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Accounting Standards and ESG Disclosure: Evidence from Global Banks

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ABSTRACT
This study investigates the relationship between the adoption of international accounting standards and environmental, social, and governance (ESG) disclosure in the global banking sector using a panel dataset of 576 banks from 62 countries over the period 2009–2023. The empirical results show that the adoption of international accounting standards, particularly IFRS, is positively associated with ESG disclosure among global banks. Additional analyses indicate that the effect of accounting standards is stronger for environmental and social disclosure than for governance disclosure. The results also suggest that major global events, including the Paris Agreement and the COVID-19 pandemic, are associated with increased ESG disclosure. This study contributes to the literature by providing cross-country evidence on the relationship between accounting standards and ESG disclosure in the banking sector, extending prior research that primarily focuses on single-country settings. The findings highlight the broader transparency effects of international financial reporting frameworks and provide implications for regulators and policymakers seeking to strengthen sustainability reporting and promote sustainable finance.

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INTRODUCTION

Investors, regulators, and other stakeholders are placing growing pressure on firms to disclose non-financial information related to sustainability, risk management, and corporate responsibility (Christensen et al., 2021). In recent years, environmental, social, and governance (ESG) considerations have become an increasingly important component of corporate decision-making and financial markets (Krueger et al., 2020). ESG disclosure is increasingly viewed as a key mechanism for improving corporate transparency and accountability in modern financial systems (Fatemi et al., 2018). Friede et al. (2015) show that sustainability practices are positively associated with financial performance across a large body of empirical studies. Fatemi et al. (2018) further find that ESG performance can enhance firm value, particularly when firms provide transparent sustainability disclosures. Similarly, Raimo et al. (2021) document that firms with stronger ESG disclosure benefit from lower cost of debt financing.

Given the growing importance of sustainability reporting, a substantial body of research has examined the determinants of ESG disclosure. One important factor influencing ESG reporting is the adoption of sustainability reporting frameworks (Adams & Abhayawansa, 2022). Voluntary reporting frameworks such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and integrated reporting guidelines provide standardized structures that guide firms in disclosing sustainability-related information (Darnall et al., 2018). These frameworks help improve the consistency, credibility, and comparability of non-financial disclosures. Adams and Abhayawansa (2022) argue that sustainability reporting frameworks enhance the quality of sustainability disclosures by encouraging organizations to integrate sustainability considerations into corporate reporting. Similarly, Darnall et al. (2022) show that firms adopting sustainability reporting frameworks tend to provide more comprehensive ESG disclosures.

Corporate governance mechanisms have also been widely identified as important determinants of ESG disclosure. Governance structures influence how firms monitor sustainability-related activities and ensure accountability to stakeholders. Arayssi et al. (2020) show that board diversity improves sustainability reporting by enhancing board monitoring and decision-making quality. Cucari et al. (2018) find that board independence strengthens firms' incentives to disclose environmental and social information. Likewise, Husted and Sousa-Filho (2019) demonstrate that board characteristics play an important role in shaping firms' ESG disclosure strategies. De Masi et al. (2021) further show that effective board structures contribute to improved sustainability reporting practices. In addition to institutional and governance factors, firm-level characteristics also influence ESG disclosure practices. Larger firms typically face greater scrutiny from regulators, investors, and other stakeholders, which increases their incentives to disclose sustainability-related information. Drempetic et al. (2020) show that firm size is positively associated with ESG scores because larger firms possess greater resources and capabilities for collecting and disclosing sustainability data. These findings suggest that both institutional pressures and firm characteristics play an important role in shaping ESG disclosure outcomes. While these studies provide important insights into the determinants of ESG disclosure, relatively little attention has been given to the role of accounting standards in shaping sustainability disclosure practices.

Accounting standards play a fundamental role in corporate reporting by determining how firms measure, recognize, and disclose financial information. International Financial Reporting Standards (IFRS) were developed to enhance transparency, comparability, and reliability in financial reporting across countries. A growing body of literature has examined the economic consequences of IFRS adoption. Mensah (2021) shows that IFRS adoption

enhances the quality of firms' financial reports within the Ghanaian capital market. Key and Kim (2020) find that IFRS adoption improves financial reporting quality. Bradbury and Kim (2024) show that IFRS adoption is associated with improved reporting transparency and audit quality without increasing audit-related risks in emerging markets. Other studies document that IFRS adoption can improve portfolio performance and market efficiency (Alareeni & Hamdan, 2020; Imhanzenobe, 2024). Abad et al. (2018) show that IFRS adoption reduces information asymmetry between firms and investors, while Persakis and Iatridis (2017) find that firms adopting IFRS experience a lower cost of capital. More recently, scholars have begun to examine the relationship between accounting standards and sustainability disclosure. Dayanandan et al. (2024) provide evidence that IFRS adoption significantly improves ESG disclosure among firms in India. Their findings suggest that accounting standards may serve as institutional mechanisms encouraging firms to provide more comprehensive sustainability-related information.

Despite the growing body of literature on ESG disclosure and IFRS adoption, existing studies provide mixed and still limited evidence regarding the relationship between accounting standards and sustainability disclosure. While some studies suggest that IFRS adoption may enhance transparency and encourage broader disclosure practices, including ESG reporting (e.g., Dayanandan et al., 2024), other studies primarily focus on financial reporting outcomes, such as accounting quality, information asymmetry, and cost of capital (Abad et al., 2018; Persakis & Iatridis, 2017), thereby providing limited evidence on the implications of IFRS adoption for non-financial disclosure. In addition, prior research tends to focus on specific institutional contexts and sample settings, such as single-country studies or non-financial firms, which limits the generalizability of the findings. For example, evidence from emerging markets indicates a positive link between IFRS adoption and ESG disclosure (Dayanandan et al., 2024). However, the extent to which this relationship holds across different institutional environments remains unclear. Furthermore, most existing studies examine ESG disclosure from the perspective of regulatory frameworks, governance mechanisms, or firm characteristics, while the role of accounting standards as a potential institutional driver of ESG disclosure remains underexplored and fragmented. This lack of consensus and limited cross-country evidence highlights an important gap in the literature.

