DETERMINANTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTION AMONG SMALL AND MEDIUM ENTERPRISES (SMEs) IN NIGERIA

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by

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AVE	Average Variance Extracted
CAMA	Companies and allied Matter Act
CMV	Common Method Variance
FRCN	Financial Reporting Council of Nigeria
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
HTMT	Heterotrait-Monotrait Ratio
IASB	International Accounting Standards Boards
IASC	International Accounting Standards Committee
IFRSs	International Financial Reporting Standards
IMF	International Monetary Fund
NASME	Nigerian Association of Small and Medium Enterprises
NGX	Nigerian Exchange Group
PLS-SEM	Partial Least Squares Structural Equation Modeling
RBV	Resource Based View
SASs	Statement of Accounting Standards
SMEDAN	Small and Medium Enterprises Development Agency
SMEG	Small and Medium-sized Entities Guidelines
SMEIG	SME Implementation Group
SMEs	Small and Medium Enterprises
SRMR	Standardized Root Mean Residual

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PENENTU PIAWAIAN PELAPORAN KEWANGAN ANTARABANGSA (IFRS) UNTUK PENGGUNAAN PARUSAHAAN KECIL DAN SEDERHANA (PKS) DI NIGERIA

ABSTRAK

Kajian ini bertujuan untuk membangunkan rangka kerja konseptual untuk mengenal pasti penentu PKS untuk mengguna pakai Piawaian Pelaporan Kewangan Antarabangsa (IFRS) mengenai kelebihan relatif, keserasian, kerumitan, kebolehcubaan, keboleherhatian, tekanan mimetif, tekanan paksaan dan tekanan normatif. Kajian ini mencadangkan model konseptual yang diterima pakai dan diubah suai daripada karya Weiner (2009) dengan mempertimbangkan sokongan kerajaan dan tahap kesedaran sebagai moderator. Kajian ini menggunakan soal selidik kuantitatif dan berstruktur menggunakan sampel 234 PKS. Penyelidikan ini menggunakan kedua-dua SPSS dan Smart-PLS untuk menganalisis data dan menilai model struktur. Keputusan mendedahkan bahawa kebolehcubaan, kebolehlihatan, tekanan mimetik, dan tekanan paksaan mempengaruhi penggunaan IFRS secara positif. Sebaliknya, kelebihan relatif, keserasian, kerumitan dan tekanan normatif tidak memberi kesan ketara kepada penggunaan IFRS. Menariknya, tekanan paksaan menunjukkan hubungan positif dengan penggunaan IFRS. Penemuan selanjutnya mendedahkan bahawa tekanan mimetik, dan tekanan paksaan mempamerkan hubungan positif yang ketara dengan penggunaan IFRS apabila disederhanakan oleh sokongan kerajaan. Faktor lain, seperti kelebihan relatif, keserasian, kerumitan, kebolehcerapan dan tekanan normatif, tidak menunjukkan kesan penyederhanaan yang ketara. Penemuan kajian ini memberikan pandangan kritikal tentang faktor-faktor yang mempengaruhi penggunaan Piawaian Pelaporan Kewangan Antarabangsa (IFRS) untuk Perusahaan

Kecil dan Sederhana (PKS) di Nigeria, menyerlahkan interaksi antara rangka kerja kawal selia, celik kewangan dan kapasiti institusi. Penggubal dasar dan badan kawal selia boleh memanfaatkan pandangan ini untuk mereka bentuk intervensi yang disasarkan yang menangani halangan kepada penggunaan IFRS, seperti kepakaran teknikal yang tidak mencukupi, akses terhad kepada latihan dan kesedaran yang rendah di kalangan PKS. Tambahan pula, kajian itu menekankan kepentingan kerjasama pihak berkepentingan dalam memastikan peralihan yang lancar kepada IFRS, yang boleh meningkatkan ketelusan kewangan, meningkatkan akses kepada pembiayaan antarabangsa dan memupuk pertumbuhan ekonomi untuk PKS di Nigeria. Penyelidikan masa depan harus meneroka kesan membujur penggunaan IFRS dan kesannya yang lebih luas terhadap prestasi PKS di ekonomi membangun lain untuk mendapatkan pengajaran perbandingan.

DETERMINANTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTION AMONG SMALL AND MEDIUM ENTERPRISES (SMEs) IN NIGERIA

