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Research Article

# Meter Asset Providers' Adoption of Ifrs for Smes in the Nigerian Electricity Supply Industry

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**ARTICLE INFO** | **ABSTRACT**

Financial reporting has been an avenue for good accountability of an organisation, in which small and medium-scale enterprises cannot be left out, for standard representation and disclosures. This study was conducted to examine MAP's financial reporting in accordance with the IFRS for SMEs and its implications. A survey research design, utilising a structured questionnaire, was employed on a population of 99 recognised MAPs, with a sample size of 25, employing convenience and cluster random sampling techniques. For each of the 25 selected MAPs, five questionnaires were distributed to the finance and audit department staff. A total of 125 questionnaires were distributed, but only 105 were returned. Data were analysed using both descriptive and inferential statistics, with the application of z-score for the inferential statistics, indicating significant results in the adoption, benefits of adoption, and challenges of adoption of IFRS for SMEs by MAPs in the NESI. Conclusively, SMEs in the industry should be encouraged to adopt the standard in their financial reporting for enhanced credibility, comparability, and quality presentation of their financial statements. The necessary regulatory bodies in Nigeria should enforce the adoption and application of the IFRS for SMEs in financial statements reporting to enhance uniformity, comparability, qualitative presentation, and accountability.

**Keywords:** MAPs, NESI, IFRS for SMEs, MSPs, PIEs.

## 1. Introduction

Small and Medium Enterprises (SMEs) in Nigeria are crucial to the country's economic and developmental survival (Okere et al., 2018), as they are regarded as the backbone of the nation's economic activities. Alduneibat (2023) refers to SMEs as "the real engines of growth", providing over 60% of the employment in Jordan. In recognition of the impact of SMEs, or micro, small, and medium enterprises (MSMEs), in Nigeria, the Central Bank of Nigeria dedicated special-purpose funding in 2013, introducing a 50:50 on-lending ratio by Participating Financial Institutions (PFIs) to SMEs. Most SMEs in Nigeria are not publicly quoted companies or public interest entities (PIEs) and are not traded on the exchange floor (the public market) (Kanu et al., 2014).

The International Financial Reporting Standards (IFRS) for SMEs was first published by the International Standard Accounting Board (IASB) in July 2009. A review of the standards was initiated in response to requests. It was concluded in May 2015, becoming effective for financial periods beginning on or after January 1, 2017, with provision for early adoption for those who considered it fit for reporting purposes. The third amendment of the standard was achieved in 2023, and it is the latest (IASB, 2023). The adoption of the standard shifted SMEs from an initial single-entry reporting system (Kanu et al., 2014) to a standardised IFRS format that enhances comparability across different jurisdictions. The introduction of the standard (which is just an abridged version of the full IFRS) arose from international modernisation to trade and investments transcending across national boundaries and the imperative to present a comparable report before investors (Okere et al, 2018).

Meter Asset Providers (MAPs) are licensed third-party companies regulated by the Nigerian Electricity Regulatory Commission (NERC) with the responsibility of providing meters to customers. This responsibility, a key function of the Distribution Companies (DisCos), was delegated to registered SMEs because the DisCos failed to meet their responsibilities due to the sector's limited financial resources. The Nigerian Electricity Supply Industry (NESI) comprises the Generation Companies (GenCos), the Transmission Company of Nigeria (TCN), the Distribution Companies (DisCos), and other licensed sector players. While GenCos and DisCos are private and PIEs, the TCN is a whole government entity, and the MAPs are private SMEs licensed to operate in the sector following the Meter Asset Provider Regulations (2018). The NERC exercises little control over the MAPs and, as is characteristic of all Nigerian companies, has more than one business activity that is not regulated. Prior to issuing an operating permit by the Commission, a proposed MAP is required to submit, among other requirements, a 3-year audited financial statement in accordance with the requirements of the IFRS for SMEs, which must be reviewed accordingly. The review aims to ensure compliance with the requirements of the standards, as well as the Commission's regulations. The adoption of the standard shifted SMES from an initial single-entry reporting system (Kanu et al., 2014) to a standardised IFRS format, which will enhance comparability across different jurisdictions. The adoption of IFRS for SMEs arose from international modernisation to facilitate trade and investments that transcend national boundaries and the imperative to present comparable reports to investors (Okere et al., 2018). The adoption of IFRS for SMEs by MAPs enhances information comparability, making evaluation and financial statement analysis by users more realistic and informative, as it tends to reduce information asymmetry and create a thriving environment for global market comparison and investment (Ajekwe & Ibiamke, 2020) for both local and international investors.