To address these gaps, this study contributes to the literature in several ways. First, this study extends the growing literature on ESG disclosure by examining the role of accounting standards as an institutional determinant of sustainability disclosure. While prior studies primarily focus on institutional, regulatory, and governance factors such as sustainability reporting frameworks, disclosure regulations, and board characteristics (Khamisu & Paluri, 2024), relatively little attention has been given to how accounting standards influence ESG disclosure practices. Second, this study contributes to the literature on IFRS adoption by examining its impact on non-financial disclosure. Existing research on IFRS mainly focuses on financial reporting outcomes, including accounting quality, market reactions, information asymmetry, and cost of capital (Abad et al., 2018; Persakis & Iatridis, 2017). By linking accounting standards to sustainability disclosure, this study provides new insights into the broader transparency effects of IFRS adoption. Third, this study extends prior research by providing cross-country evidence from the global banking sector. While Dayanandan et al. (2024) examine the relationship between IFRS adoption and ESG disclosure using a sample of 104 non-financial firms in India, this study analyzes a much larger international panel dataset of 576 banks from 62 countries over the period 2009–2023. This cross-country setting allows the study to provide more generalizable evidence on how accounting standards influence ESG disclosure practices across different institutional environments.

The empirical results provide several important findings. First, the baseline regression

results show that the adoption of international accounting standards, particularly IFRS, is positively associated with ESG disclosure among global banks. Second, the analysis of ESG pillars reveals that IFRS adoption has a stronger impact on environmental and social disclosure than on governance disclosure. Third, the results indicate that global institutional developments, including the Paris Agreement and the COVID-19 period, are associated with increased ESG disclosure. Finally, the dynamic panel analysis reveals strong persistence in ESG disclosure over time, indicating that banks with stronger sustainability disclosure in previous periods tend to maintain higher levels of ESG transparency.

The remainder of this paper is organized as follows. The next section reviews the relevant literature and develops the research hypotheses. The following section describes the data, variables, and empirical methodology. After that, the paper presents the empirical results and discussion, and finally concludes the study.

LITERATURE REVIEW

ESG Disclosure and Corporate Transparency

The increasing importance of ESG disclosure reflects a broader shift in corporate governance toward stakeholder-oriented business practices. Traditional financial reporting primarily focuses on financial performance and shareholder value. However, modern corporate governance frameworks increasingly emphasize the role of firms in addressing environmental, social, and governance issues (Freeman, 1984). ESG disclosure provides stakeholders with information about a firm's sustainability practices, environmental impact, and social responsibility. Prior studies suggest that firms with higher ESG disclosure tend to experience lower cost of capital, improved reputation, and stronger long-term financial performance (Fatemi et al., 2018; Raimo et al., 2021). ESG reporting also reduces information asymmetry between firms and investors by providing additional non-financial information about corporate risks and opportunities (Abad et al., 2018). Despite these benefits, ESG disclosure varies significantly across firms and countries. Institutional factors, regulatory environments, and corporate governance mechanisms may influence the extent to which firms disclose ESG information (Khamisu & Paluri, 2024). Understanding the determinants of ESG disclosure has therefore become an important research topic in accounting and finance literature.

Accounting Standards and ESG Disclosure

Accounting standards play a fundamental role in shaping corporate disclosure practices (Ball, 2006). International Financial Reporting Standards (IFRS) were introduced to improve the transparency, comparability, and credibility of financial reporting across countries. Recent studies document that IFRS adoption enhances financial reporting quality and improves the information environment in capital markets (Bradbury & Kim, 2024; Carvajal & Cahan, 2024). Carvajal and Cahan (2024) show that mandatory IFRS adoption improves financial reporting quality in international markets, while Bradbury and Kim (2024) provide evidence that IFRS adoption is associated with improved reporting transparency and audit quality in emerging markets. Ball (2006) argues that international accounting standards enhance financial reporting transparency by promoting comparability across firms operating in global capital markets. Improved financial reporting transparency may also influence firms' broader disclosure practices. Firms operating under stronger reporting regimes often face greater scrutiny from investors, regulators, and other stakeholders (Christensen et al., 2021). As a result, firms may provide additional disclosures beyond traditional financial reporting, including sustainability-related information.

From a stakeholder perspective, firms disclose information to satisfy stakeholders'

information needs and maintain long-term relationships with investors and society (Freeman, 1984). ESG disclosure, therefore, serves as an important mechanism for firms to communicate their sustainability practices and demonstrate accountability to stakeholders (Fatemi et al., 2018). Institutional theory further suggests that firms adopt reporting practices that conform to institutional pressures and prevailing reporting norms (DiMaggio & Powell, 1983). As sustainability reporting becomes increasingly important in global capital markets, firms may face stronger pressure to disclose ESG-related information (Christensen et al., 2021). Within this institutional context, the adoption of international accounting standards may encourage firms to align their reporting practices with global transparency expectations (Ball, 2006). Greater transparency in financial reporting may therefore lead firms to enhance their overall disclosure practices, including sustainability reporting (Raimo et al., 2021).

Although most studies on IFRS adoption focus on financial reporting outcomes, recent research suggests that accounting standards may also influence sustainability disclosure. For example, Dayanandan et al. (2024) document that IFRS adoption significantly increases ESG disclosure among firms in India. Their findings suggest that stronger financial reporting standards can encourage firms to provide more comprehensive sustainability-related information. Building on these theoretical arguments and prior empirical evidence, firms adopting international accounting standards are expected to exhibit higher levels of ESG disclosure than firms operating under domestic accounting standards.

H1: The adoption of international accounting standards is positively associated with ESG disclosure.