ABSTRACT

This study aims to develop a conceptual framework to identify SMEs' determinants of adopting the International Financial Reporting Standards (IFRS) concerning relative advantage, compatibility, complexity, trialability, observability, mimetive pressure, coercive pressure, and normative pressure. This study uses a quantitative and structured questionnaire utilizing a sample of 234 SMEs. The research employs both SPSS and Smart-PLS to analyze the data and assess the structural model. The results reveal that trialability, observability, mimetic pressure, and coercive pressure positively influence IFRS adoption. Conversely, relative advantage, compatibility, complexity, and normative pressure do not significantly impact IFRS adoption. Interestingly, coercive pressure demonstrates a positive relationship with IFRS adoption. The findings further reveal that mimetic pressure and coercive pressure exhibit a significant positive relationship with IFRS adoption when moderated by government support. Other factors, such as relative advantage, compatibility, complexity, observability, and normative pressure, do not demonstrate significant moderation effects. The findings of this study provide critical insights into the factors influencing the adoption of International Financial Reporting Standards (IFRS) for Small and Medium Enterprises (SMEs) in Nigeria, highlighting the interplay between regulatory frameworks, financial literacy, and institutional capacity. Policymakers and regulatory bodies can leverage these insights to design targeted interventions that address the barriers to IFRS adoption, such as inadequate technical expertise, limited access to training, and low awareness among SMEs. Furthermore, the study underscores the importance of stakeholder collaboration in ensuring a smooth transition to IFRS, which can enhance financial transparency, improve access to international funding, and foster economic growth for SMEs in Nigeria. Future research should explore longitudinal effects of IFRS adoption and its broader impact on SME performance in other developing economies to draw comparative lessons.

CHAPTER 1

INTRODUCTION

1.1 Introduction

The background of the study, the problem statement, the study's aims, its scope, and its significance are all presented in this introductory chapter. The operationalization of several vital terms utilized in the study has also been introduced to enhance the comprehensibility of the research study.

1.2 Background to the Study

Accounting institutions are working to adopt a common language in a world that is changing quickly. The operational stream of overseas portfolio ventures needs a high-quality financial statement that is apparent, consistent, and comparable with related registered companies worldwide (Judge et al., 2010). Judge et al. (2010) clarified that before the emergence of the International Financial Reporting Standards (IFRS) as an integrated universal financial reporting standard, each country developed, followed, and retained its national accounting standards- the same applies to Nigeria. All firms were required to report using the Statement of Accounting Standards (SAS) before the implementation of IFRS in Nigeria, according to the Companies and Allied Matters Act of 2004 (CAMA) (Ajekwe & Ibiamke, 2020)

Accordingly, the need for IFRS adoption is a crucial determinant of enhanced investor interest in the Nigerian Exchange Group (NGX) (Beredugo, 2021). Indeed, there has been a prolonged debate discussing the creation of specific standards established for all Small and Medium Enterprises (SMEs), regardless of the size of their organization. Undoubtedly, to improve openness and accountability, it is essential to ensure that relevant and high-quality information is produced. Similarly, to enhance transparency and accountability, it is necessary to ensure that appropriate and high-quality data is built (Rossi et al., 2016). Moreover, financial reports prepared under the IFRS for SMEs are also essential for attracting foreign capital, raising the bar of the financial system, and winning over the trust of international financial institutions like the World Bank and the International Monetary Fund (IMF). These conversations influenced the International Accounting Standards Board (IASB) to publish a global accounting standard for all SMEs (Pacter, 2014). They thoroughly examined the IFRS for SMEs Standard in May 2015 (IFRS, 2022).

Consequently, the IASB typically created IFRS for publicly traded companies, but they expanded their reach to include non-publicly traded companies with IFRS for SMEs (Ram & Newberry, 2013). Likewise, in response to strong international demand, the IASB set the standard for SMEs (Jermakowicz et al., 2009). Moreover, the IASB released its IFRS for SMEs in July 2009 after a lengthy dialogue that started in June 2004 with a discussion paper (Quagli & Paoloni, 2012). In 2015, IFRS subsequently modified this for SME standards (IFRS, 2022). However, the purpose of IFRS for SMEs is to help SMEs worldwide harmonize by producing high-quality financial statements that satisfy users' demands and help them make wise decisions. It also aims to address the unique requirements of SMEs in emerging and transitional nations (IASB, 2009).

In fact, SMEs' success depends not just on the caliber of their products or services but also on their capacity to collaborate with others to grow in a global marketplace (Priambodo et al., 2021). Likewise, according to Mugan (2019), IFRS for SMEs may prove more beneficial in settings with weaker institutions, such as those with poor governance and regulatory effectiveness. Therefore, small firms in Nigeria stand to gain from more accessible access to foreign capital and investors, bank credits, and good ratings by international credit rating interventions due to IFRS for SMEs adoption. The IFRS for SMEs standard provides effective accounting methods for SMEs, allowing them to report high-quality financial statements (Sassi & Damak-Ayadi, 2022). The uniqueness and challenges small businesses have when reporting their financial and non-financial activities, along with the requirement to provide a well-structured standard that is easy for users to understand, have also made IFRS for SMEs vital. SMEs in emerging economies are frequently acknowledged as the catalysts for equitable development and economic expansion (Agwu & Emeti, 2014). In this sense, Nigerian SMEs shouldn't be left out of this accounting revolution. They must be prepared for the challenge and modify their budgets to take into consideration the financial implications of implementing IFRS.

In Nigeria, all SMEs were expected to supply IFRS-compliant financial statements for the year ended December 31, 2014. Before adopting IFRS for SMEs in 2014, the country relied solely on its local standards, namely, the SAS and the (Nigerian Generally Accepted Accounting Practices (NGAAP) for non-public interest entities. As a direct result, there are specific changes in accounting practice between the SAS and IFRS sets. According to IFRS, revenue is recognized at the time of the transfer of goods, whereas according to SAS, revenue is recognized when items are delivered, and cash is received (Ayuba, 2012). Under SAS, the value-added statement and the five-year financial summary are required to be included as necessary components of the financial statement; however, under IFRS, these components are not required. Whereas IFRS requires an equity statement, SAS does not require an equity statement (Ajekwe & Ibiamke, 2020).

