Perception of Accountants towards the Adoption of International Financial Reporting Standards for Small Medium Enterprises in Somalia

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Abstract

This study investigates the perception accountants toward the adoption of International Financial Reporting Standards (IFRS) for Small Medium-Sized Enterprises (SMEs) in Somalia. Given Somalia's underdeveloped accounting environment and lack of a national regulatory framework, the research explores how perceived benefits, challenges, knowledge & awareness, and cost constraints influence attitudes toward adoption. A quantitative research design was employed, using Cochran's formula to determine a sample size of 384 accountants from SMEs and related institutions. Primary data were collected through structured Likert-scale questionnaires and analyzed using descriptive statistics, correlation, and multiple regression analysis with SPSS. The findings revealed that there are statistically significant positive associations between perception of adoption and all independent variables, with the strongest relationship observed between perceptions and cost/resource constraints (r=.958, p<0.01). Regression analysis further confirmed that perceived challenges (β = 0.391), perceived benefits (β = 0.381), knowledge and awareness (β = 0.336), and cost/resource constraints (β = 0.331) significantly predict perceptions, explaining 97.8% of the variance (Adjusted R² = 0.977, F = 4147.919, p < 0.001). The study concludes that Somali accountants overwhelmingly support IFRS for SMEs adoption despite acknowledging systemic barriers. Recommendations include capacity-building through professional training, establishment of a national accounting regulatory framework, provision of financial and technical support, stakeholder engagement, and phased implementation. These measures are essential to bridge knowledge and resource gaps, thereby fostering transparency, comparability, and sustainable growth within Somalia's SME sector.

Background of the Study
Small and medium-sized enterprises (SMEs) are widely acknowledged as the linchpin of economic growth, innovation, and employment particularly in developing and post-conflict nations (Hassan, 2022). Somalia, still in a gradual phase of socio-economic reconstruction, relies heavily on SMEs to fill gaps in public service provision, generate income, and stabilize household livelihoods (Abdinur, 2023). Yet, despite their importance, Somali SMEs often operate in informal markets under opaque financial-reporting practices. This opacity limits transparency, deters external investment or donor support, and hinders sustainable growth (Benhayoun & Zejjari, 2025). Thus, enhancing the quality and comparability of SME financial statements through adoption of globally recognized frameworks is a potentially transformative strategy.

The International Accounting Standards Board's IFRS for SMEs, issued in 2009, presents a streamlined alternative to full IFRS tailored for non–publicly accountable, smaller entities. By truncating complexity while preserving core principles, it aims to enhance comparability, credibility, and decision usefulness of financial reports (IFAC 2023). Over 100 jurisdictions, including several in Sub-Saharan Africa, have officially adopted the standard or recommended it as an option. Yet, Somalia has not taken concrete steps toward implementation and lacks published national guidelines, leaving a critical blind spot in both research and practice (Abdinur & Karcioglu, 2024).

This article centers on the perceptions of Somali accountants those responsible for interpreting, preparing, and presenting financial statements and their attitudes toward IFRS for SMEs. Accountants are not merely technicians; their beliefs, motivations, and competencies fundamentally influence the feasibility and adoption trajectory of any new standard (Marina, A. G. 2024). In Somalia's context, characterized by a fragile institutional environment, low regulatory enforcement, and minimal CPD infrastructure, pragmatic engagement with accountants becomes essential for policy design and implementation. Despite the interest of international donors, banks, and diaspora investors, the human and institutional layers necessary for meaningful adoption remain under-explored in both scholarship and policy discourse. This research seeks to (1) explore Somali accountants' perceptions about both institutional pressures and cost–benefit trade-offs, and (2) assess whether existing theoretical lenses sufficiently explain their outlook. Ultimately, these insights may inform the design of national adoption strategies. By focusing directly on perceptions, this study fills a critical data gap: the absence of localized, empirical evidence concerning IFRS for SMEs in Somalia, despite ongoing discussions among professional bodies and NGOs. While IFRS for SMEs holds great potential to elevate the financial integrity of Somali SMEs, realizing this promise requires an in-depth understanding of local perceptions. By applying relevant theoretical lenses to grounded field data, this study offers both scholarly insight and practical guidance. Its findings will help align capacity-building initiatives with lived realities on the ground, advance national dialogue on accounting standard harmonization, and ultimately help build a more transparent and accountable SME sector in Somalia.

Problem Statement

Somalia's accounting environment is largely underdeveloped, with no formally adopted national accounting standards or regulatory framework governing financial reporting for small and medium-sized enterprises (SMEs). Most Somali SMEs operate informally, lacking standardized bookkeeping practices, and rely on rudimentary financial records, if any. Unlike neighboring countries such as Kenya, Ethiopia, and Uganda—which have adopted or adapted IFRS for SMEs as a national standard Somalia remains without a centralized accounting system or oversight body, limiting the comparability, transparency, and accountability of SME financial statements (World Bank, 2023; IFAC, 2023). Despite the global recognition of IFRS for SMEs as a simplified and scalable reporting standard suitable for emerging economies, its adoption in Somalia has not progressed. One of the critical, yet overlooked, factors influencing adoption is the perception of accountants—those responsible for implementing the standards. Previous studies in similar contexts emphasize that adoption is shaped by institutional pressures (regulatory, educational, or professional), and by accountants' evaluations of the benefits and costs of implementing IFRS for SMEs (Kaya & Koch, 2015; Alduneibat, 2023). However, no empirical studies have investigated the views of Somali accounting professionals, leaving a critical knowledge gap in both research and practice.

