Exploring regional variations in the adoption of International Financial Reporting Standard for Small and Medium Sized Entities: A structured review

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Abstract

This study seeks to shed light on regional variations in the adoption of the IFRS for SMEs, and provide insights into the factors that influence these regional variations. The study adopted a structured literature review approach to seek answers to the following research objectives: to explore adoption approaches of IFRS for SMEs in the different regions across the globe; to explore factors contributing to regional variations in the levels of IFRS for SMEs adoption across the globe; to identify challenges encountered in different regions during adoption of IFRS for SMEs; investigate benefits associated with adopting IFRS for SMEs in different regions across the globe. The review covers the period since the IFRS for SMEs was issued in 2009 until 2023, the results show that only 85 countries are required or permitted to use the IFRS for SMEs and the adoption approach mainly used is through coercive and normative isomorphism, whereby emerging economies adopted the IFRS for SMEs more than developed economies. Major obstacles to adoption include, lack of technical skills among SME accountants, low levels of knowledge and high implementation costs. This study is significant to various stakeholders including regulators, standard setters, IFRS for SMEs users and the academic community as it provides insights into why some jurisdictions adopted the IFRS for SMEs and others seem not interested.

Key words: IFRS for SMEs, adoption, regional, benefits, IASB

1.0 Introduction

Small and Medium-Sized Entities (SMEs) play a pivotal role in the global economy as they account for more than 95% of companies worldwide (Deaconu, et al., 2012) and provide employment opportunities to the tune of 65% (Bonito & Pais, 2018; Bohušová & Blašková, 2012), hence it is crucial that financial statements produced by these entities are up to standard. Moreover, in Africa SMEs contribute more than 90% of economic activity (Atitebi, 2022), hence effort should be expended especially by emergent countries on anything that can sustainably enhance SMEs chances of success and survival (Son & Marriot, 2006), in this regard some researchers such as (Kılıç & Uyar, 2017) highlights that adopting IFRS for SMEs can be one way to ensure success and survival of SMEs. To ensure SMEs financial statements are of high quality and that SME financial statements are harmonised, the International Accounting Standards Board (IASB) came up with the International Financial Reporting Standard for Small and Medium Sized Enterprises (IFRS for SMEs) (Bonito & Pais, 2018; ACCA, 2021). IFRS for SMEs is gaining significant attention worldwide, therefore it is important that we understand the regional variations in the adoption of this standard and factors influencing these variations. Early empirical evidence show that up to the year 2014 about 70 countries where applying the IFRS for SMEs or had plans to adopt the standard (Kaya & Koch, 2015), this can be considered a great stride given that most of these SMEs are not publicly accountable hence may not have strong motivation to standardise their financial reporting. This paper is a structured literature review which aims to explore the adoption approaches, factors contributing to regional variations, challenges encountered in the adoption of the standard and benefits accruing to adopters of the standard.

Since the issuance of the IFRS for SMEs in 2009 until 2018, only 85 countries have required or permitted the use of the standard (Bonito & Pais, 2018). This can be considered a small number given that more than 140 countries adopted the full IFRS standards (IFRS, 2020). The IASB website shows a list of jurisdictions and detailed profiles of each country’s adoption status of the IFRS for SMEs and to date (2023) 85 countries have required or permitted use of the SME standard (Issam & Ibtissam, 2023; IFRS, 2023), and 12 countries are still considering use of the IFRS for SMEs (IFRS, 2023), these statistics show no change of IFRS for SMEs adoption since the year 2018 giving the impression that not many jurisdictions beyond these are interested in adopting the standard anymore. However, compared to the year 2011 this can be considered a big milestone because only 62 jurisdictions in the year 2011 were planning and studying the possibility of adopting the IFRS for SMEs (Deaconu, et al., 2012). This neglect by some countries to adopt the IFRS for SMEs has motivated undertaking of this study to determine regional variations in IFRS for SMEs adoption and consider reasons why some countries adopted and why some countries remain reluctant. Because of the varied definition of SMEs across national boundaries, the decision regarding which entities should make use of the SMEs standard stays with national regulatory authorities and standard setters (Kaya & Koch, 2015; ACCA, 2021). Therefore, it is of utmost importance that an investigation into the regional variations in the adoption of IFRS for SMEs across the globe be undertaken to inform interested parties on how other countries are adopting the standard.

SMEs are different from listed companies; hence the reporting objectives of SMEs are largely different from those of quoted companies. As a result, the stewardship function in SMEs is absent and financial statements are only limited to playing an agency role between the owner-manager and the bank or any other external stakeholder (ACCA, 2021), hence this lead for the call to design a standard tailor made for SMEs.

On a general note, Atitebi (2022) notes the following obstacles as major impediments in the implementation of the IFRS for SMEs: Definition of SME is inconsistent among national regulators hence this may lead to a lack of clarity and may pose challenges in the end; Regulators normally place great emphasis on financial reporting as a tool for tax compliance instead of improving financial reporting quality for companies; There is a low degree of global engagement and many small businesses may not be aware that reporting their finances using a standardised framework offers a foundation for access to foreign capital and investors; There is a general lack of awareness amongst accounting and finance professionals on the requirements of the standard and its usefulness and this has hindered uptake of the IFRS for SMEs; Last, some overly optimistic business owners want to be seen to apply full IFRS standards in the way large companies do, rather than the simplified IFRS for SMEs.

