Readiness of Implementers to Adopt IFRS for SMEs and the Role of Digital Finance: Evidence from North Shewa Zone, Ethiopia

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Abstract

In the era of rapidly evolving financial technology, digital finance plays a growing role in shaping financial reporting practices and standards adoption. This study investigated the readiness of implementers of IFRS for SMEs in the North Shewa Zone, Oromia, to adopt the standard and the role of digital finance. Descriptive statistics and inferential statistics were used to analyze the acquired data. Interview and focus group data were analyzed qualitatively. Using Stata version 14, mean value and binary logistic regression were used to analyze quantitative data. The study found that implementers were not ready to adopt IFRS for SMEs in the study area. Government policy, cost of conversion, Awareness, Education, and Training are the main factors that significantly affected the readiness of implementers to adopt IFRS for SMEs in the study. Thus, it is highly recommended that AABE, MOF, the Oromia Office of Auditor General, the association of accounting professionals, and The National Bank of Ethiopia (NBE), which is the primary entity overseeing and implementing digital finance in Ethiopia, solve all stated problems jointly.

Keywords: Adoption, Readiness, International reporting standard, Implementers, Enterprise

1. Introduction

The financial and accounting sector experienced a substantial transformation through digital finance innovations because they provide SMEs with tools to simplify their financial reporting needs. SMEs benefit from real-time financial record-keeping through cloud accounting applications, mobile banking, and digital payment systems, which enhance operational transaction management. These technological tools are suitable for meeting IFRS for SMEs information requirements, which reduces the difficulty of implementation. The regions of

North Shewa Zone face restricted digital finance adoption rates because of inadequate infrastructure, low digital skills among users, and sporadic internet availability. The digital divide becomes a barrier that prevents implementers from experiencing maximum value from technology systems that help achieve IFRS compliance requirements. The path toward financial reporting modernization in Ethiopia requires comprehensive analysis of digital finance readiness and International Financial Reporting Standards adoption because this insight will facilitate smooth transitions primarily within resource-limited SMEs and their financial practitioners as per GPFI (2021) and World Bank (2022).

Due to their enormous contribution to economic development, SMEs are the primary drivers of global economies. Tsegaye (2021) asserts that as economic trade, businesses, and financial markets become more globally connected, users whose decisions have an increasingly global scope may find that the financial information prepared following a national accounting system no longer meets their needs. Due to the globalization of the world, SMEs today require comparable financial information, necessitating the creation of a different set of financial reporting standards. However, a reorganized and cost-effective strategy is necessary due to the knowledge, expertise, and financial resources required to apply international financial reporting standards to smaller organizations (Wijekoon et al., 2022). Ethiopia has adopted international financial reporting standards (both full-IFRS and IFRS for SMEs) to create standard financial reports since December 2014, as stated in Proclamation No. 847/2014, Article 5(1). As a result, the Ethiopian government issued this proclamation to centralize the previously decentralized financial reporting structures of Ethiopia to establish a sound, transparent, accountable, and understandable financial reporting system applicable to entities in both the private and public sectors to have uniform financial reporting (AABE, 2016). The Ministry of Finance and Economic Development, presently known as the Ministry of Finance, founded AABE following Proclamation No. 847/2014 (Art. 3/2 of Regulation 332/2014) to follow up and support the implementation of the standards.

The following goals must be met under the Board, per Article 5 of Regulation 332/2014: (1) fostering high-quality financial and associated data dissemination by reporting entities; 2) fostering the highest professional standards among auditors and accountants; 3) fostering the standard of accounting and auditing services; 4) ensuring that the accounting profession is used in the public interest, and 5) safeguarding the independence of accountants and auditors. The readiness and impression of IFRS for SMEs in Turkey were researched by Kiliçaa et al. (2014). According to the study's conclusions, accountants are well-versed in the significance of IFRS for SMEs. However, the primary reasons for postponing adoption from 2013 to 2014 are education level, a lack of sufficient training, and the expense of conversion. These are the hurdles to implementing IFRS for SMEs that are believed to be the most significant. Nguyen et al. (2020) claim that the complexity of IFRS is a major obstacle to its implementation. The issues are data asymmetry, the lack of suitable technology that can insert accounting information with the requirements of IFRS, the lack of suitable training, and the lack of understanding necessary to apply the standard realistically. The main issues with implementing full IFRS in Ethiopia have been noted to be high adoption costs, the complexity of IFRS, inadequate instructions and oversight from regulatory bodies, a lack of capacity among accounting professionals, a lack of preparation to implement within the Board's allotted timeframe and a lack of commitment from the leadership (Gelaye, 2019; Nguyen et al., 2020; Tesfu, 2012; Tsegaye, 2021).

