

# EXAMINING THE RELATIONSHIP BETWEEN AWARENESS AND ADOPTION OF IFRS AMONG SMES IN WEST AFRICA: THE MODERATING ROLE OF COMPLIANCE OF IFRS

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## Agyemang-Yeboah E. Examining the Relationship between Awareness and Adoption of IFRS among SMES in West Africa: The Moderating Role of Compliance of IFRS

*This study investigates the moderating role of compliance on the relationship between awareness and adoption of IFRS among SMEs in West Africa. The study used an explanatory design of the quantitative approach underpinned by a positivist philosophy. Data were collected through structured questionnaires administered both online and face-to-face, following ethical clearance from the university's ethics committee. The sample included respondents from SMEs across four West African countries: Ghana (347 respondents), Nigeria (70 respondents), Senegal (58 respondents), and Ivory Coast (42 respondents). With the aid of Smart PLS software, Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to test hypotheses. An asymmetric analysis was conducted using fsQCA software. There was moderate level of awareness, adoption and compliance of IFRS among SMEs in West Africa. Also, awareness influences adoption of IFRS among SMEs in West Africa. Similarly, compliance also influence adoption of IFRS. Nevertheless, compliance does not significantly moderate the relationship between awareness and adoption, suggesting that awareness alone is insufficient to drive adoption without practical support. It is recommended that policymakers and regulators should develop interventions that distinctly focus on awareness enhancement such as training, sensitisation campaigns, and professional education and compliance augmentation such as monitoring, enforcement, and technical assistance. Furthermore, practical guides and tools should be developed to assist SMEs in understanding complex IFRS requirements. Collaboration with local and regional accounting bodies to provide subsidized training programs would also help alleviate the burden of IFRS adoption, ensuring that SMEs are better equipped to handle the complexities they face.*

**Keywords:** moderation, awareness, adoption, compliance, SMEs, West Africa.

**Fig.: 3. Tabl.: 5. Bibl.: 21.**

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## Агжеманг-Єбоа Ю. Вивчення взаємозв'язку між обізнаністю та впровадженням МСФЗ серед малих і середніх підприємств у Західній Африці: модеруюча роль відповідності вимогам МСФЗ

У дослідженні аналізується модеруючий вплив відповідності дотримання вимогам МСФЗ щодо взаємозв'язку між обізнаністю та впровадженням МСФЗ серед малих і середніх підприємств у Західній Африці. Дане дослідження намагається надати роз'яснення щодо кількісного підходу, який ґрунтується на позитивістській філософії. Дані отримувалися за допомогою структурованих опитувальників, як онлайн, так і через особисті контакти, після отримання етичного дозволу з боку відповідного університетського комітету. Вибірка включала респондентів з МСП чотирьох країн Західної Африки: Гана (347 респондентів), Нігерія (70 респондентів), Сенегал (58 респондентів) та Кот-д'Івуар (42 респонденти). За допомогою програмного забезпечення Smart PLS використано моделювання структурними рівняннями методом часткових найменших квадратів (PLS-SEM) для перевірки гіпотез. Асиметричний аналіз було проведено за допомогою програмного забезпечення fsQCA. Спостерігався помірний рівень обізнаності, впровадження та дотримання умов МСФЗ серед малих і середніх підприємств (МСП) у Західній Африці. Було визначено, що обізнаність впливає на впровадження МСФЗ серед МСП у Західній Африці. Подібним чином, було з'ясовано, що дотримання стандартів також впливає на впровадження МСФЗ. Разом із цим, дотримання стандартів несуттєво послаблює взаємозв'язок між обізнаністю та впровадженням, що свідчить про те, що самостійна обізнаність недостатня для впровадження без практичної підтримки. Розробникам політики та регуляторам рекомендовано впровадження заходів, які чітко спрямовані на підвищення обізнаності, тобто навчання, інформаційних кампаній та професійної освіти, а також заходів покращення дотримання таких стандартів, як моніторинг, контроль і технічна допомога. Крім того, слід розробити практичні посібники та інструменти, які допоможуть МСП зрозуміти дещо складні вимоги МСФЗ. Співпраця з місцевими та регіональними бухгалтерськими організаціями для надання субсидованих навчальних програм також сприятиме зменшенню тягаря впровадження МСФЗ, забезпечуючи такі умови, щоб малі та середні підприємства були краще підготовлені до вирішення тих складнощів, із якими вони стикаються.