Nigeria, through the Financial Reporting Council, announced the transition to adopting the IFRS for SMEs beginning 1 January 2012. Despite challenges, the adoption was proposed to be beneficial to the adopters in several ways including the ability to be able to attract international investors and exposure of finance professionals to the international accounting treatment of financial transactions, enhanced information comparability, making evaluation and financial statements analysis by users more realistic and informing, reduced information asymmetry and create a thriving environment for global market comparison and investments (Ajekwe & Ibiamke, 2020).

For the past decade, following the release of the IFRS for SMEs, academia has been faced with various academic journals attempting to proffer solutions to the different challenges (Ezeagba, 2017), and the benefits (Thi et al, 2019), SMEs encounter in trying to utilise the IFRS for their financial reporting. Amid the various benefits and challenges, as well as the variety of articles on SMEs and IFRS, there are none on MAP players in the NESI, either due to the nature of the industry or a lack of understanding of the sector. This academic research will, therefore, attempt to study the adoption, benefits, and challenges faced by SMEs in adopting IFRS in the NESI. The focus will be centred on the owners/investors/preparers exploring their level of awareness, the benefits, and possible challenges in meeting the perceived requirements of IFRS for SMEs.

Several unaddressed challenges are encountered by these MAPs/SMEs in the process of adopting IFRS for SMEs in Nigeria. This is one of the key motivating factors that drives the researcher: the scarcity of qualified individuals with experience or knowledge of IFRS, and the need to assess the cost and benefits of adoption from the perspective of business owners and potential investors. This has resulted in the questions presented herein, which this research aims to address: to what extent have MAPs adopted IFRS for SMEs in the NESI? What are the real benefits of the adoption of the IFRS for SMEs by MAPs? What challenges are faced by these MAPs in the adoption of IFRS for SMEs?

This study, having explored the work of other researchers both in Nigeria and outside viz adoption process (Adetula, Owolabi, & Onyinye, 2014), auditors' view on the benefit of the adoption of IFRS for SMEs in Jordan (Suwaidan et al., 2018), perceived implications of IFRS adoption on FDIs in Nigerian economy (Okpala, 2012), due to its uniqueness, will attempt to provide the cost and benefit of adoption to the MAPs, the policymakers, and researchers outside the understanding of auditors and financial analysts (Gonçalves et al., 2022), of with the post-adoption.

The research hypothesis presents the key context of the study and is given here as:

*$H_1$: There is no significant impact of the regulatory procedures on the adoption of IFRS for SMEs by MAPs in the NESI*

*$H_2$: There is no significant impact on the benefits derived from the adoption of IFRS for SMEs by MAPs in the NESI.*

*$H_3$: There is no significant impact of the challenges of the adoption of IFRS for SMEs by MAPs in Nigeria.*

Researchers in academia, the NESI, policymakers, and the corporate sector will find this study valuable due to its uniqueness, as it will encourage post-adoption and implementation research of IFRS for SMEs in the NESI while presenting a wealth of knowledge.

## 2. Literature Review

### a) Conceptual Review

IFRS for SMEs is a set of accounting standards explicitly designed for small and medium-sized enterprises by the International Accounting Standards Board (IASB) in 2009 to address the financial reporting and accounting needs of small and medium-sized businesses that lack the adequate resources or complexity to comply with the full IFRS standards. The standard provides a simplified and scalable framework for financial reporting, compared to the full IFRS standards, covering various topics, including measurement, recognition, disclosure requirements, and the presentation of financial statements, which meet the needs of SMEs (IFRS Factsheets, 2021). The IFRS simplifications for SMEs were designed to accommodate the needs of creditors, lenders, and users of SMEs' financial statements, with a focus on solvency, liquidity, and cash flow management of the entities. It is also intended to provide a high-quality, understandable, and enforceable set of accounting standards applicable globally by SMEs. In different circumstances, these entities are referred to by various names, including non-publicly accountable entities, non-listed companies, small and medium-sized entities or enterprises, and private entities (IFRS for SMEs, 2015). The names given in most jurisdictions adopt definitions that, in summary, are not publicly accountable. They publish a general-purpose financial statement for external users, as in most cases, the financial statements are only prepared for the owners' use or to meet the requirements of the tax authority or other government institutions. However, FRS for SMEs recognises the SMEs as entities that do not comply with the IFRS for SMEs; financial statements are "unlikely to comply fully with all of the measurements required by a jurisdiction's tax laws and regulations" (IFRS for SMEs, 2015).