Notwithstanding, the needs of equity and other investors in listed companies are usually different from those of users of SMEs' financial statements. In contrast, Full IFRS was created to cater to their needs. Instead, readers of SMEs' financial statements are more focused on short-term cash flows, liquidity, solvency and creditworthiness, interest coverage, and financial soundness (Pacter, 2009).

Additionally, small-scale businesses make a lot of contributions to the economy's development, particularly in Nigeria, regarding employment and income opportunities for citizens (Nden, 2019). In Nigeria, SMEs comprise 84% of all employment possibilities and 96% of all business enterprises, accounting for more than half of the nation's income, with a total of around 17.4 million (PwC MSME survey, 2020). Similarly, Savlovschi (2011) emphasizes that SMEs have a highly adaptable and flexible business model due to their smaller size and more streamlined decision-making process. They can efficiently respond to client requests and requirements because of their close connection to the market. Authorities in developing countries started focusing more on small and medium-sized firms due to the 1980s' considerable increase in unemployment (Erdin & Ozkaya, 2020).

Due to its importance and noteworthy contribution to the global economy, there has been an increase in the pressure exerted to formulate criteria for SMEs. Moreover, due to SMEs' significant contribution to the economy, various government agencies in Nigeria still provides both non-financial and financial assistance to SMEs in the country. Surprisingly, some empirical research suggested an apparent difference in adopting IFRS among SMEs compared to SMEs in neighbouring countries. Similarly, Najib and Fahma (2020) said that the government's involvement is crucial to encouraging SMEs to adopt new technologies.

In addition, it is widely held that SMEs in developing nations face a more significant challenge in complying with IFRS than their counterparts in other world regions (United Nations, 2007). This is because the IASB, which is in charge of establishing the standards, ignored the unique characteristics of developing nations. The uniqueness and diversity of nature that characterizes developing countries is one of their defining features. The complexity of international standards has been raised rather frequently since the first steps in applying IFRS (Perera & Chand, 2015). Although it is believed that the IFRS for SMEs is a less complicated and simplified version of the entire set of IFRS, numerous objections have been raised regarding the burden and incomprehensibility of the new standard for the users to whom it is directed. As a result, it is possible for financial reporting, systems, and processes to experience specific difficulties during the transition from local (GAAP) to IFRS for SMEs.

On the other hand, Houqe (2018) emphasizes that using a particular set of accounting standards makes financial declarations across adopting nations comparable, one of the most significant benefits of IFRS adoption that is frequently stated. The application of IFRS for SMEs can assist smaller companies in more effectively allocating their available resources. This is because the shared set of standards has the potential to give SMEs a better understanding of their financial position and performance, which in turn can assist them in making decisions that are more informed regarding how to allocate their resources. Other advantages, such as increased international trade, foreign investment, and portfolio diversification by securities investors, should result from such similarity (Adekanmi et al., 2021). Equally, the requirement to apply IFRS significantly increased investor interest in the Nigeria Stock Exchange (NSE) (Beredugo, 2021). Besides, IFRS helps investors make more informed decisions and lower investment risks, eventually lowering the cost of capital. Most economies benefit from a well-developed accounting regulation system because it actively supports economic growth and gives those economies a competitive edge by setting up the right business infrastructure and fostering a favourable investment environment for domestic and foreign investors (Al-Htaybat, 2018).

However, Al-Htaybat (2018) empirically discovered that the political element could also be a problem in the successful adoption of IFRS, as the internal adoption of an external regulatory system can be met with confrontation. Even though accounting reflects local environmental variables such as social, political, cultural, and economic, the accountancy profession's evolution is impacted by various institutional, political, cultural, and economic elements (Perera, 1989); still, accounting scholars are concerned about whether adopting IFRS, the right choice for an international accounting practice is a product of a powerful accounting standard-setter. Meanwhile, Culture and accounting are linked, and culture is strong both within and between nations (Edeigba et al., 2018).

The adoption of IFRS by the SME may, therefore, be a reaction to the coercive, normative, and mimetic constraints imposed by transnational corporations and World Bank regulatory bodies, the IASB, The four largest accounting firms, and connections with trade partners (Agana et al., 2023). Similarly, the belief that IFRS for SMEs was a superior and globally accepted standard was one of the primary reasons for its adoption, which implies that normative isomorphism is the predominant theoretical understanding. These conditions may influence a research issue individually or collectively and may either help or hinder the process. As such, the government of

Nigeria needs to increase SMEs' awareness of how crucial IFRS for SMEs' adoption is to their success.

