Innovations

IFRS Adoption in Nigeria NSMEs: The Effect of Institutional Pressures

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Abstract: *This study attempts to develop a conceptual framework for assessing whether SMEs plan to implement the International Financial Reporting Standards (IFRS). The study conceptualised the link between the variables based on the literature review and the institutional theory. As a result, the analysis offered in this paper will advance knowledge of SME studies and act as a roadmap for research in other countries. Additionally, allow SME owners to gauge their intention toward the IFRS implementation so that regulators and standard-setting bodies can use this information to spot companies that are hesitant or prepared to implement IFRS for SMEs. Furthermore, failing to implement the standards will prevent international comparisons of SME financial statements for investment analysis. Data were analyzed using a sample of 313 SME owners and accountants through SPSS and Smart PLS. The results reveal that coercive and mimetic pressures significantly and positively influence SMEs' intention to implement IFRS, while normative pressure shows no significant effect. These findings support institutional theory, emphasizing the role of regulatory requirements and peer imitation in driving IFRS, while highlighting the relatively weaker influence of professional norms among SMEs. The study offers important theoretical contributions and practical recommendations for policymakers and professional bodies to strengthen regulatory enforcement and peer learning initiatives. Limitations are acknowledged, and directions for future research are suggested, including exploring internal organizational factors and broader comparative studies across sectors and regions.*

Keywords: *International Financial Reporting Standards (IFRS), mimetic pressures, coercive pressures, SMEs*

1.0 Introduction

Indeed, the success of Small and Medium Enterprises (SMEs) does not lie only in the quality of goods or services but in the capability to form partnerships to expand business in a global market (Priambodo et al., 2021). Similarly, according to Zahid and Simga-Mugan (2019), IFRS for SMEs may prove more beneficial in settings with weaker institutions, such as those with poorer governance and regulatory effectiveness. Therefore, small firms in Nigeria stand to gain from more accessible access to foreign capital and investors, bank loans, and good ratings by international credit rating agencies as a result of IFRS for SMEs adoption. In emerging economies, SMEs are often recognized as the engine of economic growth and equitable development (Agwu & Emeti, 2014). Although Al-Htaybat (2018) empirically discovered that the political element could also be a problem in the successful adoption of IFRS, as the internal adoption of an external regulatory system can be met with confrontation.

Similarly, accounting should reflect a country's economic, community, political, cultural, and other regional environmental conditions; accounting practices are now greatly influenced by global phenomena, hence the development of IFRS to harmonize accounting practices worldwide (Perera & Chand, 2015). However, accounting scholars are concerned about whether adopting IFRS, a product of a dominant accounting standard setter, is the accurate decision for a global accounting practice. Meanwhile, accounting is related to culture, and culture is vigorous across jurisdictions and within countries (Edeigba et al., 2018). In addition,Houqe (2018) emphasizes that using a particular set of accounting standards makes financial declarations across adopting nations comparable, which is one of the most significant benefits of IFRS adoption that is frequently stated. Other advantages, such as increased international trade, foreign investment, and portfolio diversification by securities investors, should result from such similarity.

Additionally, small-scale businesses contribute to the economy's development, particularly in Nigeria, regarding employment and income opportunities for the citizens(Nden, 2019).In Nigeria, SMEs comprise 84% of all employment possibilities and 96% of all business enterprises, accounting for over 50% of the country's GDP, with a total of around 17.4 million (PwC MSME survey, 2020).

Moreover, due to these influences, SMEs could feel compelled to emulate the behaviors of leading industry members and conform. Moreover, institutional theory explains how businesses behave under institutional pressure from stakeholders like regulators and competitors (Delmas et al., 2004). Therefore, institutional pressures result from the institutional context and encourage businesses to follow standard practices.

Equally, an individual's propensity to adopt organizational change affects their level of change readiness. Therefore, reforming proficiency also involves the organization's proficiencies, capabilities, and expertise to achieve all needed activities to adopt change successfully. Employee preparation for change should include employee preparedness and encouragement (Øygarden & Mikkelsen, 2020). Indeed, organizational readiness can be reliably and adequately assessed at the start of a change endeavor. In that case, it could be used to measure changes in readiness indicators over time to evaluate the effectiveness of adoption support activities (Weiner, 2009). Combining managerial competence and organizational resources also improves the organizational capacity to accomplish the desired goal (Grant, 1991). In addition, poor execution of new strategies is the primary reason for the high failure rate of organizational initiatives in a dynamic corporate environment (Jooste & Fourie, 2009). Consequently, to ensure adoption preparedness, a successful strategy is expected to be required.