One of the most significant players in the adoption and execution of complete IFRS and IFRS for SMEs is the accounting profession. Their cooperation and dedication are essential for a successful adoption procedure. The cooperation of entities, regulatory agencies, and accounting professionals will overcome the issues and challenges in the adoption and implementation process. Therefore, a successful adoption process will greatly depend on how well-prepared they are and how they perceive IFRS in general and IFRS for SMEs in particular (Tsunogaya et al., 2015). Numerous studies have been conducted concerning the adoption of full IFRS and IFRS for SMEs in different countries around the world. However, most of these studies focused on the challenges of IFRS implementation. Some studies have been conducted on the challenges and adoption of IFRS from the point of view of developing countries, such as Ethiopia. However, as far as we know, no study has been conducted on the same issue in the study area or at the country level.

Another main issue in Ethiopia is that AABE has prepared an IFRS implementation roadmap with a three-phase transition over 3 years: Where in phase one Significant Public Interest Entities (Financial Institutions and public enterprises owned by Federal or Regional Governments) starting at the start of Ethiopia's Fiscal Year (EFY) 2009 (specifically July 8, 2017); Phase two Other Public Interest Entities (ECX member companies and reporting entities that meet PIE quantitative thresholds) and Charities and Societies adoption of IPSAS from the start of EFY 2010 (specifically July 8, 2018) and phase three Small and Medium-sized Entities adoption of the IFRS for SMEs at the start of EFY 2011 (specifically July 8, 2019). However, except for financial institutions and some charities and societies, most of the private and public sectors in Ethiopia are not trying to implement IFRS as per the AABE roadmap. Since the first five-year road map plan expired ineffectively, the AABE again prepared a directive to provide the criteria for identifying reporting entities and registration directive no. AABE 804/2013, which extends the implementation period of IFRS for SMEs from 2016 E. C. Even if all these challenges are observed in the adoption and implementation process of IFRS, especially IFRS for SMEs, there has been no study conducted on the readiness of implementers of IFRS for SMEs in Ethiopia, particularly in the North Shewa Zone, Oromia, to control the challenges from the beginning. Thus, this study was conducted to fill this gap by examining the readiness of implementers of IFRS, particularly IFRS for SMEs, starting from the rescheduled period of 2016 (Ethiopia calendar) in Ethiopia and the particular study area.

2. RELATED LITERATURE

Basics of IFRS for SME

Over 95% of all businesses worldwide are thought to be small and medium-sized entities (SMEs), and the IFRS for SMEs was created to cater to their needs and capacities. The IFRS for SMEs is less challenging than the complete IFRS and numerous national GAAPs in several dimensions. (Vasek, 2011). The IASB describes SMEs as entities that are not publicly responsible and issue financial statements for the general purpose of their external users in their publication of IFRS for SMEs. These non-managerial owners' present and potential creditors and credit rating agencies are examples of these external users. Because IFRS for SMEs was exclusively intended for small and medium-sized businesses, publicly accountable enterprises cannot utilize it.

The Role of Digital Finance in IFRS for SMEs Implementation

The application of digital finance systems supports IFRS for SMEs implementation by offering both affordable and easy-to-use digital solutions that optimize financial reporting procedures. SMEs can achieve better IFRS compliance through cloud-based accounting platforms and mobile financial applications that integrate with digital payment systems to handle all financial information efficiently (IFC, 2020). Digital tools minimize human error while improving accurate real-time reporting and also support IFRS for SMEs' mission for creating transparent financial statement reporting. Digital finance encourages SME implementers to build financial competence through its educational resources, template systems, and performance analytics dashboards, which help them conduct IFRS-based reporting (GPFI, 2021). Ethiopia, along with other emerging countries, encounters SME hurdles related to scarcity of accounting knowledge, high implementation expenses and insufficient awareness about financial standards; nevertheless, digital finance creates a robust platform for standard implementation if the necessary digital infrastructure gains sufficient penetration throughout national regions (World Bank, 2022). Digital finance integrated into accounting systems functions both as an advanced technology and as a strategic instrument to promote IFRS for SMEs implementation in environments with limited resources.

Theoretical concerns

In the 1970s, the process of harmonizing international accounting began. Due to the expansion of foreign business activities and rising participation in the global financial market, financial reporting must be more comparable and transparent (Nobes, 2008). The openness and comparability of a company's report to other companies utilizing international standards are improved by implementing accounting practices that are in line with those standards. The expansion of economic globalization and the need for substantial financial markets to support governmental privatization programs are the primary forces behind the creation and implementation of international standards for accounting. As a result, these standards enable us to compare corporate financial performance across national boundaries and improve the effective use of resources (Zakari, 2014).