The specific research objectives for this study are:

1. To explore adoption approaches of IFRS for SMEs in the different regions across the globe.

2. To explore factors contributing to regional variations in the levels of IFRS for SMEs adoption across the globe.
3. To identify challenges encountered in different regions during adoption of IFRS for SMEs.
4. To identify benefits associated with adopting the IFRS for SMEs in different regions across the globe.

This research is organised into four sections, wherein section 1 covers in detail the introduction and objectives of the study. Section 2 details the methodology adopted, section 3 discusses research findings and section 4 is the conclusion.

2.0 Methodology

A structured literature review (SLR) methodology was applied, and the three stages of a SLR were followed which are: 1. planning the review, 2. conducting the review and 3. reporting and dissemination (Tranfield, et al., 2003). SLR papers are key, especially in the academic community because they tend to ignite new insights, enable new research questions, critical reflection and craft future research paths (Massaro, et al., 2016).

Massaro, et al., (2016) recognise various methods of conducting literature review, which include systematic review; meta-analysis; rapid review; (traditional) literature review; narrative review and structured literature review (SLR). In this study a SLR was adopted which follows a step by step logical structure, hence increasing validity and relevance of the research process and results. The three stages of a SLR as articulated by Tranfield, et al (2003) were adopted, the three stages are highlighted in figure 1 below.

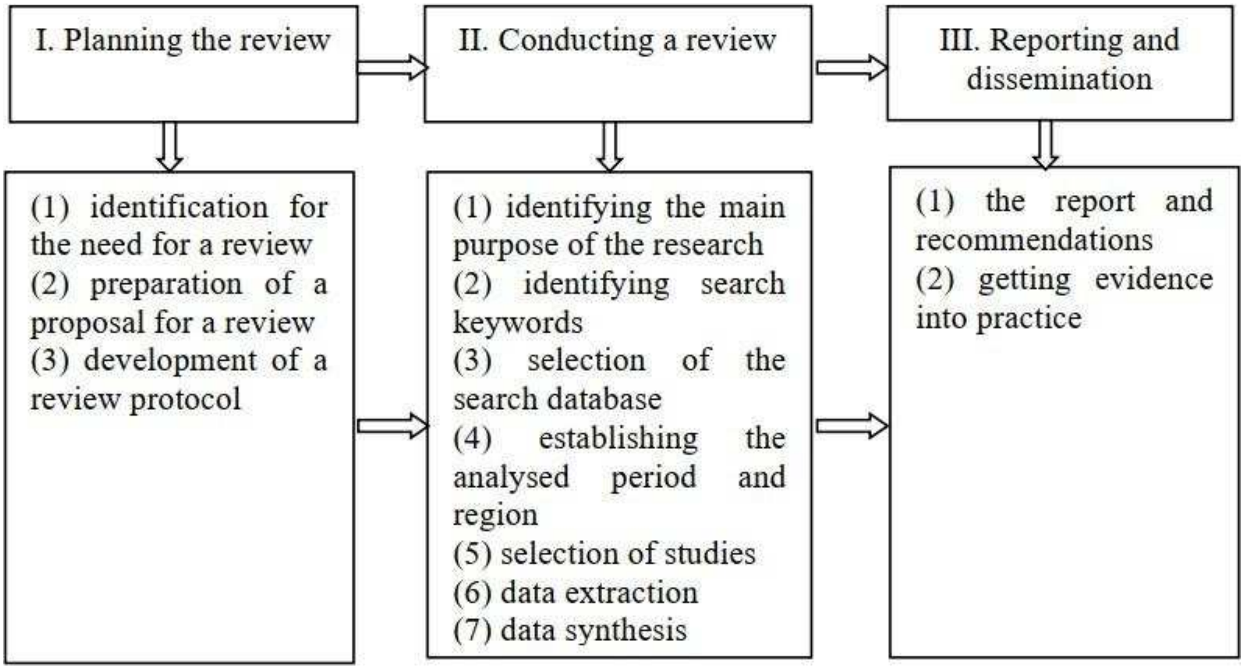


Figure 1: Steps in a structured literature review methodology

Source: (Tranfield, et al., 2003)

One reason for conducting a SLR is that it is detailed and repeatable, since it is a scientific and transparent process which minimises bias through a thorough literature search of both published and unpublished studies (Moustaghfir, 2008). Moreover, when reviewing literature through SLR there is need for a review protocol and decision rules (Lungu, et al., 2020). First, this protocol or plan of action assists with information to do with identifying the need for a review, determining criteria for sample determination, strategy for including relevant studies and excluding studies not relevant to the case in question. Second stage involves conducting the review and this review follows seven steps as shown in figure 1. Final stage is reporting and dissemination which involves two steps as shown in figure 1. Undertaking a SLR is flexible because following the steps shown in figure 1 need not be chronological all times and the researcher may add new criteria(s) as the review progress (Caraiani, et al., 2018)