Likewise, assessments of organizational preparedness have a long history of being developed as critical sustenance tools for effective implementation (Miake-lye et al., 2020). Therefore, a readiness assessment systematically considers an organization's ability to carry out possible sustainability quality improvement by identifying the organization's potential weaknesses and assisting in reducing or eliminating these weak areas before implementation (Bhakar et al., 2020). In addition, the increased societal pressure will encourage SMEs to adopt the standard to offset some of the rising compliance expenses. Hence, the management team's ability to allocate resources, create decision-making procedures, implement appropriate adoption methods, close the adoption skill gap, and gather external support is crucial to the success of IFRS implementation in SMEs (Moeuf et al., 2019). Moreover, before executing any change event, examining employee perceptions of preparedness across all organizational divisions and determining whether they are ready is essential.

In Nigeria, SMEs were statutorily required to issue financial reports based on the IFRS format at the end of December 2014 (Ayuba, 2012). As a result, FRCN (FRC Act, 2011) has replaced the Nigerian Accounting Standard Board (NASB). Also, Statement of Accounting Standards (SASs) is no longer to be used, and the schedule 2 requirements of the Act do not follow IFRS' format requirements for balance sheets and profit and loss statements (Ofoegbu, 2015). All these are measures put in place by the regulatory authority to ensure the successful adoption of the IFRS.

Similarly, adoption will not be successful unless those adopting it recognize its importance and have assurance in their capacity to do so (Savlovschi, 2011). Therefore, it is necessary to provide an insight into the readiness of SMEs to adopt IFRS (Edeigba et al., 2018). Again, the lack of this will make the adoption of IFRS by SMEs unsuccessful and thereby make a comparison of their financial statements worldwide and access to loans difficult (Jermakowicz et al., 2009). Thus, an organizational readiness assessment formally examines a firm's readiness to undergo significant changes. It enables businesses to assess if they are prepared for a change and have the ability and resources to adopt it (Gallagher, 2019)

The current work focuses on external causes that influence SMEs' decisions to adopt IFRS because there has been an apparent disparity between the amount of research that has looked at internal drivers and external forces.

The research questions below are addressed in this work:

RQ1: Do mimetic pressure has a positive impact on the intention of SME owners/managers to adopt IFRS?

RQ2: Do coercive pressure has a positive impact on the intention of SME owners/managers to adopt IFRS?

RQ3: Do normative pressure has a positive impact on the intention of SME owners/managers to adopt IFRS?

The current study, which was motivated by the problems, aims to deepen our understanding of IFRS systems and classify the influencing variables that led to its acceptance by Nigerian SMEs—using a theoretical framework based on institutional theory. The primary goal of this research is to comprehend the variables that may affect SMEs in implementing IFRS. This study makes a variety of contributions. First, by focusing on implementing IFRS in Nigeria, this study fills a gap by providing practical information on the factors that affect SMEs' willingness to use IFRS. Moreover, as a result of identifying the elements that influence SMEs' intention to adopt the standard, the research's recommendations will help them assess how well-prepared they are.

2.0 Literature Review and Hypotheses

IFRS-related research and practical activities are overflowing, yet few academic studies examine IFRS adoption among SMEs. Most academic research has concentrated on identifying the variables and difficulties that arise when implementing IFRS in large business entities(Mengistu, 2020; Osinubi, 2020).

IFRS for SMEs

The IASB (2015) has created and published a separate standard for general-purpose financial statements and other financial reporting by entities, including SMEs, private entities, and non-publicly accountable entities. The IFRS for SMEs is based on the entire IFRS with changes to address the demands of SMEs' financial statement users and cost-benefit analysis.

Section 1, Small and Medium-sized Entities, defines and explains the phrase "small and medium-sized entities" used by the IASB. Many authorities worldwide have created their definitions of SMEs for various reasons, including imposing financial reporting requirements. Those national or regional definitions frequently incorporate quantitative criteria based on revenue, assets, personnel, or other considerations. SMEs commonly refer to or include tiny businesses, regardless of whether they produce general-purpose financial statements for external consumers.

Financial statements are produced by SMEs solely for the owner-managers or the use of tax agencies or other organizational entities. Financial statements organized only for those purposes are not necessarily those that can be used for other objectives. Each authority's tax regulations are unique, and the goals of general-purpose financial reports differ from the objectives of reporting taxable earnings. As a result, financial statements prepared under the IFRS for SMEs are unlikely to comply entirely with all the measures required by an authority's tax laws and regulations. By structuring tax reports as reconciliations from profit or loss computed under the IFRS for SMEs and other means, a jurisdiction may be able to reduce the 'dual reporting burden' on SMEs.