General purpose financial statements for all profit-oriented companies and other financial reporting adhere to IFRS, which is the standard for disclosing financial results (Yitayew, 2016). The word "IFRS" refers to International Financial Reporting Standards (IFRS) created by the IASB, International Accounting Standards (IAS) provided by the IASC, and interpretations published by the IASB's Standing Interpretations Committee (SIC) and International Financial

Reporting Interpretations Committee (IFRIC). In response to the start of globalization and the expanding demand for transparent, comparable financial information in the markets, the IASC was reorganized in 2001 by creating the International Accounting Standards Board (IASB), among other changes (Nguyen et al., 2020; Zango et al., 2015). The IASB is responsible for developing a single set of high-quality, comprehensive, and enforceable worldwide accounting standards to assist participants in the various capital markets throughout the world and other users of the information in making economic decisions. These guidelines must demand that general-purpose financial statements and other financial reporting contain transparent and comparable information (Hailemichael, 2016). In the pursuit of its objectives, the IASB works with national organizations that develop accounting standards to promote global convergence. After a genuine international procedure that involved accountants, financial specialists, and other users of financial statements, IFRS was developed for the business sector, stock markets, governing organizations, academic institutions, and other groups and individuals with a worldwide interest (Hailemichael, 2016).

Factors Affecting the Adoption of Full IFRS and IFRS for SME

The Trustees of the IFRS Establishment (2012) recognized that the choice to adopt IFRS Standards is voluntary and made in the public interest of the legislative and regulatory authorities in various countries. The IFRS Foundation and the Board do not have the power to order or oversee adoption. To formally incorporate IFRS Standards into national law and to ensure their strict and consistent application, nations must set up their own mechanisms. IFRS adoption should ultimately result in the full acceptance of the Board's published IFRS Standards, regardless of how the process is carried out. Due to the numerous benefits it offers to both nations and multinational corporations, the implementation of international financial reporting standards is thus becoming more frequent (Fikru, 2012; Nguyen et al., 2020). Many academics have said that international accounting harmonization benefits developing countries since it provides better-prepared standards as well as the best possible accounting framework and principles. The worry about accounting standard harmonization and convergence with IFRS is due to the globalization of capital markets (Fikru, 2012; Yitayew, 2016; Zakari, 2014). To address the study's major purpose, the impact of the cost of conversion, government policy, capital market, company size, awareness, education level, and training were some of the significant variables that were examined.

Leaders’ commitment

According to Merve and Serdar (2021), leadership is the ability to guide a group of people, an organization, or a task in this manner. The ability of an individual or organization to lead or guide other people, groups, or entire organizations. In similar commitment is the act of committing, promising, or engaging in a pledge, promise, or responsibility. It is a pledge or promise to carry out a specific duty. Thus, the two key ideas have an impact on how IFRS is adopted, with better leadership and a greater desire to commit, resulting in quicker acceptance and implementation for use in financial reporting (Zaidi & Paz, 2015).

Size of the company

The total amount of assets and liquidity a company has is referred to as its size. According to Fikru (2012), a company's size plays a significant role in IFRS adoption. According to Coffie and Bedi (2019), who studied the United Arab Emirates' accounting practices, the embracing of IFRS is prejudiced by the size of the company (big, medium, or small). On the other hand, Agustini (2016) revealed that firm size had a considerable impact on IFRS adoption.

Government policy

Government policy has an impact on whether or not IFRS is adopted in both developed and developing nations. There is evidence that these governments examined and revised the function of accounting within the political and economic system after creating communist economies (Fikru, 2012; Sharif, 2010). In many developing nations, the adoption of IFRS is significantly influenced by government policy (Liu et al., 2011). Government policy, according to Najar (2007) as referenced in Sharif (2010), has an impact on whether IFRS is adopted or not in developing nations. There is evidence that these governments examined and revised the function of accounting within the political and economic system after creating communist economies (Liu et al., 2011).

Capital market

Governments in developing nations are under pressure to adopt IFRS since the expansion and opening of their capital markets because they believe that doing so will address the needs of both domestic and overseas investors for more thorough and comparable financial reporting(Hache & Ababa, 2019). The accessibility of the capital market is picked out as one of the most convincing influences on the adoption of IAS in developing nations(Fikru, 2012). The presence of a capital market is cited as one of the most important variables influencing the adoption of IAS in developing nations (Ebaid, 2022). According to, the development and openness of capital markets in emerging countries put pressure on governments to adopt IFRS in the hope that adoption would satisfy domestic and foreign investors' demands for more detailed and consistent financial reporting.