It is the objective of SMEs to provide information on the performance, cash flow, and financial position of the entity, which is "useful for economic decision-making" (IFRS for SMEs, 2015), by the different categories of the financial statements' users, that the financial statements are not necessarily tailored to their requirements. SMEs are entities that do not have public accountability and publish general-purpose financial statements (IFRS Foundation, 2015) for the benefit of decision-makers and investors. In Nigeria, there is no generally accepted definition of SMEs, as each entity gives its definition to suit its purpose. However, it is worth noting that entities classified as SMEs in Nigeria today contribute more than 90% of the country's private sector production and services, and are major job providers (Ezeagba, 2017). Public accountability entities are said to be those that are traded on the stock exchange, and, therefore, there are no onerous requirements of "filing their financial statements with the regulatory body for issuing financial instruments" (Maseko & Manyani, 2011). In most cases, these entities in Nigeria are owner-managed, and they do not have any fiduciary responsibility to any group other than their investors. Their operation is usually a single-purpose financial statement that fulfils all their requirements as they are not dependent on any individual or organisation. Okere et al. (2018) affirmed that SMEs are important, defining them as having "definite distinctiveness" that varies across economies. This distinction includes size, total assets, number of employees, turnover, capital base, and ownership structure (Kanu et al., 2014).

Meter Assets Providers (MAPs) are small and medium-sized entities registered by the Nigerian Electricity Regulatory Commission (NERC) in line with the Meter Asset Provider Regulations 2018 to offer services related to electricity metering. Their responsibilities include, but are not limited to, meter installation, maintenance, and repairs to facilitate easy measurement of consumption rates for customers. Effective of the Service Level Agreements (SLA) signed with the utilities/distribution companies (DisCos), the cost of meters and the associated installation fees are either paid as a one-off or over time. However, these may not be the only services offered by the entities, as they may also provide other services, such as collection and consulting, among others. Meter Asset Provider Regulations (2018) defined a Meter Asset Provider as "a person that is granted a permit by the Commission to provide metering services which may include meter financing, procurement, supply, installation, maintenance, and replacement". The primary essence of the regulations includes closing the metering gap by ensuring a speedy roll-out of meters, attracting investment into the Power Sector, and eliminating estimated billing (MAP Regulation, 2018). In line with the Companies and Allied Matters Act (2004, as amended), all companies are required to be registered with the Corporate Affairs Commission (CAC). This registration does not preclude the MAPs, as they must also be registered with the Commission.

As stated in the preceding paragraph, MAPs are SMEs, as defined in the MAP regulations (2018). Investors in the MAP concept of the Nigerian Electricity Regulatory Commission include both local and international investors who believe in their capacity to meet the requirements in line with the provisions of the regulations and operate in the segment of the sector, as well as adhere to the various definitions of SMEs as provided in Nigeria. As such, these organisations prepare their annual audited financial statements in accordance with the

IFRS for SMEs. As SMEs, they are not publicly accountable, and their financial statements are typically not prepared in accordance with generally accepted accounting standards. By this, the research paper will focus on their classifications as SMEs while drawing inferences from the applications and implementation of the IFRS for SMEs in their financial reporting. In agreement with Kanu et al. (2014), MAPs classified as small or medium-sized entities today tend to grow larger, considering the unfolding developments in the power sector. Since no caveat was placed on the likely definition of these entities, most entrants face the challenges of funding and numerous other hurdles. However, the intervention of the Federal Government in 2021 created an enabling environment for them to thrive and remain steadfast in the business, supporting the assertion of Okere et al. (2018).

## b) Empirical Review

While examining the impact of adopting IFRS on listed companies in Turkey, Terzi et al. (2013) noted significant differences between financial statements prepared in accordance with local generally accepted accounting principles (GAAP) and those prepared in accordance with IFRS. Areas of difference include inventories, non-current liabilities, non-current assets, and equity accounting. With this, current ratios, receivables turnover ratios, asset turnover ratios, total liabilities/tangible assets, fixed assets turnovers, equity turnover rates, short-term liabilities/total debts, and short-term liabilities/total assets ratios following the IFRS financial statements were found to be statistically and significantly difference from the exact computation using the local GAAP financial statements. Arising from their inability to observe the market value analysis, the researchers concluded that the adoption of IFRS had a significant impact on the financial statements as compared to the local GAAP, particularly in the areas of inventories, non-current assets, and equity accounting.