SMEs, according to Pacter (2015), are entities that are not currently in the process of offering debt or equity securities for community trade; secondly, they do not maintain assets in a fiduciary position for a large number of outsiders as a primary business; that have an annual turnover of not more than N500 million (about $3 million) or such other amount as the Corporate Affairs Commission (CAC) may determine; that has a total asset value of not more than N200 million (about $1 million) or such other level as the CAC may determine; that have no foreign members on its Board of Directors; that do not include a government, a government corporation or agency, or its candidate as a member; and lastly, its board of directors owns at least 51% of its equity share capital.

Legislative and controlling bodies and standard setters in particular countries decide whether entities are required or permitted to adopt the IASB's Standards. Moreover, this applies to both the full and the IFRS for SMEs (Pacter, 2015). However, as stated, a precise definition of the class of company for which the IFRS for SMEs is designed is required, such that:

i. The IASB has the authority to determine which method of accounting and disclosure rules are appropriate for that type of entity; and
ii. The anticipated scope of applicability of the IFRS for SMEs will be transmitted to legislative and monitoring authorities, standard-setters, reporting organizations, and their auditors (IASB, 2015).

Intention to implement IFRS

Recent studies have utilized institutional theory to investigate how developing economic businesses adapt to new financial accounting standards.In the study conducted by (Li & Wang, 2018)Liu et al. (2010)

Institutional theory

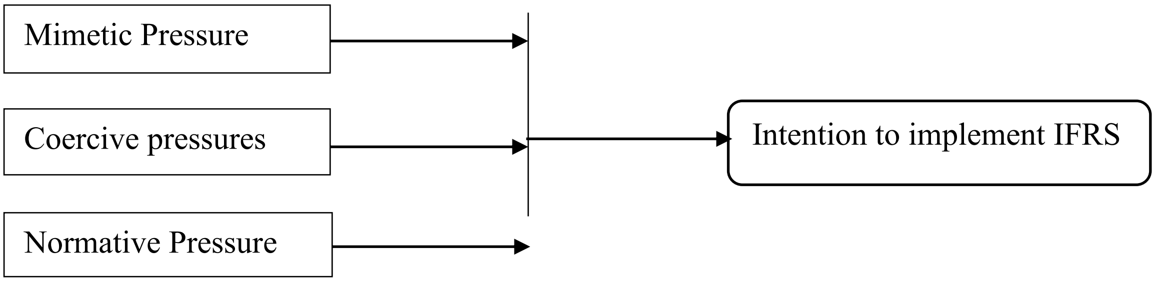
Institutional theory emphasizes that organizational activities or decisions are more influenced by external (environmental) influences and the demand for legitimacy than by effectiveness or efficiency(DiMaggio & Powell, 1983). Thus, institutional decisions are influenced by an organizational goal and other social factors, such as pressures from political and social sources (Oliver & Oliver, 1997). Therefore, depending on the institution, the organizations may be impacted by various forces, such as internal organizational dynamics or external environmental influences. The three basic categories of institutional pressures are coercive, normative, and mimetic (Dubey et al., 2019). Similarly, institutional theory has gained popularity as a strong justification for individual and organizational behavior (Dacin & Scott, 2002). However, the institutional theory critiqued by Dacin and Scott (2002) contends that the approach primarily emphasizes homogeneity and persistence while paying less attention to the influence of interest and agency on behavior. Of course, it is commonly acknowledged that pressure from trading partners has a significant role in adoption (Karlsson & Kolkowska, 2013).

Institutional theory describes three major pressure dimensions. (Dubey et al., 2019)(i.e., institutional pressures) that compel and influence the rate of adoption of a technology or innovation, resulting in homogeneity or isomorphism in the organizational processes, structures, and strategies (particularly those in the neighborhood and the same sector of the economy)

These parameters include coercive pressure (CP), which is used by a structure on which an organization depends, whether formal for cesor informal or low pressures—mimetic pressure (MP), which results from copying others in a related industry. Normative pressures (NP), which result from social demands on businesses and their members, cause them to adapt to particular norms(DiMaggio & Powell, 1983).Institutional theory is ideally suited to study how external conditions affect organizational behaviour. (Li & Wang, 2018). SMEs may adhere to particular business changes in order to gain legitimacy within an industry.

Some research incorporated institutional theory into the TOE framework's environmental components as pressure from rival companies or business partners(Oliveira & Martins, 2010). Similarly, employed the TOE framework and institutional theory to analyze the factors influencing e-business intent to adopt and discovered evidence highlighting the significance of competitive pressures

In response to coercive, mimetic, and normative forces, Tanko discovered that countries switch from indigenous GAAP standards to IFRS standards(Judge et al., 2010).