2.1 Literature selection criteria

In order to search relevant literature regarding IFRS for SMEs, google scholar was used to extract published research articles from 2009 to 2023, this period was chosen because IFRS for SMEs was issued in July 2009 and the focus of this study is to track regional variations in the adoption of the standard since inception to date (2023). Google scholar was used as the sole search database because it is readily accessible, free, easy to use and it collates results from across the internet (Haddaway, et al., 2015). Moreover, Bramer, et al. (2017) notes that an optimal search in any systematic literature review should at least involve Embase, MEDLINE, Web of Science and Google scholar. An initial search with the words *"IFRS for SMEs"* covering the period 2009 to 2023 was done and this generated 17400 search results, thereafter the advanced search option was used to narrow down the search results and under the advanced search option, the option *"where* my words occur in the title of the *article"* was selected and this narrowed down the search results from 17400 to 479. In order to narrow down the search to only include original articles related to IFRS for SMEs in particular the *"include citations"* option was ignored, and this further narrowed down the search results to only 254. All the 254 articles were downloaded and content analysis by way of reading abstracts and keywords of each paper was done, and this was used as the inclusion and exclusion process. In this regard papers which had "IFRS for SMEs" on the topic and abstract were included in the sample and papers not fitting the criteria were excluded, to this end 89 papers were found to be suitable for the study.

The review protocol for this study applied the following inclusion/ exclusion criteria:

(a) Research and conference papers covering IFRS for SMEs
(b) Published articles subject to peer review, this is to ensure accuracy as well as valuable insights (Dinu, 2022)
(c) Research papers contained in major academic databases accessible online on scholar (dot) google, covering the period 2009 to 2023.
(d) Research papers authored in English language, because generally English is deemed common language used in academia (Buenechea-Elberdin, et al., 2017).

2.2 Regional classification and adoption status

IFRS foundation and IASB has no official regional classification scale for countries in the world since their primary role is development and promotion of globally recognized IFRS standards. However, various international organisations such as the United Nations (UN), World Bank (WB) and IMF have a basis of regional classifications that they use to meet their various objectives. For example, the UN divides the world into different regions on the basis of geographical and geopolitical factors, as a result according to the UN the world includes the following regions: Africa, Asia, Europe, Oceania and Americas etc. Moreover, for its statistical and analytical purposes the world bank also divides the world into several regions such as East Asia and Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa, South Asia and Sub-Saharan Africa. On the other hand, the IMF employs its own classification system which it uses for its economic analysis and policy discussions as follows: Advanced economies, Emerging and developing Asia, Middle East, Central Asia, Sub-Saharan Africa etc. In this study regional classifications by the World Bank (2023) were used for classification of jurisdictions which adopted the IFRS for SMEs.

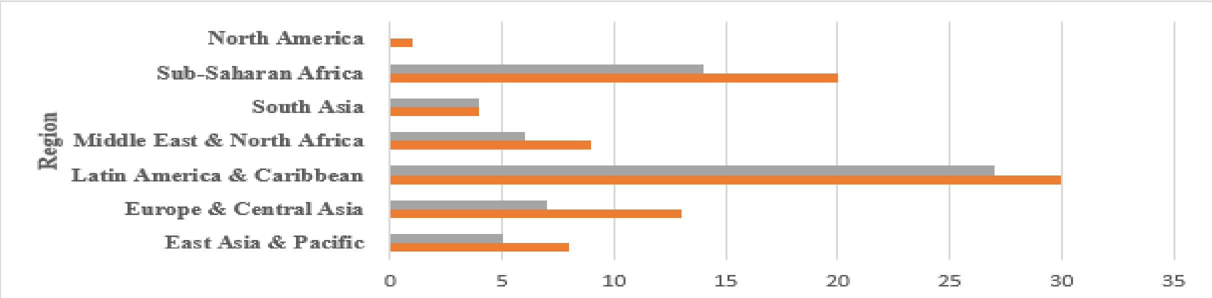
In this study the seven regional classifications by the World Bank (2023) were used to classify adoption status of jurisdictions. Table 1 shows current (2023) adoption status as of July 2023 and regional adoption status as of 2013 as documented by Kaya & Koch (2015).

Table 1: Regional adoption status as of 2013 and 2023

Region	*N	2023 Adopters	2023 Percentage	2013 Adopters	2013 Percentage
East Asia & Pacific	38	8	21.05	5	13.16
Europe & Central Asia	58	13	22.41	7	12.07
Latin America & Caribbean	42	30	71.43	27	64.29
Middle East & North Africa	21	9	42.86	6	28.57
South Asia	8	4	50.00	4	50.00
Sub-Saharan Africa	48	20	41.67	14	29.17
North America	3	1	33.33	0	-
Total		**85**		**63**	

*World Bank (2023) regional classifications were adopted and were used as the population for analysis purposes.

Figure 1 below is a comparative analysis of the statistics of adopters in 2013 as documented by Kaya & Koch (2015) as well as primary data collected from the IFRS website as at July 2023.



	East Asia & Pacific	Europe & Central Asia	Latin America & Caribbean	Middle East & North Africa	South Asia	Sub-Saharan Africa	North America
2013 Adopters	5	7	27	6	4	14	0
2023 Adopters	8	13	30	9	4	20	1

Figure 1: Regional adoption status as at 2013 and as at 2023

Source: 2013 comparative figures adopted from Kaya & Koch (2015); 2023 figures adopted from the IFRS website as of July 2023.