Collaboration work of professional institutions

A professional body, according to Sharif (2010), is a group of people in a learned profession who are charged with upholding control or oversight of the profession's legal practice. A professional body is also a body acting to protect the public interest; organizations that represent the interests of professional practitioners’ act to uphold their privileged and powerful position as a controlling body. Therefore, the primary professional institutions that SMEs and other entities should employ to readily adopt IFRS include the revenue authority, certified accountants and auditors, federal and regional auditor generals, and AABE in the case of Ethiopia.

Effect of cost of conversion

Adopting IFRS for SMEs is a challenging task because they need help to do it. They must employ the services of experts, which is expensive for SMEs. Numerous investigations carried out in many nations have confirmed this. Applying IFRS for SMEs is too expensive, and SMEs are more worried about conversion expenses than they are about the advantages of applying the standard (Hussain, 2012). The adoption of IFRS for SMEs, according to a study by Albu et al. (2013), is not seen by stakeholders as a financial burden but rather as a chance to improve the business climate through training accountants and presenting accurate accounting information. This suggests that there is some variation in the influence of conversion costs and IFRS adoption decisions for SMEs across research.

Education and training

Odo (2018) asserts that to understand, infer, and then effectively apply these standards, the embracing of IFRS requires a high degree of learning, capability, and knowledge. In addition, Odo (2018) claims that one of the elements influencing the accounting systems of developing nations is the accountants' degree of education. To be able to comprehend, interpret, and implement IFRS effectively, one must have a high degree of education, skill, and expertise. IFRS for SMEs is a high-quality standard that is based on IFRS principles and necessitates a high degree of knowledge and in-depth accounting skills. According to the IASB (2004), the most significant barrier to implementing IFRS for SMEs is ensuring that practitioners receive adequate training before preparing the first set of financial reports. The IASB board emphasized that sufficient training will be required for accountants to understand the consequences of using IFRS for SMEs in the production of financial statements. Numerous studies have found that accountants and their professional capacity have a significant influence, with appraisal and professional judgment serving as the fundamental factors (Albu et al., 2013; Gîrbină et al., 2006). Because the standard is difficult to implement and, despite efforts to simplify it, is too similar to full IFRS, preparers in European countries argue that IFRS for SMEs is not suited to the European context (Quagli & Paoloni, 2012). However, according to Kaya and Koch (2015), there is no association between education level and the likelihood of SMEs adopting IFRS.

Awareness of IFRS for SME

According to the Deloitte survey results from 2009, around 43% of SMEs remained unaware of the IASB's standard IFRS for SMEs. The majority of firms are still unaware of their options and how IFRS for SMEs might work in their favor (Eneh & Anyahara, 2016). This shows a lack of understanding of the advantages IFRS provides for SMEs, that might ultimately deter SMEs from embracing them. Krokeyi et al. (2021) explored the difficulties SMEs in Nigeria faced when adopting IFRS due to a lack of knowledge about them. The awareness issues stemmed from SMEs' inability to learn about the standards. According to Bhattacharjee and Hossain (2010), national professional accountancy organizations must increase awareness of IFRS and the expertise of other professionals in the accounting field.

IFRS Adoption in general

Because of the benefits it offers to both nations and multinational corporations, the globalization of accounting standards beneath the direction of IFRS is becoming a trend across nations (Coffie & Bedi, 2019). According to advocates of accounting harmonization, the globalization of capital markets requires the comparability of financial statements across borders. Multinational firms might easily evaluate possible international takeover targets, and investors could easily evaluate potential investments in foreign securities. The cost of creating global consolidated financial statements would go down with the adoption of International Financial Reporting Standards. Additionally, it would be simpler for multinational corporations to relocate their accounting personnel to other nations (Doan et al., 2020; Ebaid, 2022; Krokeyi et al., 2021; Nguyen et al., 2020; Tahat et al., 2018; Tran et al., 2019; TSEGAYE, 2021). As a result, by definition, IFRS adoption refers to the harmonization of worldwide accounting standards with home-grown accounting standards, in this case, Ethiopian accounting standards. It has been suggested that adoption offers the aforementioned advantages in addition to a host of others.