Model of the current study

2.1.1. Mimetic Pressure and Adoption of IFRS

Mimetic forces, one of the institutional factors, refer to the imprecise objectives and misunderstood technology (IFRS) that encourage businesses to benefit from outside expertise by modelling their strategies after those of successful competitors(Mitra & Singhal, 2008).DiMaggio and Powell (1983) emphasize that organizations may take inspiration from other organizations seen as legitimate or successful when their goals are vague or when there is a high level of environmental uncertainty. Therefore, mimetic isomorphism examines instances in which businesses emulate rival businesses that they perceive to be legal and successful in their operations. Particularly, businesses could attribute the victories of their rivals to their strategic decisions, replicating these successful rivals' acts and behaviours by adopting similar norms and conduct(Li & Wang, 2018).According to researchers, adopting IFRS is influenced by mimetic pressures that many international firms create(Albu et al., 2011).

Mimetic isomorphic pressures have been found to impact the adoption of IFRS, with Ritsumeikan (2011) and Kossentini and Othman (2014) drawing this conclusion. This pressure is a significant factor in IFRS adoption rates across firms.

Hypothesis 1 (H_1). Mimetic Pressure has a positive impact on the intention to implement IFRS.

Coercive pressures and Adoption of IFRS

Coercive pressures are a collection of legal pressures, like rules and regulations from the government, or informal pressures, like industry influence, that are applied to organizations by other organizations on whom they are dependent(Li & Wang, 2018).Coercive pressures are demands made by stakeholders such as suppliers and customers, as opposed to normative pressures, which outside parties impose. According to Liu et al. (2010), when an organisation is deciding whether to adopt a change like IFRS, it will attempt to gather data about institutional expectations and norms, use the data to assess the potential costs and benefits of adopting the IFRS, and position itself accordingly to guard against uncertainties. Therefore, according to institutional theory, coercive isomorphism arises due to demands placed on countries or organisations by other groups considered to be the most powerful.(Sellami & Gafsi, 2018)showed that the demands of international finance institutions encourage developing countries to adopt IFRS for SME.In contrast, (Kaya & Maximilian Koch, 2015)discovered that coercive isomorphism has no impact on adopting IFRS for SMEs.

Hypothesis 2 (H_2). Coercive pressure has a positive impact on the intention to implement IFRS

Normative Pressure and Adoption of IFRS

Normative pressures result from the desire to belong to the professional member collective(DiMaggio & Powell, 1983).A firm's choice to adopt IFRS may be influenced by pressure from other firms, including competitors, suppliers, members of professional associations, and governmental agencies, through relationships among network members. As emphasized by (Lutfi, 2020), businesses are expected to conform to professionalism and adopt practices deemed reasonable by relevant professional groups captured by this type of pressure. Professional organizations establish these standards through education, certification, and professional processes. According to Liu et al. (2010),organisations will align with normative pressures and be more likely to adopt cutting-edge technologies if this pressure material is esto maintain access to organisational resources, avoid being locked out of cooperative relationships, and avoid being locked out of relationships altogether. Therefore, when normative pressures is high, corporations frequently adopt new technologies under pressure from competing firms rather than on their own internal assessments of the technology's potential benefits and efficacy.

Hypothesis 3 (H_3). Normative Pressure has a positive impact on the intention to implement IFRS

Research Methodology

The study aimed to identify and examine the attitudes of persons involved in adopting IFRS for SMEs in Nigeria toward the standard and the factors that affect its adoption.

The firm served as the unit of analysis in this study because it was focused on how firms perceived the implementation of IFRS, with the owner/manager as the targeted respondent. Five-point Likert scale questionnaire items were used to gather respondents' information and measure the investigated constructs. The PLS-SEM method was utilized in this work to examine the hypotheses. A multivariate statistical method called PLS-SEM enables the concurrent evaluation of numerous variables in a single model. Because this study is focused on how a firm perceives the application of IFRS, the firm serves as the unit of analysis, and managers were chosen as the intended respondents.

Result

Profile of the respondents

Respondents' profiles show that most respondents (53.6%) are between the ages of 31 and 40, while those in the 26–30 age range are also strongly represented (13.1%). Owners and managers comprise the most significant percentage of roles held within businesses (60.1%), followed by accountants (39.9%). Most businesses (80.2%) employ 10–49 people, suggesting that small and medium-sized businesses are more common. There is a relatively balanced distribution of years in the current business and year of establishment across various durations, which reflects different stages of business maturity. Regarding company ownership legal status, the majority are private limited liability corporations (16.3%) and sole proprietorships (41.2%). Given that a sizable majority of respondents (74.1%) had completed postsecondary education, the sample's high level of educational achievement is highlighted. According to the industry split, wholesale/retail commerce has a significantly greater proportion (62.9%) than manufacturing (37.1%). Regarding finances, many businesses claim yearly net profits of more than ₦1,500,000 (40.6%), suggesting that respondents' financial performance varied.