Table 1 and figure 1 both present the same information, the presentations show that in the 10 year period between 2013 and 2023 a total of 22 jurisdictions adopted the IFRS for SMEs. Overall, Latin America and the Caribbean has more jurisdictions to the tune of 30 jurisdictions as at 2023 which adopted the IFRS for SMEs and 27 jurisdictions as at 2013, this is followed by Sub-Saharan Africa which has 20 jurisdictions and 14 jurisdictions which adopted the IFRS for SMEs as at 2023 and 2013 respectively. North America has the fewest jurisdictions which adopted the IFRS for SMEs with only one jurisdiction as at 2023 and zero as at 2013. Most countries in Latin America and the Caribbean and the Sub-Saharan are in the middle income and low income band (World Bank, 2023), and this may have an impact on why these jurisdictions are topping adoption of the IFRS for SMEs because of two reasons (1) they do not have the capacity to issue their own accounting standards (Kaya & Koch, 2015) or (2) they may be adopting as a result of the need to appease lending financial institutions so that they can have easy access to finance from international lenders such as the world bank and IMF (Casinelli, 2022; Chand, et al., 2015).

3.0 Results and Analysis

This section presents a discussion of the results from the structured literature review, broadly the results show that countries in Latin America and Caribbean; and Sub-Saharan Africa are adopting the standard at a faster rate out of all the 7 regions in the world.

3. 1: Adoption approach of IFRS for SMEs in different regions

Adoption of IFRS for SMEs varies globally (Akpan, et al., 2023), therefore it is important to take note of the reasons causing these global variations to IFRS for SMEs adoption. Some countries are embracing IFRS for SMEs entirely while some countries are taking a hybrid approach (Ghouzi, 2021). The adoption approach does not matter much as long as financial reporting needs of financial statements users are met effectively. For example, Taiwanese accounting regulators when they were contemplating adopting the IFRS for SMEs ended up choosing a new hybrid standard (the Enterprise Accounting Standards) which involves both elements of IFRS and IFRS for SMEs (Hsu & Reid, 2023).

The manner of adopting the IFRS for SMEs standard is influenced by many aspects and one of which is institutional isomorphism (Damak-Ayadi, et al., 2019). In this regard coercive isomorphism on the backdrop of institutional pressures by organisations such as the World Bank and IMF (Judge, et al., 2010). For example majority of SMEs in Ghana are aware of the IFRS for SMEs, however these SMEs do not fully comply to the requirements of the IFRS for SMEs because of lack of technical skills (Vendy & Sucahyati, 2022), the reason why these SMEs are aware and adopted this standard is because of coercive isomorphism and environmental factors (Sappor, et al., 2023). Additionally, mimetic isomorphism is another adoption approach which involves SMEs copying adoption models of other more efficient organisations/ countries, this approach is normally used when there is uncertain operational environment and objectives (Damak-Ayadi, et al., 2019), copying more efficient organisations/ countries is considered more efficient and cost effective (Meyer & Rowan, 1977). Emerging economies that have a high degree of external openness easily adopt the IFRS for SMEs because they are exposed to mimetic pressure and are aware of the benefits of adopting the IFRS for SMEs (Sellami & Gafsi, 2018). At times normative isomorphism plays a part in driving adoption, as universities and other professional organisations continue to pile pressure on SMEs to adopt the standard and make organisations homogeneous in their reporting (Hassan, 2008), this also causes internationalisation of trading networks of these

SMEs because most countries adopt a standard when an economic partner is an adopter (Ramanna & Sletten, 2009). This was extensively shown by Phuong & Nguyen (2012) when they concluded that Vietnam's trading partners were exerting pressure on Vietnam to harmonise its trading practices with IFRS.

Kaya & Koch (2015) show that EU member countries adopted the IFRS for SMEs in a variety of ways as follows: (a) adopt the IFRS for SMEs with modifications (Samujh & Devi, 2015); (b) converge national GAAP with IFRS for SMEs to comply with European Commission (EC) accounting directives; (c) create a new accounting standard for SMEs based on the IFRS for SMEs, for example the Financial Reporting Council in UK issued Financial Reporting Standard 102 which is consistent with IFRS for SMEs but with major modifications to enable alignment with company law. Malaysia adopted the IFRS for SMEs with minor modifications, it was easy for Malaysia to adopt the IFRS for SMEs in that way because like Singapore, Malaysia is a relatively wealthy nation with skills and resources to operationalize adoption of the standard (Samujh & Devi, 2015). However, Myanmar which is an emerging economy may have adopted the IFRS for SMEs as a result of coercive isomorphism. Other countries such as Slovakia are still not allowed to use the IFRS for SMEs for their legal financial statements (Vlčko, 2022), as such SMEs in Slovakia prepare their financial statements using their local regulations. In this vein, governments worldwide should cease to be too rigid when it comes to issues of internationalisation because the world has already transformed to become a global village, hence it is critical that all countries move in the same direction for the greater good in terms of financial reporting.

European SMEs adopted the IFRS for SMEs mainly because of the administrative burden posed by European accounting regulation on SME reporting, hence professionals and academics were constantly advocating for the simplification of financial reporting rules for SMEs (Albu, et al., 2010; Evans, et al., 2005). Some jurisdictions such as the United Kingdom (UK) and Turkey, have been taking the task of developing an accounting standard tailor made for SMEs (Kılıç & Uyar, 2017), whilst other jurisdictions were trying to simplify full accounting standards which were mainly designed to serve large entities (Deaconu, et al., 2012), this has all been made easy on July 2009 when the IASB issued the IFRS for SMEs (Kılıç & Uyar, 2017), an accounting standard specifically designed for SMEs and can be applied in any jurisdiction despite the presence or absence of full IFRS in the jurisdiction.