RESEARCH METHOD

Sample and Data Sources

This study examines the relationship between the adoption of accounting standards and ESG disclosure in the global banking sector. The banking industry provides an appropriate setting for analyzing ESG disclosure because financial institutions play a critical role in capital allocation and the development of sustainable finance. In recent years, banks have faced increasing pressure from regulators, investors, and other stakeholders to integrate environmental, social, and governance considerations into their risk management, lending activities, and disclosure practices (Weber, 2017).

The dataset combines bank-level financial information with ESG indicators obtained from Refinitiv/LSEG Workspace. ESG scores are widely recognized indicators of corporate sustainability performance and are frequently used in empirical research on corporate sustainability and responsible investment (Friede et al., 2015). In addition, macroeconomic variables, including GDP growth and inflation, were collected from the World Bank database to capture country-level economic conditions that may influence ESG disclosure.

Several data screening procedures were applied to ensure the quality and consistency of the dataset. Observations with missing values in key financial variables, ESG indicators, accounting standards, and macroeconomic variables were excluded. Financial variables such as leverage, bank size, and market capitalization were constructed using natural-log transformations where appropriate. To mitigate the influence of extreme values, several continuous variables, including ROA, market risk (BETA), GDP growth, and inflation, were winsorized at the 1st and 99th percentiles. The analysis focuses on the period 2009–2023, and only banks with at least three consecutive years of valid ESG observations were retained to maintain a consistent panel structure. The observation period is set to begin in 2009 to avoid the effects of the global financial crisis. After applying all screening procedures, the final sample comprises 4,891 bank-year observations across 576 banks from 62 countries.

Variable Measurement

The main dependent variable in this study is the ESG score, which reflects a bank's overall environmental, social, and governance performance. ESG scores are widely used indicators of corporate sustainability performance and capture the extent to which firms address environmental risks, social responsibility, and governance practices (Fatemi et al., 2018). To provide a more comprehensive analysis, this study also examines the three components of ESG separately. The environmental score (ENV) measures firms' environmental policies, environmental risk management practices, and environmental impact. The social score (SOC) reflects firms' relationships with key stakeholders, including employees, customers, and local communities. The governance score (GOV) captures corporate governance practices such as board structure, shareholder rights, and transparency. These ESG pillar scores are obtained from the Refinitiv ESG database, which provides standardized measures of firms' sustainability performance across environmental, social, and governance dimensions (LSEG, 2024).

The key independent variables represent the accounting standards adopted by banks. The IFRS and US-GAAP are comparable because they are accounting standards which are issued by internationally authoritative institutions, and many countries have adopted them. Moreover, in 2010 and 2018, IASB and FASB worked together to create the conceptual framework to minimize the differences in accounting standards in the future (Vernando, 2021). IFRS adoption is measured with a dummy variable that equals 1 if a bank adopts the International Financial Reporting Standards (IFRS) and 0 otherwise. Similarly, US GAAP adoption is defined as a dummy variable equal to 1 if a bank follows US Generally Accepted Accounting Principles (US GAAP) and 0 otherwise. Banks using local accounting standards are treated as the reference category, allowing the coefficients of IFRS and US GAAP to capture their differences relative to local standards. Previous studies also suggest that IFRS adoption may encourage greater ESG disclosure by promoting more comprehensive reporting practices (Dayanandan et al., 2024).

In addition, several bank-specific and macroeconomic variables are included as control variables in the empirical model. Bank size (SIZE) is measured as the natural logarithm of total assets, as larger firms generally face greater stakeholder pressure and are more likely to disclose ESG information (Drempetic et al., 2020). Profitability (ROA) is measured as return on assets, capturing the bank's financial performance. Leverage is calculated as the natural logarithm of liabilities relative to assets, reflecting the bank's capital structure. Market risk is included to account for the bank's exposure to systematic market risk. In addition, two macroeconomic variables are incorporated to capture country-level economic conditions. GDP growth represents a country's overall economic growth, while inflation reflects price stability and macroeconomic uncertainty.

Empirical Model

To examine the relationship between the adoption of accounting standards and ESG disclosure, this study estimates the following baseline regression model. This study uses the Stata software to run all regressions.

$$ESG_{it} = \beta_0 + \beta_1 IFRS_{it} + \beta_2 USGAAP_{it} + \gamma X_{it} + \delta Z_{ct} + \tau_t + \varepsilon_{it}$$

where ESG_{it} represents the ESG score of the bank i in year t. The key independent variables are IFRS adoption (IFRS) and US GAAP adoption (USGAAP), which capture the accounting standards used by each bank. X_{it} denotes a set of bank-level control variables, including bank size (SIZE), profitability (ROA), leverage, and market risk. Z_{ct} represents macroeconomic

control variables at the country level, specifically GDP growth and inflation, which capture broader economic conditions that may influence ESG disclosure. Year fixed effects (τ_t) are included to control for time-specific shocks affecting all banks in a given year, while ε_{it} denotes the error term.

In addition to the overall ESG score, the analysis examines the three ESG pillars separately, using environmental (ENV), social (SOC), and governance (GOV) scores as alternative dependent variables. These components are estimated in separate regressions rather than jointly with ESG due to the high correlation among the ESG score and its individual components, which may lead to multicollinearity problems in the regression model. Analyzing these pillars separately allows the study to identify which dimension of ESG disclosure is most strongly associated with the adoption of international accounting standards.

Estimation Strategy

The empirical analysis is conducted through several stages. The study begins with descriptive statistics and correlation analysis to provide an overview of the data characteristics and to examine potential multicollinearity among the variables. Subsequently, panel regression models are estimated using the random-effects estimator, which allows for cross-sectional heterogeneity across banks while maintaining efficiency in large panel datasets. The random-effects approach is preferred because the key explanatory variables related to accounting standards adoption exhibit limited within-bank variation over time. In contrast, the fixed-effects estimator would remove time-invariant or slowly changing variables, making it difficult to identify their effects in the regression model.