Descriptive Statistics of Variables

Descriptive data, including mean scores and standard deviations, for the study's primary constructs are displayed in Table 1. Respondents generally showed a moderate degree of agreement with the desire to apply IFRS. According to the mean values, they felt normative, coercive, and mimetic pressures, which ranged from 3.00 to 3.25. A fair distribution of responses is shown by the standard deviations, close to 1, indicating variations in participants' judgments of the various notions.

Table 1: Descriptive Statistics of Variables

Construct	Mean	Std. Deviation
Intention to implement IFRS	3.2032	1.01948
Normative Pressure	3.0032	.95909
Coercive pressures	3.2524	1.04826
Mimetic Pressure	3.1837	.98598

Correlation of the study Variable

Table 2 presents the correlation analysis for the study variables, highlighting that all relationships are positive and statistically significant at the 0.01 level. Coercive pressures showed the strongest correlation to adopt IFRS (r = .657), followed by mimetic pressures (r = .603) and normative pressures (r = .517), suggesting that institutional pressures significantly influence SMEs' adoption intentions. Furthermore, strong interrelationships among the institutional pressures, particularly between coercive and mimetic pressures (r = .766), indicate that these forces often shape SMEs' adoption behavior.

Table 2: Correlation of the study variables				
Construct	Intention to implement IFRS	Normative Pressure	Coercive pressures	Mimetic Pressure
Intention to implement IFRS				
Normative Pressure	.517**			
Coercive pressures	.657**	.660**		
Mimetic Pressure	.603**	.682**	.766**	
**. Correlation is significant at the 0.01 level (2-tailed).				

Measurement Model Evaluation

Smar-tPLS 3.0 software was used to examine the research model, particularly emphasizing the measurement and structural models. The route coefficients and loadings were evaluated using the bootstrapping technique. Convergent validity was determined by evaluating both discriminant and convergent validity. Convergent validity was confirmed by the loadings of all constructs exceeding 0.7, composite reliability, and average variance extracted (AVE) exceeding 0.5 (Hair et al., 2014). (See Table 3 and Figure 1).

Table 3 Convergent validity				
Constructs	Items	Loadings	Composite Reliability	Average Variance Extracted (AVE)
Coercive pressures	COP1	0.863	0.904	0.758
	COP2	0.895		
	COP3	0.854		
Intention to implement IFRS	INTIFSR1	0.838	0.921	0.701
	INTIFSR2	0.847		
	INTIFSR3	0.850		
	INTIFSR4	0.797		
	INTIFSR5	0.852		
Mimetic Pressure	MIP1	0.780	0.908	0.712
	MIP2	0.876		
	MIP3	0.854		
	MIP4	0.863		
Normative Pressure	NOP1	0.837	0.866	0.683
	NOP2	0.782		
	NOP3	0.858		