Emergent countries are adopting the IFRS for SMEs in greater proportions as compared to developed countries (Deaconu, et al., 2012; Van Wyk & Rossouw, 2009), this can be explained by the attitude of responsible authorities in these developing countries who in most instances are excited to support or follow ideas and trends emerging from developed countries. This is an interesting case because those developing economies who are at the forefront of adopting IFRS for SMEs were not very much involved in responding to the Exposure Draft (ED) on IFRS for SMEs, since the majority of respondents to the ED on IFRS for SMEs were from Europe and other developed countries with only a few emanating from Africa and other developing countries (Schutte & Buys, 2011).

Some authors such as Samujh & Devi (2015), do not encourage imposition of the IFRS for SMEs on SMEs by governments, rather governments should strive to provide a conducive environment and adequate infrastructure so that SMEs may willingly adopt the IFRS for SMEs. Imposition of the standard has been found to have a discouraging effect on entrepreneurs as they may opt to not register their SMEs and this may have a negative impact on national growth. Moreover, even though accounting principles are the same when it comes to adopting a new way of doing things such as implementing the IFRS for SMEs, there is need for a change in mindset in affected jurisdictions, this is because perceptions, attitudes, values and beliefs concerning the new accounting standard are different (Phuong & Nguyen, 2012; Phan, et al., 2014).

3.2: Factors contributing to regional variations in the levels of IFRS for SMEs adoption across the globe

When the European Commission (EC) decided to adopt the IFRS for SMEs in 2010, it first of all did the honourable thing of seeking opinions of financial statement users (Bohusova, et al., 2012), and from their survey they got mixed reactions from different EU countries wherein some were in support whilst some were opposing adoption of the standard. For example EU countries such as Germany, France, Finland, Italy, Belgium and Austria were not in support of IFRS for SMEs adoption (Bohusova & Blaskova, 2012), the reason for this was a disconnect between taxation rules and capital maintenance rules which makes it burdensome to adopt the standard (Kaya & Koch, 2015). When tax systems of a country are strongly linked to the country's accounting practices, changing an accounting reporting framework may result in additional costs as result of trying to adjust tax effect (Hail, et al., 2010; Rodrigues, et al., 2012; Phuong & Nguyen, 2012; Albu, et al., 2011). On the other hand the United Kingdom and Ireland where regulatory forces between taxation rules and financial accounting principles are minimal, were in support of the IFRS for SMEs adoption (Bohusova, et al., 2012; Kaya & Koch, 2015). The European Commission at supranational level do not mandate adoption of the IFRS for SMEs but rather reject it because it believes that the standard do not serve the objectives of simplification, but increases the administrative burdens on reporting entities, also some reporting requirements in the IFRS for SMEs are not aligned with EU accounting directives, for example the IFRS for SMEs makes it mandatory for SMEs to present a statement of cash flows whereas the EU accounting directives do not mandate that (European Commission, 2013). However, it leaves the decision to adopt or not adopt the IFRS for SMEs to individual member states (Kaya & Koch, 2015), this is in contrast to how it deals with adoption of the full IFRS. It was observed during the drafting process of the IFRS for SMEs that Continental European countries were reluctant to adopting the IFRS for SMEs as compared to the rest of the world (Deaconu, et al., 2012), this was reported to be a result of differences between EU accounting systems and the spirit of the IFRS for SMEs. In the same vein, Deaconu, et al., (2012) outlines that IFRS for SMEs has been accused of being relatively complex because Continental European accounting systems are based on detailed and precise rules.

Countries that cannot easily manage to develop their own accounting standards are more likely to adopt the IFRS for SMEs, also countries where the quality of governance institutions is relatively high tend not to adopt the IFRS for SMEs because of high switching and negotiation costs (Kaya & Koch, 2015; Arafat, et al., 2020), this is in line with (Gordon, et al., 2012 & Barth, et al., 2008) who report that developing countries are highly likely to adopt high quality financial reporting standards so as to attract capital. Countries that have a common law accounting system are likely to adopt IFRS for SMEs because the IASB's framework is closely similar to the accounting tradition of common law countries (Ramanna & Sletten, 2009; Johnson, 2011; Kaya & Koch, 2015). Furthermore, a study carried out by Thien & Hung (2021) reveals the following factors as having a positive impact on voluntary adoption of IFRS for SMEs: SMEs that perceive adoption of the IFRS for SMEs as a way to enhance their legitimacy, high dependency on external stakeholders, SMEs with a long operational timeframe, SMEs engaging in international trade, SMEs facing or likely to face operational and financial risk. Firms exhibiting any of the above characteristics were willing to voluntarily adopt the IFRS for SMEs.