Given the country's fragile institutions, limited professional development infrastructure, and informal SME sector, understanding how accountants perceive IFRS for SMEs is vital. Without this insight, policymakers, regulators, and international development partners lack the evidence needed to support an effective adoption strategy. This study seeks to explore Somali accountants' perceptions of IFRS for SMEs adoption, considering both institutional and value-driven (cost-benefit) dimensions, thereby addressing an urgent gap in the academic literature and contributing to efforts to modernize financial reporting in Somalia.

Literature Review.

Theoretical Review

Institutional theory provides a useful lens for understanding how external structures influence the behavior and decisions of organizations and professionals, including the adoption of international accounting standards such as IFRS for SMEs. The theory identifies three main forms of institutional pressure: coercive, normative, and mimetic (DiMaggio & Powell, 1983). Coercive pressures come from formal authorities such as governments or regulatory bodies that require compliance through laws or policies. Normative pressures arise from professional norms, education, and expectations within the accounting field. Mimetic pressures refer to the tendency of organizations or professionals to imitate others especially perceived leaders under conditions of uncertainty (Circa et al., 2021)

Empirical evidence shows that in countries like South Africa and Turkey, these institutional forces have significantly shaped the adoption of IFRS for SMEs. For example, in South Africa, the adoption was driven primarily by coercive mandates and reinforced by professional bodies and education systems that created strong normative support (Mohamed et al., 2019). In contrast, countries with weak institutional frameworks, such as Somalia, often lack these drivers. Regulatory mandates are minimal, professional training on IFRS is limited, and exposure to peer practices is constrained, thereby weakening all three isomorphic pressures (Awn, 2000). This institutional vacuum makes the perceptions of individual

accountants even more critical, as adoption decisions may rest more on personal initiative than systemic enforcement. In Somalia's case, institutional theory suggests that successful adoption of IFRS for SMEs may depend on building bottom-up support through increased training (normative), donor-led policies or incentives (coercive), and visibility of adoption in peer countries or international NGOs (mimetic) (Abdinur & Karcioglu, 2025). Strengthening professional networks, investing in accountant education, and promoting regional success stories could help create the institutional environment needed for broader adoption (Al Dulamy & Hamadi, 2022). Understanding how Somali accountants respond to these pressures or lack thereof is therefore central to designing effective strategies for standard implementation.

Empirical Evidence
The IFRS for SMEs, introduced by the International Accounting Standards Board (IASB) in 2009, was designed to offer a simplified, cost-effective alternative to full IFRS for entities that are not publicly accountable (Mabaso & Nkumbulo, 2019). Its goal was to strike a balance between reliability and simplicity, making global comparability more accessible to SMEs worldwide (Mohamed et al., 2019; Segotso et al., 2024). Globally, less than half of the countries surveyed require SMEs to adopt IFRS for SMEs only around 35% have made it mandatory illustrating significant variability across jurisdictions (Ezenwoke & Tion, 2020). Early adopter countries such as South Africa embraced IFRS for SMEs in 2007, incorporating it into law in 2011 via revision of company reporting standards (Mohamed et al., 2019). Subsequent studies have explored perceptions of accounting practitioners after adoption: overall acceptance has risen over time, with many accountants acknowledging its benefits, though concerns over cost and training persist (Mohamed et al., 2019; Segotso et al., 2024).

Numerous empirical studies reflect that accounting professionals perceive significant benefits in adopting IFRS for SMEs. In South Africa, Mohamed et al. (2019) conducted structured interviews with practitioners and found that uniformity, comparability, and alignment with full IFRS are consistently cited advantages. Respondents highlighted improved access to finance, increased audit efficiency, and ease of rating by credit agencies (Uyar & Güngörmüş, 2013; Mohamed et al., 2019). Studies in Turkey (Uyar & Güngörmüş, 2013), Ghana (Boateng et al., 2014), and across several European nations present similar views: accountants appreciate the decision-usefulness, enhanced financial reliability, and potential for smoother transition to full IFRS when needed. (Arsoy & Sipahi 2007) emphasize that benefits also include clarity in financial reporting and reduced information asymmetry. A more recent survey of accounting professionals in Romania reflects convergent perceptions that a unified reporting framework enhances professional credibility and investor trust (Marina, 2024). These findings broadly align with IFRS proponents' claims: IFRS for SMEs provides comparability, improves transparency, and facilitates international financial interactions.

