FACTORS DETERMINING USE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SMALL TO MEDIUM SIZE ENTITIES (IFRS FOR SMES) IN ZIMBABWE

[1]*Sherman Moyo, [2]Favourate Y. Mpofu

[1]Department of Post Graduate Studies, University of Lusaka, - Zambia
[2]Department of Accounting Sciences, Faculty of Business and Economics Sciences, National University of Science and Technology - Zimbabwe

e-mail:
[1]*snmoyo260@gmail.com *(corresponding author)*
[2]fsfsebele@gmail.com

ABSTRACT

Small and medium enterprises are the backbone of most African economies, contributing significantly to economic growth, employment creation, and sustainable development in these economies, yet the SMEs face survival challenges, with few going beyond five years. In Zimbabwe, SMEs drive employment creation, contribute to the gross domestic product (GDP), and promote livelihoods, alleviating poverty in a country where the formal sector is dwindling. As the country struggles to address economic challenges and strives to promote economic growth, the adoption of the IFRS for SMEs is pivotal for enhancing transparency, strengthening domestic revenue mobilization, attracting investment, and facilitating access to financing. This study investigates the factors influencing the adoption of International Reporting Standards for SMEs (IFRS for SMEs) in Zimbabwe. The research addresses a gap in the literature by comprehensively identifying factors that impact the adoption of the IFRS for SMEs reporting framework in a developing economy. This research utilizes stratified and cluster sampling techniques. The findings reveal that the needs of financial statement users, the legal structure of an SME, the level of accounting expertise within an SME, and the outsourcing of accounting services are key determinants of IFRS for SMEs usage in Zimbabwe.

Keywords: *IFRS; SMEs; Financial Statement; Zimbabwe*

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INTRODUCTION

SMEs play a key role in developing economies contributing to economic growth and employment creation yet they face a high rate of collapse (Gamage et al., 2020) Several reasons have been proffered by researchers to the significant failure rates and these include lack of financing, financial and digital illiteracy among operators, poor accounting and management skills as well as high tax rates (Gamage et al, 2020; Mpofu, 2021). The quality of accounting information is argued to be positively related to the success of an SME (Akpen et al., 2023; Vincent & Adeiza, 2020; Nga & Thuy, 2024). The introduction of the International Financial Reporting Standard for Small and Medium Size Entities (IFRS for SMEs) was meant to achieve the goal of high-quality accounting (IFRS Foundation, 2024). Since the launch of the standard in 2009, there has been a lot of ongoing global research focusing on various topics related to the standard and therefore evidencing the positive impact that the standard has in financial reporting. Prior research has given evidence that the use of IFRS for SMEs enhances the decision-making of SMEs stakeholders in that they make decisions based on detailed and credible information (Muotolu et al, 2016). The use of IFRS for SMEs enables owners of SMEs to make well-informed decisions on their investments and also give lenders some detailed facts on the operations of potential borrowers (Amadeo, 2018). Unfortunately, most of the past research on IFRS for SMEs had no deliberate attempt to establish factors that determine the use of IFRS for SMEs by SMEs. There is a need to establish these factors within the Zimbabwean context so that decisions on IFRS for SMEs use may be made from an enlightened point of view.

There has so far been little focus by past studies on the investigation of factors affecting SMEs' implementation of IFRS for SMEs within a particular country. Accordingly, even though past literature identifies factors affecting the implementation of IFRS for SMEs, the factors are not exhaustively identified in each of the studies since the identification of these factors was not a primary focus of the studies. This study contextualizes the investigation of the factors in the Zimbabwe setting.