To further address potential endogeneity issues and account for the dynamic nature of ESG disclosure, the study applies the two-step System Generalized Method of Moments (System GMM) estimator proposed by Arellano and Bover (1995) and Blundell and Bond (1998). The dynamic specification includes a lagged dependent variable to capture the persistence of ESG disclosure over time. System GMM is particularly appropriate for panel datasets characterized by a large number of cross-sectional units and a relatively shorter time dimension, as it helps mitigate potential problems of reverse causality and omitted variable bias. To ensure the model's validity, several diagnostic tests are performed. Specifically, the Arellano–Bond test is used to detect serial correlation in the error terms, while the Hansen test of over-identifying restrictions is employed to assess the validity of the instrumental variables used in the estimation. In addition, to address potential heteroskedasticity and serial correlation in panel data, the modified Wald test for heteroskedasticity and the Wooldridge test for autocorrelation are conducted. The results confirm that the model is robust to these potential econometric issues.

To ensure the robustness of the baseline results, additional estimations are conducted. First, the model includes country fixed effects to control for unobserved country-specific institutional factors that may influence ESG disclosure. Second, global event dummies capturing the Paris Agreement and the COVID-19 period are incorporated to account for major global shocks that may affect corporate sustainability disclosure across countries.

RESULT AND DISCUSSION

Descriptive Statistics

Table 1 reports the descriptive statistics for the variables used in this study. The average ESG score of the sample banks is 45.22, with a standard deviation of 20.23, indicating substantial variation in sustainability disclosure among global banks. Among the ESG pillars, the governance score (GOV) has the highest mean value at 52.22, followed by environmental

(ENV) at 47.40 and social (SOC) at 44.62, suggesting that governance-related disclosure is relatively more developed in the banking sector. Regarding accounting standards, approximately 40.05% of banks adopt IFRS, 37.68% follow US GAAP, and the remainder use domestic accounting standards. For the control variables, the average bank size (log of total assets) is 18.74, and the mean return on assets (ROA) is 1.27%, consistent with typical profitability levels in the banking industry. At the macroeconomic level, the average GDP growth and inflation rates are 2.60% and 2.97%, respectively, reflecting diverse economic environments across the countries included in the sample.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
Dependent Variables					
ESG	4,891	45.22	20.23	0.61	95.68
ENV	4,891	47.40	27.51	11.17	98.55
SOC	4,891	44.62	23.47	0.41	98.08
GOV	4,891	52.22	21.78	0.04	97.68
Independent Variables					
IFRS	4,891	0.40	0.49	0	1
US GAAP	4,891	0.38	0.48	0	1
Bank Characteristics Control Variables					
Size	4,891	18.74	3.26	12.29	28.40
ROA	4,891	1.27	0.93	-2.01	6.5
Leverage	4,891	-0.11	0.15	-3.84	0.04
BETA	4,891	1.00	0.43	-0.23	2.29
Macroeconomic Control Variables					
GDP growth	4,891	2.60	3.07	-5.91	12.72
Inflation	4,891	2.97	2.87	-0.92	15.18

Note: ESG represents the overall environmental, social, and governance score obtained from Refinitiv/LSEG Workspace. ENV, SOC, and GOV represent the environmental, social, and governance pillar scores, respectively. IFRS and US GAAP are dummy variables indicating the accounting standards adopted by banks. Size is measured as the natural logarithm of total assets. ROA represents return on assets. Leverage is the natural logarithm of liabilities to assets. BETA captures market risk. GDP growth and Inflation represent country-level macroeconomic conditions obtained from the World Bank database.
Source: Secondary data processed by the author (2026)

Correlation and Multicollinearity Tests

Table 2 presents the pairwise correlation matrix for the variables used in the analysis. The results show that the overall ESG score is strongly and positively correlated with its individual components, environmental (ENV), social (SOC), and governance (GOV), which is expected given that the ESG score is constructed from these three pillars. ESG disclosure also exhibits a positive correlation with IFRS adoption, suggesting that banks adopting international accounting standards tend to report higher ESG scores. In addition, bank size is positively associated with ESG disclosure, indicating that larger banks are more likely to provide sustainability-related information. Overall, the correlations among the explanatory variables remain moderate, suggesting that multicollinearity is unlikely to pose a serious concern in the regression analysis.

To further examine potential multicollinearity among the explanatory variables, the variance inflation factor (VIF) test is conducted. The results show that all VIF values are well below the commonly used threshold of 10, with a mean VIF of approximately 1.64. These findings indicate that multicollinearity is not a significant concern in the regression models.

Table 2. Correlation Matrix

	ESG	ENV	SOC	GOV	IFRS	US GAAP	SIZE	ROA	Leverage	BETA	GDP	INF
ESG	1											
ENV	0.8337	1										
SOC	0.923	0.804	1									
GOV	0.7301	0.3979	0.4409	1								
IFRS	0.4112	0.4998	0.3962	0.1892	1							
US GAAP	-0.3927	-0.5732	-0.3696	-0.1529	-0.6356	1						
SIZE	0.4377	0.547	0.4173	0.2127	0.2327	-0.6687	1					
ROA	0.0094	-0.0693	0.0353	0.0156	-0.0372	-0.0125	0.0066	1				
Leverage	0.1496	0.1417	0.1317	0.121	0.0936	-0.0538	0.1425	-0.2705	1			
BETA	0.2594	0.2335	0.2331	0.1863	0.1218	-0.1923	0.1931	-0.0528	-0.0269	1		
GDP	0.0207	-0.0046	0.0258	0.0253	-0.0023	-0.0605	0.0976	0.1817	-0.0046	-0.0065	1	
INF	0.0846	0.0281	0.1064	0.0282	-0.056	0.0354	-0.0134	0.3299	-0.0289	0.0448	0.2471	1

Notes: This table reports the Pearson correlation coefficients among the variables used in the analysis. ESG represents the overall environmental, social, and governance score, while ENV, SOC, and GOV represent the environmental, social, and governance pillar scores, respectively. IFRS and US GAAP are dummy variables indicating the adoption of international accounting standards. SIZE is measured as the natural logarithm of total assets; ROA represents return on assets; Leverage is the natural logarithm of the leverage ratio; and BETA represents historical market beta. GDP refers to annual GDP growth, and INF represents the annual inflation rate. Correlation coefficients greater than 0.70 may indicate potential multicollinearity concerns. However, multicollinearity is further assessed using variance inflation factors (VIF) in subsequent analysis.