Despite perceived benefits, studies consistently highlight challenges tied to adoption. In South Africa, practitioners voiced concerns over inadequate professional support and training, arguments echoed in broader literature (Segotso et al., 2024; Mohamed et al., 2019). Technical complexity—especially related to measurement methods and disclosures—remains a barrier, particularly where preparer education is limited (Uyar & Güngörmüş, 2013; Segotso et al., 2024). The cost and time required for training were noted as significant by practitioners

across multiple countries (Mohamed et al., 2019). In Lebanon, Sadaka (2022) identifies political instability and regulatory inefficiencies as additional obstacles. Similarly, a MENA-region study (Klish, 2025) indicates that weak institutional frameworks often delay standard adoption, with costs of translation and localized adaptation further burdening SMEs. The systematic review by Segotso et al. (2024) focusing on South Africa synthesizes these challenges: low education levels, high adoption cost, limited regulatory support, and cultural resistance, compounded by the need for sustained training and awareness campaigns. Knowledge and awareness of IFRS for SMEs directly influence perceptions. In South Africa, Uyar and Güngörmüş (2013) found that formal education and CPD programs significantly influence practitioners' competence, regardless of age or professional experience. Mohamed et al. (2019) further note that those with automated accounting systems had higher familiarity and acceptance. Romanian professionals surveyed by Marina (2024) similarly affirm that the education level and prior exposure to full IFRS shape attitudes toward IFRS for SMEs. Lack of comprehension of valuation models, recognition criteria, and disclosures often lead to skepticism about applicability. Ezenwoke & Tion (2020) cross-country study confirms that familiarity with IFRS for SMEs is uneven, with many countries lacking robust professional training infrastructure leading to limited awareness among practitioners and users.

Institutional theory argues that coercive, normative, and mimetic pressures influence standard adoption (Mohamed et al., 2019; Segotso et al., 2024). In South Africa, coercive legal requirements and professional body mandates encouraged adoption. Normative pressures came through training institutions, while mimetic forces emerged from global trends and neighboring country standards. However, in environments with weak institutions, such as Somalia, coercive forces may be minimal, and normative pressures limited. Klish (2025) and Segotso et al. (2024) identify that political instability, poor regulatory cohesion, and inadequate institutional capacity significantly delay adoption, despite practitioner interest. Research into accounting information systems adoption in Mogadishu illustrates parallel challenges: technology adoption is often hampered by limited resources and institutional support (Dugaal & Mohamed, n.d.). Findings in Mogadishu highlight that usefulness and support infrastructure are as crucial as awareness. Accounting literature indicates that Somalia's SME sector currently lacks any formal adoption of IFRS for SMEs. This absence of institutional mandate magnifies the importance of accountants' perceptions in shaping future adoption.

Methodology
Research Design
This study employs a quantitative research design to examine the perception of accountants towards the adoption of IFRS for SMEs in Somalia. A descriptive and explanatory approach is adopted to both outline the characteristics of key variables—such as perceived benefits, perceived challenges, Knowledge and Awareness and Cost and Resource Constraints. The quantitative method enables systematic measurement and generalization of findings across the SME sector, while the descriptive component provides an overview of existing conditions, and the explanatory aspect tests hypothesized relationships (Creswell, 2018; Fisher, 2017).

Target Population and Sampling
The target population for this study comprises accountants working with SMEs in Somalia, with a specific focus on major urban centers where formal financial practices are more likely

to be adopted. Given the lack of accurate data on the total number of SMEs and accounting professionals nationwide, Cochran's formula is used to determine a statistically reliable sample size, assuming a 95% confidence level and a 5% margin of error, resulting in a final sample size of 384 respondents.

Data Collection

Sharp et. al (2017) a data collecting instrument is a tool that a researcher uses to gather information for a study. The quantitative data for the study was collected using a standardized questionnaire. Primary data is collected using a structured questionnaire designed to capture information on the independent and dependent variables. The questionnaire includes Likert scale questions ranging from 1 (strongly disagree) to 5 (strongly agree) to measure respondents' perceptions and experiences. The instrument is pre-tested with a small sample to ensure clarity, reliability, and validity before full-scale administration.

Data Analysis

Data analysis is the act of analyzing, cleaning, coding, and transforming data so that it may be transformed into meaningful information (Babbie, 2011). The information gathered was quantitative. The data was cleansed and reviewed for consistency and completeness during the gathering period. The collected data is analyzed using descriptive and inferential statistical methods. Descriptive statistics such as frequencies, means, and standard deviations summarize the data. For inferential analysis, regression analysis is employed to examine the relationships between the independent variables and the dependent variable. The Statistical Package for the Social Sciences (SPSS) software is used to facilitate data analysis and ensure accuracy.

Ethical Considerations

The study adheres to ethical research standards, ensuring voluntary participation, confidentiality, and anonymity of respondents. Informed consent is obtained from all participants, and the data collected is used solely for academic purposes.