The relevance of investigating the factors determining the use of IFRS for SMEs in Zimbabwe is underscored a number of important reasons. First, as the country continues to face economic instability, the adopting of IFRS can strengthen accounting practices in SMEs, enhance transparency and accountability, critical for building trust among stakeholders such as investors and financiers in the operations of SMEs. Additionally, SMEs represent a considerable portion of the country's economic activity, innovation and employment, thus understanding the barriers and enablers to the adoption of IFRSs can empower SMEs to improve their financial reporting practices. Good financial reporting practices can increase opportunities of accessing funding and investment, which is important for the growth and performance of SMEs. Furthermore, the global business world is increasingly emphasising standardised reporting in the face of sustainability issues, climate change impact and green financing, positioning SMEs that adopt the IFRSs to compete more effectively in both international and national contexts.

Therefore, this research is timely and relevant as Zimbabwean policymakers, development organisations and financial institutions continue to look for strategies to support the performance, growth and integration of SMEs into the global economy. Through examining the factors influencing IFRS adoption, this research is expected to not only contribute to the academic discourse on SMEs and financial reporting, but also provide practical suggestions on how to enhance SMEs' survival and growth, ultimately their contribution to employment creation and sustainable development.

LITERATURE REVIEW AND HYPOTHESES

There is no clear and concise definition for SMEs. While some researchers define them using turnover and assets, others use the size and number of employees (Sideki et al, 2020; Gonzalez et al., 2019). These differences are not only from country to country but also within individual countries (Uganda Investment Authority, 2018). The International Accounting Standards Board defines SMEs as entities that do not have public accountability and that publish general financial statements for outsiders (IFRS Foundation, 2018). A common Zimbabwean definition of an SME is a business that employs from 6 to 75 employees, with an asset base of not less than US$250,000 and not more than US$2 million and an annual turnover ranging from US $500,000 to US$3 million (Dlamini and Schutte, 2020). These definitions have helped inform this study's SME definition.

This study defines SMEs as private business entities which employ not less than six workers and which are neither listed in the stock exchange nor have any form of public liability. The foregoing definition helps to deliberately embrace into the study, all private business enterprises which are not forced by regulation to use the traditional International Financial Reporting Standards (IFRS). These private business organizations have been incorporated in response to the study's pilot survey findings which showed that the simple operations of most of these entities make the use of IFRS for SMEs in their financial reporting more suitable than the more complicated traditional IFRS.

The analysis of determinants of IFRS for SMEs implementation in this study is enlightened by past empirical research, the theory of accounting harmonization, and the neo-institutional theory. The theory of accounting harmonization, in advocating for a movement towards uniformity (Nguyen, 2019) anticipates SMEs to adopt a common accounting framework. In contrast, the neo-institutional theory though viewing practices of organizations as being influenced by institutions within which they operate, upholds that lack of uniformity in the former creates differences in their practices (Abdulkardir, 2017). Thus, what influences one SME to adopt IFRS for SMEs may not necessarily influence another different SME.

Researchers identify the following as factors that affect implementation of IFRS for SMEs by individual SMEs: size of SME, SME financial statements user needs, sources of finance for SME, level of accounting skills, type of industry, legal form of SME (Vendy & Sucahyati, 2022; Lusenko & Musa, 2023; Moura & Mukoti, 2022; Devrimi & Maximillian, 2015; Damaki-Ayadi & Bahri, 2020; Tanaka, 2016; Killic et al., 2016). It is then critical to explore the factors from the Zimbabwean perspective.

Size of SME

Hein et al (2023) indicate that size is a determinant of IFRS for SME implementation. Nevertheless business models for small SMEs are so simple that they do not require the advanced stipulations in the IFRS for SMEs (Vendy & Sucahyati, 2022). In contrast, bigger SMEs being more sophisticated are inclined to apply the standard (Muda et al., 2024). Moreover, bigger SMEs are able to make large enough profits which enable them to attract skilled accounting employees who are able to implement requirements of the IFRS for SMEs standard (Amadeo, 2018). This has to be proven within the Zimbabwe's larger SMEs.

Akpen et al. (2023) cite the inclusion of some of the full IFRS provisions in the IFRS for SMEs as a weakness of the latter as these provisions tend to be complicated for small SMEs. Examples of such provisions include investment in listed associates and listed subsidiaries; most hedging transactions; share-based payments; leases in which the SME acts as a lesser; discontinued operations and sale of business (Goncalves et al., 2022). Small SMEs with no need to account for these transactions are likely to attach little importance to IFRS for SMEs.