Accounting Standards and ESG Disclosure

Table 3 reports the results of the random-effects regression examining the relationship between the adoption of accounting standards and ESG disclosure. Model (1) presents the baseline specification, including bank-level and macroeconomic control variables with year fixed effects. The results show that the adoption of international accounting standards is positively associated with ESG disclosure. In particular, the coefficient for IFRS adoption is positive and statistically significant ($\beta = 6.421$, $p < 0.01$), suggesting that banks adopting IFRS tend to exhibit higher levels of ESG disclosure compared with banks using domestic accounting standards. This finding supports the hypothesis that stronger financial reporting frameworks encourage broader corporate transparency, including sustainability reporting.

Model (2) introduces country fixed effects to control for country-specific institutional and regulatory factors that may influence ESG disclosure. The positive relationship between IFRS adoption and ESG disclosure remains statistically significant ($\beta = 3.808$, $p < 0.05$), indicating that the baseline results are robust after accounting for cross-country heterogeneity. In contrast, the coefficient for US GAAP adoption remains statistically insignificant across both models, suggesting that the effect of accounting standards on ESG disclosure may differ across reporting regimes.

Model (3) incorporates global event variables capturing the Paris Agreement and the COVID-19 pandemic. In this specification, year fixed effects are replaced with event-specific dummies to avoid multicollinearity. The results show that the positive relationship between IFRS adoption and ESG disclosure remains statistically significant ($\beta = 3.952$, $p < 0.05$), providing additional support for the robustness of the main findings. Both global event variables exhibit positive and statistically significant coefficients. The Paris Agreement dummy shows a strong positive association with ESG disclosure ($\beta = 8.312$, $p < 0.01$), suggesting that global climate policy initiatives may have encouraged banks to increase sustainability reporting. Similarly, the COVID-19 dummy is positive and significant ($\beta = 1.882$, $p < 0.01$), indicating that the pandemic period may have increased stakeholder demand for corporate transparency and responsible business practices.

Among the control variables, bank size shows a consistently positive and highly significant relationship with ESG disclosure across all model specifications. This result suggests that larger banks tend to provide more extensive sustainability disclosures, likely due to greater stakeholder scrutiny and reputational concerns. Leverage also shows a positive and statistically significant effect in the baseline model, indicating that more highly leveraged

banks may disclose more sustainability information to mitigate perceived risk among investors and creditors. However, the significance of leverage diminishes once additional controls are introduced. In contrast, profitability (ROA), market risk (BETA), and GDP growth do not exhibit statistically significant relationships with ESG disclosure across the models.

Table 3. Accounting Standards and ESG Disclosure

	(1)	(2)	(3)
VARIABLES	ESG	ESG	ESG
Constant	-24.895***	-57.997***	-86.610***
	(6.385)	(9.143)	(8.835)
IFRS	6.421***	3.808**	3.952**
	(1.834)	(1.926)	(1.972)
US GAAP	0.871	9.629	12.109
	(2.369)	(9.003)	(9.337)
SIZE	2.913***	6.216***	7.749***
	(0.297)	(0.478)	(0.462)
ROA	0.170	0.197	0.151
	(0.287)	(0.303)	(0.299)
Leverage	6.040***	3.965*	2.132
	(1.955)	(2.296)	(2.362)
BETA	0.080	-0.955	-0.939
	(0.870)	(0.866)	(0.887)
GDP	0.000	0.082	0.059
	(0.086)	(0.087)	(0.041)
INF	-0.185	-0.244*	0.386***
	(0.140)	(0.141)	(0.092)
D_COVID			1.882***
			(0.353)
D_PARIS			8.312***
			(0.710)
Year FE	Yes	Yes	
Country FE		Yes	Yes
Observations	4,891	4,891	4,891
Number of banks	576	576	576

Note: ESG represents the overall environmental, social, and governance score. IFRS and US GAAP are dummy variables indicating whether banks adopt IFRS or US GAAP, with domestic accounting standards serving as the reference category. SIZE is measured as the natural logarithm of total assets. ROA represents return on assets. Leverage is measured as the natural logarithm of liabilities to assets. BETA captures market risk. GDP and INF represent annual GDP growth and inflation, respectively. D_COVID captures the COVID-19 period, and D_PARIS represents the period following the Paris Agreement. Year and country fixed effects are included as indicated. Robust standard errors clustered at the bank level are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.
Source: Secondary data processed by the author (2026)

The coefficient for US GAAP adoption is positive but not statistically significant across the regression models. To further examine whether the effects of IFRS and US GAAP adoption differ significantly, a Wald test is conducted to test the equality of the two coefficients. The results indicate that the difference between IFRS and US GAAP coefficients is not statistically significant ($\chi^2 = 0.78$, $p = 0.376$). This finding suggests that the impact of accounting standards adoption on ESG disclosure does not differ significantly between the IFRS and US GAAP regimes.

ESG Pillars Analysis

Table 4 reports the regression results examining the relationship between the adoption of accounting standards and the three ESG pillars: environmental (ENV), social (SOC), and governance (GOV). The analysis aims to identify which dimensions of ESG disclosure are most strongly associated with the adoption of international accounting standards.

