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Accounting System Convergence and Enterprise Cross-border Investment Efficiency in Countries Along the Belt and Road

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ABSTRACT

Against the background of the in-depth advancement of the "Belt and Road" (B&R) Initiative, cross-border direct investment (CBFI) has become a core driver of economic cooperation among countries along the route. However, significant differences in accounting systems among these countries have exacerbated cross-border information asymmetry, thereby restricting the improvement of investment efficiency. Taking panel data of 48 countries along the B&R from 2015 to 2023 as the research sample, this study measures the convergence degree of national accounting standards with International Financial Reporting Standards (IFRS) using the adoption degree and clause similarity scoring method. It empirically tests the impact of accounting system convergence on enterprise CBFI efficiency through panel regression, and explores the mediating role of information asymmetry, as well as the moderating effects of cultural differences, legal environment, and national governance level. The results show that: (1) The IFRS convergence level of countries along the B&R has obvious regional differences, generally at a medium to low level; (2) Accounting system convergence can significantly alleviate cross-border information asymmetry, thereby positively improving enterprise CBFI efficiency; (3) Cultural differences have a negative moderating effect on the positive impact of accounting convergence on investment efficiency, while a sound legal environment and high national governance level can positively strengthen this effect. Based on the research conclusions, this study puts forward targeted policy suggestions for promoting regional accounting coordination along the B&R and improving the efficiency of enterprise cross-border investment, which provides theoretical and practical references for the sustainable development of B&R cross-border investment and the integration of global accounting systems.

KEYWORDS

Belt and Road; Accounting system convergence; IFRS; Information asymmetry; Cross-border direct investment efficiency; Institutional environmen

1. INTRODUCTION

1.1. Research Background

Since the proposal of the "Belt and Road" (B&R) Initiative in 2013, economic cooperation between China and countries along the route has been continuously deepened, with the scale of cross-border direct investment (CBFI) maintaining steady growth. According to UNCTAD data, China's cumulative CBFI to B&R countries reached over 1.3 trillion US dollars from 2015 to 2023, making these countries core destinations for China's foreign investment. However, B&R countries cover more than 60 nations with significant differences in economic development, legal systems, and cultural traditions, among which accounting system differences have become a key constraint on CBFI efficiency.

As the core norm for enterprise financial information disclosure, accounting systems are crucial for cross-border investors to evaluate host country enterprises' operating status and investment risks. Differences in accounting recognition, measurement, and reporting rules reduce financial statement comparability, increase information screening costs, exacerbate information asymmetry, and trigger adverse selection and moral hazard, ultimately lowering cross-border investment resource allocation efficiency.

The international convergence of International Financial Reporting Standards (IFRS) has become a global trend, with over 140 countries and regions adopting or equivalently adopting IFRS by 2023 to reduce cross-border transaction costs. B&R countries show obvious regional differences in IFRS convergence, ranging from full adoption (e.g., Singapore, Australia) to partial convergence (e.g., China, India) and full adherence to local standards (e.g., DPRK, Iran). Exploring IFRS convergence degree, its impact on CBFI efficiency, and institutional constraints is of great theoretical and practical significance for regional accounting coordination.

1.2. Research Objectives and Significance

1.2.1. Theoretical Significance

This study enriches international accounting convergence research by focusing on B&R countries, a special group of emerging markets and developing economies, and systematically measuring their IFRS convergence levels. It expands CBFI efficiency research by clarifying the mediating role of information asymmetry in the relationship between accounting convergence and CBFI efficiency, enriching the application of information asymmetry and transaction cost theories in cross-border investment. Additionally, it introduces cultural differences, legal environment, and national governance level as moderating variables, improving the research system on the economic consequences of accounting convergence.

1.2.2. Practical Significance

This study provides policy references for national-level regional accounting coordination, proposing suggestions for multilateral accounting dialogue and standard mutual recognition to advance the B&R Initiative. It also guides enterprises' cross-border investment decisions by clarifying the positive impact of accounting convergence and institutional risks, helping enterprises reduce information costs and improve investment efficiency. Furthermore, it offers references for cross-border accounting cooperation and talent training, promoting China's accounting industry integration with the international community.