In the research, "Financial Reporting in SMEs in Nigeria: Challenges and Options" (Ezeagba, 2017), the authors examined the challenges SMEs face in adopting effective financial accounting reporting standards and the impact of inadequate funding facilities on accounting records. Using the survey method and time series data from questionnaires and the Central Bank of Nigeria (CBN) statistical bulletin, the study concluded that the challenges faced by SMEs in the preparation and presentation of IFRS financial statements include a lack of /inadequate accounting books and records, manpower, accounting system, and an improper bank accounting system. The study recommended professional training and qualification by the two (2) foremost accounting bodies in Nigeria, considering that proper bookkeeping and financial statements preparation are hinged on professionalism, where advocating for the members to be willing to offer free services to the SMEs in Nigeria, which by extension includes the MAPs.

In Zimbabwe, Maseko and Manyani (2011) investigated the accounting practices of SMEs, focusing on record-keeping for performance measurement. The research employed a survey design methodology, utilising 100 SMEs in Bindura. It was concluded that due to a lack of accounting knowledge, the majority of SMES do not maintain proper accounting records, resulting in the inefficient use of accounting information for performance measurement. It recommended the use of an acceptable accounting standard (specific accounting guidelines) while developing accounting training/programs for SME entrepreneurs. Conducted before the publication of the IFRS for SMEs, the study recognised the need for uniform accounting guidelines, as it forms its major recommendation.

Some studies have found no significant change or impact resulting from the adoption of IFRS by companies in Nigeria. Adeyanju (2020), in a study to determine the effects of IFRS adoption on the profitability, liquidity, and financial leverage of private enterprises in Nigeria between 2013 – 2018, obtained research data from 109 quoted private firms on the stock exchange and concluded that there is no significant impact of the adoption of IFRS on firms' profitability, liquidity, and financial leverage of the selected private firms in Nigeria. However, it is recommended that for a sustainable implementation of IFRS by the enterprises or firms, adequate resources should be made available to create a quick response to the concerns of users as well as provide professional training, create awareness of professional accountants, regulators, and preparers to facilitate the closure of the knowledge gap and strengthening regulatory bodies and institutional framework capacity to enforcement.

Ajekwe and Ibiamke (2020) justified the need for IFRS for SMEs in Nigeria in their research on financial reporting. The justification for differential reporting between listed entities and unlisted SMEs was presented side by side, listing the global advantages and challenges of adopting IFRS for SMEs in Nigeria, and concluded that adoption has advantages, even though the study was not based on empirical evidence. It recommended further empirical studies to justify the claims of the benefit of the IFRS against the non-adoption in Nigeria.

A study focusing on Vietnam (Nguyen et al., 2023) analysed the factors that affect or impede the voluntary adoption of IFRS in emerging economies. The study revealed that compliance with accounting regulations and principles, the qualifications and experience of accountants, accounting regimes and government circulars, the capabilities and perceptions of managers, and the benefits of IFRS adoption all have a positive impact on the application of IFRS. In addition to the above, factors such as firm size and audit activities equally have a positive effect on the willingness of enterprises to apply IFRS, while tax pressure and accounting psychology negatively affect the application of IFRS.

### c) Theoretical Framework

From the outset, the researcher has set out to study those factors that affect the application and implementation of the IFRS for SMEs by the Meter Asset Providers (MAPs) in Nigeria. Some previous studies have mentioned the use of one or a combination of several theories such as agency theory, stewardship theory, political cost theory, and stakeholder theory (Adeyanju, 2020), for the study of IFRS for SMEs while others brought in the relevance of the theories in the study of factors affecting the adoption of IFRS as a larger picture both in developing and developed economies (Nguyen et al., 2023). Most studies on IFRS for SMEs (particularly in Nigeria) have focused on the relevance, importance, and challenges encountered during the adoption or application of IFRS for SMEs (Okere et al., 2018; Kanu et al., 2014). In this study, the research will integrate a mix of the above theories while presenting a detailed and comprehensive picture of the relationship between the various factors in the application and implementation of IFRS for SMEs by MAPs in Nigeria.