3. Materials and methods

Because of the timely nature of the data, the research design for this study was a descriptive cross-sectional survey. However, because the study used both qualitative and quantitative data, a mixed approach was utilized. During the study's data collection, both primary and secondary sources were used. Primary data was gathered from authorized accountants in the North Shewa Zone, revenue authority professionals in the North Shewa Zone, Oromia region auditor generals, the Accounting and Audit Board of Ethiopia (AABE), and SME managers in the Northern Shewa Zone, which are expected to be key sectors for IFRS implementation. Secondary sources included the AABE’s strategic plan, guidelines, directives, and reports, the Ethiopian proclamation for IFRS adoption, research journals, and other related sources. Watson (2001) was used in the study to select the sample size, which takes into account the precision of the data, confidence level, degree of variability, and response rate.

$$n = \left(\frac{P\,(1-P)}{\dfrac{A^2}{Z^2} + \dfrac{P\,(1-P)}{N}} \right)$$

Where n = sample size required, N = population size, and P = estimated variance in population, expressed as a decimal 0.5 for 50-50, A = precision desired, expressed as a decimal 0.05 for 5%; Z = based on confidence level 1.96 for 95% confidence; R = estimated response rate, expressed as a decimal 0.99.

Thus, from the total target groups purposively selected, the sample size that was proportionally allocated was determined as follows:

$$n = \left(\frac{\dfrac{0.5\,(1-0.5)}{\dfrac{0.05^2}{1.96^2} + \dfrac{0.5\,(1-0.5)}{361}}}{0.99} \right) = 243$$

The series FGD was held with certified accountants and randomly selected SME managers in the north Shewa zone. Interviews were held with AABE leaders, auditor general leaders at the Oromia region, and revenue authority leaders at the zone level. In this study, a blend of quantitative and qualitative data analysis methods was employed. To bring meaning to the text from the literature reviewed, face-to-face interviews and FGD were identified and organized into coherent categories. Then the data was interpreted and discussed. For quantitative data collected from the sample, the respondent's binary logistic regression econometrics model was used via Stata v14. Binary logistic regression is one of the multivariable statistical analyses used to calculate the probability of two possible outcomes Bagley S. C. et al. (2001) cited by (Demera & Yemer, 2018). In this research, the two possible outcomes are either ready or not to adopt and implement IFRS for SMEs at study. Then, the dependent variable(Y) is coded as 1(ready to adopt) and 0(not ready to adopt). Then, the equation for Binary logistic regression was formulated as follows. Gujarati gave the general expression for the logistic model as follows:

$$Li = Ln\,\frac{\pi(X)}{1-\pi(X)} = \beta 0 + \beta i Xi + ui, \quad i=1, 2 \ldots 7$$

Where: Li - logs of odds ratio/logit, Ln- natural logarithm, Bi - the coefficient for each independent variable, B0-intercept of the regression, Xi – each independent variable, and ui - error term. The following were derived from this general logistics regression model and applied to this specific study.

$$Li = \beta 0 + \beta 1\, AW + \beta 2\, CWP + \beta 3 GP + \beta 4 LC + \beta 5 CC + \beta 6 CM + \beta 7 EDT + ui$$

Where Li- log of the odd ratio of adoption of IFRS for SMEs.

$$Y = Ln\left[\frac{\pi(X)}{1-\pi(X)}\right]$$

1= readiness to adopt IFRS for SMEs, let assume P(Y=1) = (π), 0= not ready to adopt IFRS for SMEs, P(Y=0) =1-(π), CWP is the collaborative work of professional institutions; LC is leaders' commitment; GP is government policy; CC is the effect of the cost of conversion; CM is the capital market; AW is awareness; and EDT is education and trainings. The dependent variable is the level of readiness to adopt IFRS for SMEs by study implementers, which was quantified using binary logistic regression to discover factors that influence the variable. When attempting to predict categorical variables from a set of predictor variables, logistic regression might be useful (Pallant, 2005) cited by (Jusoh, 2015).

4. Result and Discussion

After processing the data clearly, the descriptive and econometric regression analysis was held in detail by triangulating the qualitative and quantitative data collected through interviews, FGD, and questionnaires.

Descriptive Analysis of Main Variables

In this section, a descriptive analysis was done for the dependent and independent main variables. Since the dependent variable (RD = readiness) is dichotomous in the study, frequency descriptive analysis is used. Where 1 is ready to adopt, and 0 is not ready provided a cutting point for mean analysis for a five-point Linkert scale. As a result, the total mean score between 4.20 and 5.00 is regarded as strongly agreeing (SA), 3.40 to 4.19 is considered agreeing (A), and 2.60 to 3.3 is considered neutral or uncertain (N/U). In this situation, a score of 1.8 to 2.59 is deemed disagreeing, and a score of 1 to 1.79 indicates that respondents strongly disagree on the issue.