Ren (2022) shows that investors in big companies need financial statements prepared on a uniform basis to make assessments as to whether to maintain, sell, or buy financial securities. In contrast, owner-managed SMEs are not required to make such comparisons since their investments in share capital are not liquid, a fact which dispenses with the need for them to make comparable financial statements as stipulated in the IFRS for SMEs.

In a divergence from the popular conception, Muotolu et al (2016), dispute the foregoing assertions through their findings in Nigeria. Responses from SME owners, directors, accountants, and finance managers showed that the size of SME does not affect the implementation of IFRS for SMEs since SMEs of all sizes were participating in the implementation of the standard. In light of the irreconcilable assertions, this study presents the following hypothesis:

H1: The size of an SME is a factor the determining the use of the IFRS for SMEs reporting framework in Zimbabwe.

Sources of finance for SME

Sources of finance herein discussed are sources of finance other than the sources referring to original owners of SMEs informally channeling their past savings towards operations of the business. In this respect, sources of finance subject to this analysis are those external to the business. Business Dictionary (2018) defines external sources of finance as capital obtained from out of business. It includes equity capital, preferred stock, debentures, term loans, overdrafts, hire purchases, and trade credit (Gopal & Sachnabal, 2022; Villaseca Navio-Marco & Gimeno, 2020).

IFRS for SMEs requires the provision of details on cash flows, liquidity, and solvency which are essential information requirements for finance providers (Fujia et al., 2020). Accordingly, the need for external finance by SMEs is regarded as a determinant for the implementation of the standard (Damaki-Ayadi & Bahri, 2020).

Muda et al. (2024) show that in economies where there is a prevalence of borrowing of funds by businesses, accounting practice is entailed to meet the expectations of international lenders of money. These lenders usually require detailed financial information (Schneider, 2018). In such conditions, if there is some difference between local general accounting practice and International Financial Reporting Standard for SMEs, the SMEs tend to prefer to adopt the IFRS for SMEs to attract foreign funding from institutions such as the International Monetary Fund and the World Bank (Killic et al., 2016; Palazuelos et al., 2017; Palazuelos et al., 2018; Killic & Uyar, 2017; Taboulatz et al., 2017; Maripaananen et al., 2016).

In Kenya, Gichuru (2022) found that compliance with financial reporting standards was among the least factors that were considered when providing financial assistance to SMEs. Challenges faced by SMEs in implementing IFRS for SMEs were cited as reasons why loan providers do not require such implementation as an essential determinant for financing. These findings from Kenya may not be ignored because Kenya is in the same geographical region as Zimbabwe. In light of the inconclusive assertions, this study presents the following hypothesis:

H2: Sources of finance for SMEs are factors determining the use of the IFRS for SMEs reporting framework in Zimbabwe.

SME financial statements user needs

Users of SMEs' financial statements are the public; employees; trade creditors; investors; customers; owner managers; non-owner managers; loan finance creditors and tax authorities: the last four being the key users (Roszkowska, 2020; Lusenko & Musa, 2023; Stocker, Arruda et al., 2020; Mechta, 2022; International Accounting Standards Board, 2006). Killic and Uyar (2017) state that in Turkey, the main user is the government for tax purposes, thereby giving an implication that the range of users differs from jurisdiction to jurisdiction.

Berthilde and Rusibana (2020) suggest that the information to be included in financial statements depends on the needs of financial statement users. The following user needs have been cited as reasons entailing the production of financial statements using IFRS for SMEs: Banks use financial statements to ascertain SMEs' capacity to repay, and assess the level of profitability, security, and liquidity; Owners use financial statements to determine remuneration awards, make capital expenditure decisions and to make plans about other forms of financing; Tax authorities use financial statements to ascertain gross profit, analyze directors' fees, evaluate the reasonableness of expenses and to check on the nature of the audit report (Kinmel, et al., 2020).

