

Msechu, Sifuni Z.; Kasoga, Pendo S.; Kipsha, Erasmus F.

## Article

# Firm characteristics and compliance with IFRSs for small and medium-sized entities in developing countries: evidence from Tanzania

Cogent Business & Management

## Provided in Cooperation with:

Taylor & Francis Group

*Suggested Citation:* Msechu, Sifuni Z.; Kasoga, Pendo S.; Kipsha, Erasmus F. (2024) : Firm characteristics and compliance with IFRSs for small and medium-sized entities in developing countries: evidence from Tanzania, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 11, Iss. 1, pp. 1-15, <https://doi.org/10.1080/23311975.2024.2399313>

This Version is available at:

<https://hdl.handle.net/10419/326550>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<https://creativecommons.org/licenses/by/4.0/>

# Firm characteristics and compliance with IFRSs for small and medium-sized entities in developing countries: evidence from Tanzania

Sifuni Z. Msechu, Pendo S. Kasoga & Erasmus F. Kipesha

**To cite this article:** Sifuni Z. Msechu, Pendo S. Kasoga & Erasmus F. Kipesha (2024) Firm characteristics and compliance with IFRSs for small and medium-sized entities in developing countries: evidence from Tanzania, Cogent Business & Management, 11:1, 2399313, DOI: [10.1080/23311975.2024.2399313](https://doi.org/10.1080/23311975.2024.2399313)

**To link to this article:** <https://doi.org/10.1080/23311975.2024.2399313>



© 2024 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group



Published online: 08 Sep 2024.



[Submit your article to this journal](#)



Article views: 1140



[View related articles](#)



[View Crossmark data](#)



Citing articles: 1 [View citing articles](#)

# Firm characteristics and compliance with IFRSs for small and medium-sized entities in developing countries: evidence from Tanzania

Sifuni Z. Msechu<sup>a</sup>, Pendo S. Kasoga<sup>a</sup> and Erasmus F. Kipsha<sup>b</sup>

<sup>a</sup>Department of Accounting and Finance, University of Dodoma, Dodoma, Tanzania; <sup>b</sup>Department of Accounting and Finance, Mzumbe University, Mzumbe, Morogoro, Tanzania

## ABSTRACT

The impact of firm age, firm size, profitability, leverage and auditor type on compliance with the International Financial Reporting Standards for small- and medium-sized entities (IFRSs for SMEs) was investigated in this study. The foundation of the study was SMEs in Tanzania. However, there is limited evidence on the association between firm characteristics and Tanzanian SMEs' compliance with IFRSs. Thus, by expanding the use of agency theory to ascertain the link between variables, this study adds to the corpus of knowledge. The research specifically employed a quantitative panel data set of 103 SMEs (412 observations) from the 2018–2021 timeframe which were gathered via audited yearly financial reports and processed using regression models and descriptive analysis. According to descriptive statistics, 42.3% of IFRSs disclosures are being complied with by SMEs in Tanzania. The findings indicate that, for SMEs, there is a strong positive correlation between the extent of IFRSs compliance and firm age, firm size, profitability and auditor type. Furthermore, a weak but negative correlation between leverage and IFRSs compliance was discovered by the study. Therefore, SMEs with robust financial performance and those that are expanding in size and age contribute to the acceleration of IFRSs compliance. Additionally, employing reputable audit firms—such as the Big Four audit firms—helps SMEs comply with IFRSs requirements. Therefore, the National Board of Accountants and Auditors should guide best practices for overseas IFRSs compliance by publishing new policies and evaluating current ones. This is crucial, as a poor level of IFRSs compliance in developing countries highlights the importance of noncompliance issues, which should concern standard-setters, regulators and other stakeholders.

## ARTICLE HISTORY

Received 12 April 2024  
Revised 23 August 2024  
Accepted 26 August 2024

## KEYWORDS

Compliance with IFRSs;  
SMEs; Firm characteristics;  
IFRS for SMEs; Tanzania;  
Compliance with IFRSs  
for SMEs

## SUBJECTS

Corporate Finance;  
Accounting; Corporate  
Social Responsibility &  
Business Ethics;  
Organizational Studies

## 1. Introduction

Small- and medium-sized entities (SMEs) have important contribution in the economy of many countries in the World (Chen, 2016; Krishnan & Scullion, 2017; Umrani et al., 2015). This sector is considered as the center for economic development for both developed and developing countries (Perera & Chand, 2015; Singh & Pillai, 2021). The contribution of SMEs to the economy has been very important, as it has provided employment and tax contributions to the nation. To ensure the sustainability of SMEs, it is important that their stakeholders have a reasonable financial status through fairly reported financial statements. To ensure this, the International Accounting Standard Board (IASB) issued a special version of the International Financial Reporting Standards (IFRSs) for SMEs based on the operating environment of SMEs for the purpose of improving the reliability of financial reporting processes. Tanzanian SMEs like any other entities in world are required to prepare financial statements that comply with IFRSs for SMEs (Mawutor et al., 2019; Olango & Kerongo, 2014).

**CONTACT** Sifuni Z. Msechu ✉ [smsechu@yahoo.com](mailto:smsechu@yahoo.com) Department of Accounting and Finance, University of Dodoma, 1 Benjamin Mkapa road, 41218 Iyumbu, Dodoma, Tanzania

© 2024 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group

This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. The terms on which this article has been published allow the posting of the Accepted Manuscript in a repository by the author(s) or with their consent.

Therefore, the IASB in July 2009 published a single set of IFRSs for SMEs. This was the outcome of the major effort of IASB to have a well-simplified copy of full IFRSs which simplify recognition, measurements and disclosure requirements. This simplified version was aimed to be used by entities that in many countries are referred by different terms, including SMEs, private entities and nonpublic accountable entities which prepare their financial statements for other external users (Gassen, 2017). In Tanzania 2009, the National Board of Accountants and Auditors (NBAA) issued a technical pronouncement 3, which officialized the applicability of the IFRSs for SMEs. This technical pronouncement permitted all nonpublicly accountable entities that publish financial statements for other external users to apply the IFRSs for SMEs. Later on, in September 2018, NBAA released another pronouncement that replaced the previous one. This pronouncement permitted all commercial entities that are not public-interest entities to apply the IFRSs for SMEs. According to this pronouncement, the qualifying entities are those with annual turnover of TZS 800 million or above and total assets of TZS 400 million or above.

Despite the advantages of complying to the IFRSs, researches indicate that organizations in all advanced and emerging countries are still struggling to adequately comply with the IFRS's provisions (Agyei-Mensah, 2017; Al-Shammari et al., 2008; Glaum et al., 2013; Hellman et al., 2018; Sellami & Tahari, 2017). For example, the study by Glaum et al. (2013) across European countries found a significant level of noncompliance with IFRSs by companies. The same low level of compliance with IFRSs was found by Mokhtar et al. (2018), Appiah et al. (2016), and Yiadom and Atsunyo (2014) in West and North Africa. In East Africa, the problem of low rate of compliance with IFRSs was also documented by Nalukenge (2020) and Nalukenge et al. (2018). In Tanzania, the low rate of compliance was documented by the studies conducted by Mbelwa and Mahangila (2019), Mpoma (2016), as well as Gwota (2011). Studies show that low compliance is a result of weak institutional frameworks and enforcement in emerging nations (Bova & Pereira, 2012; Nnadi & Soobaroyen, 2015; Tawiah & Boolaky, 2019b).

The regulatory authorities of the country hold the highest importance when it comes to determining IFRSs compliance (Christensen et al., 2013; Hellman et al., 2018). In Tanzania, the Company Act of 2019 (revised), the Microfinance Act of 2018 and the Income Tax Act of 2019 (revised) mandate all companies to prepare financial statements that comply with IFRSs. Even with significant efforts made by the government and other relevant parties, low IFRSs compliance remains a concern (Mpoma, 2016; Nalukenge et al., 2018). According to Alnaas and Rashid (2019), compliance with IFRSs would be dictated by the strength of the firm characteristics in the environment where regulatory regulation frameworks are weak. Therefore, this calls for the study of IFRSs compliance with other factors other than legal framework. Due to this fact, this study add to the knowledge by studying how SMEs firm's characteristics influence the extent of IFRSs compliance.