Table 4:1 Descriptive statistics

. tabulate rd

RD	Freq.	Percent	Cum.
0	182	74.90	74.90
1	61	25.10	100.00
Total	243	100.00	

. summarize aw cwp gp lc cc cm edt

Variable	Obs	Mean	Std. Dev.	Min	Max
aw	243	1.786337	.4142635	1.33	3
cwp	243	2.033951	.2813589	1.25	2.5
gp	243	2.18107	.3329863	1.4	3.2
lc	243	2.036214	.5241337	1.4	4.2
cc	243	2.004115	.8636265	1	5
cm	243	2.10749	.3180985	1.67	2.67
edt	243	2.098189	.6111336	1.33	4.33

The degree to which organizational members value the demands, the available resources, and the situational conditions all affect how change-ready an organization is. Organizational members are more willing to initiate change, put out more effort, be more persistent, and act cooperatively when organizational readiness is strong. Implementation becomes more efficient as a result (Bateh et al., 2013). As stated in Table 4.1 above, 74.9% of respondents reflected that there is no readiness to adopt IFRS for SMEs in the study area, even if the directives are enforced starting in 2016. Similar to the questioner's response, the key informants from the

North Shewa Revenue Authority replied that we are hearing about the IFRS for SME implementation plan informally like other stakeholders, and there is no formal direction sent to our office either from the region or the federal office.

In addition, although the Accounting and Audit Board of Ethiopia (AABE) declares through different media that either full IFRS or IFRS for SME implementation roadmap is communicated to all concerned bodies and as awareness creation is done properly, most concerned bodies including the regional auditor general and revenue authority at region, zone and woreda level and all SMEs representatives at study area replied as they are in great confusion since there is no clear and time bounded direction sent to each implementers office formally. Up the expiration of the first five-year road map, the AABE again prepared directive no. AABE 804/2013 and stated the criteria for identifying reporting entities and registration with the directive that extends the implementation period of IFRS for SMEs starting from 2016 E. C. However, there is no strategic plan cascaded to each sector and implementer office either vertically or horizontally rather than providing information to the masses through media carelessly.

Edogbanya and Kamardin (2014) explored the adoption problems of the IFRS in the Nigerian banking industry. The findings revealed that the most significant obstacle is a lack of awareness. Similarly, the overall mean response about awareness in Table 4.1 above is 1.79. This indicates that respondents strongly disagreed about the existence of awareness creation related to IFRS for SMEs and implementers. Even if the clients are the key implementers part with other concerned parties, the authorized accountants at North Shewa zone who participated in FGD also confirmed that there is no awareness creation done at all.

Regarding collaboration work, the overall mean value result of 2.03 indicates that the respondents disagreed with the existence of collaboration work between professional institutions and other stakeholders to work together on the adoption process of IFRS for SMEs. Also, we researchers try to confirm through key interviews and FGD. The participants replied that there is no collaboration work even between AABE and the Oromia auditor general, the Oromia auditor general with the North Shewa zone revenue authority, and the North Shewa zone revenue authority with an authorized accountant at the North Shewa zone. Demaki (2013) examines the prospects and challenges of IFRS for financial growth in Nigeria and finds that revision of laws and regulations is strongly recommended to enhance the effectiveness of management functions in practising the standard properly. Similarly, the lack of an independent oversight body to monitor and enforce implementers to adopt IFRS for SMEs and the lack of coordination among regulatory institutes' problems are confirmed in the overall mean value result of 2.18 shown in Table 4.1. Similarly, key informants' responses supported all of the findings mentioned above, particularly the existence of very complicated and unexpectedly contradictory ideas between AABE and all regional offices regarding authorized accountant certification and renewal authority, which has a direct impact on rules and regulations in general and accounting practice in Ethiopia in particular.

The key hurdles to adopting IFRS in general and IFRS for SMEs in particular, in Ethiopia are an absence of commitment and capacity among accounting professionals, as well as a need for coordination among every interested player (Alemi & Mihiret, 2016). Also, the overall mean value of 2.03, which indicated that the respondents disagreed with management's commitment, is found in the study. After completing all closed-ended questions, almost half of the respondents suggested a leader's commitment as follows: even if a leader's commitment plays a great role in implementing standards, rules, and regulations, overall concerned leaders of accounting practice at the study area are focused only on tax revenue collection in huge amounts, whether the financial statement report is correct or not. Most leaders need to learn what is happening globally and nationally in terms of adopting and implementing IFRS. Even though they do not know GAAP, it is not easy to convince them of the advantage of adopting IFRS over GAAP. The cost of conversion was calculated by adding the costs of employing an external consultant or advisor to assist with the adoption of IFRS for SMEs, staff training and development, altering or upgrading accounting information systems and ICT, and other operating costs.