1.3. Literature Review

Foreign studies on accounting convergence and cross-border investment have a long history [1]. documented that mandatory IFRS adoption increases market liquidity and decreases cost of capital, particularly in countries with strong legal enforcement [2]. further demonstrated significant heterogeneity in economic consequences, finding that substantive convergence yields greater benefits than mere label adoption [9]. provided evidence that firms applying international standards exhibit higher accounting quality through reduced earnings management and greater value relevance [3]. confirmed that countries with higher IFRS convergence attract significantly more FDI inflows [12]. found positive effects of IFRS adoption on cross-border trade and FDI through improved financial transparency [17]. documented that IFRS adoption reduces information asymmetry and encourages greater foreign portfolio investment. Brochet [18] and Cascino and Gassen [19] demonstrated that mandatory IFRS adoption improves financial statement comparability across countries. However, Christensen [8] emphasized that these benefits depend critically on concurrent changes in enforcement mechanisms, while Leuz and Wysocki [7] highlighted that standard effectiveness depends on the broader institutional environment.

Domestic research on B&R accounting convergence has gradually increased. Liu Feng et al. (2017) analyzed accounting system differences among B&R countries, while Wang Huacheng et al. (2018) found a positive correlation between host country convergence and Chinese enterprises' CBFI efficiency. Li Zengquan et al. (2020) confirmed the mediating role of information asymmetry. However, existing studies lack systematic measurement of IFRS convergence levels and rarely consider the triple moderating effect of culture, law, and governance. Specifically, Biddle [4] established that financial reporting quality affects investment efficiency by alleviating information asymmetry, and Chen [6] documented similar effects for private firms in emerging markets. Chen [5] found cross-border spillover effects of IFRS adoption on investment efficiency. Owusu [10] and Lungu [11] both found that IFRS adoption promotes FDI but the effect is contingent on institutional quality. Nnadi and Soobaroyen [13] confirmed this in Africa, while Sun and Cahan [14] showed that IFRS adoption in China attracts more foreign institutional investment. Despite these advances, B&R studies rarely consider the combined moderating effects of cultural differences, legal environment, and national governance simultaneously.

1.4. Research Content, Methods and Framework

This study focuses on five aspects: sorting out theories and literature to propose hypotheses; measuring B&R countries' IFRS convergence levels; constructing empirical models to test the main, mediating, and moderating effects; and putting forward policy suggestions. Research methods include literature research, index measurement (IFRS convergence index based on adoption degree and clause similarity), panel regression analysis (using Stata), and comparative analysis. The research framework follows: background analysis → hypothesis proposal → model construction → empirical test → conclusion and suggestions.

1.5. Research Innovations and Limitations

Innovations lie in focusing on B&R countries, constructing a "accounting convergence → information asymmetry → CBFI efficiency" mediating model with triple moderating variables, and using a more accurate convergence measurement method. Limitations include a sample of only 48 B&R countries (due to data availability), a 2015-2023 data period, subjective convergence index construction, and a lack of industry and enterprise-level analysis.

2. DEFINITION OF CORE CONCEPTS AND THEORETICAL BASIS

2.1. Definition of Core Concepts

To ensure the accuracy and operability of the research, this study clearly defines the core concepts involved, based on the research context of B&R cross-border investment. The research sample includes 48 B&R countries with complete data from 2015 to 2023, which are divided into six regions (East Asia, Southeast Asia, South Asia, Central Asia, West Asia and North Africa, Central and Eastern Europe) according to their geographical location and economic characteristics. Accounting system convergence refers to the dynamic process in which the accounting standards of B&R countries gradually reduce differences and move towards coordination and unification with International Financial Reporting Standards (IFRS) under the background of global economic integration, including four levels: full adoption of IFRS, partial equivalent convergence, slight convergence of local standards and full adherence to local standards, with the core goal of improving the comparability and transparency of cross-border financial information. CBFI efficiency refers to the rationality and effectiveness of cross-border direct investment activities, mainly reflected in the allocation efficiency of investment resources and the level of investment return, including the improvement of over-investment and under-investment problems caused by information asymmetry. Information asymmetry specifically refers to the uneven distribution of financial information between

cross-border investors and host country enterprises, that is, host country enterprises master more comprehensive and real information about their own operations and risks, while cross-border investors face information disadvantages due to differences in accounting systems and information disclosure norms. Constraint factors mainly refer to the external institutional environment factors that affect the relationship between accounting convergence and CBFI efficiency, including cultural differences (differences in values and behavioral habits between countries), legal environment (the perfection of the legal system and the intensity of law enforcement in the host country), and national governance level (the level of government governance and corruption control).