A substantial number of studies have been conducted on the firm characteristics (firm age, firm size, leverage, profitability and auditor type) and how they influence the extent of compliance with IFRSs (Alnaas & Rashid, 2019; Iwiyisi, 2018; Samaha & Khlif, 2016; Yiadom & Atsunyo, 2014). However, these studies focused on listed firms while leaving behind unlisted firms including SMEs. Furthermore, they concentrated on developed countries, leaving behind emerging countries like Tanzania. For example, some studies show that IFRSs compliance is positively associated with firm size (Alnaas & Rashid, 2019; Haapamäki, 2018; Juhmani, 2012; Tsegba et al., 2017), profitability (Tsegba et al., 2017; Uyar et al., 2016), firm age (Sellami & Tahari, 2017; Yiadom & Atsunyo, 2014), auditor type (Demir & Bahadir, 2014; Juhmani, 2012; Serafimoska et al., 2015; Tsegba et al., 2017) and leverage (Demir & Bahadir, 2014; Guerreiro et al., 2008). While other studies concluded that IFRSs compliance is not associated with firm size (Demir & Bahadir, 2014; Glaum et al., 2013; Sellami & Tahari, 2017), profitability (Alnaas & Rashid, 2019; Juhmani, 2012; Mutawaa & Hewaidy, 2010; Yiadom & Atsunyo, 2014), leverage (Alnaas & Rashid, 2019; Kim et al., 2011; Tsegba et al., 2017), auditor type (Sellami & Tahari, 2017) and firm age (Demir & Bahadir, 2014; Iwiyisi, 2018). Therefore, the influence of firm characteristics on IFRSs compliance differs from one country to the other due to different economic forces and nature of entities (Bova & Pereira, 2012; Hellman et al., 2018; Soderstrom & Sun, 2017). Furthermore, the impact of a firm characteristics on the level of IFRSs compliance is not well supported by empirical data, especially when it comes to SMEs in Tanzania.

In Tanzania, there are few studies that investigated compliance with IFRSs, though their studies concentrated on other sub-sectors using different set of IFRSs. For instance, Mwakapala et al. (2024) reviewed IFRSs for SACCOs employed full IFRSs. The conclusion of this study cannot be generalized to SMEs due

to different legal and operating environment. This prompted the current study to review the compliance with IFRSs for SMEs in Tanzanian context.

This study contributes to the limited literature by exploring how firm characteristics in SMEs influence IFRSs compliance levels. Moreover, the results from this study are relevant to multiple stakeholders, like standard-setters, regulatory bodies and practitioners, for creating a conducive environment for SMEs prosperity. More precisely, the research's conclusions give decision-makers useful information to consider when formulating policies that will increase IFRSs compliance levels in order to make them more sustainable.

## 2. Small and medium enterprises in Tanzania

Various academics have approached the definition of SMEs from different angles. According to Sappor et al. (2023), since the phrase 'SMEs' is vague and broad, people are free to interpret what they mean by it. The definition of SMEs differs depending on the nation and the sector (World Bank, 2017). According to some writers, a company's ability to be classified as an SME was primarily determined by a number of factors, including its size, capital, sales value, number of employees and financial stability. The criterion set by the European Commission was based on the workforce. According to Amoah and Amoah (2018)'s statement, companies with 0–9 employees are classified as micro firms, 10–99 as small enterprises and 100–499 as medium firms.

In Tanzania, the SMEs Development Policy (2003) defines SMEs according to criteria of employees and capital investment in machinery. Whereby, small businesses are often formalized operations with 5 to 49 people or capital investments ranging from TZS. 5 million to TZS. 200 million. Medium-sized businesses have between 50 and 99 employees or require capital investments ranging from TZS. 200 million to TZS. 800 million.

The IASB's definition of SMEs was adhered to in this study. SMEs are defined by IASB (2009) as non-accountable entities that publish financial statements for external users. According to IASB (2009), a company has a public duty if its debt or equity instruments are listed on a public exchange, or if it is in the process of doing so; additionally, if one of its primary functions involves managing assets in a fiduciary capacity for a sizable number of external parties, such as banks and insurance companies.

## 3. Theoretical literature review

The manager–shareholder relationship and the shareholder–debt holder relationship are two types of agency relationships defined by agency theory (Healy & Palepu, 2001; Jensen & Meckling, 1976). This theory recognizes separation between management (agent) and ownership (principal) whereby self-interest is thought to be driving this relationship (Fama & Jensen, 1983). Nevertheless, businesses must also show that they are complying with the IFRSs in order to get the most out of implementing higher quality standards. Depending on each company's unique characteristics, the incentive to pursue compliance gains may differ systematically.

According to the literature, studies that employed agency theory to explain how firm characteristics and IFRSs compliance relate to each other produced inconsistent findings (Alnaas & Rashid, 2019; Sellami & Borgi, 2020; Sellami & Tahari, 2017). Their range of activities varies, though, as this study used data from different types of businesses. This way of view could lead to biased estimates. Regarding how firm characteristics affect the degree of IFRSs compliance, two competing points of view have been presented. It has been proposed that IFRSs may mitigate the problem of agency through encouraging management to act more as owners' representatives when producing financial reports (Jensen & Meckling, 1976). In order to change the management conduct and decisions to act in the owners' best interest, IFRSs can be used as a disciplinary tool. On the one hand, higher extent of IFRSs compliance increase the likelihood of improved monitoring, which raises agency costs because it facilitates compliance, according to Jensen and Meckling (1976). Owing to this conflicting viewpoint, the current study, which focuses on SMEs in Tanzania, uses agency theory to enlighten the association between firm characteristics and the extent of compliance with IFRSs.

Consequently, agency theorists lay the foundation for investigating the connection between firm characteristics and IFRSs compliance. As a result, a theory has been applied to ascertain how the age,

size, profitability, leverage and auditor type of a firm affect the degree of IFRSs compliance. It assisted the researcher in coming to logical conclusions throughout the interpretation and discussion of the results.

#### 4. Literature review and hypotheses development

Several scholars have determined how firm-specific characteristics affect the degree of IFRSs compliance. Accordingly, IFRSs compliance is impacted by firm characteristics such as age, size, profitability, leverage and auditor type (Alnaas & Rashid, 2019; Appiah et al., 2016; Iwiyisi, 2018; Kang et al., 2016; Tsalavoutas et al., 2020; Tsegba et al., 2017; Umar et al., 2022; Uyar et al., 2016). The relationships between various firm characteristics and IFRSs compliance levels are covered in the ensuing subsections.

##### 4.1. Firm age

According to studies, established companies should realize the advantages of implementing IFRSs in order to improve the accuracy of their financial reports (Alnaas & Rashid, 2019). Older businesses might be better at realizing how crucial IFRSs compliance is to raising the bar on disclosure. It's conceivable that different users of older firms demand a high degree of transparency. In order to enhance the information they provide about their finances, these companies might try to use IFRSs. Finally, compared to older companies, freshly founded firms may find the cost of adopting IFRSs to be more burdensome. However, empirical findings showed a contradicting results. For example, the study by Yiadom and Atsunyo (2014) found a significant association between firm age and the level of IFRSs compliance. On the other hand, Iwiyisi (2018) and Demir and Bahadir (2014) found no link between firm age and IFRSs compliance. Due to these factors, it is reasonable to assume that a firm's age may have an influence on the extent of compliance with IFRSs. For that reason, this study hypothesizes that:

**Hypothesis 1:** There is a significant positive association between firm age and IFRSs compliance

##### 4.2. Firm size

Many studies found a significant positive association between firm size and the level of IFRSs compliance, as the larger the firm, the more the company wants to protect its reputation by complying with IFRSs, attract more investors and capital providers, and furthermore, protect itself from political costs (Alnaas & Rashid, 2019; Iwiyisi, 2018; Juhmani, 2012; Kang et al., 2016). Furthermore, extra disclosure helps lower the potential agency cost because large organizations have more shareholders and so have larger agency costs (Watts & Zimmerman, 1983). Even yet, there are several problems with the above reasoning. Jensen and Meckling (1976) made a strong case against the other assertion. Contrarily, they reasoned that big businesses could be more inclined to conceal information that has political ramifications, such as stricter laws and greater tax and social obligations, by withholding it. Notably, there are streams of studies that found no significant link between firm size and IFRSs compliance (Demir & Bahadir, 2014; Street & Bryant, 2000; Umar et al., 2022). While some other studies found a positive association between firm size and IFRSs compliance (Alnaas & Rashid, 2019; Kang et al., 2016). As a result, based on previous researches, this study hypothesizes that:

**Hypothesis 2:** There is significant positive association between firm size and IFRSs compliance for unlisted entities.