Global institutions such as the World Bank have a significant influence on the adoption of IFRS, particularly for developing countries. For example in 2013, four years after the issuance of the IFRS for SMEs, the World Bank through its A&A ROSC report recommended developing countries such as Bosnia, Herzegovina, Mauritius and Nigeria to adopt the IFRS for SMEs (World Bank, 2013). This clearly shows that developing countries to some extent are influenced by powerful financial institutions to adopt the IFRS for SMEs (Judge, et al., 2010), and these developing countries may have no choice but to adopt as per the World Bank's recommendations because they need financial support from these financial institutions. Also, long term strategic plans of companies have been found to be a critical element to IFRS for SMEs adoption in Taiwan, wherein SMEs which had plans of being acquired or going public were willing to adopt the IFRS for SMEs (Hsu & Reid, 2023), this is because of the need to send a good signal to the market on the quality of their financial statements, since IFRS for SMEs produced financial statements are perceived as high quality (Hellman, et al., 2022; Budai , et al., 2021; Uddin, et al., 2019; Al-Khafaji, 2018). This shows that the need for capital and resources is a major driving force for adopting accounting standards.

IFRS adoption by developing countries as noted by Zeghal & Mhedhbi (2006) can be influenced by the following factors: (i) economic growth, (ii) educational levels, (iii) degree of external economic openness, (iv) cultural considerations (Nguyen & Le, 2021), (v) existence of capital markets. Even though these factors were related to full IFRS adoption they can also be influential in the adoption of IFRS for SMEs and need to be considered. However, some stakeholders involved in the process of IFRS for SMEs adoption believe that the IASB failed to consider the unique attributes of SMEs from developing countries and this may have caused some adoption challenges (Schutte & Buys, 2011). On the other hand Issam & Ibtissam (2023) find that economic growth, capital markets, educational level and legal systems are not associated with the decision to adopt the IFRS for SMEs.

In America there is a low level response rate on IFRS for SMEs adoption, and this can be explained by the fact that listed entities in America are required to prepare their financial statements in line with US-GAAP and not IFRS. Moreover, SMEs in the US are not legally enforced to file statutory financial statements in accordance with any GAAP (Schutte & Buys, 2011). Historically, developing countries do not have their own set of accounting standards they developed on their own, hence are often required to apply IFRS by global market players and this has been argued to result in distorted and incongruous results (Sacho & Oberholster, 2008). This shows that application of the IFRS for SMEs should be flexible to meet each jurisdiction’s specific circumstances such as financial markets regulation and availability of resources required to effect the implementation process (Marina, 2019).

Bonito & Pais (2018) reveal that the following factors are non-significant factors to IFRS for SMEs adoption: education level, quality of financial accounting standards, foreign aid and, relationship between accounting standards and tax rules, this is also similar to findings by Sellami & Gafsi (2018). However, jurisdictions with their own set of SMEs standards are less likely to adopt the IFRS for SMEs, this finding is similar to (Kaya & Koch, 2015) who notes that jurisdictions that have the capacity to craft their own set of SME standards are reluctant to adopt the IFRS for SMEs. This drives the point home especially for developing nations which are not well resourced in terms of finance and skilled personnel (Albu, et al., 2011; Vendy & Sucahyati, 2022) to undertake the task of crafting their own set of accounting standards for SMEs.

In developing countries perspective Sellami & Gafsi (2018) find that IFRS for SMEs adoption is influenced by coercive and mimetic isomorphism as well as the number of SMEs in a country, this show that in the event that full IFRS adoption benefits are witnessed on large firms then its highly likely that SMEs can benefit to the same extent when they apply standards of the same nature. Also if a country has a sizable number of SMEs, competition for investors and customers may force those SMEs to adopt the IFRS for SMEs in an effort to enhance transparency. In addition, level of economic growth, market openness, and regulatory efficiency have a significant effect on IFRS for SMEs adoption (Zahid & Simga-Mugan, 2019), they also find that cultural values, education level, unemployment rate and size of the country have no significant impact on IFRS for SMEs adoption. On the education level characteristic Zeghal & Mhedhbi (2006) find that education level positively influences IFRS for SMEs adoption, whilst Bonito & Pais (2018) coincides with Zahid & Simga-Mugan (2019).

IFRS for SMEs adoption is largely influenced by law enforcement quality (Laupe, 2018), culture, trading networks and economic growth (Damak-Ayadi, et al., 2019), In this regard these researchers conclude that there is a strong and positive association between law enforcement quality, culture, trading networks and economic growth on IFRS for SMEs adoption. This entails that jurisdictions that are yet to adopt the IFRS for SMEs need to ensure there is a conducive environment with the above elements present to enhance acceleration of the adoption process. Cultural effect and uncertainty avoidance as measured by the Hofstede avoidance index have no significant effect on adoption of IFRS for SMEs (Zahid & Simga-Mugan, 2019). However, Shima & Yang (2012) show that countries with a high level of uncertainty avoidance are highly likely to adopt IFRS. Issam & Ibtissam (2023) also notes that political climate and culture influence a country's adoption of the IFRS for SMEs, in this regard they conclude that countries with unfavourable political climate and with a non-Anglo Saxon culture tend to adopt the IFRS for SMEs, their results largely points to characteristics of most developing countries, hence this may explain why most emerging economies are adopting the IFRS for SMEs.