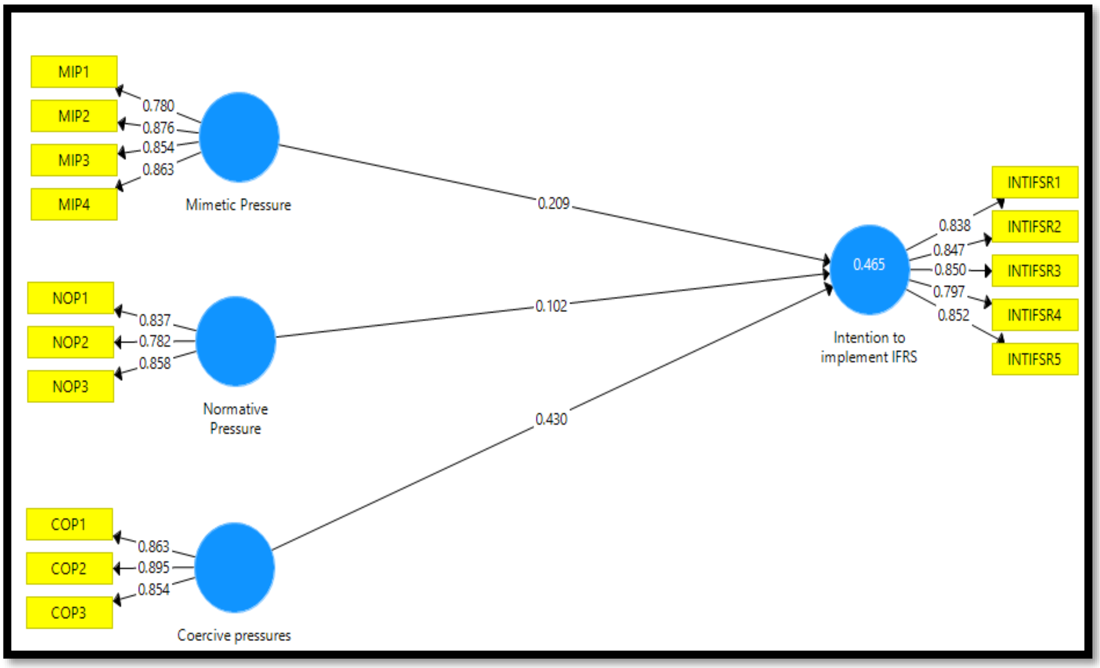


Figure 1: Measurement Model

Discriminant Validity HTMT Ratio

The HTMT ratio was explored since it is considered the best tool for determining discriminant validity (Henseler et al., 2015). The HTMT criteria show that discriminant validity is achieved in this investigation. All correlations fell within the acceptable range of 0.85, as shown in Table 4 (Henseler et al., 2015).

Table 4 Heterotrait-Monotrait Ratio (HTMT)				
Construct	Coercive pressures	Intention to implement IFRS	Mimetic Pressure	Normative Pressure
Coercive pressures				
Intention to implement IFRS	0.757			
Mimetic Pressure	0.898	0.685		
Normative Pressure	0.819	0.624	0.835	

Structural model

Table 5 presents the results of the structural model analysis examining the effects of institutional pressures on the intention to adopt IFRS among SMEs in Nigeria. The findings show that coercive pressures have a strong and significant positive influence on the intention to implement IFRS (β = 0.430, p = 0.000), as does mimetic pressure, though to a lesser extent (β = 0.209, p = 0.000), with both relationships being statistically supported. However, normative pressure does not significantly impact the intention to implement IFRS (β = 0.102, p = 0.108), as its p-value exceeds the 0.05 threshold, leading to the hypothesis being not supported.

Table 5 Results of the structural model						
Relationship	**Beta Value**	**T Statistics (|O/STDEV|)**	**P Values**	**2.5%**	**97.5%**	**Decision**
Coercive pressures -> Intention to implement IFRS	0.430	7.528	0.000	0.312	0.530	Supported
Mimetic Pressure -> Intention to implement IFRS	0.209	3.591	0.000	0.099	0.331	Supported
Normative Pressure -> Intention to implement IFRS	0.102	1.610	0.108	-0.017	0.228	Not Supported