##### 4.3. Leverage

According to studies, agency costs increase with leverage, and IFRSs compliance can help minimize information asymmetry and agency costs between management and loan holders (Umar et al., 2022; Uyar et al., 2016). But previous studies on the relationship between leverage and IFRSs compliance provide contradicting findings. Uyar et al. (2016) and Kim et al. (2011) discovered a negative correlation between



leverage and IFRSs compliance; Al-Shammari et al. (2008) and Iatridis and Rouvolis (2010) found a positive correlation; many other researchers (Alnaas & Rashid, 2019; Demir & Bahadir, 2014; Mutawaa & Hewaidy, 2010; Umar et al., 2022) found no significant correlation. In order to examine the association between IFRSs compliance and leverage, this study tests the following hypothesis:

**Hypothesis 3:** Firm leverage is significantly positively related with IFRSs compliance.

#### 4.4. Profitability

Because profitable firms are more likely to incur political costs, they should prepare their published financial statements in compliance with IFRSs to enhance the credibility of the reports (Alnaas & Rashid, 2019; Uyar et al., 2016). Furthermore, Guerreiro et al. (2008) contend that profitable companies can demonstrate the accuracy of reported earnings by adhering to IFRSs. However, Alnaas and Rashid (2019), Demir and Bahadir (2014), Juhmani (2012), and Uyar et al. (2016) found no significant association between profitability and level of IFRSs compliance. Furthermore, Umar et al. (2022) and Uyar et al. (2016) found a negative association. As a result, this study hypothesizes, based on the above argument:

**Hypothesis 4:** There is significant positive association between firm profitability and IFRSs compliance

#### 4.5. Auditor type

The theory that the selection of an external auditor is a tool for mitigating conflicts of interest between management and shareholders was advanced by Craswell and Taylor (1992) and Watts and Zimmerman (1983). Jensen and Meckling (1976) and Watts and Zimmerman (1983) contended that big audit firms function as a means of curbing agency expenses and assuming a more vigilant role by stifling managers' opportunistic actions. Therefore, the extent of IFRSs compliance has been linked with the auditor type the firm use (Glaum et al., 2013; Kang et al., 2016; Umar et al., 2022). Kang et al. (2016), Serafimowska et al. (2015) and Umar et al. (2022) found a significant positive association between IFRSs compliance and the firms audited by one among the Big Four auditing firms. They argued that big audit firms act as good substance to reduce agency costs by re-assuring owners that management complies with all requirements of IFRSs. However, the study by Hossain et al. (1995) found no significant link between auditor type and the level of firms compliance with IFRSs. Hence, as a result of the above argument, this study hypothesizes that:

**Hypothesis 5:** IFRSs compliance and the use of a Big Four audit firm are significantly and positively related.

## 5. Research design

### 5.1. Sources of data

SMEs from Dar es Salaam, Morogoro, Arusha, Mwanza and Kilimanjaro regions were selected to provide data for this study. These regions were selected because of the large concentration of SMEs, which together account for 55.6% of all entities on the Tanzanian mainland (National Bureau of Statistics, 2016). This study covers 4 years (2018–2021). This time period was chosen because, in 2018, NBAA issued a technical pronouncement mandating any commercial enterprises that are not public-interest entities and have an annual turnover of TZS 800 million or more and total assets of TZS 400 million or more to prepare their financial statements based on IFRSs for SMEs. Data for the study were obtained from SMEs offices, as presently, in Tanzania SMEs are not mandated to publish financial reports online. A total of 528 audited financial statements from SMEs were collected. Thereafter, SMEs without full data for the selected period interval were ignored. Finally, a sum of 412 out of 528 (equivalent to 78%) of audited financial reports with a total of 2,060 observations was analyzed.

As per the findings of Al-Shammari et al. (2008), Alnaas and Rashid (2019) and Yiadom and Atsunyo (2014), the inclusion of standards in a study ought to be determined by their suitability for the firm's

circumstances and the year that accounting standards came into force. Therefore, 14 IFRSs for SMEs sections were found useful and hence selected. These are SECT 3, SECT 4, SECT 5, SECT 6, SECT 7, SECT 8, SECT 13, SECT 17, SECT 20, SECT 23, SECT 25, SECT 27, SECT 28 and SECT 33.

A thorough checklist was created in accordance with previous research on IFRSs compliance (Appiah et al., 2016; Glaum et al., 2013; Juhmani, 2017; Sellami & Borgi, 2020; Sellami & Fendri, 2017; Tawiah & Boolaky, 2019a; Tsalavoutas, 2011). This checklist was created using the IASB's website as a guide, and the required accounting standards were examined and chosen based on how they affected SMEs businesses. The created IFRSs compliance checklist was examined, approved by accounting professionals, and compared to other earlier research in order to ensure content validity.

The ethical approval for the study was obtained from the University of Dodoma (UDOM) ethical committee following postgraduate regulations of UDOM. Data were collected from SMEs offices whereby a written informed consent was obtained before the information from SMEs annual reports being taken to be involved in this research work.

## 5.2. Variable definition and measurements

The extent of IFRSs compliance in this study was measured through the compliance index using the dichotomous method. This approach prevents an entity from being penalized for failing to disclose information that is irrelevant to it (Cooke, 1989). Hence, following most of the prior compliance studies, all items were equally weighted (Alnaas & Rashid, 2019; Glaum et al., 2013; Rahman & Hamdan, 2017; Sellami & Borgi, 2020; Tsalavoutas, 2011). Therefore, the compliance index was calculated by attributing a score of 1 (1) to an item if it was complied with, zero (0) if it was not complied with, and not applicable (N/A) if an item is not applicable to the SME. Consequently, the total number of items disclosed divided by the maximum number of items relevant to that SME was used to generate the IFRSs compliance disclosure index for each standard. The overall compliance index for each company ( $j$ ) during the year ( $t$ ) is represented by the formula:

$$CIFRS_{jt} = \frac{T \sum_{i=1}^n di, jt}{M \sum_{i=1}^m di, jt}$$

where  $CIFRS_{jt}$  is the total score for SME  $j$ 's compliance in year  $t$ ,  $M$  is the maximum number of items (applicable disclosure items) that SME  $j$  might have disclosed in year  $t$ , and  $T$  is the total number of items disclosed ( $di$ ) by SME  $j$  during that year.

SMEs were chosen at random by authors and skilled professionals to guarantee the accuracy of the coding. There were no appreciable variations in the investigators' compliance scores when comparing their findings.

Next, following the studies of Abdullah et al. (2015), Tsalavoutas (2011) and Street and Gray (2002), the study used the partial compliance unweighted method. According to this method, each SME's compliance level is calculated by summing the compliance levels for each standard and then dividing the amount by the number of standards applicable to the SME, whereby all standards are given equal weight and are therefore of similar importance (Demir & Bahadir, 2014; Glaum et al., 2013). As a result, the total compliance score for each SME was calculated by dividing the total number of applicable standards by the sum of the compliance scores (CIFRS).

This is computed using the following formula, where  $C_{jt}$  is the total compliance score for firm  $j$  in year  $t$ .

$$C_{jt} = \frac{\sum_{i=1}^n CIFRS_{i,t}}{A_{j,t}}$$

whereby  $C_{jt}$  is the total compliance score for each SME  $j$  for a particular year  $t$ . Because the total compliance score varies between 0 and 1, it was expressed as a percentage.  $CIFRS_{i,t}$  is the compliance score for each standard.  $A_{j,t}$  is the total number of standards that apply to that SME's  $j$  during year  $t$ .



### 5.3. Independent variables

In order to achieve the research goal, five factors related to firm characteristics which are firm age, firm size, leverage, profitability and auditor type were selected. Data on firm characteristics for the years 2018–2021 were gathered from the SMEs' annual reports. This variable's measurement is described in Table 1.