Indeed, financial reporting for small and intermediate businesses is a pertinent focus for accounting studies due to the broad argument on the application of the standards in more minor circumstances of framework and rules consequential from the larger businesses or the necessity to develop new regulations specific to smaller-sized companies (Quagli & Paoloni, 2012). Nevertheless, it ought to be evident that SMEs' rigorous adherence to all IFRS criteria would be expensive, onerous, financially draining, and possibly irrelevant (Ajekwe & Ibiamke, 2020). To comply with the regulatory standards, SMEs may be required to implement IFRS. Because of this, small and medium-sized enterprises (SMEs) have a better chance of avoiding penalties and other legal implications associated with non-compliance. Additionally, IFRS for SMEs is a substantially simplified, self-contained set of accounting principles; however, most Nigerian SMEs find it difficult to adopt since their professionals lack the skills to follow these simplified accounting standards (Ajekwe & Ibiamke, 2020).

Similarly, innovations can refer to new standards implemented to raise the quality of current goods and services and investigate novel concepts, ideas, products, services, or processes that address societal, governmental, or commercial demands. The diffusion of innovation theory, which became well-known due to Rogers's work on the propagation of inventions, has also impacted implementation science (Albers et al., 2020). It is, therefore, possible to argue that the question of whether or not there is a need for international accounting standards cannot be adequately investigated without first gaining knowledge of the institutional dynamics that create the framework for such a choice. Similarly, the assistance of the government can contribute to an improvement in the degree of knowledge, which in turn can raise awareness of the potential users of the IFRS for SMEs (Stentoft et al., 2020).

In the decision-making process for adoption, communication is vital for raising awareness, persuasion, and decision-making. Also, if management is more aware of the relative benefits of applying IFRS, it is more likely that SMEs will allocate those resources. Thus, successful adoption can be done through effective communication and involvement (Alolabi et al., 2021). However, the adoption of IFRS by SMEs in Nigeria is still a relatively new phenomenon, and further research is required to comprehend the critical determinants behind the adoption process and the characteristics of SMEs that have implemented IFRS. Therefore, this study aims to provide a better understanding of the adoption of IFRS by SMEs in Nigeria by investigating the influence of diffusion of innovation (DOI) & institutional (INST) theory constructs on IFRS for SME adoption. This study also combined government support and level of awareness as moderating factors to determine the effect of the strength of the relationship between DOI & INST and IFRS for SME adoption.

1.3 Statement of Research Problem

Despite the potential benefits of IFRS adoption for enhancing financial reporting quality and performance of firms worldwide, the adoption of IFRS by SMEs in Nigeria has been slow and uneven. Accordingly, IFRS Adoption by SMEs is essential because it promotes comparability of financial reporting, which is one prerequisite for SMEs to compete in a globalized village (Wisdom et al., 2018). As a result of adopting IFRS for SMEs, several jurisdictions are gaining attention and entering the field of global financial reporting (Perera & Chand, 2015). SMEs, which are thought to make up more than 95% of all businesses worldwide, have unique needs and capabilities that the self-contained IFRS addresses for SMEs. IFRS for SMEs is less complex than complete IFRS Accounting Standards (IFRS, 2022). In addition, conflicts and authority struggles among established entities involved in the IFRS adoption process abound during the adoption phase (Osinubi, 2020). As a result, most SMEs in Nigeria operate haphazardly and disregard regulations, making it difficult for regulators to monitor their activities (MSME survey, 2020).

In Nigeria, SMEs were permitted to issue financial reports following IFRS's format at the end of the 2014 financial year (Ayuba, 2012). As a result, the Financial Reporting Council of Nigeria [FRCN] (FRC Act, 2011) has replaced the Nigerian Accounting Standard Board (NASB). Also, SASs are no longer in use, and the Schedule 2 requirements of the Act do not follow IFRS format requirements for balance sheets and profit and loss statements (Ofoegbu, 2015). All these are measures put in place by the regulatory authority to ensure the successful adoption of the IFRS.

Similarly, adoption will not be successful unless those adopting it recognize its importance and have assurance in their capacity to do so (Savlovschi, 2011). Therefore, it is necessary to provide an insight into the influencing factor of SMEs adopting IFRS (Edeigba et al., 2018). Moreover, a lack of proper insight will make the adoption of IFRS by SMEs unsuccessful, thereby making comparing their financial statements worldwide and access to loans difficult (Jermakowicz & Epstein, 2009). Thus, innovations (IFRS for SME adoption) that are viewed as having more perceived relative advantages, compatibility, trialability, observability, and less complexity will be accepted more quickly than other innovations (Rogers, 1995).

In addition, Ezeagba (2017) suggested that the conversion of SMEs' financial reporting systems to IFRS, which began in 2014, should be postponed for the next five years to allow SMEs to determine how to meet personnel demands. Even if five years are added to the adoption period, will the SMEs be ready to comply? Similarly, Adekanmi et al. (2021) also suggested that for SMEs to adopt IFRS in Nigeria, there must be appropriate orientation and education programs before these SMEs switch to IFRS.