**Ключові слова:** модерація, обізнаність, впровадження, дотримання, МСП, Західна Африка.

**Рис.: 3. Табл.: 5. Бібл.: 21.**

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The globalisation of financial markets has heightened the demand for superior, transparent, and comparable financial reporting across jurisdictions. The International Financial Reporting Standards (IFRS), established and overseen by the International Accounting Standards Board (IASB), function as a universal accounting framework designed to improve the uniformity, dependability, and use of financial statements (Hossen et al., 2025). In developing nations, the implementation of IFRS is frequently motivated by the aspiration to attract foreign investment, enhance market efficiency, and conform to international best practices (Abdul & Abdullah, 2022; Grosu et al., 2022). The shift to IFRS is intricate, presenting substantial institutional, regulatory, and capacity-building obstacles (Basak et al., 2020; Hlakuđi & Coetzee, 2023).

The awareness and acceptance of IFRS have been extensively examined, especially regarding emerging economies. Research demonstrates that although awareness of IFRS is predominantly elevated among finance professionals, the extent of actual adoption fluctuates considerably due to variables such as regulatory pressure, organisational preparedness, access to capital, and educational attainment (Chege & Muturi, 2015; Gichuru, 2022; Hossen et al., 2025). Ilugbo et al. (2024) shown that IFRS compliance influences the link between ownership structure and financial reporting quality in Nigeria, emphasising the need of enforcement in achieving the advantages of IFRS. Gichuru (2022) similarly discovered that the implementation of IFRS for SMEs in Kenya enhanced the quality of financial reporting, although the impact was not statistically significant across all qualitative attributes.

Notwithstanding these findings, the research has primarily concentrated on the direct impact of awareness on adoption or the determinants affecting adoption, such cost, training, and regulatory assistance (Zahid & Simga-Mugan, 2019; Kabwe, 2023). A gap persists in comprehending how compliance with IFRS rules influences the link between awareness and adoption. This is crucial since knowledge alone does not ensure adoption, and adoption without compliance may not produce the desired enhancements in financial reporting quality. Many studies have investigated the correlation between awareness and the adoption of IFRS, along with the determinants influencing acceptance, including legislative frameworks, educational attainment, and organisational capability (Chege & Muturi, 2015; Hossen et al., 2025; Ilugbo et al., 2024). Nonetheless, there is a scarcity of empirical information about how compliance influences the link between awareness and the adoption of IFRS. Although knowledge may facilitate initial adoption, the degree of entities' compliance with IFRS standards ultimately dictates the genuine enhancement in financial reporting quality (Ilugbo et al., 2024; Gichuru, 2022).

Hossen et al. (2025) discovered that, despite a high level of knowledge of IFRS among professionals in developing nations, obstacles such as insufficient experience, elevated expenses, and regulatory deficiencies impeded complete compliance. Gichuru (2022) indicated that although IFRS for SMEs was adopted in Kenya, the enhancement in financial reporting quality was not substantial across all qualitative parameters, suggesting that adoption without rigorous compliance may not provide the intended results. This signifies that compliance functions as a pivotal intervening variable that influences the efficacy of IFRS implementation.

Recent researches underscore the necessity for enhanced enforcement measures and capacity development to guarantee compliance (Ilugbo et al., 2024; Hossen et al., 2025). Nonetheless, the moderating influence of compliance within the awareness-adoption relationship remains inadequately examined. In the absence of a comprehensive knowledge of how compliance affects this connection, policymakers and regulators may persist in prioritising awareness initiatives and adoption mandates rather than the essential support mechanisms for implementation and enforcement. This paper aims to fill this gap by examining how compliance influences the link between awareness and adoption of IFRS, utilising empirical information from developing nations in West Africa. The findings will enhance the knowledge of the variables that facilitate the translation of IFRS adoption into enhanced financial reporting quality and provide practical insights for refining regulatory frameworks and professional training programs.