### 5.4. Data analysis and model development

Using a panel regression model, the relationship between firm characteristics and the degree of IFRSs compliance was determined. To determine which specification of the linear regression model to utilize, kurtosis and skewness values (as shown in Table 2) were examined as part of the normality tests. Regression requirements on the pooled Ordinary Least Squares (OLS) were met by testing pre- and post-estimation linear regression assumptions, including normality, multicollinearity, heteroskedasticity and autocorrelation, in accordance with Abdullah et al. (2023) and Pallant (2020). The test showed that the data were distributed normally, with the exception of the size and profitability of SMEs. The size and profitability of the SMEs were transformed to the natural logarithm in order to address the outliers and normality issues (Adams et al., 2019).

**Table 1.** Operationalization variables under study.

Variable	Measurement	Data source	Source of literature
<b>Dependent variable</b>			
Compliance index (CINDEX)	Percentage of compliance with IFRS for SMEs standard.	Annual reports of SMEs (2018–2021)	Alnaas and Rashid, (2019), Tawiah and Boolaky, (2019a,b), Appiah et al., (2016), Juhmani (2017), Tsalavoutas (2011), Al-Shammari et al. (2008)
<b>Independent variables</b>			
Firm size (SIZE)	The natural log of total assets.	Annual reports of SMEs (2018–2021)	Alnaas and Rashid (2019), Barbu et al. (2014), Matolcsy et al. (2012), Al-Shammari et al. (2008), Moon and Tandon (2007), Anderson and Reeb (2003)
Firm age (AGE)	Dummy variable set to 1 if older firm (10 years and above since incorporation) and 0 if otherwise.	Annual reports of SMEs (2018–2021)	Coad et al. (2016)
Leverage (LEV)	Total debt (long-term plus short-term)/Equity.	Annual reports of SMEs (2018–2021)	Alnaas and Rashid (2019), Bushee and Miller (2012), Guerreiro et al. (2008), Low and Chen (2004), Yung (2001), Depoers (2000)
Profitability (PFT)	Earnings before interest and tax (EBIT)/total assets.	Annual reports of SMEs (2018–2021)	Alnaas and Rashid (2019), Matolcsy et al. (2012), Ferguson et al. (2011), Choi et al. (2010), Chalmers et al. (2006), Walker et al. (2000)
Auditor type (ADT)	Dummy variable set to 1 if the company has been audited by one of the Big Four auditing firms and 0 otherwise.	Annual reports of SMEs (2018–2021)	Serafimowska et al. (2015), Glaum et al. (2013), Juhmani (2012), Tsalavoutas (2011), Al-Akra et al. (2010), Al-Shammari et al. (2008), Glaum and Street (2003)

**Table 2.** Descriptive statistics for the dependent and independent variables.

Variable	Obs	Minimum	Maximum	Mean	SD	Skewness	Kurtosis
<b>Dependent variable</b>							
CINDEX	2060	0.28	0.72	0.423	0.168	1.21	2.72
<b>Independent variable</b>							
SMEs age	2060	0.00	1.00	0.17	0.38	0.16	0.383
SMEs size	2060	13.77	25.22	18.94	2.46	0.96	3.14
SMEs leverage	2060	0.00	1.66	0.15	0.23	0.46	2.58
SMEs profitability	2060	−3.71	0.62	0.06	0.46	0.86	3.07
Auditor type	2060	0.00	1.00	0.17	0.38	0.0000	0.7657

Source: Field Data.

The Hausman specification test was employed, as was customary in previous studies, to select between fixed and random effects estimates (Abdullah et al., 2023; Wooldridge, 2012). The Hausman null hypothesis states that the coefficients do not differ in a systematic way. If the test is unable to reject the null hypothesis, meaning that the  $p$ -value is more than 0.05 ( $p > 0.05$ ), then the random effect estimates are appropriate. In the event that the test rejects the null hypothesis and the  $p$ -value is less than 0.05 ( $p < 0.05$ ), the alternative fixed-effect model is deemed viable (Gujarati & Porter, 2009; J. M. Wooldridge, 2012). As a result, it was shown that the effects of the firms do not correlate, confirming the Hausman null hypothesis. For this reason, the random effect model was therefore used.

Based on earlier research (Alnaas & Rashid, 2019; Alsaeed, 2006; Uyar et al., 2016), we estimate the regression model to investigate how firm characteristics affect IFRSs compliance in SMEs. To find out if firm characteristics affect Tanzanian SMEs' degree of IFRSs compliance, panel regression analysis was used. The dependent variable in the model is the degree of IFRSs compliance (CINDEX score). The independent variables in this study include firm characteristics, specifically firm age, business size, leverage, profitability and auditor type. The panel regression models were created in the manner described below:

$$\text{Compliance level (CINDEX)} = f\{\text{firm age, firm size, leverage, profitability, auditor type}\}$$

$$\text{CINDEX}_{it} = \beta_0 + \beta_1 \text{AGE}_{it} + \beta_2 \text{SIZE}_{it} + \beta_3 \text{LEV}_{it} + \beta_4 \text{PFT}_{it} + \beta_5 \text{ADT}_{it} + \varepsilon_i$$

where:

CINDEX = Compliance index score

AGE = firm age

SIZE = firm size

LEV = leverage

PFT = profitability

ADT = auditor type

## 6. Empirical results and discussion

### 6.1. Descriptive statistics

Table 2 reports the descriptive statistics and normality test of the variables used in the study. We report the minimum, maximum, mean, standard deviation as well as the skewness test of the variables used in the study. The results on compliance index shows an average of 42.3% with a minimum of 28% and a maximum of 72%. Regarding the Tanzania National Board of Accountants and Auditors (NBAA, 2023), which recommended a compliance level to be at least 75% and above, the IFRSs score for SMEs is seen as having a poor compliance level. But also the low IFRSs compliance level is consistent with the studies by Mwakapala et al. (2024) on Tanzanian Savings and Credit Cooperatives and Al-Shammari et al. (2008), Kabwe et al. (2020) and Sellami and Tahari (2017) on listed firms which all suggested a compliance level of at least 70% and above.

### 6.2. Results from correlation analysis

Table 3 displays the pairwise correlation matrix correlations between the independent variables. According to the results, there is a general consistency in the size and significance of Pearson and Spearman's correlations. All of the independent variables' correlations are displayed in Table 3. When evaluating the results of multiple regression, multicollinearity is unlikely to be a major problem, as indicated by the fact that non pair-wise correlation value is  $> 0.8$  (Gujarati & Porter, 2009). Another method for determining if explanatory variables are multicollinear is to use the variance inflation factor (VIF). A score of five (5) or above on the VIF indicates multicollinearity among the variables (Wooldridge, 2013). There is no concern about multicollinearity, as indicated by Table 3's VIF findings, which demonstrate that none of the variables surpass 5.

**Table 3.** Correlations matrix.

Variables	1	2	3	4	5	6	VIF
1. CINDEX	1						
2. Firm age	0.151	1					1.108
3. Firm size	0.559**	0.0184*	1				1.128
4. Leverage	0.191*	0.313**	0.073	1			1.029
5. Profitability	0.146***	0.0264	0.239**	0.251**	1		1.017
6. Auditor type	0.618**	-0.078	0.246**	0.004	0.205**	1	1.057

Note: \*\*\*Significance at 1% level, \*\*significance at 5% level and \*significance at 10% level.

**Table 4.** Regression results.

Variables	Predicted sign	Coefficient	p-value	t-statistics	VIF
Firm age	+	0.191**	0.002	1.827	1.108
Firm size	+	0.010***	0.004	2.68	1.128
Leverage	+	-0.001	0.007	-0.16	1.029
Profitability	+	0.042	0.026	1.60	1.017
Auditor type	+	0.088***	0.022	3.97	1.057
Observations		2060			
R-squared		0.1879			
Adjusted R <sup>2</sup>		0.1589			
F-statistics		7.37			
Mean VIF					1.0678

Note: \*\*\* Significance at 1% level and \*\*significance at 5% level.