Additionally, there is a lot of research on SMEs' difficulties with IFRS implementation. However, the majority of the studies were carried out in the context of industrialized economies (Atik, 2010; Floropoulos & Moschidis, 2004; Goncalves et al., 2022; Mengistu, 2020; Perera & Chand, 2015; Quagli & Paoloni, 2012; Zahid & Simga-mugan, 2018) concentrated on both large and small businesses, but very few research on SME in Nigeria have been carried out (Abraham & Adeiza, 2020; Adekanmi et al., 2021; Ajekwe & Ibiamke, 2020; Ezeagba, 2017; Nwoye, 2016; Oyewo, 2015; Titilayo et al., 2014; Yakubu, 2020). It is clear from the discussion above that the main issue facing SMEs in Nigeria is the slow implementation of IFRS for SMEs. This is mainly due to the ineffective awareness campaign, the lack of personnel for implementing IFRS, related issues in higher education, the lack of training resources, the tax implications (Odum & Cheche, 2023), the difficulty in implementing IFRS, the absence of implementation guidelines, and inconsistent interpretation (Uyar & Güngörmüş, 2013).

Several previous studies especially in developed markets have identified crucial characteristics that help to explain why adoption has been relatively modest, such as relative advantage (Gangwar, 2018; Effendi et al., 2020; Gui et al., 2021; Ismail & Ali, 2016; Kuan & Chau, 2001); compatibility (Lee & Shim, 2007; Ismail &

Ali, 2016; Effendi et al., 2020; Gangwar, 2018; Kuan & Chau, 2001; Li & Wang, 2018; Mahama & Dahlan, 2022); complexity (Sarea & Hanefah, 2013; Tarmizi & Rahman, 2020; Sun et al., 2016; Yoon et al., 2020); trialability (Sarea & Hanefah, 2013;Bakar et al., 2019; Siew et al., (2020); observability (Owusu & Said, 2016; Rogers, 1995; Sarea & Hanefah, 2013); mimetive pressure (Bag et al., 2021; Kusuma & Ardiansyah, 2022a; Liang et al., 2014; Liu et al., 2010; Lutfi, 2020); coercive pressure (Damak-ayadi & Sassi, 2020; Dubey et al., 2019; Gupta et al., 2020; Henderson et al., 2012; Li & Wang, 2018; Kusuma & Ardiansyah, 2022a); normative pressure (Agana et al., 2023; Bag et al., 2021; Kaya & Maximilian Koch, 2015; Kusuma & Ardiansyah, 2022a); government support (Ismail & Ali, 2016; Asiaei & Nor, 2019; Pulka et al., 2021; Setiyani & Yeny Rostiani, 2021); level of awareness (Al-Somali et al., 2009; Sappor et al., 2023). Consequently, these aspects might hinder IFRS's adoption of SMEs if they are not adequately addressed.

Although there have been many studies on IFRS in large companies, it is unclear whether the information from these studies will be helpful to SMEs in Nigeria. This is because the features of SMEs in Nigeria are slightly distinct from those of other countries such as South Korea, Bhutan, Colombia, Brazil, and Singapore. Previous findings from IFRS-related studies have established different conclusions on how IFRS is adopted in SMEs (Damak-ayadi & Sassi, 2020; Sappor et al., 2023; Sellami & Gafsi, 2018; Wijekoon & Samkin, 2022).

Although prior research based on institutional theory has consistently demonstrated that institutional theory is still applicable in the context of the adoption of IFRS for SMEs (Aburous, 2019; Albu et al., 2011; Bakr & Napier, 2020; Mengistu, 2020; Sappor et al., 2023), similarly, studies have repeatedly highlighted the significance of innovation diffusion characteristics as a crucial determinant of standards adoption (Ali et al., 2019; Sarea & Hanefah, 2013). Previous studies have demonstrated inconsistent results on their influence, and this inconsistency in the research findings and differing arguments from various scholars regarding IFRS adoption motivate the researcher to explore this area of research to fill the inconsistency gap. Furthermore, despite the importance of government assistance in accelerating the adoption of IFRS for SMEs, it has still been ignored in many of the most popular theories in innovation research, including the DOI, Technology Organization Environment (TOE) model, Theory of Planned Behaviour (TPB), and Technology Acceptance Model (TAM) (Bonito & Pais, 2018; Nguyen & Le, 2021; Sappor et al., 2023). Hence, exchanging ideas makes it easier for others to comprehend the justification for and rationale behind a change. However, prior studies posit that learning and understanding the IFRS for SMEs are the first steps in the decision-making process for adopting it (Sarea & Hanefah, 2013). Besides, few studies on the relationship between government funding and the level of awareness in research connected to adoption has been conducted conceptually in different context (Al-somali et al., 2009; Kazaure et al., 2020; Sappor et al., 2023)

Moreover, evidence from previous studies has employed moderating variables to investigate determinants of IFRS for SME adoption (Nguyen & Le, 2021; Sappor et al., 2023). However, less attention has been given to examining government support and level of awareness as moderating effects on IFRS for SME adoption. Thus, this study proposes that government support and level of understanding may play a crucial role in adopting IFRS for SMEs. To the best of the researcher's knowledge, there are no studies on the moderating effect of government support and the level of awareness of IFRS for SME adoption. In addition, researchers have recently given a lot of attention to IFRS adoption (Beredugo, 2021). Similarly, prior studies recommended that proper orientation and education programs, as well as government support, are the needed resources to make it easier for SMEs to apply IFRS (Adekanmi et al., 2021; Odo, 2018; Odum & Cheche, 2023; Titilayo et al., 2014).