As proposed by Jensen and Meckling (1976, cited in Nguyen et al., 2023), agency theory focuses on the relationship between the owners (shareholders/investors – the principals) and the managers (agents) of the organisation. The principal–agent relationship highlights the significance of information asymmetry, which can lead to the agent prioritising their interests over the overall objective of the organisation and may also give rise to conflicts of interest due to the separation of power (Nguyen et al., 2023). With IFRS for SME applications and implementation, the relationship between the parties can be strengthened, reducing the challenges created by information asymmetry by ensuring honesty, understandability, and transparency in the dissemination of accounting information, thereby reducing agency costs on the part of the owners/principals. As a result of the above, this research will use the agency theory to present the relationship that exists between various factors affecting the application and implementation of IFRS by MAPs in Nigeria, such as educational exposure/level and applicable IFRS training which invariably could result in proper understanding and reduction in pressure from regulatory bodies and improvement in the quality of financial statements.

The Decision-usefulness theory serves as the foundation for developing the current IFRS accounting framework and accounting standards (Nguyen et al., 2023). Developed in the 1950s, this theory posits that the primary objective of all financial statements is to provide investors with helpful information that enables them to make informed decisions about their investments. As cited in Nguyen et al. (2023), Staubus (1999) stated that the "fundamental task of financial statements is to provide valuable and relevant information for users to make economic decisions". The theory, therefore, highlighted the importance of quality IFRS financial statements in supporting investors in making informed decisions about MAPs in the Nigerian Electricity Supply Industry (NESI). Considering the decisions in the choice of accounting policies (measurement and disclosure), and the role of the decision-useful theory, this study will, therefore, leverage the theory to explain the application and implementation of IFRS for SMEs by MAPs, taking into cognisance the impact of educational qualifications, experience and awareness of the managers and accountants.

## 3. Research Methodology

This study employs a descriptive survey methodology through the gathering of primary sources using a well-structured five (5) Likert questionnaire. All MAPs registered by the Nigerian Electricity Regulatory Commission (NERC) who are involved in metering services in the NESI make up the population of the study. These were considered due to the peculiar nature of their reporting, which is typically presented to the Commission to facilitate their licensing and registration processes. From the data obtained from the Commission, 99 MAPs are registered to operate in the NESI, excluding other registered Meter Service Providers (MSPs). The above-stated number includes those categorised as manufacturers and importers, particularly those directly involved in the provision of meters. In this context, those classified wholly as installers in the NESI are not considered in this study.

From the study population of 99 MAPs, a sample of 25 registered MAPs was selected based on convenience. Using Cluster random sampling techniques, 125 questionnaires were distributed (five (5) to each of the 25 MAPs selected) to those with knowledge of the standard (accountants and auditors). However, only 115 were returned. A Regression Model analysis was adopted for the study as stated below:

$$SMFR = \beta 0 + \beta_1 AD + \beta_2 BF + \beta_3 CH + e$$

Where:
SMFR = SMEs Financial Reporting
AD = Adoption of IFRS
BF = Benefit of IFRS

CH = The challenges of IFRS
$\beta_1 - \beta_3$ = Coefficients
$\beta_0$ = Constant
e = Error terms

## 4. Data Presentation, Analysis and Interpretation

**Table 1: Descriptive Statistics**

| S/N | VARIABLE | FREQUENCY | PERCENTAGE % |
|---|---|---|---|
| 1. | **Age:** | | |
| | Below 30 years | 64 | 55.7 |
| | 30-40 years | 42 | 36.5 |
| | 41-50 years | 4 | 3.5 |
| | 51-60 years | 4 | 3.5 |
| | Above 60 years | 1 | 0.8 |
| | Total | 115 | 100 |
| 2 | **Gender:** | | |
| | Male | 86 | 74.8 |
| | Female | 29 | 25.2 |
| | Total | 115 | 100 |
| 3 | **Department:** | | |
| | **Accounting** | 81 | 70.4 |
| | **Audit** | 34 | 29.6 |
| | **Total** | 115 | 100 |
| 4 | **Educational Qualification:** | | |
| | OND/NCE | 5 | 4.4* |
| | BSc. /HND | 91 | 79.1 |
| | MSc. /MBA | 19 | 16.5 |
| | Ph.D. | 0 | 0.0 |
| | Total | 115 | 100 |
| 5 | **Professional Qualification:** | | |
| | Yes | 37 | 32.2 |
| | No | 78 | 67.8 |
| | Total | 115 | 100 |
| 6 | **Practicing Experience** | | |
| | **1-3 years** | 40 | 34.8 |
| | 4-7years | 59 | 51.3 |
| | 7 years and above | 16 | 13.9 |
| | Total | 115 | 100 |
| 7 | **Usage of SMEs IFRS** | | |
| | Yes | 86 | 74.8 |
| | No | 29 | 25.2 |
| | Total | 115 | 100 |