### 6.3. Regression results

H1 predicted a significant positive association between firm age and the level of IFRSs compliance. Consistent with our prediction, as shown in Table 4, we found a significant positive relationship between firm age and the level of IFRSs compliance by Tanzanian SMEs ( $\beta=0.191$ ,  $p<0.01$ ). This indicates that older SMEs ( $\geq 10$  years) realize the advantages of IFRSs compliance in order to improve the relevance and usefulness of their financial reports. Also, as urged by Alnaas and Rashid (2019), users of older firms demand a higher degree of transparency and a good accounting system. This finding is consistent with the studies by Yiadom and Atsunyo (2014) and Al-Shammari et al. (2008), who both found a significant positive association between firm age and the level of IFRSs compliance. However, it contradicts the finding of Rahman and Hamdan (2019), who found a negative association between age and the extent of compliance with financial reporting standards by Malaysian SMEs.

Empirical findings in Table 4 show that firm size measured by the natural log of total assets has a significant positive correlation with IFRSs compliance ( $\beta=0.010$ ,  $p<0.01$ ). This is consistent with H2 predictions. This indicates that the size of SMEs plays a significant role in IFRSs compliance for SMEs. Thus, it can be argued that, as the size of SMEs grows, more strong internal control mechanisms are instituted to ensure the accuracy of accounting records and protect their reputation. But also their ability to hire skilled and qualified staff who can prepare financial statements in accordance with IFRSs requirements increases. This finding is supported by the previous findings of Iwiyisi (2018), who also found a positive and significant association between firm size and IFRSs compliance among SMEs in Nigeria. This is also consistent with other scholars who also found a significant association between firm size and IFRSs compliance (Alnaas & Rashid, 2019; Kang et al., 2016; Uyar et al., 2016). However, the results are contrary to those of Demir and Bahadir (2014), who found no association between firm size and IFRSs compliance by the listed companies in Turkey. But also, Umar et al. (2022) found that firm size has no significant effect on IFRSs compliance by listed deposit money banks and insurance firms in Nigeria. Thus, given SMEs operating environment, the size of the firms plays a vital role in enhancing compliance with IFRSs requirements.

Contrary to H3, the findings as indicated in Table 4 reveal that leverage as measured by the total debt (long-term plus short-term) to equity is negative but insignificantly associated with IFRSs compliance ( $\beta = -0.001$ ,  $p>0.001$ ). This shows that firm leverage does not have an impact on compliance with IFRSs. Based on these results, it can be concluded that SME debt holders do not put pressure on businesses to prepare their financial reports in accordance with IFRSs. This finding is consistent with that of Alnaas and Rashid (2019), who found that leverage is not associated with the extent of IFRSs compliance by

North African companies. Likewise, the study by Tsegba et al. (2017) found that leverage has a negative but insignificant relationship with IFRSs compliance by listed financial services companies in Nigeria. But also, other studies found no significant association between a firm's leverage and IFRSs compliance (Umar et al., 2022; Uyar et al., 2016). However, the findings contradict those of Rahman and Hamdan (2019), who discovered a positive but insignificant relationship between leverage and Financial Reporting Standards compliance by Malaysian SMEs.

Empirical findings as presented in Table 4 show a positive and significant association between profitability measured by earnings before interest and tax to total assets and the level of IFRSs compliance ( $\beta=0.042$ ,  $p<0.05$ ). Hence, H4 is empirically supported. These findings indicate that SMEs' profitability levels have a greater influence on IFRSs compliance. This finding is supported by the study of Tsegba et al. (2017), who found a significant positive association between profitability and IFRSs compliance level among listed financial services companies in Nigeria. But also, the study of Juhmani (2017) in Bahrain found IFRSs compliance to be positive and significantly related to profitability. However, the findings contradict those of Appiah et al. (2016), who found a negative association between profitability and IFRSs compliance among listed firms in Ghana. But also, the study by Rahman and Hamdan (2019) on Malaysian SMEs reveals a negative and significant correlation between profitability and the extent of IFRSs compliance.

In agreement with H5, the results, as shown in Table 4, disclose that there is a significant positive association between being audited by a Big Four and compliance with IFRSs ( $\beta=0.088$ ,  $p<0.01$ ). The findings suggest that the use of the Big Four audit firms significantly assists SMEs in complying with the IFRSs requirements. Agency theory by Jensen and Meckling (1976) argued that big audit firms function as a means of curbing agency expenses and assume a more vigilant role by stifling managers' opportunistic actions. This finding is supported by the studies of Appiah et al. (2016), which documented a significant positive association between the IFRSs compliance level and auditor type among listed firms in Ghana. This finding is also verified by the studies of Al-Shammari (2011), Demir and Bahadir (2014), Juhmani (2012), Kang et al. (2016) and Umar et al. (2022). However, these findings contradict the findings by Hossain et al. (1995) in their study on voluntary disclosure in the annual reports of New Zealand companies, which revealed no significant relationship between the type of auditor and IFRSs disclosure requirements.

#### 6.4. Sensitivity analysis

To ensure that the regression results were unaffected by variations in the measurements of the dependent and independent variables, a number of robustness tests were conducted on CININDEX and firm characteristics. Two robustness tests were conducted in accordance with prior research to verify that the regression results were insensitive to different measurements of the dependent variable (Alsaeed, 2006; Sellami & Borgi, 2020). In the initial test, the logarithm of the dependent variable (CININDEX) was used instead of the original one.

In order to re-estimate the primary regression for the second robustness test, the dependent variable, the CININDEX scores, was divided into three sub-classes: low, medium and high. When the dependent variable in the main model was replaced with its logarithm, no discernible changes occurred. Moreover, the results show that the collapse of the CININDEX into three subclasses had no effect on the size and significance of the explanatory variable coefficients. Additionally, untabulated findings demonstrate that applying these robustness tests does not alter the results.

Furthermore, the robustness test was carried out on business attributes, such as firm size, age, profitability, leverage and auditor type, which were used as independent factors to affect the degree of IFRSs compliance. Based on earlier research, several evaluations of these characteristics have been used (Alnaas & Rashid, 2019; Alsaeed, 2006; Sellami & Borgi, 2020). All of the robustness tests supported the baseline model's results, even though the coefficients are not disclosed.

### 7. Summary and conclusion

The aim of this study was to investigate firms' characteristics and IFRSs compliance by Tanzanian SMEs. The study involved 103 SMEs for a period of 2018–2021. Descriptive statistics show that Tanzania's SMEs comply by 42.3%, which is taken as a lower compliance level.

The results suggest empirical confirmation that IFRSs compliance by Tanzanian SMEs is positively and significantly influenced by firm age, firm size, profitability and auditor type. The findings suggest that as firm age, size and profitability increase, users of accounting information demand high-quality financial reports from the management that comply with the IFRSs disclosure requirements. But also, the research found that IFRSs compliance is improved by the use of a Big Four audit firm. This is due to their ability to employ more qualified and competent staff, which plays a vital role in helping firms comply with IFRSs requirements. This finding is in line with the agency theory due to the fact that, as the firm grows in age, size and profitability, the gap between ownership and management broadens; therefore, producing high-quality financial reports that comply with IFRSs requirements becomes one of the means to reduce the information gap. But IFRSs compliance is negatively but insignificantly associated with firm leverage. This shows that a firm's leverage does not influence its IFRSs compliance level.

Regarding both practice and policy, the research has consequences for standard-setters, regulators and upcoming researchers. Tanzanian officials should take note of the study's results about the influence of business characteristics on IFRSs compliance and take steps to improve the caliber of financial reports submitted by small- and medium-sized enterprises. The article claims that having SMEs that are growing in size and age as well as those that have strong financial results helps to accelerate IFRS compliance. Furthermore, using respectable audit firms—like the Big Four audit firms—assists SMEs in meeting the standards of IFRSs.

From a policy perspective, the NBAA, which acts as the national accounting professional body for overseas IFRSs compliance, must be tasked with directing best practices. By publishing new policies and evaluating current ones in light of SMEs' setup, NBAA will enable SMEs to fully comply with IFRSs requirements. This study shows a poor level of IFRSs compliance, which demonstrates the importance of the noncompliance issue in developing countries. Without a doubt, the noncompliance of IFRSs rules should worry standard-setters, regulators and other stakeholders.