Accordingly, the overall mean value of 2.00, as shown in Table 4.1, indicates that the respondents are completely not in agreement with each of the statements. Nkundabanyanga et al. (2020), on the other hand, find that when enterprises adopt something that does not already exist, it incurs expenses in terms of human resources, physical resources, and time. According to key informants at Oromia's auditor general, regardless of the importance of IFRS for SMEs, adopting IFRS for SMEs will increase the cost of employing external consultants and the high costs of staff training. Furthermore, the owner-manager of a small firm who participated in the FGD is concerned that the high cost of converting to IFRS for SMEs will undermine their decision to adopt the standard, even if awareness-raising is proposed, unless the government supports it through qualified professionals in the public sector for mutual benefit.

The overall mean result of 2.09 indicates that respondents disagreed with the following statements: the education level of accountants and auditors is not a barrier to adopting IFRS for SMEs; there are training institutions and facilities at an affordable cost to fill the skill gaps of IFRS implementing teams; and there are IFRS for SMEs professionals who can provide technical support in the study area. The result was supported by Desta (2022), who found that education level is the main issue in the decision to adopt IFRS. According to FGD responses from authorized accountants and owner-managers, practically all firms need more skilled people to adopt IFRS for SMEs. As a result, they indicated that the choice to adopt IFRS for SMEs necessitates the firm hiring qualified accounting staff with sufficient knowledge of IFRS for SMEs. Another interviewee with the Oromia Office of Auditor General Expert suggested that one of the major challenges SMEs face is a lack of qualified accounting staff with knowledge of IFRS for SMEs, saying: "Most accountants available in the market are not qualified in terms of IFRS for SMEs, so adequate training about IFRS for SMEs is important for employees of SMEs to become familiar with the standard".

The regression analysis

This study employed the binary logistic regression analysis approach to identify the effect of each of the specified predictor factors on the readiness of implementers to adopt IFRS for SMEs.

Table 4.2 Fitness of the model

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. estat gof, group(10)

Logistic model for readiness, goodness-of-fit test

  (Table collapsed on quantiles of estimated probabilities)

       number of observations =       243
             number of groups =        10
      Hosmer-Lemeshow chi2(8) =        12.00
                  Prob > chi2 =         0.1514
```

The Hosmer and Lemeshow test for goodness of fit in the logistic model, as given in Table 4.2, has a Prob>chi2 of 0.1514, indicating that it is not statistically significant. So, the model is quite a good fit (Field, 2009).

Table 4.3 Classification table

. estat classification, all

Logistic model for readiness

Classified	True D	True ~D	Total
+	44	16	60
-	17	166	183
Total	61	182	243

Classified + if predicted Pr(D) >= .5
True D defined as readiness != 0

Sensitivity	Pr(+| D)	72.13%
Specificity	Pr(-|~D)	91.21%
Positive predictive value	Pr(D| +)	73.33%
Negative predictive value	Pr(~D| -)	90.71%
False + rate for true ~D	Pr(+|~D)	8.79%
False - rate for true D	Pr(-| D)	27.87%
False + rate for classified +	Pr(~D| +)	26.67%
False - rate for classified -	Pr(D| -)	9.29%
Correctly classified		86.42%

The classification table shows frequency and percentages reflecting the degree to which the model correctly or incorrectly predicts category membership over the dependent variable. As stated in Table 4.3 above, the model was correctly classified at 86.42%. The estimated odd ratios for the coefficients, their confidence intervals, and related P-values should be presented when reporting the results of a binary logistic regression (Freeman et al., 2011). A value of 1 suggests that implementers are ready for IFRS for SMEs, while a value of 0 shows that they are not. Table 4.4 gives the estimated findings of binary logistic regression on implementer preparedness and reveals that four of the seven key variables are significant, including government policy, conversion cost, awareness, and education and training. The remaining variables do not have a substantial impact on the implementer's preparation to adopt IFRS SMEs in the study area.

Table 4.4: Binary logistic regression result for effect of readiness on the adoption of IFRS for SMEs