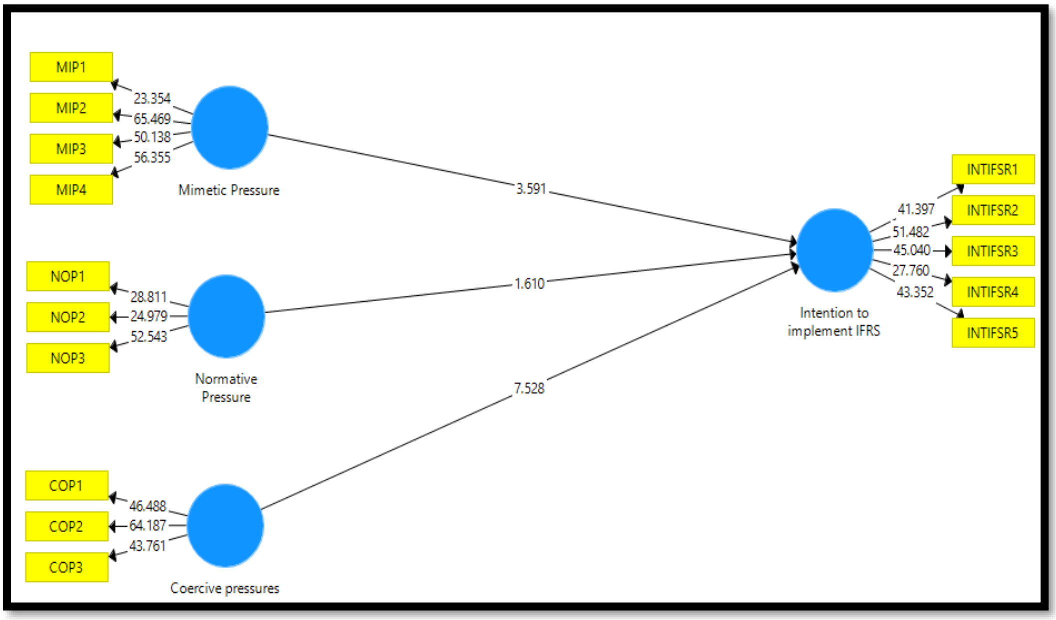


Figure 2 Structural Model Direct Effect

PLS Predict

Table 6 presents the results of the PLS predict analysis, assessing the predictive performance of the PLS-SEM model for the intention to implement IFRS among Nigerian SMEs. The Q^2_predict values for the five indicators (INTIFSR1 to INTIFSR5) range from 0.246 to 0.348, all exceeding zero, indicating the model has predictive relevance for these indicators. According to Shmueli et al. (2019), Q^2_predict values above zero suggest that the model's predictions are better than using the mean as a benchmark, signifying acceptable predictive performance. The indicators' Root Mean Square Error (RMSE) values range from 0.959 to 1.050, while the Mean Absolute Error (MAE) values range from 0.736 to 0.811. These error metrics provide insights into the average magnitude of prediction errors, with lower values indicating better predictive accuracy. As per Shmueli et al.

(2019), comparing these values to those from a linear model (LM) benchmark can further contextualize the model's predictive power. If the PLS-SEM model yields lower RMSE and MAE values than the LM for most indicators, it is considered to have medium predictive power. Additionally, the Mean Absolute Percentage Error (MAPE) values, which range from 32.265% to 41.210%, offer a percentage-based perspective on prediction errors. While no universal threshold exists for MAPE, values below 50% are generally considered acceptable in social science research contexts. Collectively, these metrics suggest that the PLS-SEM model demonstrates moderate predictive capability for the intention to implement IFRS among Nigerian SMEs.

Table 6 PLS Predict				
	RMSE	MAE	MAPE	Q^2_predict
INTIFSR1	0.995	0.805	36.629	0.348
INTIFSR2	0.959	0.736	32.265	0.318
INTIFSR3	0.994	0.778	35.356	0.328
INTIFSR4	1.045	0.811	37.488	0.246
INTIFSR5	1.050	0.805	41.210	0.339

R Square

Table 7 shows the R Square (R^2) and Adjusted R Square values for the construct "Intention to implement IFRS." The R^2 value of 0.465 indicates that approximately 46.5% of the variance in SMEs' intention to implement IFRS is explained by the institutional pressures (coercive, mimetic, and normative pressures) included in the model. The Adjusted R^2 value of 0.459 slightly corrects for the number of predictors in the model, providing a more accurate measure of the model's explanatory power when multiple predictors are used. According to Hair et al. (2019), an R^2 value between 0.25 and 0.50 is considered moderate in social sciences research, suggesting that the model has a reasonable level of explanatory strength.

Table 7 R Square		
Construct	R Square	R Square Adjusted
Intention to implement IFRS	0.465	0.459

Effect-size (f^2)

Table 8 presents the f^2 effect sizes for the relationships between institutional pressures and the intention to implement IFRS among Nigerian SMEs. The f^2 value for coercive pressures is 0.127, indicating a small to medium effect size. Mimetic pressure has an f^2 of 0.029, reflecting a small effect, while normative pressure exhibits an f^2 of 0.009, suggesting a negligible effect. According to Cohen's (1988) guidelines, f^2 values of 0.02, 0.15, and 0.35 correspond to small, medium, and large effect sizes, respectively. These findings imply that coercive pressures substantially impact SMEs' intention to adopt IFRS more than mimetic and normative pressures.

Table 8 f Square	
Construct	Intention to implement IFRS
Coercive pressures	0.127
Mimetic Pressure	0.029
Normative Pressure	0.009

Construct Cross Validated Redundancy

Table 9 presents the cross-validated redundancy (Q^2) values for the constructs in the study, assessing the model's predictive relevance using the blindfolding procedure in PLS-SEM. The Q^2 value for "Intention to implement IFRS" is 0.321, indicating medium predictive relevance, as values above 0.25 indicate medium predictive power (Hair et al., 2019). However, the Q^2 values for "Coercive pressures" and "Mimetic Pressure" are zero, suggesting that the model lacks predictive relevance for these constructs. According to Shmueli et al. (2019), Q^2 values greater than zero signify the model has predictive relevance for a specific endogenous construct (Henseler et al., 2015).

Table 9 Construct Cross Validated Redundancy			
Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
Coercive pressures	939.000	939.000	
Intention to implement IFRS	1565.000	1063.327	0.321
Mimetic Pressure	1252.000	1252.000	

Discussion

The results of this study provide important insights into the role of institutional pressures on the intention to adopt International Financial Reporting Standards (IFRS) among SMEs in Nigeria. Specifically, coercive pressures were found to have a substantial positive effect on IFRS adoption intention. This finding aligns with institutional theory, which posits that coercive pressures—from formal regulations, government mandates, and financial authorities—drive organizations to conform to externally imposed norms and practices (DiMaggio & Powell, 1983; Dubey et al., 2019). In the Nigerian context, regulatory demands by government agencies, financial institutions, and professional bodies likely compel SMEs to consider IFRS adoption seriously to gain legitimacy, access financial support, and comply with legal requirements (Sellami & Gafsi, 2018).