The characteristics of SMEs and their impact on IFRSs compliance were the main focus of this study. Future studies should conduct an empirical investigation into the impact of board characteristics on SMEs' compliance with IFRSs requirements.

### Authors' contributions

SZM developed the idea and carried out this study as a first author under the supervision of Prof. PSK and Dr. EFK. All authors read and approved the final manuscript.

### Ethical clearance

The ethical clearance for this study was granted by the University of Dodoma (UDOM) ethical committee following postgraduate regulations of UDOM.

### Disclosure statement

No potential conflict of interest was reported by the author(s).

### Funding

The University of Dodoma, the author's employer, provided funds to the corresponding author through internal funds intended for long-term training programs (PhD studies).

### About the authors

**Sifuni Z. Msechu** is currently a PhD research fellow at Dodoma University. He works as a lecturer in the Finance and Accounting Department at the University of Dodoma (UDOM) in Tanzania. He completed his Master of Business Administration in Finance at the University of Dodoma. He also finished his bachelor's degree in Accounting and Finance at Mzumbe University in Tanzania. He is a Certified Public Accountant (CPA-T). He can be contacted at [smsechu@yahoo.com](mailto:smsechu@yahoo.com); [sifuni.msechu@udom.ac.tz](mailto:sifuni.msechu@udom.ac.tz). His research activities are focused on the areas of Finance, Accounting, Financial Reporting, Microfinance, Taxation and Public Finance.

**Pendo S. Kasoga** is an Associate Professor of financial services in the Department of Accounting and Finance, College of Business and Economics at the University of Dodoma. She holds a Doctor of Philosophy in the area of microfinance from the University of Dodoma, Tanzania. Prof. Pendo conducted research and offered consultancy services for the public and private sectors in Tanzania. She has published articles in the areas of microfinance, financial markets, banking and insurance. She can be contacted at [pendo.kasoga@udom.ac.tz](mailto:pendo.kasoga@udom.ac.tz). Her research interests are microfinance, insurance, capital markets and banking.

**Erasmus F. Kipsha** holds a PhD in Finance from Dongbei University of Finance and Economics and is currently working as a lecturer at the Department of Accounting and Finance, School of Business, Mzumbe University, Tanzania. He also holds a Masters of Business Administration (Finance) from the University of Dar es Salaam. He earned his bachelor's degree in accounting and finance at Mzumbe University, Tanzania. He is also a Certified Public Accountant (CPA). He can be contacted at [elkipsha@mzumbe.ac.tz](mailto:elkipsha@mzumbe.ac.tz). His research interests focus on finance, management accounting and taxation.

## Data availability statement

The data set for this study will be available upon reasonable request by the corresponding author, Sifuni Z. Msechu.

## References

- Abdullah, H., Isiksal, A. Z., & Rasul, R. (2023). Dividend policy and firm value: Evidence of financial firms from Borsa Istanbul under the IFRS adoption. *Journal of Financial Reporting and Accounting*. Ahead-of-print. <https://doi.org/10.1108/JFRA-04-2022-0147>
- Abdullah, M., Evans, L., Fraser, I., & Tsalavoutas, I. (2015). IFRS mandatory disclosures in Malaysia: The influence of family control and the value (ir)relevance of compliance levels. *Accounting Forum*, 39(4), 328–348. <https://doi.org/10.1016/j.accfor.2015.05.003>
- Adams, J., Hayunga, D., Mansi, S., Reeb, D., & Verardi, V. (2019). Identifying and treating outliers in finance. *Financial Management*, 48(2), 345–384. <https://doi.org/10.1111/fima.12269>
- Agyei-Mensah, B. K. (2017). The relationship between corporate governance mechanisms and IFRS 7 compliance: Evidence from an emerging market. *Corporate Governance: The International Journal of Business in Society*, 17(3), 446–465. <https://doi.org/10.1108/CG-06-2016-0129>
- Al-Akra, M., Eddie, I. A., & Ali, M. J. (2010). The influence of the introduction of accounting disclosure regulation on mandatory disclosure compliance: Evidence from Jordan. *The British Accounting Review*, 42(3), 170–186. <https://doi.org/10.1016/j.bar.2010.04.001>
- Al-Shammari, B. (2011). Factors influencing the extent of mandatory compliance with International Financial Reporting Standards: The case of Kuwaiti listed companies. *Journal of International Business and Economics*, 11(4), 11–31.
- Al-Shammari, B., Brown, P., & Tarca, A. (2008). An investigation of compliance with international accounting standards by listed companies in the Gulf Co-Operation Council member states. *The International Journal of Accounting*, 43(4), 425–447. <https://doi.org/10.1016/j.intacc.2008.09.003>
- Alnaas, A., & Rashid, A. (2019). Firm characteristics and compliance with IAS/IFRS evidence from North African companies. *Journal of Financial Reporting and Accounting*, 17(3), 383–410. <https://doi.org/10.1108/JFRA-06-2018-0052>
- Alsaheed, K. (2006). The association between firm-specific characteristics and disclosure: The case of Saudi Arabia. *Managerial Auditing Journal*, 21(5), 476–496. <https://doi.org/10.1108/02686900610667256>
- Amoah, A. K., & Amoah, S. K. (2018). The role of small and medium enterprises (SMEs) to employment in Ghana. *International Journal of Business and Economics Research*, 7(5), 151. <https://doi.org/10.11648/j.ijber.20180705.14>
- Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S & P 500. *The Journal of Finance*, 58(3), 1301–1328. <https://doi.org/10.1111/1540-6261.00567>
- Appiah, K. O., Awunyo-Vitor, D., Mireku, K., & Ahiagbah, C. (2016). Compliance with International Financial Reporting Standards: The case of listed firms in Ghana. *Journal of Financial Reporting and Accounting*, 14(1), 131–156. <https://doi.org/10.1108/JFRA-01-2015-0003>
- Barbu, E. M., Dumontier, P., Feleagă, N., & Feleagă, L. (2014). Mandatory environmental disclosures by companies complying with IASs/IFRSs: The cases of France, Germany, and the UK. *The International Journal of Accounting*, 49(2), 231–247. <https://doi.org/10.1016/j.intacc.2014.04.003>
- Bova, F., & Pereira, R. (2012). The determinants and consequences of heterogeneous IFRS compliance levels following mandatory IFRS adoption: Evidence from a developing country. *Journal of International Accounting Research*, 11(1), 83–111. <https://doi.org/10.2308/jiar-10211>
- Bushee, B. J., & Miller, G. S. (2012). Investor relations, firm visibility, and investor following. *The Accounting Review*, 87(3), 867–897. <https://doi.org/10.2308/accr-10211>
- Chalmers, K., Koh, P. S., & Stapledon, G. (2006). The determinants of CEO compensation: Rent extraction or labour demand? *The British Accounting Review*, 38(3), 259–275. <https://doi.org/10.1016/j.bar.2006.01.003>