#### **MODERATING ROLE OF LEVEL OF COMPLIANCE WITH IFRS IN THE RELATIONSHIP BETWEEN LEVEL OF AWARENESS OF SMES AND SMES' DECISION ON IFRS ADOPTION**

Muda et al. (2024) assessed the influence of institutional isomorphic pressures on the implementation of IFRS for SMEs in Ghana. A questionnaire was employed to collect primary data for analysing the association between the variables. Multistage sampling techniques were utilised to get a representative sample from the 16 regions of Ghana, guaranteeing impartial findings. The research included factor analysis and structural equation modelling to evaluate the null hypotheses. The results demonstrated that coercive and mimetic isomorphic pressures significantly and favourably affect the adoption of IFRS for SMEs in Ghana. Nevertheless, normative isomorphic pressure exerts no substantial influence on adoption. The results indicated that environmental factors either attenuate or enhance the otherwise negligible link between normative isomorphic pressure and the adoption of IFRS for

SMEs. This study did not examine the moderating effect of compliance levels with IFRS on the connection between SMEs' awareness and their adoption of IFRS.

The moderating influence of Level of Compliance with IFRS (LOC) on the association between Level of Awareness (LOA) and AOI exhibits a positive path coefficient of 0.257, accompanied by a T-value of 1.541 and a P-value of 0.062. This suggests a favourable moderating impact, although it lacks statistical significance. Consequently, the null hypothesis is upheld, indicating no statistically significant moderating influence of compliance on the link between awareness and adoption. This finding is in contrast to the expectations that a higher level of compliance would reinforce the positive relationship between awareness and adoption. The lack of statistical significance could be due to various factors, including the possibility that SMEs' awareness of IFRS standards is more strongly influenced by other factors, such as external pressures or internal capabilities, rather than by their existing level of compliance. Furthermore, the challenges and complexities surrounding IFRS implementation might not be sufficiently mitigated by the level of compliance, suggesting that while compliance may play a role in the adoption process, it is not a significant moderating factor when compared to other influences.

The findings from Muda et al. (2024) highlight that institutional pressures, particularly coercive and mimetic pressures, have a strong influence on IFRS adoption, while normative pressures did not significantly affect adoption. This suggests that while awareness of IFRS is important, other external forces, such as legal or peer influences, may be more powerful in driving adoption than compliance itself. The study by Muda et al. also found that environmental factors had a moderating role in strengthening relationships that were otherwise insignificant, which supports the idea that compliance may not be the key factor in enhancing the relationship between awareness and adoption in this context.

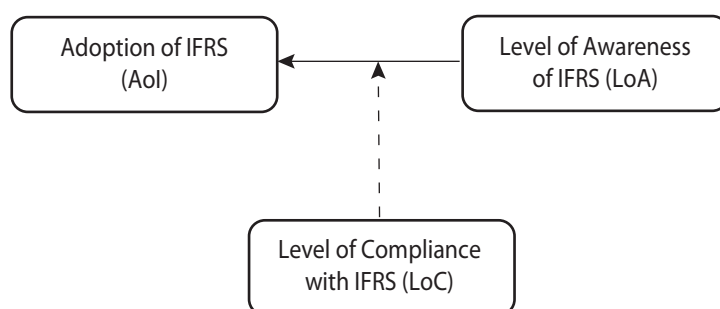
Moreover, the lack of a significant moderating effect of compliance could be due to the complexity

of IFRS adoption, which may require more than just awareness and basic compliance levels. Sappor et al. (2023) observed that SMEs, although generally aware of IFRS for SMEs, often struggled with full compliance, suggesting that compliance does not necessarily translate into adoption without addressing other challenges such as financial constraints, technical capabilities, and institutional pressures.

While compliance with IFRS has a positive association with the adoption process, the findings suggest that it does not significantly moderate the relationship between awareness and adoption of IFRS among SMEs. Other factors, such as institutional pressures or managerial readiness, as noted by Nguyen and Pham (2023), may play a more decisive role in encouraging SMEs to adopt IFRS. Future studies should consider exploring additional variables, such as managerial support or coercive pressures, to better understand the factors that enhance or hinder the adoption process among SMEs.