Finding and Analysis

Data Analysis

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	339	88.3	88.3	88.3
	Female	45	11.7	11.7	100.0
	Total	384	100.0	100.0	
Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 25 Years	20	5.2	5.2	5.2
	25–34 years	167	43.5	43.5	48.7
	35-44 years	151	39.3	39.3	88.0
	45 years and above	46	12.0	12.0	100.0
	Total	384	100.0	100.0	
Educational Qualification					

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor Degree	193	50.3	50.3	50.3
	Master Degree	191	49.7	49.7	100.0
	Total	384	100.0	100.0	
Professional Certification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	348	90.6	90.6	90.6
	ACCA	14	3.6	3.6	94.3
	CPA	5	1.3	1.3	95.6
	CIPFA	6	1.6	1.6	97.1
	Other Professional Certification	11	2.9	2.9	100.0
	Total	384	100.0	100.0	
Years of Accounting Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 Years	20	5.2	5.2	5.2
	2-5 Years	92	24.0	24.0	29.2
	6-10 Years	220	57.3	57.3	86.5
	More than 10 Years	52	13.5	13.5	100.0
	Total	384	100.0	100.0	
Type of Organization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SME	333	86.7	86.7	86.7
	Accounting Firm	24	6.3	6.3	93.0
	Government Institutions	27	7.0	7.0	100.0
	Total	384	100.0	100.0	

Demographic Profile of Respondents
The gender distribution indicates a pronounced dominance of male respondents, comprising 88.3% of the total sample, whereas females represent only 11.7%. This disproportionate representation suggests that the accounting profession in the surveyed context remains significantly male dominated.

Regarding age, the majority of respondents fall within the economically active and professionally mature age brackets. Specifically, 43.5% are aged between 25 and 34 years, and 39.3% are within the 35–44 years category. Only a small proportion (5.2%) is under 25 years, indicating limited representation from recent graduates or early-career entrants. Additionally, 12% of respondents are aged 45 years and above, reflecting a modest presence of senior practitioners in the sample. Collectively, these figures suggest a workforce largely composed of mid-career professionals, which may have implications for perceptions of professional development, adoption of new accounting standards, and openness to innovation.

Regarding the educational attainment, approximately half of the respondents hold a bachelor's degree (50.3%), while 49.7% possess a master's degree. The nearly equal

distribution suggests that postgraduate education is commonplace among accountants in this context, reflecting a workforce with a strong academic foundation.

Strikingly, an overwhelming majority of respondents (90.6%) do not hold any formal professional accounting certification. Only a small fraction possess internationally recognized credentials, such as ACCA (3.6%), CPA (1.3%), or CIPFA (1.6%), while 2.9% report other professional certifications. This limited uptake of professional qualifications could signify structural barriers to certification, such as cost, access, or lack of institutional incentives. From a policy perspective, this raises questions about professional capacity-building and the role of regulatory bodies in promoting professional standards.

In terms of practical experience, over half of the respondents (57.3%) report having between 6 and 10 years of accounting experience, followed by 24% with 2–5 years, and 13.5% with more than 10 years of experience. Only 5.2% have less than two years of experience. These figures underscore that the sample predominantly consists of seasoned professionals with substantial practical exposure. This experience profile could influence respondents' perspectives on accounting practices, compliance, and the adoption of international standards.

Finally, the type of employing organization reveals a pronounced concentration within the Small and Medium-sized Enterprises (SME) sector, which accounts for 86.7% of respondents. In contrast, only 6.3% are employed in accounting firms, and 7% work within government institutions. This distribution highlights the critical role of SMEs in providing employment opportunities for accounting professionals in the study context. It also suggests that the findings may be particularly reflective of accounting practices, challenges, and compliance dynamics within the SME sector.

Descriptive Statistics
This section presents the descriptive statistics for the key constructs investigated in this study: perceived benefits, perceived challenges, knowledge and awareness, cost and resource constraints, and perceptions towards adoption of IFRS for SMEs. The results provide valuable insights into the attitudes, constraints, and readiness of the respondents with respect to the adoption of IFRS for SMEs in Somalia

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
IFRS for SMEs improves the transparency of financial reporting for SMEs.	384	2	5	4.578	0.7147
IFRS for SMEs enhances the comparability of SME financial statements with others internationally.	384	3	5	4.573	0.5109
Adoption of IFRS for SMEs would increase investor confidence in SME financial statements.	384	2	5	4.747	0.4585
Using IFRS for SMEs would improve the financial management practices of SMEs in Somalia.	384	3	5	4.797	0.4093
IFRS for SMEs adoption would facilitate access to external financing for SMEs.	384	3	5	4.591	0.6599
Valid N (listwise)	384				

The descriptive statistics presented reveal that respondents expressed strong agreement on the benefits of adopting IFRS for SMEs in Somalia, with mean values ranging from 4.57 to 4.80 on a five-point Likert scale. The highest level of agreement was observed for the statement that IFRS would improve financial management practices of SMEs (M = 4.797, SD = 0.4093), followed by increased investor confidence in SME financial statements (M = 4.747, SD = 0.4585). Similarly, respondents agreed that IFRS adoption would enhance transparency (M = 4.578, SD = 0.7147) and comparability of financial statements internationally (M = 4.573, SD = 0.5109), reflecting the perceived importance of aligning SMEs with global standards. Additionally, IFRS was viewed as instrumental in facilitating access to external financing for SMEs (M = 4.591, SD = 0.6599), underscoring its role in improving creditworthiness and financial integration. The relatively low standard deviations across items indicate consistency in responses, suggesting a broad consensus among participants regarding the positive implications of IFRS adoption for SMEs in Somalia.