Prior research has shown that while some stakeholders require high-quality financial information produced through adherence to IFRS for SMEs, some do not (Perera et a.l, 2022; Wijekoon et al., 2023; Marina & Tudor, 2024; Suleman et al., 2019). In light of the inconclusive assertions, this study proposes the following hypothesis:

H3: Financial statements user needs is a factor determining the use of the IFRS for SMEs reporting framework in Zimbabwe.

Level of Accounting Skills in SME

Devrimi and Maximillian (2015) ascertained that countries without their own accounting standards, like Zimbabwe, may not be having appropriate expertise to enact accounting standards and therefore can easily adopt the IFRS for SMEs. Deloitte (2009) therefore sees it as a requirement for such jurisdictions to fully adopt IFRS for SMEs. In contrast, Lackson and Muba (2021) identify poor accounting skills and absence of a fully developed accounting profession as main impediments in implementing the IFRS for SMEs. Wide evidence shows that lack of adequate accounting skills hinder the implementation of IFRS for SMEs in different jurisdictions across the globe (Moura & Motoki, 2022; Olowolaju & Philip, 2019; Ezeagba, 2017; Maripaananen et al., 2016; Killic & Uyar, 2017).

Okewale et al., (2022) observed that the Level of accounting knowledge is lower in smaller firms as compared to big ones, one reason being that technical economies of scale in bigger entities positively contribute to their more superior accounting skills (Taffour et al., 2022)

Mazhindu and Gradziyana (2013) made a study of adoption of IFRS for SMEs in Zimbabwe. The study was restricted to a sample of only 32 SMEs selected from two largest towns, Bulawayo and Harare. Their research differs with this research in that it only concentrated on one category of SMEs, the retailers whilst this study embraced all categories of SMEs. Moreover, their study was limited to only two towns while this one attempted to cover the whole of Zimbabwe. The findings of the scholars showed that lack of accounting knowledge by personnel in SMEs failed to maintain accounting records. It is, however, difficult to apply this finding to SMEs in the whole country because of lack of the representativeness of the sample in terms of categories of SMEs and the geographical place covered. The foregoing assertion attracted the following hypothesis:

H4: The level of accounting skill in an SME is a factor determining the use of the IFRS for SMEs reporting framework in Zimbabwe.

Legal form of SME

At the time of the study, relatively few researchers had embarked on research about legal form as a factor affecting the use of IFRS for SMEs. Studies by Demaki-Avadi and Bahri (2020) and Killic et al. (2016) show that SMEs that operate internationally have a higher likelihood of implementing IFRS for SMEs as compared to those that operate within national boundaries. The internationally focused SMEs are entailed to implement the standard to attract international finance and for easy comparability of the financial statements (Damak-Avadi, 2016).

In Zimbabwe, private international businesses have a recognizable share in economic transactions (Zimbabwe Daily, 2017). A survey on the general distribution of SMEs across industries during the pilot study showed that these international business entities operate as SMEs in the wholesale, retail, and manufacturing industries of Zimbabwe. In addition, most of them are medium entities, which are part of bigger entities in the SMEs realm. Their characteristic of being bigger SMEs attracted their being incorporated in the sample of the study as their viable operations entail them to have accounting systems which are a subject matter of this study. The relevance of these international businesses in this study and the importance of their role in Zimbabwe logically led to a need to ascertain the significance of the legal form of these businesses as a determining factor in the use of the IFRS for SMEs. In light of the foregoing, this study proposes the following hypothesis:

H5: The legal form of an SME is a factor determining the use of the IFRS for SMEs reporting framework in Zimbabwe.

Out sourcing of accounting services by SME

Zimbabwe has more than 50 registered accounting firms offering both accounting and auditing services. The four globally best accounting firms, the big four, namely, PricewaterhouseCoopers, KPMG, Ernst and Young and Deloitte are part of this number. Moreover eight out of the ten top international accounting firms have franchises in Zimbabwe (Tanaka, 2016).