## METHODOLOGY

The study aimed to assess the moderating role of compliance on the relationship between awareness and adoption of IFRS among SMEs in West Africa. The study used an explanatory design of the quantitative approach underpinned by a positivist philosophy. Data were collected through structured questionnaires administered both online and face-to-face, following ethical clearance from the university's ethics committee. The questionnaire was made up of four sections; demographic characteristics; level of awareness; and IFRS adoption; level of compliance. Aside the demographics, the other sections were measured using a four-point Likert scale, from strongly disagree (1) to strongly agree (4). The study included 517 respondents from SMEs across four West African countries (Ghana 347, Nigeria 70, Senegal 58, and Ivory Coast, 42). With the aid of Smart PLS software, Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to test hypotheses. An asymmetric analysis was conducted using fsQCA. fsQCA addresses the



**Fig. 1. Conceptual Framework on the Moderation effect of compliance on the relationship between adoption and awareness**

configurational complexity of adoption by identifying multiple, potentially divergent pathways that can lead to high IFRS adoption outcomes (Kraus et al., 2018; Kumar et al., 2022; Pappas & Woodside, 2021). This combination of methods allowed for a more comprehensive view of the adoption process, demonstrating how varied configurations of institutional pressures and challenges can achieve similar outcomes, which is particularly relevant for the unique contexts of SMEs. As proposed by Hair et al. (2020), the validity and reliability of the instrument was tested using; Cronbach Alpha, composite reliability, Average Variance Extracted (AVE), Variance Inflation Factors (VIFs), Fornell-Larcker criteria, Heterotrait-Monotrait Ratio (HTMT), and factor loadings and all the constructs passed these test and other preliminary test for running SEM analysis. Ethical considerations, including informed consent and data confidentiality, were rigorously maintained throughout the research process.

Fig. 2 shows the various study areas in West Africa (Ghana, Nigeria, Senegal, and Ivory Coast).

of the total. With 56.5% male respondents and 43.5% female respondents, the gender mix was quite balanced. The percentage of male respondents was 56.5%. The age group that was represented the most was the one that was between the ages of 31 and 35, which accounted for 30.6% of the total. Individuals aged 20–25 years old came in second with 22.8%, followed by those aged 36–40 years old with 22.6%, and then those aged 26–30 years old with 22.1%. The percentage of participants aged 41 and older was extremely low, accounting for only 1.9% of the total. The sample was predominantly comprised of persons who were between the ages of young adults and middle-aged adults, as shown by the average age of 31.49 ( $\pm 5.48$ ). This distribution allows for the outcomes of the study to be examined from several angles.

Tbl. 1 shows that the awareness of International Financial Reporting Standards (IFRS) among respondents indicate that the majority exhibited a moderate level of awareness (40.8%), followed by a high level (31.9%). A lesser percentage indicated poor awareness