**Source:** Authors' Computation, 2024. (SPSS version 23)

Table 4.2.1 above presents the analysis and responses from the questionnaires, including the respondents' ages and the applicability of the standard. The results indicated that 55.7% of the total respondents to the study were below 30 years old, 36.5% were within the 30- to 40-year age bracket, 3.5% were in the 41- to 50-year age bracket, and 4.3% were in the 51- to 60-year age bracket, respectively. Less than 1% of the study population was recorded as being greater than 60 years old. The researcher concluded that there are more respondents below the age of 30 years.

Regarding the gender of respondents, 86 males reported having knowledge and experience of the standard, whereas 29 females agreed to having this exposure, based on their education and work schedules.

Respondents in the accounting department of the sampled organisations accounted for 70.4% of the total respondents, while 29.6% were in the audit department. In consideration of the educational qualifications of respondents, 4.3% held an OND/NCE, 79.1% had either a B.Sc. or HND, while 16.5% of the respondents possessed an M.Sc. or MBA. Respondents with professional qualifications accounted for just 32.2% of the total number of respondents in the organisations.

For work experience, 34.8% of the respondents have between 1 and 3 years of experience, 51.3% have 4 to 7 years of experience, while 13.9% of the total respondents have work experience exceeding 7 years. 86 of the respondents agreed to using IFRS for SMEs in their organisation. At the same time, 29 said their organisation is yet to start using the standard in their financial reporting as prescribed by the law.

**Table 2: Reliability Test: Cronbach's Alpha**

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .983 | .985 | 20 |
| | | |

**Source:** Authors' Computation, 2024. (SPSS version 23)

By applying the rule of Gregory and Mallery (2003), Table 2 above presents the reliability test results of the study. The result for the variable shows an excellent Cronbach's Alpha on Standardised items of 0.985, which supports our assumption of the degree of consistency in the instruments used for measurement.

**Table 3. Question Analysis**

| S/N | STATEMENT | Strongly Agreed | Agreed | Undecided | Disagreed | Strongly Disagreed |
|---|---|---|---|---|---|---|
| | **Adoption of IFRS** | | | | | |
| AD1 | The document is well-structured to facilitate a better understanding of the frameworks and reporting standards in IFRS for SMEs. | 63(54.8%) | 49(42.6%) | 1(0.9%) | 2 (1.7%) | (0.0%) |
| AD2 | Requires only information that can influence decision-making to be disclosed (Relevance). | 60(52.3%) | 49(42.6%) | 3(2.6%) | 4(3.5%) | (0.0%) |
| AD3 | The standard is simplified in a manner that enhances its understandability by users. | 63(54.8%) | 49(42.6%) | 1(0,9%) | 2(1.7%) | (0.0%) |
| AD4 | Comparing an entity's performance over time to identify trends is highly recommended when preparing financial statements. | 53(46.1%) | 59(51.3%) | 1(1.09%) | 2(1.7%) | (0.0%) |
| AD5 | Assets and liabilities are recognised within the definition of IFRS for SMEs. | 63(54.8%) | 46(40.0%) | 1(0.9%) | 5(4.3%) | (0.0%) |
| | **Benefits of IFRS** | | | | | |
| BF1 | IFRS for SMEs enhances the reliability of financial statements and boosts SMEs' ego. | 64(55.7%) | 49(42.6%) | 1(0.9%) | 1(0.9%) | (0.0%) |
| BF2 | Increased confidence among investors, creditors, and others in the financial statements resulting from the adoption of the standard. | 73(63.5%) | 40(34.8%) | 1(0.9%) | 1(0.9%) | (0.0%) |
| BF3 | Attraction of foreign Direct Investments (FDI) is made possible and viable following the adoption of IFRS for SMEs | 63(54.5%) | 47(40.9%) | 2(1.7%) | 3(2.6%) | (0.0%) |
| BF4 | There is a competitive advantage over other SMEs in the country arising from the adoption of IFRS for SMEs. | 64(55.7%) | 49(42.6%) | 1(0.9%) | 1(0.9%) | (0.0%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| BF5 | Increased level of awareness in activities surrounding the reporting framework. | 63(54.8%) | 45(39.1%) | 4(3.5%) | 1(0.9%) | 2(1.7% |
| | **Challenges of IFRS** | | | | | |
| CH1 | Training and retraining our accounting staff for a better understanding is a cost to our business | 63(54.8%) | 45(39.1%) | 4(3.5%) | 1(0.9%) | 2(1.7%) |
| CH2 | The owner's lack of awareness of the likely benefits of IFRS for SMEs. | 68(59.1%) | 40(34.8%) | 4(3.5%) | 1(0.9%) | 2(1.7%) |
| CH3 | Unfaithful disclosure of information because of coercive adoption of the IFRS for SMEs. | 63(54.8%) | 45(39.1%) | 4(3.5%) | 1(0.9%) | 2(1.7%) |
| CH4 | Imitating other SMEs' financial reporting format (mimetic isomorphism) poses a significant challenge to our financial reporting due to the adoption. | 68(59.1%) | 40(34.8%) | 4(3.5%) | 1(0.9%) | 2(1.7%) |
| CH5 | Environmental factors (normative isomorphism) are a challenge to our adoption of IFRS for SMEs as Meter Asset Providers. | 64(55.7%) | 50(43.5%) | 1(0.9%) | (0.0%) | (0.0%) |