Tanaka (2016) further indicates that more than 80% of the business engagements in listed companies are made by the big four. This may mean that the other forty-six of the fifty accounting firms, the next four internationally best firms included, have their major business engagements in SMEs. With such a significant number of accounting firms in the country, it is therefore logical to expect some of the SMEs with personnel who have no adequate accounting skills to engage accounting firms in making financial reports for them. The neo-institutional theory anticipates financial reports prepared by such firms to be in line with the IFRS for SMEs provisions whenever the application of these is appropriate.

There is some gap in literature in as far as the relationship between use of IFRS for SMEs and outsourcing of accounting services is concerned. Accordingly, this study suggested some existence of relationship between outsourcing of accounting services and use of IFRS for SMEs and therefore came out with the following hypothesis.

H6: Outsourcing accounting services is a factor determining use of the IFRS for SME reporting framework in Zimbabwe.

METHOD

This empirical research was anchored on a post-positivist philosophy. This philosophy, being deterministic in nature, upholds that an entity pursues a course of action as a result of an underlying cause (Gray, 2014). Accordingly, the use of the IFRS for SMEs is understood to be influenced by identifiable factors. In this respect, an understanding of factors affecting the implementation of IFRS for SMEs was obtained objectively.

In terms of the objective perspective, the research design adopted in the study is a descriptive one (Rassel et al, 2020), as the research sought to bring a vivid portrayal of factors affecting the implementation of IFRS for SMEs. In terms of mode of inquiry, the research design was informed by the study's post-positivist research paradigm and therefore adopted a quantitative approach.

The population of SMEs in Zimbabwe is around 73, 603 (Musabayana, 2023). A sample of 161 SMEs representing 6 main categories of industries was selected from all major commercial centers in Zimbabwe. From the table of Krejcie and Morgan, a sample size of between 100 and 200 is deemed enough for a population of less than 1,000,000 (Rahman, 2023). This corresponds to Glenn's (1992) Table 1 at a precision level of ±10%. According to this table, the population of 73,603 SMEs in Zimbabwe falls within the fourteenth row which has a population of 100,000 being aligned to a sample size of between 100 and 200. The number of selected SMEs from each commercial center and each line of production is shown in Table 1.

Those industries with the least numbers of SMEs as percentages of total SMEs were grouped together into a large group termed 'other industries'. These include, among others, mining and quarrying, construction, transport and storage, and services such as internet cafes and consultation.

Cluster sampling was effected whereby natural groups were sampled initially and thereafter members of selected groups underwent further sampling (Campbell et al., 2020). Cluster sampling is appropriate where the population is geographically dispersed as in this case of SMEs being all over Zimbabwe (Mosab et al., 2022). SMEs in each of the towns were regarded as natural groups for this study. There was a geographical sampling of towns in Zimbabwe and a further sampling of SMEs within each town. SME establishments in towns were chosen as opposed to those in rural areas because the majority of business entities in rural areas are micro entities excluded from this study. Moreover, most of the few SMEs operating in rural areas are branches of SMEs operating from urban areas and are therefore incorporated in the population sample through the inclusion of their urban area head office operations.

Table 1
Sampled entities

	Harare	Bulawayo	Gweru	Vic-Falls	Masvingo	Kadoma	Other towns	Total
Retail & Wholesale	19	16	4	3	2	1	4	49
Manufacturing	20	12	3	3	3	2	2	45
Education	3	1						4
Accommodation and food	2	1		1				4
Human Health & Social Work	9	4					1	14
Other industries	21	17				7		45
Total	74	51	7	7	5	10	7	161

Source: Data Collection, 2023

The majority of SMEs are found in the few 6 major towns. Accordingly, SMEs in each of these major towns have been included in the sample. At the same time, all the other 16 smaller towns were grouped to form a seventh category of towns. For the purpose of this study, this category was termed 'other towns'. A few SMEs from some of these towns were purposively selected to be part of the sample. It was not practical to have each town represented in the sample because of the large number of these small towns and the fact that some of them have no SMEs with accounting systems operating in them.