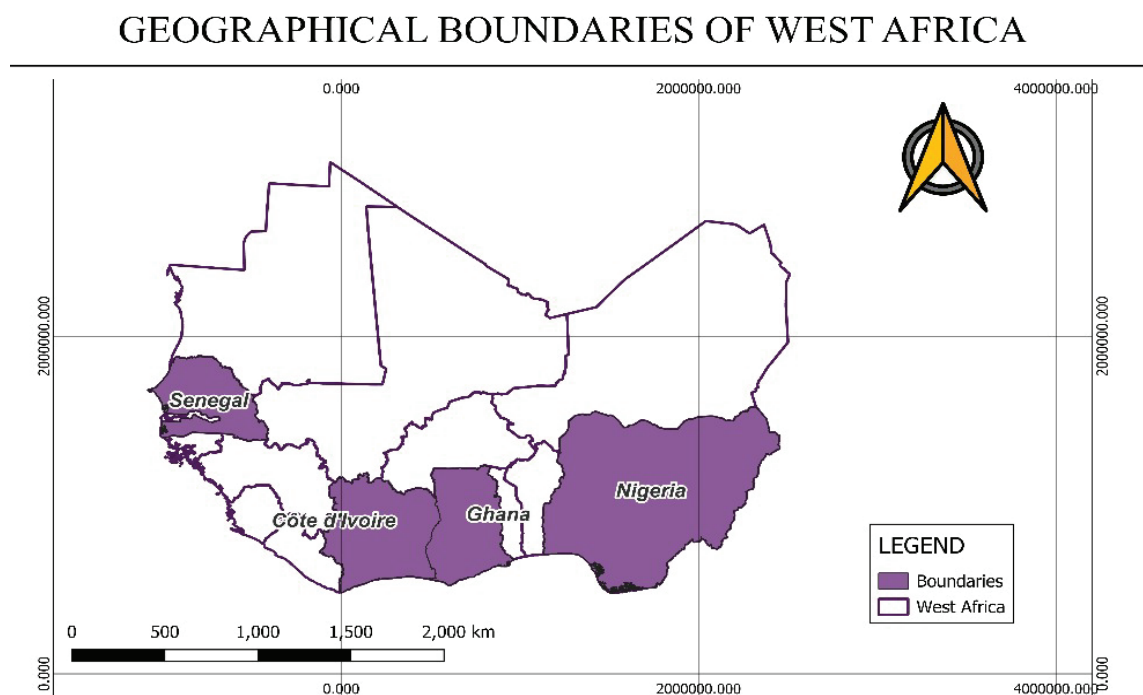


Fig. 2. Study Areas- SMEs in West Africa

#### DEMOGRAPHIC BACKGROUND OF THE RESPONDENTS

The demographic characteristics of the respondents reveal a broad and unequal distribution in terms of age, gender, and nationality. Nigeria contributed 13.5%, Senegal 11.2%, and Ivory Coast 8.1%, underscoring the major participation of Ghana in the sample. The data suggests that a significant number of the participants hailed from Ghana, which accounts for 67.1%

(19.3%) and very low awareness (4.8%), whereas just 3.1% exhibited very high awareness.

On the level of adoption, Tbl. 2 shows that majority of respondents indicated moderate adoption (28.6%) and high adoption (33.5%). However, a significant number reported low (22.4%) and very low (12%) adoption levels, with only 3.5% reaching very high adoption. This means that while many organizations are embracing IFRS, the rate of adoption is not yet at an optimal level.



Table 1

Level of Awareness

Scale	Frequency	Percent
Very Low	25	4.8
Low	100	19.3
Moderate	211	40.8
High	165	31.9
Very High	16	3.1
Total	517	100

Table 2

Level of Adoption

Scale	Frequency	Percent
Very Low	62	12
Low	116	22.4
Moderate	148	28.6
High	173	33.5
Very High	18	3.5
Total	517	100

Table 3

Level of Compliance

Scale	Frequency	Percent
Very Low	68	13.2
Low	165	31.9
Moderate	54	10.4
High	230	44.5
Total	517	100

Table 4

Differences between respondents' background and their compliance level of IFRS

Variables	Compliance level	
	t-test/ANOVA	Sign.
Country	F = 0.675	0.558
Gender	t = 3.818	0.001
Age	F = 215.8	0.001
Academic qualification	F = 11.11	0.001

For the level of compliance, *Tbl. 3* shows that compliance was highest at the high level (44.5%), followed by low compliance (31.9%). Moderate compliance was relatively low (10.4%), while very low compliance stood at 13.2%. This indicates that although a substantial number of firms comply with IFRS, there are still notable compliance challenges.

*Tbl. 4* indicate that compliance levels did not substantially vary by nation ( $p = 0.558$ ). Notable disparities were identified for gender ( $p = 0.001$ ), age ( $p = 0.001$ ), and academic qualification ( $p = 0.001$ ). Post hoc test (turkey) shows that respondents with higher educational qualification such as PhD had different compliance level as compared to those with Diploma and others. Similarly, those who were older were more likely to comply with IFRS requirements as compared to those younger. This indicates that demographic factors, including age, gender, and education, significantly influence IFRS compliance, whereas nationality does not seem to be a substantial determinant.

The study (*Tbl. 5*) demonstrated that the level of compliance (LOC) exerted a positive and substantial influence on IFRS adoption (IFA) ( $\beta = 0.469$ ,  $t = 10.782$ ,  $p < .001$ ). This indicates that greater adherence to standards is significantly linked to enhanced adoption of IFRS. The level of awareness (LOA) had a positive and substantial impact on adoption of IFRS (IFA) ( $\beta = 0.617$ ,  $t = 11.062$ ,  $p < .001$ ), signifying that adoption strategies positively improve IFRS implementation. Moreover, level of awareness (LOA) had a substantial positive correlation with level of compliance (LOC) ( $\beta = 0.570$ ,  $t = 14.258$ ,  $p < .001$ ), indicating that when organisations are aware of IFRS, their compliance levels enhance accordingly. This discovery underscores a reciprocal influence between adoption and compliance.

