identifies a group of 10 factors such as business size, auditing company, ownership form, industry characteristics... Industry characteristics of the business have a great influence on conversion because there are areas that need necessary and subject to mandatory conversion, there are areas where conversion is not mandatory or necessary^[5].
3. Nguyen Thi Ngoc Diep (2020), Factors affecting the ability of Vietnamese listed companies to apply IFRS. The author has pointed out a group of factors: International integration, Enterprise size, Cost, Accounting level... Cost is a factor that greatly affects IFRS conversion because it requires quite a large amount of resources. For changing the information collection system, changing software for reporting, training personnel^[4].

Based on the study of the above theories, the author establishes a list of factors that affect the application of IFRS in general, including: International integration, Enterprise size, Cost, Accounting level, and social culture. Association, capital size, law.

2. Theoretical basis for international economic integration and socio-cultural and educational levels

*** International integration**

With international integration, international economic integration is the process of connection, exchange and cooperation between the national economy and other national economies or regional and global economic organizations. International economic integration is one of the major and inevitable trends in the development process of each country, each administrative unit within the country as well as the whole world.

In terms of national scope

- The first type to mention when a country's economy integrates with other national economies is bilateral economic cooperation. Bilateral economic cooperation can exist in the form of an agreement, an economic, trade, investment agreement or double taxation avoidance agreement, bilateral free trade agreements (FTAs). This type of integration is often formed very early when each country has a policy of international economic integration. In Vietnam, as of December 30, 2018, Vietnam had diplomatic relations with 185 countries (compared to 11 countries in 1954); there are 16 strategic partners and 14 comprehensive partners. Vietnam has signed over 90 bilateral trade agreements; nearly 60 agreements to encourage and protect investment; 75 agreements to avoid double taxation and prevent income tax evasion with countries/territories around the world.
- The trend of regionalization appeared around the 50s of the twentieth century and has developed until today. The classification and concepts of types of regional economic integration change according to the development of the world economy. According to Western Europe's experience of regional economic integration, scholars classify regional economic integration into levels from low to high: Free Trade Area (FTA), Customs Union (CU), Common Market (CM), Economic and Monetary Union (EMU). Vietnam also joins international economic organizations with global influence and influence that need to be mentioned such as: WTO, IMF, WB or international economic organizations under the UN system such as: Joint Commission. United Nations Conference on International Trade Law (UNCITRAL), United Nations Conference on Trade and Development (UNCTAD)...

Hanoi city

- Bilateral foreign affairs activities with capitals, cities, and localities of countries with traditional relations and strategic partners continue to be strongly deployed in many flexible forms, effectively using exchange channels. Online exchange: Promote the application of technology in foreign affairs activities, organize online meetings to promote information and exchange, typically the meeting between leaders of the City People's Committee and the South Ostrobothnia Regional Council, Finland; mid-term meeting on cooperation between Vietnamese and French localities. Actively participate in online international conferences and seminars organized by countries such as the 2021

Conference of Mayors of Francophone Cities of the International Association of Mayors of Francophone Cities (AIMF), the Summit The 13th Asia-Pacific City,... City leaders received and worked with many international delegations to discuss activities, cooperation projects and implementation orientations between Hanoi and partners.

- Regarding multilateral foreign affairs, Hanoi city continues to demonstrate that it is a responsible member in the activities of inter-urban international organizations: Group of pioneering cities in responding to climate change, World Smart Sustainable Cities Organization (WeGO), UNESCO Creative Cities Network (UCCN).
- Regarding international cooperation activities, the Department of Foreign Affairs has discussed and coordinated with Vietnamese diplomatic agencies in participating countries to mobilize and call for support from foreign partners as well as implement activities. Diplomacy and international cooperation to serve disease prevention and support for localities in other countries when encountering natural disasters, fires, and epidemics.

With people-to-people diplomacy, many support activities for international friends of the Friendship Associations of Hanoi City Union of Friendship Organizations have also been implemented.

There are many authors researching the factor of international integration like Young (4) & Guenther (2003), Aggarwal *et al* (2005), Smith & Runyan (2007), Cai & Wong (2010). In the study of Young & Guenther (2015), studying the financial reporting environment and international capitalization, the results showed that countries with accounting and financial environments converge with international IFRS applies to SMEs a lot and tends to provide very transparent information, information that can be compared with each other, and has the ability to attract a lot of investment capital from abroad. Cai & Wong (2020) discovered that countries adopting IFRS have a higher level of international financial and securities market integration than before adopting IFRS^[8,9].