For the environmental pillar, the results show that IFRS adoption is positively and statistically significant across all model specifications. In Model (1), the coefficient on IFRS is positive and highly significant ($\beta = 12.594$, $p < 0.01$), indicating that banks adopting IFRS tend to exhibit higher levels of environmental disclosure than banks using domestic accounting standards. The positive relationship remains significant when country fixed effects are introduced (Model 2) and when global event variables are included (Model 3). These findings suggest that stronger financial reporting frameworks may encourage banks to enhance transparency regarding environmental policies, environmental risk management, and sustainability initiatives.

A similar pattern is observed for the social pillar. The results indicate that IFRS adoption is positively associated with social disclosure across the models. In Model (4), the IFRS coefficient is positive and statistically significant ($\beta = 8.107$, $p < 0.01$), suggesting that banks adopting international accounting standards tend to report more information related to employee relations, customer protection, and community engagement. The positive effect remains statistically significant in Models (5) and (6), although the magnitude of the coefficient becomes slightly smaller when additional controls are introduced.

In contrast, the results for the governance pillar show a different pattern. The coefficient for IFRS adoption is not statistically significant across Models (7)–(9), indicating that the adoption of international accounting standards does not appear to have a significant impact on governance disclosure. This finding may reflect that governance practices in the banking sector are already heavily regulated and standardized across jurisdictions, thereby reducing the incremental effect of accounting standards on governance-related reporting. Overall, the results suggest that the impact of IFRS adoption is stronger for environmental and social disclosure than for governance disclosure.

Table 4. ESG Pillars and ESG Disclosure

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	ENV	ENV	ENV	SOC	SOC	SOC	GOV	GOV	GOV
Constant	-47.591***	-107.439***	-126.845***	-43.802***	-94.037***	-113.247***	20.096**	17.568	-1.182
	(8.369)	(12.773)	(12.046)	(7.142)	(9.033)	(8.891)	(8.104)	(12.473)	(12.622)
IFRS	12.594***	9.438***	9.983***	8.107***	4.584*	5.219**	2.557	0.029	-0.691
	(2.373)	(2.627)	(2.638)	(2.460)	(2.519)	(2.510)	(2.204)	(2.591)	(2.649)
US GAAP	-7.187**	4.853	6.903	2.944	13.284	15.430	1.565	7.930	8.725
	(3.038)	(5.729)	(5.257)	(2.774)	(10.344)	(10.374)	(2.931)	(10.449)	(10.816)
SIZE	4.163***	8.332***	9.431***	3.676***	7.793***	8.846***	1.207***	3.105***	4.070***
	(0.386)	(0.562)	(0.544)	(0.333)	(0.475)	(0.467)	(0.371)	(0.655)	(0.658)
ROA	-0.452	-0.348	-0.460	-0.248	-0.258	-0.312	1.056***	1.168***	1.176***
	(0.371)	(0.382)	(0.367)	(0.381)	(0.386)	(0.378)	(0.396)	(0.413)	(0.416)
Leverage	7.174**	2.822	1.076	5.215**	3.269	1.512	8.201***	5.856**	4.978*
	(3.652)	(4.878)	(4.732)	(2.242)	(2.660)	(2.623)	(2.344)	(2.686)	(2.727)
BETA	-0.919	-2.275*	-2.306*	-0.724	-2.073*	-2.043*	2.625**	1.711	1.619
	(1.180)	(1.179)	(1.187)	(1.081)	(1.064)	(1.067)	(1.297)	(1.330)	(1.345)
GDP	-0.329***	-0.224*	-0.043	-0.058	0.039	0.079	0.234*	0.292**	0.075
	(0.127)	(0.126)	(0.060)	(0.107)	(0.108)	(0.052)	(0.126)	(0.129)	(0.065)
INF	-0.257	-0.329	0.275**	-0.045	-0.157	0.330***	-0.250	-0.236	0.279**
	(0.223)	(0.233)	(0.136)	(0.171)	(0.169)	(0.106)	(0.176)	(0.196)	(0.131)
D_COVID			1.292***			2.216***			1.176**
			(0.467)			(0.416)			(0.550)
D_PARIS			12.344***			11.384***			3.486***
			(0.994)			(0.884)			(1.046)
Year FE	Yes	Yes		Yes	Yes		Yes	Yes	
Country FE		Yes	Yes		Yes	Yes		Yes	Yes
Observations	4,891	4,891	4,891	4,891	4,891	4,891	4,891	4,891	4,891
Number of banks	576	576	576	576	576	576	576	576	576

Note: This table reports the results of random-effects panel regressions examining the relationship between the adoption of accounting standards and the individual ESG pillars. ENV, SOC, and GOV represent the environmental, social, and governance scores obtained from Refinitiv/LSEG Workspace. IFRS and US GAAP are dummy variables indicating whether banks adopt IFRS or US GAAP, with domestic accounting standards serving as the reference category. SIZE is measured as the natural logarithm of total assets. ROA represents return on assets. Leverage is measured as the natural logarithm of liabilities to assets. BETA captures market risk. GDP and INF represent annual GDP growth and inflation, respectively. Year and country fixed effects are included as indicated. D_COVID captures the COVID-19 period, and D_PARIS represents the period following the Paris Agreement. Robust standard errors clustered at the bank level are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.
Source: Secondary data processed by the author (2026)

Robustness Test: Dynamic Panel Results (Two-Step System GMM)

To further address potential endogeneity and capture the dynamic nature of ESG disclosure, this study employs the two-step System Generalized Method of Moments (System GMM) estimator. Table 5 reports the results for the overall ESG score and the three ESG pillars. The results for the overall ESG score indicate strong persistence in sustainability disclosure over time. The coefficient on the lagged ESG variable is positive and highly significant ($\beta = 0.970$, $p < 0.01$), indicating that banks with higher ESG disclosure in prior periods tend to maintain similar disclosure levels in subsequent years. This finding is consistent with prior literature indicating that sustainability disclosure practices are often stable and path-dependent.