Data in this study was collected using a detailed questionnaire that was circulated to all sampled SMEs. Questionnaires are cost-effective in obtaining a large amount of data within a short period (Taherdoost, 2021). Considering the cost of conducting the survey and its feasibility, the use of questionnaires was considered ideal for the study. The researcher was able to send the questionnaire to many respondents within a reasonable short period of time. These respondents were mainly those in charge of accounting functions in SMEs or other senior members of the accounting departments in cases where heads of accounting departments were not available.

The Logit regression model was used to ascertain the factors affecting the implementation of IFRS for SMEs. This same model was used by Achmad et al. (2021) in a comparable study where factors that influence fraudulent financial reporting in Indonesia were ascertained and were the independent variable of the study. Similarly, in this study's regression model, factors that were assumed to influence the implementation of the IFRS for SMEs were used as independent variables. The implementation of IFRS for SMEs was considered as a dependent variable. A p-value of 0.05 was used for statistical significance decisions.

RESULTS AND DISCUSION

Univariate Logistic Regression

In an attempt to fully satisfy the objective determining factors affecting use of IFRS for SMEs in Zimbabwe a regression model was used. In order to fit the final model, first, we estimated the function and the coefficients of each variable. Wald statistic was used to evaluate the significance level of each variable (at $p<0.15$) in the univariate logistic regression function (Achmad et al, 2021). Results of the univariate logistic regression are shown in Table 2.

Table 2
Logistic regression model (univariate model)

Variable	OR	95%CI	p-value
Size of SME	1.33	1.10-1.68	0.014*
External Source of finance			
No	Ref	-	-
Yes	1.47	0.70-3.11	0.30
Ever applied Loan			
No	Ref	-	-
Yes	0.70	0.35-1.37	0.299
SME financial user needs			
1	Ref	-	-
2	4.83	1.81-12.9	0.002*
3	4.85	1.66-14.2	0.004*
4	2.22	0.36-1.36	0.389*
Level of accounting skills in SME			
Lower than first degree	Ref	-	-
Degree	2.30	0.84-6.31	0.10*
Professional qualification	8.63	3.10-24.3	<0.001*
Outsourcing of accounting services by SME			
No	Ref	-	-
Yes	2.25	0.84-6.10	0.11*
Legal form of SME			
Sole trader	Ref	-	-
Partnership	0.57	0.10-3.36	0.53
Private limited	1.51	0.54-4.19	0.43
SFE	6.23	1.52-25.5	0.01
Other	0.20	0.02-1.89	0.16

**Statistically significant at p<0.15*
Ref=Reference category

Source: Data Collection, 2023

The findings of the study reveal that size of SME, SME financial user needs, Level of accounting skills in SME, outsourcing of accounting services by SME and Legal form of SMEs were significantly associated with IFRS implementation. Hence, the use of IFRs for SMEs by SMEs is unlikely to be a result of chance. Past empirical studies have identified one or more of the foregoing influences as being determinants of IFRS adoption. In this regard, findings by scholars such Hein et al (2023), Damaki-Ayadi and Bahri (2020) and Okewale et al. (2022) are partially validated.

External source of finance and an experience of having applied for loan in the past were not statistically significant in this current study. Unlike in the findings by Schneider (2018), lenders in Zimbabwe seem not to attach much importance on adherence to accounting framework in their financing decisions.

Size of SME
Size of the SME (which was measured by the number of employees) was significantly associated with IFRS for SMEs implementation (see Table 2). For every one employee increase, odds of IFRS implementation increase by 33% (OR=1.33,95% CI:1.10 to 1.68, p=0.014). This means that for every additional employee in a company, the likelihood of implementing IFRS for SMEs increases by 33%. It suggests a strong correlation between company size, measured by the number of employees, and the adoption of IFRS for SMEs.