2.2. Theoretical Basis

This study relies on four core theories to construct the research framework. Information asymmetry theory, proposed by Akerlof [15], holds that information asymmetry between transaction parties leads to adverse selection and moral hazard, damaging market efficiency. In B&R cross-border investment, information asymmetry is a key factor restricting investment efficiency, and accounting convergence alleviates this problem by unifying financial information disclosure standards and improving transparency [7] [20]. Institutional convergence theory suggests that under the trend of globalization, national institutions gradually converge toward international mainstream standards [16]. As an important economic institution, accounting system convergence toward IFRS is an inevitable requirement for B&R countries to integrate into the global capital market and reduce institutional transaction costs [3] [12]. Transaction cost theory, proposed by Coase (1937), holds that transaction costs—including information cost and negotiation cost—are important factors affecting investment efficiency. Accounting convergence can reduce the cost of cross-border investors in interpreting financial information and negotiating investment contracts, thereby improving cross-border investment efficiency [1] [17] Institutional environment moderation theory suggests that the effect of economic behaviors is affected by the external institutional environment [2] [8]. Cultural differences increase communication barriers and information misunderstanding, thereby weakening the positive impact of accounting convergence [5]. Conversely, a sound legal environment and high national governance level can ensure the effective implementation of accounting standards and strengthen the benefits of convergence [10] [13].

2.3. Proposal of Research Hypotheses

Based on the above core concepts and theoretical basis, combined with the research context of B&R cross-border investment, this study puts forward four research hypotheses to clarify the relationship between accounting convergence, information asymmetry, institutional environment and CBFI efficiency. H1: The higher the convergence degree of accounting standards of B&R countries with IFRS, the higher the CBFI efficiency of Chinese enterprises. This is because accounting convergence improves the comparability of financial information, reduces information screening costs, and thus optimizes investment resource allocation. H2: Accounting convergence improves CBFI efficiency by reducing information asymmetry. According to information asymmetry theory, the core role of accounting convergence is to alleviate information asymmetry, which in turn promotes the improvement of investment efficiency, so information asymmetry plays a mediating role. H3: Larger cultural differences between China and B&R host countries will weaken the positive impact of accounting convergence on CBFI efficiency. Cultural differences increase communication barriers and information misunderstanding, thus offsetting the positive effect of accounting convergence. H4: A sound legal environment and high national governance level of B&R host countries will strengthen the positive impact of accounting convergence on CBFI efficiency. A perfect legal environment and high governance level can ensure the effective implementation of accounting standards and enhance the role of accounting convergence in reducing information asymmetry.

3. MEASUREMENT OF ACCOUNTING SYSTEM CONVERGENCE IN B&R COUNTRIES

3.1. Sample and Data Sources

The sample includes 48 B&R countries from 2015 to 2023. Data sources include IASB database, UNCTAD investment data, World Bank WDI, WGI, and Hofstede cultural database. Missing data are processed by linear interpolation.

3.2. Construction of IFRS Convergence Index

This study uses a scoring method (0-1) to measure IFRS convergence, including two dimensions: adoption degree (full adoption=1, partial equivalent=0.75, slight convergence=0.5, local standards=0.25) and clause similarity (scoring 16 core IFRS clauses, 0-1 per clause). The final convergence index is the average of the two dimensions. Results show obvious regional differences: Central and Eastern Europe and Southeast Asia have high convergence, while Central Asia and West Asia/North Africa have low convergence.

3.3. Variable Definition and Measurement

Explained variable: CBFI efficiency (measured by investment marginal return rate). Explanatory variable: IFRS convergence index (Converge). Mediating variable: Information asymmetry (measured by stock market information transparency index). Moderating variables: Cultural differences (Hofstede cultural distance index), legal environment (World Bank legal system index), national governance level (WGI comprehensive index). Control variables: GDP per capita, openness, inflation rate, infrastructure, and bilateral trade scale.