The interaction between IFA and LOA did not have a statistically significant moderating impact by level of compliance (LOC) ( $\beta = 0.068$ ,  $t = 1.576$ ,  $p = .115$ ). This indicates that whereas awareness and compliance individually enhance IFRS procedures adoption, their collective impact does not substantially affect adoption of IFRS.

## DISCUSSIONS

The study reveals that the majority of respondents have moderate awareness of International Financial Reporting Standards (IFRS), with a high level of adoption at 28.6%. However, a significant number of respondents report low or very low adoption levels, with only 3.5% reaching very high adoption. A research in Kenya revealed that although accountants recognised IFRS, its adoption was impeded by the substantial implementation costs and a deficiency of educated individuals (Njogu, 2015). In a survey of Nigerian enterprises, Ezeani et al. (2020) found insufficient technical skills and the complexity of standards as major obstacles to complete adoption, reflecting the range of low to very high adoption noted in the current study.

A key result is the stated compliance rate of 44.5%, which is much lower than the 70% compliance seen among SMEs by Mutawaa and Hawaidy (2010) and markedly inferior to the statistics from industri-

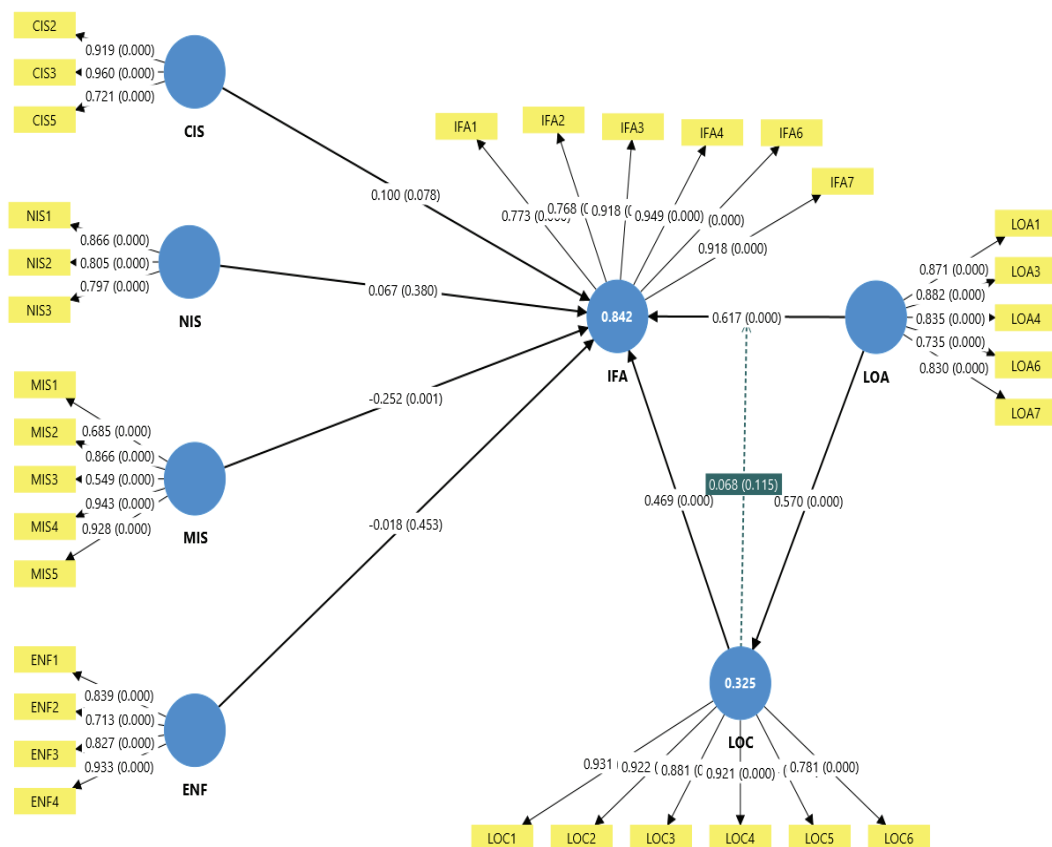


Fig. 3. PLS-SEM Bootstrapping results

Table 5

Structural Model

	B	Sample Mean (M)	SD	T-value	P Values	5.0%	95.0%	f <sup>2</sup>	R <sup>2</sup>
LOC → IFA	0.469	0.47	0.043	10.8	0.000	0.21	0.63	0.06	0.89
LOA → IFA	0.617	0.62	0.056	11.1	0.000				
LOA → LOC	0.570	0.57	0.040	14.3	0.000				
Moderating Effect LOC*LOA_AOI → AOI	0.068	0.07	0.043	1.58	0.115	-0.17	0.38	0.146	

Note:  $\beta$  = path coefficient; M = Sample Mean; SD = Standard Deviation.

alised countries. This corresponds with the general empirical agreement that a disparity in IFRS compliance occurs. Al-Shammari (2011) indicated that compliance is often greater in industrialised nations such as Australia (94%) and Germany (81%) than in several developing countries. This gap is frequently ascribed to enhanced enforcement mechanisms, more resilient institutional frameworks, and increased resources allocated to training and monitoring in industrialised countries (Brown & Tarca, 2005). The data given corroborates this worldwide trend, placing the study's respondents within the common issues encountered by emerging nations. Moreover, the finding confirms the

study of Chege and Muturi (2015) who found that low awareness prohibits SMEs from adopting the reporting standards. Similarly, Solanke, Adinnu and Alhasan (2016) revealed that despite the moderate awareness of IFRS among SMEs in North-Central Nigeria, adoption was low due to cost constraints.