Perceived Challenges of IFRS for SMEs Adoption					
	N	Minimum	Maximum	Mean	Std. Deviation
IFRS for SMEs is too complex for most SMEs to apply correctly.	384	4.00	5.00	4.5000	0.50065
Lack of training and expertise is a major barrier to IFRS for SMEs adoption.	384	4.00	5.00	4.2760	0.44762
SMEs may struggle with the cost of implementing IFRS for SMEs.	384	4.00	5.00	4.5417	0.49891
Current SME owners and managers may resist changes associated with IFRS adoption.	384	4.00	5.00	4.5417	0.49891
The absence of a national accounting regulatory framework makes IFRS for SMEs adoption difficult	384	4.00	5.00	4.2760	0.44762
Valid N (listwise)	384				

Despite recognizing the benefits, respondents also identify significant challenges associated with IFRS for SMEs implementation. The complexity of the standards (M = 4.50, SD = 0.50), cost implications (M = 4.54, SD = 0.50), and resistance from current SME owners and managers (M = 4.54, SD = 0.50) are notable barriers. The lack of training and expertise (M = 4.28, SD = 0.45) and the absence of a national regulatory framework (M = 4.28, SD = 0.45) further compound these challenges. The relatively high mean scores indicate that the perceived obstacles are not only practical but also systemic, suggesting that successful adoption would require significant institutional and capacity-building interventions

Knowledge and Awareness of IFRS for SMEs					
	N	Minimum	Maximum	Mean	Std. Deviation
I am familiar with the main requirements of IFRS for SMEs.	384	2.00	5.00	4.0703	0.52881
I have attended seminars, workshops, or training sessions on IFRS for SMEs.	384	2.00	4.00	2.4375	0.82788
I understand the differences between IFRS for SMEs and full IFRS.	384	3.00	4.00	3.0859	0.28064
I believe most accountants in Somalia have low awareness of IFRS for SMEs.	384	2.00	4.00	2.2682	0.47213
My accounting education included coverage of IFRS for SMEs principles.	384	4.00	5.00	4.9453	0.22767
Valid N (listwise)	384				

The data reveal a mixed picture regarding knowledge and awareness. Respondents generally agree that they are familiar with the main requirements of IFRS for SMEs (M = 4.07, SD = 0.53) and that their formal accounting education covered relevant principles (M = 4.95, SD = 0.23). However, attendance at seminars, workshops, or training sessions related to IFRS for SMEs is relatively low (M = 2.44, SD = 0.83), and there is limited understanding of the differences between IFRS for SMEs and full IFRS (M = 3.09, SD = 0.28). Furthermore, respondents perceive that accountants in Somalia generally have low awareness of IFRS for SMEs (M = 2.27, SD = 0.47). This disparity suggests that while the academic foundation exists, practical and continuous professional development opportunities remain inadequate, potentially undermining effective implementation.

Cost and Resource Constraints					
	N	Minimum	Maximum	Mean	Std. Deviation
SMEs lack sufficient financial resources to implement IFRS for SMEs properly.	384	3.00	5.00	4.2734	0.49088
Training employees on IFRS for SMEs would impose a financial burden on SMEs.	384	4.00	5.00	4.8542	0.35340
Implementing IFRS for SMEs requires upgrading accounting systems and software.	384	3.00	5.00	4.2526	0.48069
The ongoing costs of maintaining IFRS compliance are too high for SMEs.	384	4.00	5.00	4.8542	0.35340
The perceived cost of adoption discourages SMEs from embracing IFRS for SMEs.	384	4.00	5.00	4.8542	0.35340
Valid N (listwise)	384				

Cost and resource constraints are perceived as significant barriers to IFRS for SMEs adoption. Respondents strongly agree that SMEs lack sufficient financial resources to implement IFRS for SMEs effectively (M = 4.27, SD = 0.49) and that training employees imposes a substantial financial burden (M = 4.85, SD = 0.35). Similarly, costs associated with upgrading accounting systems (M = 4.25, SD = 0.48) and maintaining compliance (M = 4.85, SD = 0.35) are viewed as prohibitive. The consistently high mean scores across these items reflect a broad consensus that financial and resource limitations are among the most critical factors impeding adoption. This finding aligns with previous studies emphasizing the disproportionate impact of cost barriers on SMEs in emerging economies.