Similarly, mimetic pressures significantly and positively influenced SMEs' adoption of IFRS. According to institutional theory, organizations often imitate successful peers in situations of uncertainty to enhance their legitimacy and competitiveness (DiMaggio & Powell, 1983). This study's findings are consistent with previous research by Hassan and Rankin (2016), who observed that SMEs in developing economies often emulate larger or more successful companies that have already adopted IFRS, perceiving it as a strategy for survival and growth. In Nigeria, the influence of mimetic pressures suggests that SMEs are motivated by the perceived benefits experienced by early adopters, such as improved credibility, easier access to international markets, and enhanced financial transparency (Lutfi, 2020; Li & Wang, 2018).

On the other hand, normative pressures were not found to impact SMEs' intention to adopt IFRS significantly. This result contrasts with some prior studies (e.g., Judge, Li, & Pinsker, 2010), which emphasized the role of professional values, education, and industry norms in encouraging IFRS adoption. One possible explanation for this difference is that SMEs in Nigeria might emphasize professionalization and peer expectations less than larger firms. Given that many SMEs may lack strong ties to professional accounting bodies or formal financial training, normative influences such as ethical standards and best practices may have a weaker effect than direct regulatory or competitive pressures (Judge et al., 2010).

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Overall, the findings reinforce the applicability of institutional theory in explaining IFRS adoption behavior among SMEs in emerging economies like Nigeria. Coercive and mimetic pressures appear to be primary drivers, reflecting the importance of external compulsion and imitation in shaping organizational practices. These results suggest that policymakers and regulators aiming to promote IFRS adoption among SMEs should strengthen regulatory frameworks and showcase success stories of IFRS adopters. Additionally, professional accounting bodies may need to enhance their engagement with SMEs to increase the influence of normative pressures over time through education, training, and awareness campaigns (Li & Wang, 2018).

Theoretical implication

The findings of this study offer significant theoretical implications by reinforcing the relevance of institutional theory in explaining IFRS adoption among SMEs in emerging economies like Nigeria. The results confirm that coercive and mimetic pressures are critical drivers of SMEs' intention to adopt IFRS. This supports DiMaggio and Powell's (1983) proposition that organizational behavior is heavily shaped by external regulatory forces and the tendency to imitate successful peers under uncertainty. However, the non-significant role of normative pressure suggests that the influence of professional norms and ethical expectations may be weaker in contexts where SMEs have limited formal connections to professional accounting bodies. This divergence highlights the need to further refine institutional theory applications in SME contexts. This suggests that the strength of different institutional pressures may vary based on organizational size, maturity, and market environment.

Practical Implications

The findings of this study provide important practical implications for policymakers, regulators, and professional accounting bodies aiming to enhance IFRS adoption among SMEs in Nigeria. Since coercive pressures significantly influence adoption intention, regulatory authorities such as the Financial Reporting Council of Nigeria (FRCN) should strengthen and consistently enforce IFRS-related policies and compliance frameworks. Clear guidelines, early adoption incentives, and non-compliance penalties could motivate more SMEs to transition to IFRS. Additionally, access to government support programs, funding opportunities, and tax incentives linked to IFRS compliance could further encourage SMEs to prioritize adoption. These steps would increase compliance rates and improve the quality of financial reporting and the credibility of SMEs in the Nigerian economy.

Furthermore, the significant role of mimetic pressures suggests that showcasing success stories and best practices from SMEs that have already adopted IFRS could be an effective strategy. Business associations, chambers of commerce, and accounting professional bodies can organize workshops, seminars, and peer learning sessions where successful adopters share their experiences and the benefits they have gained. By creating platforms for knowledge-sharing and peer influence, hesitant or uncertain SMEs may feel more confident in embracing IFRS. Since normative pressures were found to be less influential, efforts should also be made to strengthen professional ethics and financial literacy among SME owners and managers through continuous education, training programs, and professional certifications, ensuring a more sustainable and voluntary movement towards IFRS adoption in the long term.

Limitations and Suggestions for Future Studies

This study is limited by its focus on SMEs in Nigeria, which may affect the generalizability of the findings to other countries or larger firms. Additionally, it considered only institutional pressures, without exploring other potential factors like organizational resources, leadership style, or technological readiness. Future studies could expand the model by incorporating these internal factors and conducting comparative analyses across different industries or regions to deepen understanding of IFRS adoption dynamics.

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