The data indicates that demographic characteristics, including gender, age, and academic qualification, significantly influence compliance levels, whereas nationality does not. This indicates that personal traits and skills may be more significant factors influencing compliance than overarching national regulations in the examined setting. The study demonstrates that

compliance levels are a critical factor influencing IFRS adoption. This conclusion is corroborated by Judge et al. (2010), who contended that the perceived advantages of compliance, such as enhanced access to finance, motivate enterprises to seek comprehensive adoption. The study uniquely contributes by analysing the interplay between awareness and compliance, revealing that although each element independently improves implementation, their combined interaction does not significantly moderate the impact. This indicates that initiatives to enhance adoption cannot depend solely on increasing awareness; focused strategies to directly enhance compliance possibly via stricter enforcement or improved technical support are crucial for facilitating implementation, as the two concepts, while interconnected, function through different mechanisms.

## CONCLUSIONS

The study examined the moderating effect on the relationship between awareness and adoption of IFRS among SMEs in West Africa. A survey was conducted for 517 respondents from Ghana, Nigeria, Senegal, and Ivory Coast Cote D'Ivoire and data was analysed using Structural Equation Modelling with Smart PLS 4.0. Despite the increased awareness of IFRS among SMEs in West Africa, adoption and compliance is still a challenge. Awareness influences adoption of IFRS among SMEs in West Africa. Similarly, compliance also influence adoption of IFRS. Nevertheless, compliance does not significantly moderate the relationship between awareness and adoption, suggesting that awareness alone is insufficient to drive adoption without practical support. It indicates that mere adherence to IFRS norms does not enhance the correlation between awareness and adoption. Organisations may recognise IFRS and may implement it, irrespective of the robustness of their compliance processes. This indicates that knowledge and acceptance function independently of compliance in influencing IFRS practices. Although compliance is crucial, it does not inherently enhance the impact of knowledge on adoption. Policymakers and regulators should develop interventions that distinctly focus on awareness enhancement such as training, sensitisation campaigns, and professional education and compliance augmentation such as monitoring, enforcement, and technical assistance. Furthermore, practical guides and tools should be developed to assist SMEs in understanding complex IFRS requirements. Collaboration with local and regional accounting bodies to provide subsidized training programs would also help alleviate the burden of IFRS adoption, ensuring that SMEs are better equipped to handle the complexities they face. ■

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