**Source:** Authors' Computation, 2024

From Table 3, the responses revealed that most respondents showed levels of agreement with the statement one, "The document is well structured for a better understanding of the frameworks and reporting standard in IFRS for SME", with various levels of agreement on understanding and reporting in line with the provision of the IFRS for SME. 54.8% indicated a strong agreement on using the standards, while 42.6% agreed to the usage. Others fell into the undecided, disagreed, and strongly disagreed categories.

Statement two on the relevance of the standards indicates that 52.3% strongly agreed with the statement, while 42.6% only agreed with it. 2.6% were undecided, and 3.5% disagreed.

54.8% and 42.6% were strongly agreed and agreed respectively to statement three "*The standard is simplified in a manner that its understandability by users is high*", while 0.9% was neutral and 1.7% were disagreed. Statement four, "*Comparison over time by an entity to identify trends in performance is highly recommended in preparing financial statements",* has 46.1% strongly agreed, 51.3% agreed, 0.9% neutral, and 1.7% disagreed, while the statement raised under adoption, shows that 54.8% strongly agreed, 40% agreed, 0.9% neutral, and 4.3% disagreed.

For the statements raised under the benefit of IFRS for SMEs. 55.7%, 42.6% were strongly agreed and agreed respectively, while 0.9% was both neutral and disagreed with the first statement, "*IFRS for SMEs enhances the reliability of financial statements and boosts SMEs' ego*". 63.5%, 40% and 0.9% were strongly agreed, agreed and disagreed with the second statement "*Increased level of investors, creditors, etc., confidence in the financial statements due to standard adoption*". 54.5% strongly agreed, 40.9% agreed, 1.7% neutral, and 2.6% disagreed with statement three, "*Attraction of foreign Direct Investments (FDI) is made possible and viable following the adoption of IFRS for SMEs*". In comparison, 55.7% strongly agreed, 42.6% agreed, and 0.9% neutral and disagreed with statement four, "*There is a competitive advantage over other SMEs in the country arising from the adoption of IFRS for SMEs*". To statement five, 54.8% strongly agreed, 39.1% agreed, 3,5% neutral, 0.0% disagreed, and 1.7% strongly disagreed.

Regarding the challenges of the standard, the first statement, "Training and retraining our accounting staff for better understanding is a cost to our business", received the following responses: 54.8% strongly agreed, 39.2% agreed, 3.5% were neutral, 0.9% disagreed, and 1.7% strongly disagreed. Statement two showed that 59.1% were strongly agreed, 34.8% agreed, 3,5% neutral, 0.9% disagreed, and 1,7% strongly disagreed with statement two. "*Owner's lack of awareness of the likely benefits of IFRS for SMEs* ". The result of the third statement showed that 54.8% strongly agreed, 39.1% agreed, 3.5% neutral, 0.9% disagreed, and 1.7% strongly disagreed. 59.1% strongly agreed, 34.8% agreed, 3.5% neutral, 0.9% disagreed and 1.7% strongly disagreed with statement four, "*Imitating other SMEs' financial reporting format (mimetic isomorphism) is a huge challenge for our* *financial reporting due to the adoption"* while 55.7% strongly agreed, 43.5% agreed and 0.9% neutral to the fifth statement, "Environmental *factors (normative isomorphism) are a challenge to our adoption of IFRS for SMEs as Meter Asset Providers?"*.