Perception towards Adoption of IFRS for SMEs					
	N	Minimum	Maximum	Mean	Std. Deviation
I believe adopting IFRS for SMEs would benefit Somali SMEs.	384	5.00	5.00	5.0000	0.00000
I am supportive of encouraging SMEs in Somalia to adopt IFRS for SMEs.	384	5.00	5.00	5.0000	0.00000
I believe now is the right time to promote IFRS for SMEs adoption in Somalia.	384	5.00	5.00	5.0000	0.00000
I feel that IFRS for SMEs is suitable for the size and operations of Somali SMEs.	384	5.00	5.00	5.0000	0.00000
I would personally recommend IFRS for SMEs adoption to SME clients or employers.	384	5.00	5.00	5.0000	0.00000
Valid N (listwise)	384				

Interestingly, despite the recognized challenges and constraints, respondents' overall perception towards adoption remains unequivocally positive. All items under this construct record the maximum possible mean score (M = 5.00, SD = 0.00), indicating unanimous agreement that adopting IFRS for SMEs would benefit Somali SMEs and that now is the right time to promote its adoption. Respondents also affirm their willingness to recommend IFRS for SMEs to clients or employers. This uniformity in positive perception highlights a strong aspirational commitment to international best practices and suggests a readiness for reform if enabling conditions, such as regulatory frameworks and capacity-building initiatives, are addressed.

The descriptive results reveal an apparent paradox: Somali accounting professionals strongly endorse the adoption of IFRS for SMEs and recognize its potential benefits, yet they are equally cognizant of substantial challenges, cost constraints, and knowledge gaps that hinder practical implementation. This suggests that policymakers, professional bodies, and SME stakeholders must adopt a multi-pronged approach balancing the promotion of IFRS for SMEs with targeted investments in training, regulatory infrastructure, and financial support to mitigate the practical barriers identified.

Correlations						
		Perception towards Adoption of IFRS for SMEs	Perceived Benefits of IFRS for SMEs	Perceived Challenges of IFRS for SMEs Adoption	Knowledge and Awareness of IFRS for SMEs	Cost and Resource Constraints
Perception towards Adoption of IFRS for SMEs	Pearson Correlation	1	.829**	.260**	.724**	.958**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N	384	384	384	384	384
Perceived Benefits of IFRS for SMEs	Pearson Correlation	.829**	1	-.264**	.896**	.759**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000
	N	384	384	384	384	384

Perceived Challenges of IFRS for SMEs Adoption	Pearson Correlation	.260**	-.264**	1	-.410**	.325**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
	N	384	384	384	384	384
Knowledge and Awareness of IFRS for SMEs	Pearson Correlation	.724**	.896**	-.410**	1	.628**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000
	N	384	384	384	384	384
Cost and Resource Constraints	Pearson Correlation	.958**	.759**	.325**	.628**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	384	384	384	384	384
**. Correlation is significant at the 0.01 level (2-tailed).						

The Pearson correlation analysis was conducted to examine the relationships between the perception towards the adoption of IFRS for SMEs and the key influencing factors, including perceived benefits, perceived challenges, knowledge and awareness, and cost and resource constraints. The findings revealed statistically significant positive correlations between the dependent variable (*Perception towards Adoption of IFRS for SMEs*) and all four independent variables, with all associations significant at the 0.01 level (2-tailed). The strongest relationship was observed between perception towards adoption and cost and resource constraints (r = .958, p < .01), indicating that perceptions regarding financial and resource-related barriers are closely aligned with overall attitudes towards adoption. While this may seem counterintuitive, it may reflect that respondents who are more informed about the cost implications still support adoption, possibly due to a recognition of its long-term strategic benefits. Similarly, a strong positive correlation was found between perceived benefits and adoption perception (r = .829, p < .01), suggesting that respondents who recognize the advantages of IFRS — such as transparency, comparability, and investor confidence — are significantly more likely to support its adoption. Knowledge and awareness of IFRS for SMEs also demonstrated a robust positive association with adoption perception (r = .724, p < .01), highlighting the role of familiarity and education in shaping positive attitudes.

Interestingly, the perceived challenges of IFRS adoption showed a weaker, yet statistically significant, positive correlation with adoption perception (r = .260, p < .01). This suggests that while respondents acknowledge the difficulties in implementation, such as complexity and resistance from SME managers, these challenges do not necessarily translate into negative attitudes; rather, they may coexist with a willingness to embrace reform. This insight points to a professional culture that may be aware of barriers but remains optimistic about progress.