According to Rogers's theory, innovation diffusion may be used to accept or reject any concept which involves relative advantage, complexity, compatibility, trialability, and observability, influencing the rate at which accounting standards are accepted (Sarea & Hanefah, 2013). In addition, the issue of pressure has been a subject of intense discussion and contention in the area of IFRS for the adoption of SMEs in emerging economies (Agwu & Emeti, 2014). However, to determine the adoption of IFRS for SMEs, a different theoretical rationale based on institutional theory (Dimaggio & Powell, 1983) has been devised that places three other isomorphic pressures on organizations, namely mimetic, coercive, and normative pressures. Besides, Oliver (1997) contends that institutional theory should be based on incorporating three different pressures. Because factors at the individual, organizational, and inter-organizational levels all impact institutionalized activities. However, the argument and the synergetic relationship less thoroughly explored in earlier studies have received little attention (Bonito & Pais, 2018; Wijekoon & Samkin, 2022; Yakubu, 2020). Therefore, it may be possible to understand better the pressure factor influencing IFRS for SMEs adoption among SMEs by looking at it simultaneously. Equally, the motivations for and against adoption are best explained by isomorphic pressures, which include coercive, normative, and mimetic pressures. These influences are compelling, including regulations, expert advice, and the desire to imitate other successful adoption programs. In their study, Seyfried et al. (2019) found that institutional theory is the most solid and popular explanatory tool for analyzing organizational change and behaviour.

Also, the IFRS for SMEs standard has gained acceptance in more than 80 nations (IFRS, 2022). However, Nigeria is not one of the nine nations that have made it a legal necessity, along with Ghana (2010), the Republic of Dominica (2014), Brazil (2010), Bhutan (2014), Colombia (2016), El Salvador (2011), Costa Rica (2010), Chile (2013), and Fiji (2012). (IFRS, 2022; Sassi & Damak-Ayadi, 2022). Besides, prior evidence has shown that, despite Nigeria's 2014 approval of the adoption of IFRS for SMEs, the majority of SMEs there do not follow basic accounting principles and procedures that are compliant with financial reporting standards (Abraham & Adeiza, 2020). This demonstrates that the standards have only been partially adopted and utilized. Accordingly, Damak-ayadi and Sassi (2020) recommended that future studies look into the variables influencing businesses' decisions to adopt IFRS for their SMEs.

Numerous studies have been conducted on how the adoption process has been experienced because of the adoption of IFRS (in one way or another) by many nations. Researchers have used various methods, including statistical analyses of how much compliance with IFRS for SMEs is achieved by businesses in countries where it is permitted or required and analyses of the administrative and political processes associated with adoption.

Currently, Nigerian SMEs can obtain finance from a number of sources, including government grants, angel investors, venture capital and loans, microfinance organizations, and traditional bank loans. High lending rates, collateral restrictions, and restricted access for unregistered or informal firms are some of the drawbacks of these options.

SMEs might have better access to financing choices if they adopted IFRS for their financial reporting. Lenders and investors may trust financial accounts more when IFRS is adopted since it increases their openness and credibility. Banks may offer better loan terms as a result of this enhanced openness, while venture capitalists and angel investors may become more interested in investing in companies that exhibit strong financial procedures. SME eligibility for larger government funding programs intended for companies that follow international accounting standards may also be facilitated by IFRS compliance. All things considered, the financing options available to SMEs in Nigeria might be greatly expanded by implementing IFRS, providing them with better terms and additional finance sources

1.4 Objectives of the Study

This study uses a theoretical framework that combines institutional theory and diffusion of innovation theory to examine the factors that drive SMEs in Nigeria to adopt IFRS. Based on the idea that government policies and awareness-raising campaigns can aid in the spread of IFRS adoption among SMEs in Nigeria, the study will specifically look at the role of government support and awareness as moderators of the relationship between the influence of IFRS for SME adoption. The study will employ a survey of SMEs in Nigeria with critical stakeholders to collect data on the determinants of IFRS adoption and the moderating effects of government support and level of awareness. The findings of this study will contribute to the literature on IFRS adoption by SMEs in developing countries and provide practical implications for policymakers, regulators, and SMEs in Nigeria.

The study's main objective is to examine factors that determine the adoption of IFRS by SMEs in Nigeria. While the specific objectives are:

i) To examine the relationship between innovation constructs on IFRS adoption among SMEs.

ii) To examine the relationship between institutional pressures on IFRS adoption among SMEs.

iii) To examine the moderating role of government support on the relationship between innovation constructs on IFRS adoption among SMEs.

iv) To examine the moderating role of government support on the relationship between institutional pressures on IFRS adoption among SMEs.

v) To examine the moderating role of awareness on the relationship between institutional pressures on IFRS adoption among SMEs.

1.5 Research Questions

In respect of the explanation given in the statement of research problem and objective, the following research question is formulated:

i) Is there any relationship between innovation constructs and the IFRS adoption among the SMEs?

ii) Does institutional pressure have a relationship with the IFRS adoption among the SMEs

iii) Does the government support moderate the relationship between innovation constructs and the IFRS adoption among the SMEs?

iv) Does the government support moderate the relationship between institutional pressures and the IFRS adoption among the SMEs?

v) Does awareness moderate the relationship between institutional pressures and the IFRS adoption among the SMEs?