The dynamic panel results provide additional insights into the relationship between accounting standards and ESG disclosure. While the baseline results indicate a positive association between IFRS adoption and ESG disclosure, the System GMM results suggest that this relationship becomes less pronounced once the persistence of ESG disclosure and potential endogeneity are accounted for.

Examining the individual ESG pillars, the lagged dependent variables remain positive and highly significant across the environmental, social, and governance models, confirming the persistence of ESG disclosure practices among banks. However, the coefficients for IFRS adoption are not statistically significant across the pillar models, suggesting that the dynamic effects of accounting standards adoption on individual ESG dimensions become weaker once endogeneity and persistence are controlled for. In contrast, the coefficient for US GAAP adoption remains negative and statistically significant for the overall ESG and social disclosure models, indicating that banks adopting US GAAP may exhibit relatively lower levels of ESG disclosure compared with banks operating under domestic accounting standards.

The diagnostic tests generally support the validity of the dynamic panel specification. The Arellano–Bond test indicates the presence of first-order serial correlation (AR(1)) but no consistent evidence of second-order serial correlation (AR(2)), which supports the use of the System GMM estimator. The Hansen and Sargan tests provide partial support for the validity of the instruments used in the estimation. Overall, the System GMM results highlight the strong persistence of ESG disclosure over time while providing additional robustness checks for the relationship between accounting standards and sustainability disclosure.

Table 5. Dynamic Panel Results: System GMM Estimation

VARIABLES	(1) ESG	(2) ENV	(3) SOC	(4) GOV
L.ESG	0.970***			
	(0.035)			
L.ENV		0.885***		
		(0.028)		
L.SOC			0.960***	
			(0.029)	
L.GOV				0.825***
				(0.047)
IFRS	-2.804*	1.138	-0.834	-1.371
	(1.471)	(1.378)	(1.408)	(1.737)
US GAAP	-7.889***	-5.262*	-6.520**	-2.537
	(3.006)	(2.968)	(3.225)	(4.073)
SIZE	-1.215**	-0.120	-1.040	-0.394
	(0.586)	(0.577)	(0.641)	(0.746)
ROA	0.218	-0.211	0.225	0.706
	(0.629)	(0.617)	(0.750)	(0.932)
Leverage	3.243	0.765	1.636	8.569**
	(2.139)	(2.862)	(2.177)	(3.737)
BETA	4.405	3.675	4.153	6.800
	(2.789)	(2.569)	(3.062)	(4.871)
GDP	0.026	0.060	0.102*	-0.096
	(0.050)	(0.045)	(0.055)	(0.079)
INF	-0.160**	-0.125*	-0.182**	-0.173
	(0.066)	(0.073)	(0.081)	(0.107)
D_COVID	-0.715	-0.794*	-0.517	-0.907
	(0.483)	(0.443)	(0.585)	(0.826)
D_PARIS	0.634	0.689	0.346	1.373**
	(0.465)	(0.575)	(0.550)	(0.622)
Constant	25.734**	7.478	21.747*	12.346
	(11.357)	(11.495)	(12.458)	(14.721)
Observations	4,315	4,315	4,315	4,315
Number of banks	576	576	576	576
AR(1) p-value	0.000	0.000	0.000	0.000
AR(2) p-value	0.088	0.049	0.129	0.062
Hansen test p-value	0.066	0.015	0.024	0.327

Note: This table reports the results of the two-step System Generalized Method of Moments (System GMM) estimations examining the dynamic relationship between accounting standards adoption and ESG disclosure. ESG represents the overall environmental, social, and governance score, while ENV, SOC, and GOV represent the environmental, social, and governance pillar scores. IFRS and US GAAP are dummy variables indicating whether banks adopt IFRS or US GAAP, with domestic accounting standards serving as the reference category. SIZE is measured as the natural logarithm of total assets. ROA represents return on assets. Leverage is measured as the natural logarithm of liabilities to assets. BETA captures market risk. GDP and INF represent annual GDP growth and inflation, respectively. D_COVID captures the COVID-19 pandemic period, and D_PARIS represents the period following the Paris Agreement. AR(1) and AR(2) report the p-values of the Arellano–Bond tests for first- and second-order serial correlation in first differences. Hansen reports the p-value of the Hansen test of overidentifying restrictions used to assess the validity of the instruments. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.
Source: Secondary data processed by the author (2026)

RESULT AND DISCUSSION

This study examines whether the adoption of international accounting standards influences ESG disclosure in the global banking sector. The empirical results provide several important insights regarding the relationship between accounting standards and sustainability disclosure. First, the baseline regression results show that the adoption of IFRS is positively associated with ESG disclosure among global banks, and US GAAP is not related with ESG disclosure. These findings support the argument that stronger financial reporting frameworks can promote broader corporate transparency beyond traditional financial reporting. From a stakeholder theory perspective, firms disclose information to satisfy the information needs of stakeholders and maintain long-term relationships with investors and society (Freeman, 1984). The adoption of international accounting standards may therefore increase the pressure on firms to enhance transparency not only in financial reporting but also in sustainability-related disclosure. This result suggests that US-GAAP does not increase the demand for ESG disclosure because it focuses on the rule-based approach (details) in its standards, if compared to its counterpart, IFRS, which relies on a principle-based approach (Vernando, 2021). Therefore, the latter encourages firms to make more disclosure. Prior studies (Ball, 2006; Houqe et al., 2016) note that the change of US or domestic-GAAP to IFRS decreases the financial secrecy. This finding is also consistent with institutional theory, which suggests that firms tend to adopt reporting practices that conform to institutional pressures and global reporting norms (DiMaggio & Powell, 1983). By adopting IFRS, firms may align their reporting practices with international transparency expectations, including ESG reporting. Empirically, this result is consistent with prior studies documenting that IFRS adoption improves financial reporting quality and enhances the information environment in capital markets (Bradbury & Kim, 2024; Carvajal & Cahan, 2024; Persakis & Iatridis, 2017). The findings also extend the evidence provided by Dayanandan et al. (2024), who document that IFRS adoption increases ESG disclosure among firms in India. Unlike prior studies focusing on single-country settings, this study provides cross-country evidence from the global banking sector.