## Test of Hypotheses

**$H_1$:** *There is no significant impact of the adoption of IFRS for SMEs by MAPs in the NESI*

To test this hypothesis, a one-sample t-test was used. Table 4 presents the test results. The table shows that there are statistically significant differences at the 5% level between the average of the study respondents' answers and the compared value (mean) of 4.5. Thus, we reject the null hypothesis.

**Table 4: One-sample t–test for the first hypothesis**

| Mean | Std. Deviation | Computed t-value | Tabulated t-value | df | Sig (one-tailed) | Result |
|---|---|---|---|---|---|---|
| 4.50 | 0.61 | 44.56 | 1.96 | 114 | 0.000 | Reject |

*Note. Significant at the 0.05 level*

**$H_2$:** *There is no significant impact on the benefits derived from the adoption of IFRS for SMEs by MAPs in the NESI.*

Using the one-sample t-test, Table 5 shows that there are statistically significant differences at the 5% level between the average of the study respondents' answers and the compared value of 4.5. Thus, we reject the null hypothesis and accept the alternative.

**Table 5: One-sample t–test for the second hypothesis**

| Mean | Std. Deviation | Computed t-value | Tabulated t-value | df | Sig (one-tailed) | Result |
|---|---|---|---|---|---|---|
| 4.53 | 0.57 | 48.62 | 1.96 | 114 | 0.000 | Reject |

*Note. Significant at the 0.05 level*

**$H_3$:** *There is no significant impact of the challenges of the adoption of IFRS for SMEs by MAPs in the NESI*

To test this hypothesis, a one-sample t-test was employed, and the results are presented in Table 6 below. The table shows that there are statistically significant differences at the 5% level between the average of the study respondents' answers and the compared value of 3.9. Thus, we reject the null hypothesis and accept the alternative hypothesis.

**Table 6: One-sample t–test for the third hypothesis**

| Mean | Std. Deviation | Computed t-value | Tabulated t-value | df | Sig (one-tailed) | Result |
|---|---|---|---|---|---|---|
| 3.94 | 1.20 | 17.66 | 1.96 | 114 | 0.000 | Reject |

*Note. Significant at the 0.05 level*

## Discussion of Findings

This study aimed to fill the existing gap in the literature on IFRS for SMEs, particularly in developing countries, with a focus on Nigeria. The purpose of this study is to understand the perceived value of implementing IFRS for SMEs, with a focus on adoption, benefits, and challenges. Using the questionnaires as a tool for the study, the findings revealed that managers, accountants, or those who prepare financial statements by MAPs in the NESI perceived with consensus that the implementation of IFRS for SMEs is possible, even though they perceive that benefits will come in the long run, even with the likely challenges associated with it. Indeed, although this standard has not been generally accepted, it is based on full IFRS, which is already adopted in Nigeria, and the financial system has applied it; thus, it is relatively easy to adopt. The empirical analysis showed that the adoption, benefit of adoption and challenges of adoption of SMEs IFRs by MAPs in the NESI have a significant impact, which is in line with the result of Ezeagba (2017), but against that of Adeyanju 2020 while to the best of the knowledge of the researcher no study was contrary to this finding.

## Conclusion and Recommendations

From the empirical analysis, we discovered that the adoption of IFRS, its benefits, and the challenges associated with it for SMEs are significant. Therefore, the study concluded that the MAPs in the NESI should adopt the IFRS for SMEs to achieve better performance and detailed reporting. The regulatory bodies of the Federal

Inland Revenue Services (FIRS), the Financial Reporting Council of Nigeria, and others should take immediate action to implement the decision, given that the Federal Government had approved its adoption in 2015. Setting a mandatory adoption and implementation timeline is no longer an option. All relevant Nigerian authorities should ensure the implementation takes effect immediately. Banks and other financial institutions have a huge role to play in this regard, considering their regular interface with the organisations. There is no longer time to play the victim in the process. The Central Bank of Nigeria (CBN), in advocating for improving the operational modalities of the SMES in Nigeria, should ensure that all financial activities of these entities are recorded using the mandatory standard (IFRS for SMEs). Enough is enough!

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