3.4. Model Construction

Bench mark regression model (testing H1):

$$CBFI=\alpha+\alpha Converge+\alpha Controls+\mu+\varepsilon$$

Mediating effect model (testing H2):

$$Info=\beta+\beta Converge+\beta Controls+\mu+\varepsilon CBFI=\gamma+\gamma Converge+\gamma Info+\gamma Controls+\mu+\varepsilon$$

Moderating effect model (testing H3, H4):
$$CBFI=\delta+\delta Converge+\delta Mod+\delta Converge\times Mod+\delta Controls+\mu+\varepsilon$$

Where i=country, t=year, μ is individual fixed effect, ε is random error term.

4. EMPIRICAL TEST AND RESULT ANALYSIS

4.1. Descriptive Statistics and Correlation Analysis

Descriptive statistics are conducted to initially understand the distribution characteristics of key variables (see Table 1 for detailed results). The results show that the average IFRS convergence index (Converge) of 48 B&R countries from 2015 to 2023 is 0.58, which is at a medium to low level, reflecting that there is still great room for accounting convergence among B&R countries. The average cross-border direct investment efficiency (CBFI) is 0.08, indicating that the overall CBFI efficiency of enterprises in B&R countries is moderate and has room for improvement. The average information asymmetry (Info) index is 0.42, suggesting a certain degree of information asymmetry between cross-border investors and host country enterprises. Pearson correlation analysis is used to test the correlation between variables. The results show that Converge is significantly positively

correlated with CBFI efficiency (r=0.36, p<0.01), which initially verifies the positive relationship between accounting convergence and CBFI efficiency. Meanwhile, Converge is significantly negatively correlated with Info (r=-0.41, p<0.01), indicating that accounting convergence can effectively reduce information asymmetry. In addition, the variance inflation factor (VIF) of all variables is less than 10, which indicates that there is no serious multicollinearity problem in the model, laying a solid foundation for subsequent regression analysis.

Table 1. Descriptive Statistics of Main Variables

Variable	Symbol	N	Mean	S.D.	Min	Max
Cross-border investment efficiency	CBFI	432	0.080	0.115	-0.236	0.418
IFRS convergence index	Converge	432	0.580	0.214	0.250	1.000
Information asymmetry	Info	432	0.420	0.151	0.118	0.782
Cultural difference	Cul	432	2.347	1.092	0.451	5.213
Legal environment	Law	432	0.512	0.183	0.152	0.918
Governance level	Gov	432	0.483	0.201	0.083	0.946
GDP per capita (ln)	lnGDP	432	8.762	1.214	6.231	11.082
Trade openness	Open	432	0.873	0.402	0.214	2.106
Inflation rate	Inf	432	0.054	0.061	-0.012	0.382
Infrastructure	Infra	432	0.561	0.176	0.182	0.913
Bilateral trade scale (ln)	lnTrade	432	9.124	1.531	5.012	12.673

Notes: The sample covers 48 B&R countries over 2015-2023, giving 432 country-year observations.

Table 2. Pearson Correlation Matrix

Variable	CBFI	Converge	Info	Cul	Law	Gov
CBFI	1.000					
Converge	0.360***	1.000				
Info	-0.290***	-0.410***	1.000			
Cul	-0.182***	-0.121**	0.153***	1.000		
Law	0.271***	0.334***	-0.242***	-0.094*	1.000	
Gov	0.312***	0.378***	-0.281***	-0.112**	0.621***	1.000

Notes: ***, ** and * denote significance at the 1%, 5% and 10% levels, respectively. The variance inflation factors (VIF) of all variables are below 10, indicating no serious multicollinearity.

4.2. Benchmark Regression Results

Referring to the stepwise regression method, the mediating effect of information asymmetry (Info) is tested to verify Hypothesis H2. The test results (see Table 3) show three key points: first, Converge has a significant negative impact on Info (β=-0.38, p<0.01), indicating that accounting convergence can effectively reduce cross-border information asymmetry; second, Info has a significant negative impact on CBFI efficiency (γ=-0.27, p<0.01), meaning that lower information asymmetry helps improve investment efficiency; third, after adding the mediating variable Info into the benchmark model, the coefficient of Converge decreases from 0.23 to 0.13 and still passes the 1% significance test. This indicates that information asymmetry plays a partial mediating role in the relationship between accounting convergence and CBFI efficiency, which supports Hypothesis H2.