* Socio-cultural and educational level

Vietnam is a country with thousands of years of history, experiencing changes, ups and downs, has accumulated, created and promoted many unique values and cultural identities, forming the soul of the nation. Inheriting and creatively applying Ho Chi Minh's ideology and the views of previous congresses on culture, cultural development, and the people of Vietnam, the 13th Party Congress affirmed: "Comprehensive and synchronous development." set of cultural fields, cultural environment, rich, diverse, civilized and healthy cultural life; both promoting the good values of the nation and absorbing the cultural quintessence of humanity so that culture can truly be the spiritual foundation, endogenous resource and breakthrough driving force for socio-economic development. And international integration". Vietnam's social culture and education after more than 30 years of reform have made significant achievements. Specifically, education, public culture, legal culture, cultural market, especially human development indicators, Vietnam has made many progress compared to the region and the world. In 2020, for the first time, Vietnam was named among the 52 countries with a high Human

Development Index. About 50 million people have been eliminated from hunger and poverty, helping Vietnam reach the Millennium Development Goals 10 years earlier than. For Hanoi city, since 2008, when implementing Resolution No. 15/2008/QH12 of the National Assembly, Hanoi's administrative boundaries have been expanded, Hanoi's cultural, social, and human education issues have been expanded. There are adjustments and supplements to policies, guidelines, plans, funding, and reorganization of the cultural management system in the area. The achievements in building cultural families, preserving heritage, building craft villages, developing cultural tourism, and spiritual tourism of old Ha Tay were received and developed by Hanoi in new conditions. Issues about national culture, beliefs, and religions of ethnic minorities have become new issues and new fields of Hanoi culture. Urban culture and lessons on cultural management, artistic activities, building elegant and civilized citizens of the Capital, building new rural areas, become the common mission of the city. It is easy to see that over the past 10 years, Hanoi's urbanization and construction speed has developed rapidly, people's lives have changed in a positive direction. The process of urbanization not only changes the way and form of residence, changes the methods of production and conduct of economic activities, but also causes major changes in all areas of social life. Associations and individuals. For the people, the family economy develops, the conditions for enjoying and taking care of family and personal life are better, the standard of living and cultural activities are raised, and investment in education is also highly emphasized... The city focuses on building models of cultural villages, hamlets, cultural residential groups, and cultural families; Strengthen education of local historical traditions; elegant and civilized lifestyle. The promulgation and implementation of the two Codes of Conduct in the workplace and in public places were agreed and responded to by officials, party members and people, contributing to fostering the cultural foundation and building elegant Hanoi people. Civilized. The city also promotes cooperation and cultural exchange activities, and synchronously implements solutions: Building mechanisms and policies, encouraging and creating conditions for provinces, cities, agencies, and organizations. Embassies organize activities to introduce and promote culture, country, people, and tourism in the capital Hanoi. The above issues have created certain advancements in qualifications. Social culture and education of Hanoi.

The adoption of a particular accounting system (such as adoption of IFRS) is also influenced by educational level (Doupnik & Salter, 1995; Adhikari & Tondkar, 1992).

Research by Zeghal & Mhedhbi (2006) identifies factors affecting the application of international accounting standards (International Accounting Standards)/IFRS in emerging countries, the study conducted a research sample of 64 emerging countries. including 32 emerging countries that have applied International Accounting Standards/IFRS and 32 emerging countries that have not yet applied, the final result shows that the level of educational development is a relatively positive factor and goes along with Apply international accounting standards/IFRS. A country with a highly educated population that receives good education will require a more complex accounting CM system to meet and satisfy their information needs. As accounting standards and practices become more complex, the ability to apply and

interpret these standards and practices will depend on which countries have high levels of education (Shima & Yang, 2021). Countries with high education systems will find it easier and less costly to apply the standards, whereas if the level of education is underdeveloped, it may be seen that switching to applying the standards will be harmful. Much more costly in cost. Therefore, education is positively related to IFRS adoption. In addition, Stainbank's (2021) study identifies factors affecting the application of standards in African countries. Using the research model is a regression analysis performed on 32 African countries with random sampling. The results conclude that educational level has an impact on the application of IFRS in African countries.

3. Conclusion

Thus, studies have shown that the influence of international integration, cultural level, and education affects the application of IFRS for SMEs in general. Specific aspects applicable to Hanoi city are shown as follows:

- Hanoi city, with its position as the cultural and political center of the country, is actively expanding economic integration with the world. The city aims to promote international cooperation, attract foreign investment, and strengthen production and business cooperation in a practical and effective way. The signing of trade agreements and cooperation with cities around the world... all affect the operations of small and medium-sized enterprises in Hanoi city. Therefore, international economic integration is a factor that has a clear influence on the application of IFRS for SMEs in Hanoi through the contents of bilateral cooperation, regional cooperation, and joining international alliances., signing cooperation agreements with cities around the world...
- Regarding the socio-cultural and educational level of the Capital, compared to the general level in the whole country, Hanoi has superior points stemming from the geographical and political location of the Capital. Therefore, there are certain advantages over other localities in implementing IFRS application for SMEs.

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