Second, the analysis of ESG pillars reveals that the positive relationship between IFRS adoption and ESG disclosure is primarily driven by environmental and social disclosure. Banks that adopt international accounting standards tend to provide more extensive information on environmental sustainability initiatives and social responsibility practices. This result suggests that improvements in financial reporting transparency may encourage firms to expand voluntary disclosure practices related to environmental and social issues. Prior studies have shown that firms facing greater transparency and stakeholder scrutiny are more likely to engage in sustainability disclosure (Christensen et al., 2021; Drempetic et al., 2020). ESG disclosure also plays an important role in reducing information asymmetry and improving firms' relationships with stakeholders (Fatemi et al., 2018). In contrast, the results indicate that IFRS adoption does not have a significant effect on governance disclosure. One possible explanation is that governance practices in the banking sector are already subject to strong regulatory oversight and standardized disclosure requirements, which may limit the incremental influence of accounting standards on governance-related reporting.

Third, the results also highlight the role of global institutional developments in shaping ESG disclosure. The positive effect of the Paris Agreement suggests that global climate policy initiatives may encourage banks to improve transparency regarding environmental risks and sustainability practices. This finding is consistent with institutional perspectives that emphasize the role of regulatory and normative pressures in shaping corporate disclosure practices (DiMaggio & Powell, 1983). Similarly, the COVID-19 pandemic is associated with higher ESG disclosure, which may reflect increasing stakeholder expectations for corporate responsibility and transparency during periods of global uncertainty. Prior research also suggests that major global crises can increase

stakeholder demand for greater corporate accountability and sustainability disclosure (Adams & Abhayawansa, 2022).

Finally, the dynamic panel results confirm the strong persistence of ESG disclosure over time. The lagged ESG variable is positive and highly significant, indicating that sustainability disclosure practices tend to be stable and path-dependent. Once firms establish sustainability reporting practices, they are likely to maintain and gradually expand such disclosures over time. This finding is consistent with prior studies suggesting that ESG disclosure becomes institutionalized within firms as sustainability reporting practices evolve (Ioannou & Serafeim, 2019). Overall, the findings highlight the broader transparency effects of international accounting standards and suggest that financial reporting frameworks may play an important role in shaping sustainability disclosure practices in the global banking sector.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This study investigates the relationship between the adoption of international accounting standards and ESG disclosure in the global banking sector. Using a panel dataset of 576 banks from 62 countries over the period 2009–2023, this study provides cross-country evidence on how accounting standards influence sustainability disclosure practices. The empirical results indicate that the adoption of international accounting standards, particularly IFRS, is positively associated with ESG disclosure among global banks. The analysis of ESG pillars further reveals that the positive relationship is primarily driven by environmental and social disclosure, while the effect on governance disclosure is not statistically significant. In addition, the results suggest that global institutional developments, including the Paris Agreement and the COVID-19 pandemic, are associated with increased ESG disclosure. The dynamic panel analysis also confirms the strong persistence of ESG disclosure over time, indicating that banks with higher levels of sustainability disclosure in previous periods tend to maintain similar reporting practices in subsequent years.

This study contributes to the literature in several ways. First, it extends the growing literature on ESG disclosure by identifying accounting standards as an important institutional determinant of sustainability disclosure. While prior studies primarily focus on regulatory pressure, sustainability reporting frameworks, and corporate governance mechanisms, this study highlights the role of financial reporting standards in shaping broader corporate transparency. Second, this study contributes to the literature on IFRS adoption by demonstrating that the impact of accounting standards extends beyond traditional financial reporting outcomes to influence non-financial disclosure practices. Third, by using a large cross-country dataset of global banks, this study provides more generalizable evidence compared with prior studies that focus primarily on single-country settings.

The findings also provide several practical implications. For regulators and policymakers, the results suggest that strengthening financial reporting standards may indirectly encourage greater transparency in sustainability reporting. International accounting standards can therefore play an important role in supporting broader sustainability disclosure and promoting sustainable finance. For financial institutions, the findings highlight the importance of integrating sustainability considerations into corporate reporting practices. As stakeholders increasingly demand transparency regarding environmental and social risks, banks may benefit from adopting more comprehensive ESG disclosure strategies. In addition, investors and other stakeholders may use the adoption of accounting standards as an indicator of the quality and transparency of firms' overall disclosure practices.

Despite these contributions, this study has several limitations. First, the analysis focuses exclusively on the banking sector, which may limit the generalizability of the findings to other

industries. The banking industry operates under unique regulatory environments and governance structures that may influence sustainability disclosure practices differently from those of non-financial firms. Second, the study relies on ESG scores as proxies for sustainability disclosure. Although ESG scores are widely used in empirical research, they may not fully capture the qualitative aspects of firms' sustainability practices and reporting. Third, while the empirical analysis attempts to address potential endogeneity using dynamic panel estimation, unobserved institutional factors may still influence ESG disclosure across countries.

Future research may extend this study in several directions. First, future studies may examine the relationship between accounting standards and ESG disclosure in other industries to assess whether the findings are consistent across different sectors. Second, further research may explore the role of institutional environments, such as legal systems, regulatory quality, or investor protection, in moderating the relationship between accounting standards and sustainability disclosure. Third, future studies may also investigate how the interaction between accounting standards and emerging sustainability reporting standards, such as the IFRS Sustainability Disclosure Standards, influences corporate ESG reporting practices. Such research would provide deeper insights into how financial reporting frameworks and sustainability reporting frameworks jointly shape corporate transparency in global capital markets.

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