Table 3. Benchmark Regression Results

Variable	(1) CBFI	(2) CBFI
Converge		0.230*** (0.048)
lnGDP	0.021** (0.009)	0.018** (0.008)
Open	0.015 (0.012)	0.012 (0.011)
Inf	-0.087** (0.039)	-0.079** (0.037)
Infra	0.042* (0.023)	0.036 (0.022)
lnTrade	0.028*** (0.010)	0.024** (0.010)
Constant	-0.142** (0.061)	-0.196*** (0.064)
Country fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Observations	432	432
Within R-squared	0.312	0.387

Notes: The dependent variable is cross-border investment efficiency (CBFI). Standard errors clustered by country are in parentheses; ***, ** and * denote significance at the 1%, 5% and 10% levels.

4.3. Mediating Effect Test Results

Mediating effect test (Table 2) shows: (1) Converge significantly negatively affects Info (β=-0.38, $p<0.01$); (2) Info significantly negatively affects CBFI efficiency (γ=-0.27, $p<0.01$); (3) Converge coefficient decreases to 0.13 ($p<0.01$) after adding Info, indicating partial mediating effect of information asymmetry, supporting H2.

Table 4. Mediating Effect Test of Information Asymmetry

Variable	(1) Info	(2) CBFI
Converge	-0.380*** (0.052)	0.130*** (0.045)
Info		-0.270*** (0.061)
Control variables	Yes	Yes
Country fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Observations	432	432
Within R-squared	0.341	0.418

Notes: Step 1 is the benchmark model where Converge = 0.230*** (Table 3). After adding the mediator Info, the Converge coefficient falls to 0.130***, indicating that information asymmetry plays a partial mediating role. Standard errors in parentheses; *** $p<0.01$.

4.4. Moderating Effect Test Results

To test Hypotheses H3 and H4, interaction terms between Converge and three moderating variables (cultural differences, legal environment, national governance level) are introduced into the model. The moderating effect test results (see Table 4) show that: first, the coefficient of the interaction term Converge×Cultural difference is -0.15 ($p<0.01$), indicating that cultural differences have a significant negative moderating effect on the relationship between accounting convergence and CBFI efficiency, which supports H3; second, the coefficients of Converge×Legal environment and Converge×Governance are 0.18 ($p<0.01$) and 0.21 ($p<0.01$) respectively, indicating that a sound legal environment and high national governance level can significantly strengthen the positive impact of accounting convergence on CBFI efficiency, thus supporting H4.

Table 5. Moderating Effect Test

Variable	(1) Cultural	(2) Legal	(3) Governance
Converge	0.245*** (0.050)	0.228*** (0.047)	0.221*** (0.046)
Cul	-0.062** (0.028)		
Converge × Cul	-0.150*** (0.041)		
Law		0.071** (0.031)	
Converge × Law		0.180*** (0.044)	
Gov			0.083*** (0.029)
Converge × Gov			0.210*** (0.048)
Control variables	Yes	Yes	Yes
Country / Year FE	Yes	Yes	Yes
Observations	432	432	432
Within R-squared	0.401	0.412	0.423

Notes: The dependent variable is CBFI. Continuous moderators and Converge are mean-centered before forming interaction terms. Standard errors in parentheses; ***, ** and * denote significance at the 1%, 5% and 10% levels.

4.5. Robustness Test

To ensure the reliability and stability of the research conclusions, three robustness tests are conducted. First, the core explanatory variable Converge is replaced by a dichotomous variable (1 for countries fully adopting IFRS, 0 otherwise); second, the explained variable CBFI efficiency is replaced by the DEA index to re-measure investment efficiency; third, 1% and 99% tail reduction processing is performed on all continuous variables to eliminate the impact of extreme values. The results of all robustness tests are consistent with the benchmark regression results, indicating that the research conclusions of this study are robust and not affected by variable measurement methods and extreme values.

Descriptive statistics show that the average IFRS convergence index is 0.58 (medium to low), CBFI efficiency averages 0.08, and information asymmetry averages 0.42. Pearson correlation analysis shows Converge is significantly positively correlated with CBFI efficiency ($r=0.36$, $p<0.01$) and negatively correlated with Info ($r=-0.41$, $p<0.01$). Multicollinearity test (VIF<10) shows no serious multicollinearity.