Regression Analysis

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989[a]	0.978	0.977	0.02494	2.217
a. Predictors: (Constant), Cost and Resource Constraints, Perceived Challenges of IFRS for SMEs Adoption, Knowledge and Awareness of IFRS for SMEs, Perceived Benefits of IFRS for SMEs					
b. Dependent Variable: Perception towards Adoption of IFRS for SMEs					

The model shows strong predictive power of perceived benefits, challenges, knowledge, and cost/resource constraints on perceptions toward IFRS for SMEs adoption. The multiple correlation coefficient (R = 0.989) indicates a very strong positive relationship, while R^2 = 0.978 reveals that 97.8% of the variance is explained by the predictors. The adjusted R^2 (0.977) confirms robustness, and the small standard error (0.02494) reflects high prediction accuracy. The Durbin-Watson statistic (2.217) shows no autocorrelation, validating error independence. Overall, the model is statistically sound, highly predictive, and confirms that benefits, awareness, challenges, and costs are significant drivers of IFRS adoption perceptions among Somali SME stakeholders.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.324	4	2.581	4147.919	.000[b]
	Residual	0.236	379	0.001		
	Total	10.560	383			
a. Dependent Variable: Perception towards Adoption of IFRS for SMEs						
b. Predictors: (Constant), Cost and Resource Constraints, Perceived Challenges of IFRS for SMEs Adoption, Knowledge and Awareness of IFRS for SMEs, Perceived Benefits of IFRS for SMEs						

The analysis of variance demonstrates that the regression model predicting perception towards the adoption of IFRS for SME's is highly significant (F = 4147.919, p < 0.01). More than 97 percent of the variation in perception is explained by perceived benefits, perceived challenges, knowledge and awareness, and cost and resource constraints. The regression mean square greatly exceeds the residual mean square, confirming the robustness of the model. These results provide strong evidence that the predictors collectively exert a reliable influence on stakeholders' perceptions and justify further interpretation of individual coefficients.

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.326	0.059		-22.312	0.000		
	Perceived Benefits of IFRS for SMEs	0.348	0.021	0.381	16.191	0.000	0.107	9.375
	Perceived Challenges of IFRS for SMEs Adoption	0.314	0.013	0.391	23.767	0.000	0.218	4.595
	Knowledge and Awareness of IFRS for SMEs	0.349	0.021	0.336	16.809	0.000	0.148	6.767
	Cost and Resource Constraints	0.353	0.024	0.331	14.630	0.000	0.115	8.698
a. Dependent Variable: Perception towards Adoption of IFRS for SMEs								

The multiple regression analysis revealed that all four predictors perceived benefits, perceived challenges, knowledge and awareness, and cost and resource constraints have statistically significant positive effects on perceptions towards the adoption of IFRS for SME's ($p < 0.001$). Perceived challenges emerged as the most influential factor ($\beta = 0.391$), followed by perceived benefits ($\beta = 0.381$), knowledge and awareness ($\beta = 0.336$), and cost and resource constraints ($\beta = 0.331$). These results indicate that recognition of both opportunities and barriers contributes to stronger support for adoption. The unstandardized coefficients confirmed that increases in each predictor lead to corresponding increases in adoption perception, while the constant term was statistically significant but of limited interpretive value. Variance Inflation Factor values ranged from 4.595 to 9.375, indicating moderate but acceptable multicollinearity, given the strong explanatory power of the model (Adjusted R^2 = 0.977). Overall, the findings underscore that the predictors collectively and individually exert meaningful influence on stakeholders' perceptions of adopting International Financial Reporting Standards for Small and Medium-Sized Enterprises.

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.0929	4.6217	4.3508	0.16418	384
Residual	-0.03987	0.05149	0.00000	0.02481	384
Std. Predicted Value	-1.571	1.650	0.000	1.000	384
Std. Residual	-1.598	2.064	0.000	0.995	384
a. Dependent Variable: Perception towards Adoption of IFRS for SMEs					

The residual statistics confirm the robustness of the regression model predicting perception towards the adoption of IFRS for SMEs. Predicted values ranged from 4.0929 to 4.6217 (M = 4.3508, SD = 0.16418), consistent with the high R^2 = 0.978, indicating strong predictive accuracy. Unstandardized residuals ranged from –0.03987 to 0.05149 (M = 0.00000, SD = 0.02481), showing no systematic over- or under-prediction. Standardized predicted values (SD = 1.000) and residuals (SD = 0.995) were centered around zero, with residuals ranging between –1.598 and 2.064, well within the ±3 threshold for outliers. These results confirm that assumptions of normality, independence, and homoscedasticity were satisfied, reinforcing the validity and reliability of the regression model.

The regression analysis showed that perceived benefits, perceived challenges, knowledge and awareness, and cost and resource constraints significantly predicted stakeholders' perception towards the adoption of IFRS for SMEs. The model demonstrated very high explanatory power (R^2 = 0.978, Adjusted R^2 = 0.977), with ANOVA confirming statistical significance (F = 4147.919, $p < 0.001$). All predictors were significant ($p < 0.001$), with perceived challenges (β = 0.391) and perceived benefits (β = 0.381) exerting the strongest influence, followed by knowledge and awareness (β = 0.336) and cost and resource constraints (β = 0.331). Notably, even challenges and cost/resource constraints contributed positively, indicating that respondents, while aware of barriers, remain supportive of IFRS implementation. Diagnostic tests confirmed that assumptions of normality, linearity, homoscedasticity, and independence were satisfied, validating the robustness of the model. Overall, the findings highlight a strong and optimistic endorsement of IFRS for SMEs.