SME financial Statements user needs
Results show that the number of stakeholders each SME had was associated with IFRS implementation. The odds of IFRS implementation were 4.83 times higher for SMEs with two stakeholders compared to those with only one stakeholder (OR=4.83,95%CI:1.81 to 12.9; p=0.002). Similar findings were also found for SMEs with three stakeholders (OR=4.85,95%CI:1.66 to 14.2; p=0.004). For SMEs with four stakeholders, the odds of IFRS implementation were 2.22 times higher compared to SMEs with one stakeholder, however, the results were not statistically significant (OR=2.22,95%CI: 0.36 to 1.36, p=0.389). This suggests that having more stakeholders increases the likelihood of IFRS for SMEs adoption among SMEs. The increase in this likelihood diminishes as the number of stakeholders increases.

Level of accounting skills in SME
SMEs with the level of accounting skills equivalent to a first accounting degree had 2.30 times higher odds of IFRS implementation compared to those with accounting skills lower than a first degree in accounting (OR=2.30,95%CI: 0.84 to 6.31, p=0.10). SMEs with a level of accounting skills (professional qualification) were more likely to implement IFRS for SMEs compared to those with accounting skills lower than first degree (OR=8.63,95%CI:3.10 to 24.3, p<0.001). This suggests a greater likelihood of implementation of IFRS for SMEs by entities with accounting skills manpower in them.

Legal form of SME
SMEs with the legal form of Partnership, private limited, and other entities were not associated with IFRS implementation. However, subsidiaries of foreign entities (SFE) were significantly associated with IFRS implementation in this study. The odds of IFRS implementation were 6.23 times higher for subsidiaries of foreign entities compared to sole traders (OR=6.23,95%CI: 1.52 to 25.5, p=0.01). This suggests that entities with subsidiaries operating at the international level are more likely to implement IFRS for SMEs. This confirms the assertion by Damaki-Ayadi and Bahri (2020) that entities that operate internationally tend to adopt the IFRS for SMEs.

Outsourcing of accounting services by SME
SMEs which outsource accounting services were more likely to implement the IFRS. Findings of the study shows that the odds of IFRS implementation were 2.25 times higher for SMEs that outsource accounting services compared to those SMEs which do not outsource accounting services (OR=2.25,95%CI: 0.84 to 6.10, p=0.11). This implies that SMEs which outsource accounting services have more than double likelihood of implementing the IFRS for SMEs as compared to those which do not outsource these services.

Final model: Adjusted logistic regression model

All the independent variables with p-value less than 0.15 in the univariate model were considered candidates for stepwise logit regression model. In the fitted model, the significance level of coefficients was tested using Wald statistic, total significance of regression was tested using Likelihood Ratio (LR) statistic ($P<0.05$) and lack of linearity of variables were evaluated. Finally, after testing different compositions of variables and removing unhelpful variables, we identified the following variables as independent variables in the final model: legal form of SME, Level of accounting skills in SME, Outsourcing of accounting services by SME, and SME financial user needs. Table 3 shows the results of the adjusted regression model.

Table 3
Final Model - Adjusted logistic regression model

Variable	OR	95%CI	p-value
SME financial statements user needs			
1	Ref	-	-
2	4.20	1.51-11.7	0.006
3	4.98	1.60-15.5	0.006
Level of accounting skills in SME			
Lower than first-degree	Ref	-	-
Professional qualification	5.22	2.26-12.1	<0.001
Outsourcing of accounting services by SME			
No	Ref	-	-
Yes	4.24	1.32-13.6	0.015
Legal form of SME			
Sole trader	Ref	-	-
SFE	5.91	1.60-21.8	0.008
Other	0.15	0.018-1.32	0.088