Success of internationalisation of accounting standards including the IFRS for SMEs is subject to each country's investor protection and legal enforcement capabilities (Nguyen, 2021; Mohamed, et al., 2019), Jurisdictions that have strong legal systems find it easier to adopt IFRS standards and tend to benefit more from the opportunities offered by adoption of the IFRS for SMEs (Ben Othman & Zeghal, 2010). Moreover, Christensen, et al., (2011) find that countries that invested resources into securities regulation had an admirable track record of enforcing and implementing new EU directives on financial reporting. In many instances SMEs prepare financial reports for tax purposes (Kılıç & Uyar, 2017), hence some stakeholders may fail to understand the need for IFRS for SMEs adoption and are even sceptical about the reliability of the financial statements prepared by SMEs using the IFRS for SMEs (Albu, et al., 2010), as a result governments need to show support and commitment to IFRS for SMEs adoption (Deaconu, et al., 2012) since they are also considered the main users of SME financial statements (Albu, et al., 2010). This can be easily achieved through government policies and pushing national standard setters to effect adoption, most jurisdictions which adopted IFRS for SMEs are actually required or permitted to do so by their governments.

3.3: Challenges encountered in different regions during adoption of IFRS for SMEs

Determining the right kind of personnel for SMEs to account for transactions and events is still a challenge for national, regional and international standard setters (Deaconu, et al., 2012). Major impediments to IFRS for SMEs implementation such as shortage of trainee professionals to deal with technical issues are noted by many scholars (Sappor, et al., 2023; Kılıç, et al., 2014; Uyar & Güngörmüş, 2013; Quagli & Paoloni, 2012). In addition low levels of knowledge, education and training regarding the IFRS for SMEs amongst professional accountants has been noted as major barriers to IFRS for SMEs implementation (Alp & Ustundag, 2009; Albu & Albu, 2012; Fekete, et al., 2012; Ghio & Verona, 2014; Turegun & Kaya, 2014). Moreover, Briciu, et al (2009) note that the IFRS for SMEs confuses stakeholders as it comes with its unique set of interferences, convergences and divergences. This calls for the IASB, national accounting standard setters, professional accounting organisations, IFRS for SMEs users (Perera, et al., 2023) and academics to come together and design a flexible IFRS for SMEs implementation framework which makes it easy for firms to adopt the IFRS for SMEs.

The IASB, always keep up to date with changes in the financial reporting fraternity and because of this current financial reporting standards are constantly updated to keep up with the times (Marina, 2020), this constant updating has proven to be an implementation hindrance for firms in Malaysia (Vendy & Sucahyati, 2022). In Nigeria, compliance costs and lack of technical skills have been found to be hindrances to IFRS for SMEs adoption (Odum & Cheche, 2023). Hsu & Reid (2023) advises that compliance costs can be attenuated by ensuring firms are provided with clear accounting choices which does not compromise financial reporting comparability. Moreover, lack of fundamental knowledge of financial standards and reports leads firms in Indonesia not to adopt the IFRS for SMEs (Amir, et al., 2022), this is because most SMEs are managed by their owners who may not have thorough knowledge on accounting and the importance of adopting internationally recognised accounting standards. In the Namibian context, Kamotho & Kaudo (2023) find the following factors as hindrances to effective adoption and implementation of the IFRS for SMEs: inadequate training of SME accountants; SMEs are unable to recruit professional accountants because of high costs involved doing so (Sarısoy & Eskin, 2021); SME owners are unwilling to reveal their financial records to third parties; and lack of employees with adequate experience.

The IFRS for SMEs is a simplified standard and is presumed to be easy to implement among accounting professionals. However, a study carried by Gonçalves, et al (2022), show that there are a lot of inconsistencies in application of the standard as a result of incomprehensibility issues in interpreting requirements of the standard, this calls for the IASB and regulators to come up with ways to make the standard more understandable. Norway is a case for a failed attempt to IFRS for SMEs adoption emanating from jurisdictional tensions and variations of local regulations and IFRS for SMEs requirements (Alon , et al., 2022). Such tensions are mostly witnessed in developed countries which have the capacity to design their own versions of financial reporting standards (Hamdan, et al., 2021), developing countries adopt internationally recognised financial reporting standards without major issues because of coercive isomorphism (Damak-Ayadi, et al., 2019). The IFRS for SMEs as noted by Marina (2022) is largely adopted by rising economies such as South Africa, Malaysia, Brazil, Nigeria and Ghana. Lack of awareness and understanding of the IFRS for SMEs by SME owners who have little knowledge of financial reporting, limited resources and expertise, lack of support and guidance are some of the key challenges facing SMEs in Kosovo as they try to adopt the IFRS for SMEs (Durguti & Arifi, 2021).

3.4: Benefits associated with adopting IFRS for SMEs in different regions across the globe

Literature on IFRS for SMEs reveal advantages of adopting the IFRS for SMEs, most of these benefits are actually in tandem to the benefits enjoyed by listed companies which applies full IFRS such as enhanced reliability, transparency and comparability of financial statements (Kılıç, et al., 2014; Uyar & Güngörmüş, 2013; Albu, et al., 2013; Siam & Rahahleh, 2010). In the Dominican Republic and El Salvador, Sassi & Damak-Ayadi (2021:2023) find a positive association between IFRS for SMEs adoption, corporate governance index and quality financial statements (Gjoni, et al., 2021). These findings by previous authors are encouraging in that they give investors and other interested stakeholders hope and improved confidence regarding financial statements of SMEs. In developing countries, use of IFRS and IFRS for SMEs for financial reporting is positively associated with increased domestic credit in the private sector (Tawiah & Gyapong, 2023).