1.6 Scope of the Study

The necessity to precisely define the scope and area of the study becomes crucial given that a significant portion of the country's businesses belongs to the small-scale firm’s sub-sector. This study examined the SMEs’ influencing factors on adopting IFRS in Nigeria. Likewise, the study analyzes the moderating role of government support and level of awareness on the relationships between relative advantage, observability, compatibility, complexity, trialability, mimetive, coercive, and normative pressure and IFRS for SME adoption.

It excludes SMEs that have not registered with the authority. Also, only owners/managers and their accountants were selected from the entire population. Additionally, the choice of small-scale businesses is based on the fact that they dominate business in Nigeria. Geographically, the study focused on registered SMEs in Nigeria because they are required to adopt the IFRS.

Research on adopting IFRS for SMEs is particularly focused on the Nigerian context for several key reasons. First, SMEs are essential to Nigeria's economy, making substantial contributions to employment and gross domestic product (GDP). This research aims to investigate how adopting IFRS can improve financial transparency and accountability within these enterprises.

Second, the Nigerian government has introduced various policies to encourage IFRS adoption among SMEs as part of its broader strategy to enhance financial reporting standards. This regulatory framework offers a unique opportunity to assess the effectiveness of these initiatives and their impact on SMEs' compliance with international standards. By concentrating on Nigeria, this research can provide insights into the reception and implementation of these policies within the local business environment.

Additionally, many SMEs in Nigeria face challenges related to inadequate financial reporting, which can restrict their access to financing and limit their growth potential. Examining the adoption of IFRS in this context allows for identifying barriers that SMEs encounter and exploring potential solutions to improve their financial practices. This research is particularly relevant in light of Nigeria's ongoing economic development, where enhancing financial reporting standards could yield significant benefits for SMEs.

To determine the influencing elements of SMEs' adoption of the IFRS, the study utilized a questionnaire as a survey. The SMEs were asked to complete the questionnaire. Similarly, SME owners/managers and their accountants operating in Nigeria were used in this study. Because assessing SMEs' adoption of the IFRS, such as relative advantage, observability, compatibility, complexity, trialability, mimetive pressure, coercive pressure, and normative pressure, require collective and coordinated actions by organizational members, the researcher has focused on the firm-level in this study.

1.7 Significance of the Study

The most critical question investigated in this research is determining the relationship between the diffusion of innovation and institutional effect on IFRS for SME adoption and the moderating effect of government support and level of awareness. Therefore, the result of the study has provided insight into the determining factors of IFRS adoption by SMEs in Nigeria. Given the explanation above, two approaches can be used to illustrate this work's significance briefly.

1.7.1 Theoretical Significance

The study offered empirical support for the background theories (diffusion of innovation and institutional) beyond the setting of industrialized nations to the academic community. It additionally increased the volume and value of the already-existing literature on IFRS for SME adoption. This study investigated the adoption of international standards in Nigeria. Similarly, the study will contribute to a better understanding the factors influencing IFRS adoption for SMEs. The study will also stimulate more researchers into this area since research literature work is still minimal. Again, the study may serve as reference material for those interested in conducting similar studies. Therefore, this study will provide new insights into the adoption of IFRS by SMEs in Nigeria. The gap in research on adopting IFRS for SMEs will be filled by this study, which intends to provide practical information on the factors that affect SMEs' willingness to use IFRS. Small businesses benefit from being more accessible to foreign finance, especially in the Nigerian setting. This study is one of the first to examine the issue of IFRS for SME adoption.

One other implication that may be drawn from this research concerns the theoretical perspective. It is a widely held belief that the majority of previous research on IFRS for SME adoption was carried out in industrialized countries (Bonito & Pais, 2018; Damak-ayadi & Sassi, 2020; Yang, 2014; Zahid & Simga-mugan, 2018). As a result, the nature of business, culture, and standards may differ in developing countries, which means that dimensions from developed countries may not be applicable. Therefore, this research aims to produce reliable findings and specific predictors of IFRS for SME adoption in developing countries, particularly Nigeria. In conclusion, the findings of this study will have the potential to expand the existing body of knowledge in the field of IFRS for SME adoption based on the local environment by offering a solid foundation, complete model, and multidimensional perspective.

1.7.2 Practical Significance

It is necessary for owner-managers, managers, practitioners, and policymakers, including those working for government and non-governmental organizations, to give some thought to the elements that influence the adoption of IFRS for SMEs. To begin, the findings of this research could deliver some meaningful insights about SMEs to the policymakers in Nigeria before they devise the blueprint for SME development for better IFRS for SME adoption and implementation among SMEs in Nigeria. This would be accomplished through improved adoption and implementation of IFRS for SMEs among SMEs in Nigeria. Furthermore, this study may give policymakers a more precise picture regarding adopting IFRS for SMEs. Policymakers will then be required to reevaluate the policies regarding IFRS for SMEs and develop more refined plans for improved implementation and adoption of IFRS among Nigerian SMEs.