- Chen, J. (2016). Development of Chinese small and medium-sized enterprises. *Journal of Small Business and Enterprise Development*, 13(2), 140–147. <https://doi.org/10.1108/14626000610665854>
- Choi, J. S., Kwak, Y. M., & Choe, C. (2010). Corporate social responsibility and corporate financial performance: Evidence from Korea. *Australian Journal of Management*, 35(3), 291–311. <https://doi.org/10.1177/0312896210384681>
- Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, 56(2–3), 147–177. <https://doi.org/10.1016/j.jacceco.2013.10.007>
- Coad, A., Segarra, A., & Teruel, M. (2016). Innovation and firm growth: Does firm age play a role? *Research Policy*, 45(2), 387–400. <https://doi.org/10.1016/j.respol.2015.10.015>
- Cooke, T. E. (1989). Voluntary corporate disclosure by Swedish companies. *Journal of International Financial Management & Accounting*, 1(2), 171–195. <https://doi.org/10.1111/j.1467-646X.1989.tb00009.x>
- Craswell, A. T., & Taylor, S. L. (1992). Discretionary disclosure of reserves by oil and gas companies: An economic analysis. *Journal of Business Finance & Accounting*, 19(2), 295–308. <https://doi.org/10.1111/j.1468-5957.1992.tb00626.x>
- Demir, V., & Bahadır, O. (2014). An investigation of compliance with International Financial Reporting Standards by listed companies in Turkey. *Accounting and Management Information Systems*, 13(1), 4–34.
- Depoers, F. (2000). A cost benefit study of voluntary disclosure: Some empirical evidence from French listed companies. *European Accounting Review*, 9(2), 245–263. <https://doi.org/10.1080/09638180050129891>
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics*, 26(2), 301–325. <https://doi.org/10.1086/467037>
- Ferguson, A., Clinch, G., & Kean, S. (2011). Predicting the failure of developmental gold mining projects. *Australian Accounting Review*, 21(1), 44–53. <https://doi.org/10.1111/j.1835-2561.2010.00119.x>
- Gassen, J. (2017). The effect of IFRS for SMEs on the financial reporting environment of private firms: An exploratory interview study. *Accounting and Business Research*, 47(5), 540–563. <https://doi.org/10.1080/00014788.2017.1314105>
- Glaum, M., Schmidt, P., Street, D. L., & Vogel, S. (2013). Compliance with IFRS 3-and IAS 36-required disclosures across 17 European countries: Company-and country-level determinants. *Accounting and Business Research*, 43(3), 163–204. <https://doi.org/10.1080/00014788.2012.711131>
- Glaum, M., & Street, D. L. (2003). Compliance with the disclosure requirements of Germany's new market : IAS versus US GAAP. *Journal of International Financial Management & Accounting*, 14(1), 64–100. <https://doi.org/10.1111/1467-646X.00090>
- Guerreiro, M. S., Rodrigues, L. L., & Craig, R. (2008). The preparedness of companies to adopt International Financial Reporting Standards : Portuguese evidence. *Accounting Forum*, 32(1), 75–88. <https://doi.org/10.1016/j.acfor.2007.11.001>
- Gujarati, D. N., & Porter, D. C. (2009). *Basic econometrics* (5th ed.). McGraw-Hill Irwin.
- Gwota, R. R. (2011). *Challenges in complying with international financial, reporting standards (IFRS): A case of insurance companies in Tanzania* [University of Dar es Salaam]. University of Dar es Salaam Business School Repository on August 7, 2021. [http://ridum.umanizales.edu.co:8080/jspui/bitstream/6789/377/4/Muoz\\_Zapata\\_Adriana\\_Patricia\\_Articulo\\_2011.pdf](http://ridum.umanizales.edu.co:8080/jspui/bitstream/6789/377/4/Muoz_Zapata_Adriana_Patricia_Articulo_2011.pdf)
- Haapamäki, E. (2018). How has IFRS impacted financial reporting for unlisted entities? *Journal of Accounting and Management Information Systems*, 17(1), 5–30. <https://doi.org/10.24818/jamis.2018.01001>
- Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of Accounting and Economics*, 31(1–3), 405–440. [https://doi.org/10.1016/S0165-4101\(01\)00018-0](https://doi.org/10.1016/S0165-4101(01)00018-0)
- Hellman, N., Carenys, J., & Gutierrez, S. (2018). Introducing more IFRS principles of disclosure–Will the poor disclosers improve? *Accounting in Europe*, 15(2), 242–321. <https://doi.org/10.1080/17449480.2018.1476772>
- Hossain, M., Perera, M. H. B., & Rahman, A. R. (1995). Voluntary disclosure in the annual reports of New Zealand companies. *Journal of International Financial Management & Accounting*, 6(1), 69–87. <https://doi.org/10.1111/j.1467-646X.1995.tb00050.x>
- IASB. (2009). *IFRS for SMEs*. IASC Foundation Publications Department.
- Iatridis, G., & Rouvolis, S. (2010). The post-adoption effects of the implementation of International Financial Reporting Standards in Greece. *Journal of International Accounting, Auditing and Taxation*, 19(1), 55–65. <https://doi.org/10.1016/j.intaccudtax.2009.12.004>
- Iwiyisi, O. (2018). Firm specific drivers of IFRS compliance among SMEs in Nigeria. *Abstra International Journal of Economics and Finance*, 7(2), 23–35.
- Jensen, C., & Meckling, H. (1976). Theory of the firm: Management behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Juhmani, O. (2012). Factors influencing the extent of corporate compliance with IFRS: Evidence from companies listed in Bahrain Stock Exchange. *Journal of International Business and Economics*, 12(2), 67–79.
- Juhmani, O. (2017). Corporate governance and the level of Bahraini corporate compliance with IFRS disclosure. *Journal of Applied Accounting Research*, 18(1), 22–41. <https://doi.org/10.1108/JAAR-05-2015-0045>
- Kabwe, M., Mwanaumo, E., & Chalu, H. (2020). Effect of corporate governance attributes on IFRS compliance: Evidence from a developing country. *Corporate Governance: The International Journal of Business in Society*, 21(1), 1–22. <https://doi.org/10.1108/CG-03-2020-0103>
- Kang, G., Liu, X., Hsiao, D., Orenstein, P., Ladik, D., Rainford, S., Samaha, K., Khelif, H., & Dahawy, K. (2016). Compliance with IAS/IFRS and its determinants: A meta-analysis. *Journal of Accounting-Business & Management*, 23(1), 41–63.