However, this relationship has been found to be strong on full IFRS and not IFRS for SMEs. The reasons for this disparity are varied and one of which includes the fact that lenders are comfortable risking their resources on large and well established firms as compared to SMEs.

Hellman, et al (2022) finds that the cost of debt for private firms in Sweden significantly decreased as a result of adopting the IFRS for SMEs-based standard, this shows that lenders largely perceive financial statements prepared using the IFRS for SMEs as more reliable, leading to a reduction in borrowing costs for SMEs. Adekanmi, et al (2021) find no link between IFRS for SMEs adoption and sustainability, but urge SMEs in Nigeria to adopt the IFRS for SMEs as it enhances decision usefulness (Mohamed, et al., 2020), accountability, transparency and financial reporting quality.

Benefits of adopting IFRS for SMEs are controversial because of the nature of SMEs. SMEs are not subject to public accountability hence there can be no need to enhance aspects of comparability and standardisation. More so, some objectives of SMEs are just basic such as survival, in this regard SME owner-managers may not be motivated by the desire to grow the company hence no need for them to worry about more capital injection. Some researchers conclude that adoption of IFRS for SMEs has long term benefits accruing to these SMEs such as better lending conditions by global institutions such as the World Bank and IMF (Gordon, et al., 2012). Moreso, it is critical to note that developing economies progress is largely dependent on receiving external aid such as loans, and other forms of non-monetary assistance such as technical assistance and training programs to capacitate their human capital and technological needs, Hence it is considered beneficial for developing economies to adopt the IFRS for SMEs (Hopper, 2012; Gordon, et al., 2012; Kaya & Koch, 2015).

SMEs primarily serve local markets as they do not have leverage to gain a stake in international markets. However, because of globalisation and technology some SMEs are beginning to join global markets, in order for such SMEs to expand their operations rapidly they may need international collaborations and funding, in that regard Cai & Wong (2010) notes that a common set of accounting practices such as IFRS standards when adopted enhances cross-border movements of capital and economic integration, making capital easily available to these SMEs (Chand, et al., 2015; Casinelli, 2022). Perera, et al (2023) postulates that banks are one of the primary users of IFRS for SMEs prepared financial statements, and they find that commercial bank lending officers do not make use of all disclosure requirements within IFRS for SMEs, and they advise that it is imperative to ensure participation of all user groups including commercial banks in the development of the IFRS for SMEs.

Implementation of IFRS for SMEs enhances financial statement user confidence (Bunea-Bontas, et al., 2011), and this in turn leads to improved access to capital (Mawutor, et al., 2019; Gjoni, et al., 2021; Guti & Cheresai, 2023), improved financial reporting and improved national comparability of business results (Mage, 2010). In most instances all providers of capital require accountability, adoption of IFRS for SMEs enhances this accountability, in the long term this can lead to an improvement in the growth potential of economies as SMEs are considered as vital growth engines of economies (Samujh & Devi, 2015). A study of a non-governmental organisation (NGO) in South Africa carried out by Mvunabandi (2023) show that the financial reporting practices were not in alignment with both requirements of donors as well as that of the IFRS for SMEs, these divergences were a cause for concern as they impacted financial performance, this shows that when firms align their financial reporting practices to well recognised financial reporting frameworks such as the IFRS for SMEs, accountability is fostered which in turn may lead to a positive outcome in terms of financial performance.

4.0 Conclusion

Countries from emerging economies are adopting the IFRS for SMEs more than developed countries and they are mainly driven by coercive and normative isomorphism because of the need for finance and pressure by international financing institutions such as the world bank and IMF. The IFRS for SMEs enhances credibility of the financial statements of SMEs, hence it is good that SMEs adopt the standard for their financial reporting purposes. Results of the study reveals that voluntary adoption by SMEs is not so evident even for countries in developed regions because adopting the IFRS for SMEs carries with it switching costs resulting from divergences in taxation rules for jurisdictions and IFRS for SMEs reporting requirements.

A majority of countries adopting the IFRS for SMEs are emerging economies wherein Latin America and Caribbean has 30 jurisdictions adopting, Sub-Saharan Africa has 20 adopters, Middle

East and North Africa has 9 adopters, North America only has one adopter, South-Asia has 4 adopters, whilst Europe and Central Asia has 13 adopters. These statistics lead to the conclusion that the IFRS for SMEs is a standard designed for emerging economies, hence its prudent for the IASB to seek more the views of emerging economies when making revisions to the standard. Moreover, members from the emerging economies need to be included in large proportions in the advisory council specific to projects related to IFRS for SMEs.

It is observed in this study that jurisdictions and SMEs face a lot of challenges as they implement the IFRS for SMEs as follows: low levels of knowledge of IFRS for SMEs among SME owners, lack of education and training regarding the standard, constant updates made to the IFRS for SMEs by the IASB and implementation costs, as it has been considered costly to adopt the IFRS for SMEs standard due to lack of resources by SMEs. In order to implement the IFRS for SMEs effectively jurisdictions and reporting entities need to overcome the implementation challenges as identified in this study.

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