```
. logistic rd aw cwp gp lc cc cm edt

Logistic regression                             Number of obs     =        243
                                                LR chi2(7)        =     129.20
                                                Prob > chi2       =     0.0000
Log likelihood = -72.322218                     Pseudo R2         =     0.4718
```

rd	Odds Ratio	Std. Err.	z	P>|z|	[95% Conf.	Interval]
aw	10.90075	10.49975	2.48	0.013	1.650317	72.00211
cwp	.4264813	.459481	-0.79	0.429	.0516221	3.523421
gp	118.7436	138.5341	4.09	0.000	12.06543	1168.632
lc	1.595932	1.703896	0.44	0.662	.1968929	12.93597
cc	30.58068	23.46524	4.46	0.000	6.79675	137.5919
cm	.8798725	.7919633	-0.14	0.887	.1507519	5.135428
edt	.0018268	.0021487	-5.36	0.000	.0001822	.0183178
_cons	.0000721	.0002484	-2.77	0.006	8.42e-08	.0617315

The logistic regression result revealed that awareness-creation-related factors affect the readiness of implementers of IFRS for SMEs by an odds ratio (β) = 10.9, 95% = CI 1.6503 to 72.002, which means that the readiness of implementers can be improved by 10.9 times when there is adequate awareness. This finding is in line with a study by Adeyemo and Isenmila (2013) and Dagnew (2020), which discovered that enterprises were not prepared to implement IFRS standards because they were not aware of their adoption advantages over GAAP. Logistic regression outcome discovered that having good government policy affects the readiness of implementers of IFRS for SMEs by odds ratio (β) = 118.74, 99% = CI 12.065 to 1168.632, which means that the readiness of implementers can be improved 118.74 times when effective government policy exists. Also, the logistic regression result shows that cost of conversion-related factors affect the readiness of implementers of IFRS for SMEs by odds ratio (β) = 30.58, 99% = CI 6.79 to 137.59, which means that the readiness of implementers can be improved 137.59 times if the efficiency of conversion is well managed. According to similar findings, the main barriers to IFRS implementation in Ethiopia include the high cost of bridging the knowledge gap, the complexity of IFRS, the lack of adequate guidance and oversight from regulatory bodies for implementation, and a lack of leadership and dedication (ABEBE, 2018). Finally, the logistic regression result shows that education and training affect the readiness of implementers of IFRS for SMEs by odds ratio (β) = 0.0018, 99% = CI 0.00018 to 0.1831, which means that the readiness of implementers improved by 0.0018 times to less continuous improvement.

Conclusion and Policy Implications

The ongoing digital finance revolution presents SMEs with an implementation support platform as it streamlines their financial reporting system and lightens their compliance requirements by using digital reporting tools. The strategic use of such technologies enables SMEs to boost their recording capabilities together with data precision and streamline IFRS compliance. Even though directive no. AABE 804/2013, approved after the expiration of the first-time road map, gave the direction to all SMEs in Ethiopia to adopt IFRS for SMEs starting from 2016 in the Ethiopian calendar; the two-year transition period is approaching being finalized without any single effort by the concerned parties to implement it until April 2023. The data collected from all targets revealed that SMEs in the study area are not ready to adopt the standard at all. The study tried to investigate the main factors that affected the readiness of implementers to adopt the standards, considering some important variables. The study, therefore, found that the main factors influencing the readiness of implementers are a lack of awareness, a lack of a clear government policy regarding the implementation of the standard, the anticipated high cost of conversion, and a lack of required education and training. However, regarding collaboration work between accounting professionals and other concerned sectors, there is no discussion on the issue of adopting the standard till the end of 2022.

Regarding government policy, no clear direction has been sent formally to any concerned office until April 2023. Even if most of the leaders of concerned offices, like the Oromia office of Auditors General and the revenue authority, at least have information regarding the standard, no one has committed to communicating the issue with concerned parties like AABE and MOF. Thus, the primary key activity should be focusing on the transition plan to IFRS for SMEs and its associations with implementers of the standard to be effective nationally and globally. To do that, the professional bodies at each level, AABE, Oromia auditor generals, revenue authorities, authorized accountants, and accounting professionals at college and University, should focus on education and training with strong collaboration with each other and other stakeholders to easily overcome the main problem stated earlier. To solve the root cause problem by considering the main advantages of adopting the standard and having a standard financial report that meets national and international requirements, government officials at each level should eagerly work with stakeholders. Moreover, digital finance literacy promotion, together with affordable digital accounting platforms, must become top priorities in the transition plan. The implementation of digital finance must become part of policy frameworks developed by government bodies and stakeholders to achieve smooth adoption of IFRS for SMEs.

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