Moreover, the decision-makers and regulators in emerging and transitional countries considering the implementation of IFRS for SMEs may find this information helpful and informative. Understanding the institutional factors that play a role in this decision enables policymakers to make more informed judgments about whether or not to adopt IFRS for SMEs and how to apply the standard once they have made those choices effectively.

For SMEs to remain viable in today's increasingly competitive market climate, the owners of SMEs may choose to implement certain aspects of IFRS. As a result, this study's findings will most likely provide decision-makers in small businesses, whether managers or owner-managers, with the information they need to analyze existing strategies and policies and fulfil the contemporary requirements of IFRS in the workplace. In addition, the findings of this research will have the potential to significantly improve practitioners' understanding of the factors that contribute to the adoption of IFRS by SMEs, as well as to enable those practitioners to make the necessary adjustments to their strategies and to provide standardized training programs.

1.8 Definition of Terms

This section denotes a list of key terms with an explicit meaning to make the study more accessible.

1.8.1 IFRS for SMEs Adoption

IFRS for SME adoption refers to the process by which SMEs implement the International Financial Reporting Standards specifically designed for them. This adoption involves integrating these simplified accounting standards into their financial reporting practices to enhance transparency, accountability, and comparability of financial statements (IASB, 2009).

1.8.2 Relative Advantage

A relative advantage is the advantage that SMEs gain as a result of their implementation of IFRS (Rogers, 1983).

1.8.3 Compatibility

Compatibility is the degree to which SMEs believe that IFRS is consistent with their beliefs, needs, and previous experiences (Rogers, 1983).

1.8.4 Complexity

Complexity refers to the extent to which the IFRS for SMEs is considered difficult to implement (Rogers, 1983).

1.8.5 Trialability

Trialability refers to how IFRS for SMEs can be tested before its implementation (Rogers, 1983).

1.8.6 Observability

Observability refers to the extent to which the outcomes of an IFRS for SMEs can be observed by other parties (Rogers, 1983).

1.8.7 Mimetive Pressure

Mimetic pressure regarding IFRS adoption encourages SMEs to capitalize on outside experience by modelling themselves after successful competitors (DiMaggio & Powell, 1983).

1.8.8 Coercive Pressure

Coercive pressure is the outcome of informal and formal pressure imposed on SMEs by other organizations upon which they depend and by cultural expectations in the cultures surrounding the organization's function concerning IFRS adoption (DiMaggio & Powell, 1983).

1.8.9 Normative Pressure

Normative pressure refers to the influence of professional communities and standards on SMEs adopting IFRS (DiMaggio & Powell, 1983).

1.8.10 Level of Awareness

Awareness levels refer to SMEs' knowledge regarding implementing IFRS (Pikkarainen et al., 2004).

1.8.11 Government Support

Government support refers to firms' perception regarding the provision of monetary assistance, the exchange of relevant information, and supporting legislation by the government toward adopting IFRS for SMEs (Chen & Chang, 2014).

1.8.12 Small and Medium Enterprises

The Small and Medium Industries Enterprises Investment Scheme (SMIEIS) in Nigeria defines a small business as one with no more than N200 million in assets, excluding land and working capital, and no fewer than ten employees or more than 300. According to the Federal Ministry of Commerce and Industry, SMEs are companies with a total investment (apart from land costs but including capital) of up to N750,000 and up to fifty (50) people in paid employment. Typically, the definition uses two criteria. The number of employees and the assets possessed.

National Policy on MSME has revised the definition regarding the classification and definition of MSMEs (Micro, Small and Medium Enterprises); there were overlaps and a lack of clarity. The policy framework was adjusted by making two significant revisions in the definition as follows:

i) The replacement of the Asset Base with Business Revenue

ii) The split of Microenterprises in Nigeria into two sub-groups

Table 1.1 The Revised Classification of Enterprises in Nigeria

Size category (Enterprises)	Employment	Assets (N'million) Ignoring land and building
Nano/ Homestead Enterprises	1-2	Less than 3
Micro Enterprises	3-9	3- 25
Small Enterprises	10-49	25 but less than 100
Medium Enterprises	50-199	More than 100 but less than 1,000

Source: (SMEDAN, 2021)

A nano enterprise is an ultra-micro business known as a mom-and-pop shop. Typically, they are run, owned, and owned by families. These informal firms are managed by learner investors who merely "play the market." Examples include neighbourhood restaurants, auto repair shops, and corner stores. Therefore, the revised definition of SMEs will be employed in this study to assess the company size, and the focus was only on registered businesses with 10 to 199 employees. The sample for the study will exclude the micro-enterprise population due to low levels of standardization and formalization compared to SMEs and a lack of knowledge or understanding of operational improvement initiatives (Inan & Bititci, 2015).

1.9 Organization of the remaining chapters of the research

The organization of this research is structured into five distinct chapters, each serving a specific purpose. Chapter One introduces the background of the study, including the problem statement, research aims, and questions, as well as defining the study's scope and significance. Chapter Two provides a comprehensive review of the literature related to accounting practices under IFRS, critically examining existing