Benchmark regression results (Table 1) show that Converge coefficient is 0.23 ($p<0.01$), indicating that higher IFRS convergence significantly improves CBFI efficiency, supporting H1.

Mediating effect test (Table 2) shows: (1) Converge significantly negatively affects Info ($\beta=-0.38$, $p<0.01$); (2) Info significantly negatively affects CBFI efficiency ($\gamma=-0.27$, $p<0.01$); (3) Converge coefficient decreases to 0.13 ($p<0.01$) after adding Info, indicating partial mediating effect of information asymmetry, supporting H2.

Moderating effect test (Table 3) shows: (1) Converge×Cultural difference coefficient is -0.15 ($p<0.01$), indicating negative moderating effect, supporting H3; (2) Converge×Legal environment coefficient is 0.18 ($p<0.01$), Converge×Governance coefficient is 0.21 ($p<0.01$), indicating positive moderating effects, supporting H4.

Robustness tests include replacing Converge with dichotomous variable (IFRS adoption=1), replacing CBFI efficiency with DEA index, and Tail processing (1% and 99%). Results are consistent with benchmark regression, confirming conclusion robustness.

5. CONCLUSIONS AND POLICY SUGGESTIONS

5.1. Main Conclusions

This study draws three key conclusions based on empirical tests of panel data from 48 B&R countries during 2015-2023. First, the overall IFRS convergence level of B&R countries is at a medium to low level, with distinct regional heterogeneity. Specifically, Central and Eastern European and Southeast Asian countries have relatively high convergence due to their close integration with the global economic system, while Central Asian and West Asian/North African countries still maintain high dependence on local accounting standards, resulting in low convergence. Second, accounting system convergence has a significant positive impact on enterprise CBFI efficiency, and this effect is achieved through the mediating role of reducing information asymmetry. In other words, the coordination of national accounting standards with IFRS improves the comparability and transparency of financial information, reduces the information screening cost of cross-border investors, alleviates adverse selection and moral hazard, and thus optimizes the allocation of cross-border investment resources. Third, the positive effect of accounting convergence on CBFI efficiency is regulated by institutional environment factors: cultural differences between countries will increase communication barriers and information misunderstanding, thereby weakening the promoting effect of accounting convergence; in contrast, a sound legal environment and high national governance level can provide effective protection for cross-border investors, enhance the implementation effect of accounting convergence, and further strengthen its positive impact on CBFI efficiency.

5.2. Policy Suggestion

Based on the above conclusions, targeted policy suggestions are put forward from four levels to promote regional accounting coordination and improve CBFI efficiency. At the national level, governments of B&R countries should strengthen multilateral accounting dialogue and cooperation, establish a regional accounting standard mutual recognition mechanism, and promote the coordination and unification of accounting systems among member countries. At the standard level, international organizations and developed countries with high IFRS convergence should provide technical support and guidance for low-convergence countries, helping them gradually align their local accounting standards with IFRS while considering their own economic and institutional characteristics. At the enterprise level, cross-border investors should prioritize investing in countries with high IFRS convergence to reduce information costs and investment risks, and establish a comprehensive institutional risk assessment system to fully consider the impact of cultural differences, legal environment and governance level on investment activities. At the industry level, the accounting and audit industries should strengthen cross-border cooperation, promote the exchange of professional talents and the mutual recognition of audit qualifications, and further improve the comparability and reliability of cross-border financial information.

5.3. Future Research Prospects

There are still some areas that can be expanded in future research. First, the research perspective can be extended to the micro level of industries and enterprises, exploring the heterogeneous impact of accounting convergence on CBFI efficiency in different industries and enterprise types, so as to provide more targeted reference for enterprise investment decisions. Second, longer-term panel data can be adopted to track the dynamic changes of IFRS convergence and its impact on cross-border investment efficiency, which helps to improve the universality and stability of research conclusions. Third, with the continuous promotion of global sustainable development, future research can further explore the impact of sustainable development-related IFRS convergence on CBFI efficiency, and enrich the research connotation of accounting convergence and cross-border investment.

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