Source: Data collection, 2023

SME financial statements user needs

Results show that the number of stakeholders each SME had was associated with IFRS implementation in the adjusted logistic regression model. The odds of IFRS implementation were 4.2 times higher for SMEs with two stakeholders compared to those with only one stakeholder adjusted for other variables (OR=4.20,95%CI:1.51 to 11.7; p=0.006). The findings indicate that SMEs with two stakeholders were more likely to implement the IFRS compared to those with one stakeholder. Similar results were also found for SMEs with three stakeholders, with odds of implementing IFRS increasing by 4.98 compared to those with one stakeholder after adjusting for other variables (OR=4.98,95%CI:1.60 to 15.5; p=0.006). This result concurs with the findings by Perera et al (2022) that some financial statement users require high-quality financial statements prepared in line with IFRS for SMEs.

Legal form of SME

After adjusting for other variables, SMEs with a legal form of SFE and other entities were significantly associated with IFRS implementation. The odds of IFRS implementation were 5.91 times higher for SFE entities compared to sole traders holding other variables constant (OR=5.91,95%CI: 1.60 to 21.8, p=0.008). More so, 85% of other entities were less likely to implement IFRS as compared to sole traders OR=0.15,95%CI:0.018 to 1.32. The result is compatible with the theory of accounting harmonization which emphasises uniformity (Nguyen, 2019). In shedding light to this theory, Damaki-Ayadi and Bahri (2020) show that SMEs which operate internationally are entailed to implement the IFRS for SMEs so as to facilitate easy comparability of financial statements.

Level of accounting skills in SME

SMEs with the level of accounting skills (professional qualification) were 5.22 times more likely to implement IFRS compared to those with accounting skills lower than first degree adjusted for other variables (OR=5.22,95%CI:2.26 to 12.1, $p<0.001$)

Prior findings substantiate this outcome by indicating that small SMEs are without skilled manpower to adopt the IFRS for SMEs (Moura & Motoki, 2022; Olowolaju & Philip, 2019). Otherwise, Taffour et al. (2022) attribute the large-scale operations of bigger SMEs to their ability to attract skilled accounting personnel.

Outsourcing of accounting services by SME

SMEs that outsource accounting services were more likely to implement the IFRS, with the odds of IFRS implementation increasing by 4.24 compared to those SMEs that do not outsource accounting services holding other variables constant (OR=4.24,95%CI: 1.32 to 13.6, $p=0.015$). The existence of many accounting firms in Zimbabwe as observed by Tanaka (2016) upholds the validity of this finding.

Goodness of Fitness and Significance

Having estimated the coefficients of model-independent variables and their significance, a study of the total significance of the regression model and the goodness of its fitness was done. Several statistics were used to study the goodness of the logit regression model: LR statistic and chi-square distribution. The results of LR chi-square=50.7, $p<0.001$ indicates a good fit.

CONCLUSION AND SUGGESTION

The IFRS for SMEs was introduced by the International Financial Reporting Standards Board in 2009 as a suitable financial reporting standard for SMEs. (International Accounting Standards Board, 2009). This study sought to determine factors affecting use of the IFRS for SMEs in Zimbabwe. Factors determining use of IFRS for SMs in Zimbabwe were found to be: SME financial statements user needs; legal form of SME, level of accounting skills in SME and outsourcing of accounting services by SME.

The results reinforce the theory of accounting harmonization in showing subsidiaries of foreign owned entities being the highest legal form of SMEs implementing the standard. Moreover, all the identified factors in the results support the neo-institutional theory.

The study contributes to literature by showing a range of factors affecting use of the IFRS for SMEs standard in an emerging economy. The identification of outsourcing accounting services as one of the factors influencing use of the IFRS for SMEs is a unique contribution of this study.

The study encourages SMEs associations to promote improvement in financial reporting of their members through outsourcing accounting services. Otherwise, the Zimbabwean Regulatory authorities are challenged with regards to coming up with effective programs promoting the use of the standard by SMEs which may benefit from such use.

Having adopted a post positivist world view, the study has limitation on qualitative input by accounting professionals and practitioners on factors which affect use of the standard. A further study which incorporates these is recommended.

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