- Kim, J. B., Tsui, J. S. L., & Yi, C. H. (2011). The voluntary adoption of International Financial Reporting Standards and loan contracting around the world. *Review of Accounting Studies*, 16(4), 779–811. <https://doi.org/10.1007/s11142-011-9148-5>
- Krishnan, T. N., & Scullion, H. (2017). Talent management and dynamic view of talent in small and medium enterprises. *Human Resource Management Review*, 27(3), 431–441. <https://doi.org/10.1016/j.hrmr.2016.10.003>
- Low, P. Y., & Chen, K. H. (2004). Diversification and capital structure: Some international evidence. *Review of Quantitative Finance and Accounting*, 23(1), 55–71. <https://doi.org/10.1023/B:REQU.0000037064.15144.04>
- Matolcsy, Z., Tyler, J., & Wells, P. (2012). Is continuous disclosure associated with board independence? *Australian Journal of Management*, 37(1), 99–124. <https://doi.org/10.1177/0312896211428492>
- Mawutor, J. K. M., Williams, S., & Oduwaa, M. A. (2019). Assessment of the adoption and implementation of IFRS for small and medium scale entities (SMEs). “A Study of Selected SMEs GA East of Ghana.” *Asian Journal of Finance & Accounting*, 11(1), 241–258. <https://doi.org/10.5296/ajfa.v11i1.14678>
- Mbelwa, L. H., & Mahangila, D. N. (2019). Critical external institutional pressures towards effective implementation of IFRS in the Tanzanian private hospital sector. *The Operations Research Society of East Africa Journal*, 9, 90–109.
- Mokhtar, E., Elharidy, A., & Mandour, M. (2018). Compliance with IFRs: The case of risk disclosure practices in Egypt. *Arab Economic and Business Journal*, 13(1), 1–14. <https://doi.org/10.1016/j.aebj.2017.12.001>
- Moon, D., & Tandon, K. (2007). The influence of growth opportunities on the relationship between equity ownership and leverage. *Review of Quantitative Finance and Accounting*, 29(4), 339–351. <https://doi.org/10.1007/s11156-007-0039-6>
- Mpoma, G. E. (2016). *The compliance and challenges of implementing International Financial Reporting Standard for small and medium enterprises (IFRS for SMEs) in Tanzania*. Università Ca' Foscari Venezia. (Accessed on July 8, 2021) <http://dspace.unive.it/handle/10579/10466>
- Mutawaa, A. A., & Hewaidy, A. M. (2010). Disclosure level and compliance with IFRSs: An empirical investigation of Kuwaiti companies. *International Business & Economics Research Journal*, 9(5), 33–50.
- Mwakapala, D. A., Mbogela, C. S., & Ngomuo, S. (2024). Corporate governance and compliance with IFRSs: The case of Tanzanian Savings and Credit Cooperatives. *Cogent Business & Management*, 11(1), 1–17. <https://doi.org/10.1080/23311975.2024.2305980>
- Nalukenge, I. (2020). Board role performance and compliance with IFRS disclosure requirements among microfinance institutions in Uganda. *International Journal of Law and Management*, 62(1), 47–66. <https://doi.org/10.1108/IJLMA-08-2017-0195>
- Nalukenge, I., Nkundabanyanga, S. K., & Ntayi, J. M. (2018). Corporate governance, ethics, internal controls and compliance with IFRS. *Journal of Financial Reporting and Accounting*, 16(4), 764–786. <https://doi.org/10.1108/JFRA-08-2017-0064>
- National Bureau of Statistics. (2016). The 2013 Census of Industrial Production: Statistical Report. Ministry of Industry, Trade and Investment. Dar es Salaam, Tanzania.
- NBAA. (2023). *Guidance on evaluating presentation of financial statements*.
- Nnadi, M., & Soobaroyen, T. (2015). International financial reporting standards and foreign direct investment: The case of Africa. *Advances in Accounting*, 31(2), 228–238. <https://doi.org/10.1016/j.adia.2015.09.007>
- Olango, E. O., & Kerongo, F. (2014). The effects of International Financial Reporting Standards adoption on SMEs performance: A case study Mombasa – Central Business District (CBD). *Research Journal of Finance and Accounting*, 5(7), 94–103.
- Pallant, J. (2020). *SPSS survival manual: A step by step guide to data analysis using IBA SPSS* (7th ed.). Routledge.
- Perera, D., & Chand, P. (2015). Issues in the adoption of International Financial Reporting Standards (IFRS) for small and medium-sized enterprises (SMEs). *Advances in Accounting*, 31(1), 165–178. <https://doi.org/10.1016/j.adia.2015.03.012>
- Rahman, A. A., & Hamdan, M. D. (2017). The extent of compliance with FRS 101 standard: Malaysian evidence. *Journal of Applied Accounting Research*, 18(1), 87–115. <https://doi.org/10.1108/JAAR-10-2013-0078>
- Rahman, A. A., & Hamdan, M. D. (2019). An investigation of the level of compliance with Financial Reporting Standards (FRS 101) by Malaysian SMEs. *Journal of Economic Info*, 6(1), 26–33. <https://doi.org/10.31580/jei.v6i1.496>
- Samaha, K., & Khelif, H. (2016). Adoption of and compliance with IFRS in developing countries. *Journal of Accounting in Emerging Economies*, 6(1), 33–49. <https://doi.org/10.1108/JAEE-02-2013-0011>
- Sappor, P., Sarpong, F. A., & Seini, R. A. (2023). The adoption of IFRS for SMEs in the northern sector of Ghana: A case of structural equation modeling. *Cogent Business & Management*, 10(1), 1–32. <https://doi.org/10.1080/23311975.2023.2180840>
- Sellami, Y. M., & Borgi, H. (2020). Compliance with IFRS for related party transactions across eight African countries: Do corruption and government quality matter? *International Journal of Accounting, Auditing and Performance Evaluation*, 16(1), 81–107. <https://doi.org/10.1504/IJAAPE.2020.106780>
- Sellami, Y. M., & Fendri, H. B. (2017). The effect of audit committee characteristics on compliance with IFRS for related party disclosures: Evidence from South Africa. *Managerial Auditing Journal*, 32(6), 603–626. <https://doi.org/10.1108/MAJ-06-2016-1395>
- Sellami, Y. M., & Tahari, M. (2017). Factors influencing compliance level with AAOIFI financial accounting standards by Islamic banks. *Journal of Applied Accounting Research*, 18(1), 137–159. <https://doi.org/10.1108/JAAR-01-2015-0005>
- Serafimoska, M., Jovanovski, K., & Jovevski, D. (2015). Risk disclosure practices in annual reports of listed companies: Evidence from a developing country. *Research Journal of Finance and Accounting*, 6(1), 184–193.

- Singh, K., & Pillai, D. (2021). Corporate governance in small and medium enterprises: A review. *Corporate Governance: The International Journal of Business in Society*, 22(1), 23–41. <https://doi.org/10.1108/CG-10-2020-0470>
- Soderstrom, N. S., & Sun, K. J. (2017). IFRS adoption and accounting quality: A review. *European Accounting Review*, 16(4), 675–702. <https://doi.org/10.1080/09638180701706732>
- Street, D. L., & Bryant, S. M. (2000). Disclosure level and compliance with IASs: A comparison of companies with and without U.S. listings and filings. *The International Journal of Accounting*, 35(3), 305–329. [https://doi.org/10.1016/S0020-7063\(00\)00060-1](https://doi.org/10.1016/S0020-7063(00)00060-1)
- Street, D. L., & Gray, S. J. (2002). Factors influencing the extent of corporate compliance with International Accounting Standards: Summary of a research monograph. *Journal of International Accounting, Auditing and Taxation*, 11(1), 51–76. [https://doi.org/10.1016/S1061-9518\(02\)00054-X](https://doi.org/10.1016/S1061-9518(02)00054-X)
- Tawiah, V., & Boolaky, P. (2019a). A review of literature on IFRS in Africa. *Journal of Accounting & Organizational Change*, 16(1), 47–70. <https://doi.org/10.1108/JAOC-09-2018-0090>
- Tawiah, V., & Boolaky, P. (2019b). Determinants of IFRS compliance in Africa: Analysis of stakeholder attributes. *International Journal of Accounting & Information Management*, 27(4), 573–599. <https://doi.org/10.1108/IJAIM-09-2018-0110>
- Tsalavoutas, I. (2011). Transition to IFRS and compliance with mandatory disclosure requirements: What is the signal? *Advances in Accounting*, 27(2), 390–405. <https://doi.org/10.1016/j.adiac.2011.08.006>
- Tsalavoutas, I., Tsoligkas, F., & Evans, L. (2020). Compliance with IFRS mandatory disclosure requirements: A structured literature review. *Journal of International Accounting, Auditing and Taxation*, 40, 100338. <https://doi.org/10.1016/j.intaccaudtax.2020.100338>
- Tsegba, I. N., Semberfan, J., & Tyokoso, G. M. (2017). Firm characteristics and compliance with International Financial Reporting Standards (IFRS) by listed financial services companies in Nigeria. *Applied Finance and Accounting*, 3(1), 83–93. <https://doi.org/10.11114/afa.v3i1.2196>
- Umar, K., Adamu, E., Mohamed, A., & Teru, S. (2022). TSU-International Journal of Accounting and Finance (TSUIJAF). *International Journal of Accounting and Finance*, 1(2), 201–216.
- Umrani, A. I., Johl, S. K., & Ibrahim, M. Y. (2015). Corporate governance practices and problems faced by SMEs in Malaysia. *Global Business and Management Research: An International Journal*, 7(2), 71–77.
- Uyar, A., Kiliç, M., & Gökçen, B. A. (2016). Compliance with IAS/IFRS and firm characteristics: Evidence from the emerging capital market of Turkey. *Economic Research-Ekonomska Istraživanja*, 29(1), 148–161. <https://doi.org/10.1080/1331677X.2016.1163949>
- Walker, R. G., Clarke, F. L., & Dean, G. W. (2000). Use of CCA in the public sector: Lessons from Australia's experience with public utilities. *Financial Accountability & Management*, 16(1), 1–32. <https://doi.org/10.1111/1468-0408.00095>
- Watts, R. L., & Zimmerman, J. L. (1983). Agency problems, auditing, and the theory of the firm: Some evidence. *The Journal of Law and Economics*, 26(3), 613–633. <https://doi.org/10.1086/467051>
- Wooldridge, J. M. (2012). *Introductory econometrics: A modern approach* (5th ed.). Cengage Learning.
- Wooldridge, J. M. (2013). *Introductory econometrics: A modern approach*. Cengage Learning.
- World Bank. (2017). *Targeted SME Financing and Employment Effect* (No. 3).
- Yiadom, E. M., & Atsunyo, W. (2014). Compliance with International Financial Reporting Standards by listed companies in Ghana. *International Journal of Business and Management*, 9(10), 87–100. <https://doi.org/10.5539/ijbm.v9n10p87>
- Yung, K. K. (2001). Foreign acquisitions and managerial discretion. *Review of Quantitative Finance and Accounting*, 16(1), 53–63. <https://doi.org/10.1023/A:1008388307352>