Assumptions Tests
Before interpreting the regression results, the underlying assumptions were tested to ensure validity. Normality was confirmed through a bell-shaped histogram, a P–P plot aligned with the diagonal, and residual statistics (Mean = 0.000; standardized residuals –1.598 to 2.064), indicating no outliers. Linearity and homoscedasticity were supported by scatterplots showing random, pattern less residual distribution without funneling. Independence of residuals was confirmed by the Durbin-Watson statistic (2.217), within the acceptable range of 1.5–2.5. Multicollinearity diagnostics showed VIF values up to 9.375, below the threshold of 10, indicating acceptable levels. Overall, these tests verified that all key assumptions were satisfied, confirming the robustness and reliability of the regression model.

Discussion and Conclusion
The findings of this study provide robust empirical evidence on the key factors influencing the perception towards the adoption of International Financial Reporting Standards (IFRS) for

Small and Medium-sized Enterprises (SMEs) in Somalia. The regression model revealed that *Perceived Benefits*, *Knowledge and Awareness*, *Cost and Resource Constraints*, and *Perceived Challenges* are all statistically significant predictors of IFRS adoption perception. Notably, the model demonstrated a remarkably high explanatory power, with an adjusted R^2 of 0.977, meaning that nearly 98% of the variation in stakeholder perception could be explained by the four constructs. This highlights the strong interdependence between awareness, institutional constraints, and perceived value in shaping attitudes toward accounting reforms in resource-limited environments.

Surprisingly, both *Cost and Resource Constraints* and *Perceived Challenges* had positive effects on IFRS adoption perception, suggesting that despite acknowledged financial and structural limitations, respondents maintain an aspirational outlook. This paradoxical finding may reflect a widespread recognition of the long-term value of IFRS, even where short-term implementation is difficult. Furthermore, the strong and significant effect of *Knowledge and Awareness* reinforces the critical importance of training, education, and dissemination in driving IFRS readiness. Diagnostic tests confirmed that the regression assumptions of normality, linearity, homoscedasticity, independence of residuals, and multicollinearity were satisfactorily met, validating the robustness and reliability of the results. Overall, this study contributes to the limited body of research on IFRS for SMEs in fragile and developing economies, emphasizing that despite systemic challenges, there is a readiness and professional appetite for international financial reporting standards in Somalia — provided that institutional and capacity-related gaps are addressed through coordinated regulatory and educational interventions.

Recommendations

Based on the findings of this study, several recommendations are proposed to facilitate the effective adoption of IFRS for SMEs in Somalia:

1. **Enhance Capacity Building and Professional Training:**
   Given the significant influence of knowledge and awareness on IFRS adoption, accounting regulatory bodies, universities, and professional associations should prioritize capacity development. This includes offering targeted training programs, workshops, and continuous professional development (CPD) opportunities focused specifically on IFRS for SMEs.

2. **Develop a National Accounting Regulatory Framework:**
   The absence of a formal accounting oversight mechanism is a key structural barrier. The Somali government, in collaboration with regional administrations and international partners, should establish a national accounting standards board or regulatory body to guide and enforce the adoption and implementation of IFRS for SMEs.

3. **Provide Financial and Technical Support to SMEs:**
   As cost and resource constraints significantly affect adoption perceptions, financial incentives such as subsidies for training, software, or compliance audits should be considered. In addition, donor agencies and development partners can assist by offering technical assistance or co-financing implementation efforts.

4. **Promote Awareness Campaigns and Stakeholder Engagement:**
   To build wider acceptance, awareness campaigns should be conducted through professional networks, business forums, and media platforms. Stakeholders, including

SME owners, accounting practitioners, and government institutions, must be involved in the policy dialogue to ensure a participatory and inclusive transition.

5. **Phased Implementation Approach:**
   A staged rollout of IFRS for SMEs adoption—beginning with larger or more structured SMEs—can allow time for capacity building, system upgrades, and lessons learned before broader enforcement. This incremental strategy can reduce resistance and enhance readiness.

Contribution of the Study

This research contributes to the theoretical advancement of accounting and financial reporting literature by extending institutional theory to fragile and underdeveloped economies, illustrating how perceptions of accountants can significantly shape the adoption trajectory of international standards in the absence of strong regulatory frameworks. By empirically demonstrating the interplay between perceived benefits, challenges, knowledge and awareness, and cost constraints, the study enriches existing scholarship with evidence that even in contexts of systemic fragility, professional optimism and aspirational commitment play a decisive role in shaping reform readiness. Contextually, this study is the first of its kind to provide localized, empirical evidence on Somali accountants' attitudes toward IFRS for SMEs, thereby filling a critical knowledge gap in both scholarship and policy. Its findings are significant because they illuminate how accounting reforms can be pursued in post-conflict economies through bottom-up professional engagement, capacity-building, and phased institutional development. Consequently, this research not only advances theoretical discourse but also offers actionable insights for policymakers, regulators, and development partners seeking to harmonize financial reporting and enhance SME transparency, credibility, and growth in Somalia's unique socio-economic context

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