The current issue and full text archive of this journal is available on Emerald Insight at:
https://www.emerald.com/insight/2049-372X.htm

International financial reporting standards for small and medium-sized entities: a new institutional sociology perspective

Received 22 June 2020
Revised 2 November 2020
19 January 2021
Accepted 14 March 2021

Nisansala Wijekoon
Department of Accountancy, Faculty of Commerce and Management Studies, University of Kelaniya, Kelaniya, Sri Lanka

Grant Samkin
School of Accounting, Finance and Economics, University of Waikato, Hamilton, New Zealand and Department of Financial Accounting, College of Accounting Sciences, University of South Africa, Pretoria, South Africa, and

Umesh Sharma
School of Accounting, Finance and Economics, University of Waikato, Hamilton, New Zealand

Abstract

Purpose – This paper aims to extend the literature by examining the need for International Financial Reporting Standards (IFRS) for Sri Lankan small and medium entities (SMEs) and investigating the institutional pressures that drove the adoption of the IFRS for SMEs in a developing country, Sri Lanka.

Design/methodology/approach – The theoretical framework adopted in this study draws on insights from new institutional sociology theory. An interview-based qualitative research was conducted with accountants and owners of SMEs, representatives from government agencies and the accounting standards-setting authority of Sri Lanka.

Findings – The emphasis on the need for international accounting standards for SMEs due to international structures and activities is not a priority for Sri Lankan SMEs. Sri Lankan SME owners do not receive requests to provide internationally comparable financial statements from their trade partners and international activities such as foreign exports, borrowings and ownerships are irrelevant business activities for them. Hence, findings reveal that the decision to adopt the IFRS for SMEs was in response to institutional pressures rather than alleged benefits of internationally comparable financial information. It appears from the results that the influence of local users' needs and the government interference on the development of accounting standards does not exist in Sri Lanka.

Research limitations/implications – The research is limited to a single country. The data were collected from SMEs in Sri Lanka, as intended by the research boundary.[AQ1] The study has implications for policy makers, and standard setters charged with developing and implementing an appropriate financial reporting framework for SMEs.

Originality/value – The extant literature on IFRS for SMEs is sparse and mostly conducted through questionnaire surveys with a single user group of SME financial information.

Keywords SMEs, Financial reporting, Institutional theory, Developing countries, IFRS for SMEs

Paper type Research paper

Meditari Accountancy Research

2049-372X
DOI 10.1108/MEDAR-06-2020-0929

1. Introduction

The International Accounting Standard Board (IASB) developed International Financial Reporting Standards for small and medium entities (*IFRS for SMEs*) in 2009. In its basis for conclusions on the *IFRS for SMEs*, the IASB argues that the need for global SME financial reporting standards arises out of the international structures and activities of SMEs and the needs of their financial statement users (International Accounting Standards Board, 2009, p. 16). The IASB asserts that SMEs deal with financial institutions, suppliers, customers, credit rating agencies, venture capital firms and investors outside their home countries (International Accounting Standards Board, 2009, p. 16). Therefore, entities that undertake international activities may find the compliance with internationally accepted standards advantageous in making their financial statements more reliable internationally (Guerreiro *et al.*, 2008; Murphy, 1999). However, it is claimed that SMEs do not engage in international activities to the extent envisaged by the IASB (Aboagye-Otchere and Agbeibor, 2012; Eierle and Haller, 2009). While developed countries such as Australia and New Zealand have not adopted the international financial reporting standards for their SMEs (Chand *et al.*, 2015), many developing countries such as Sri Lanka have embraced this accounting standard (Bohušová and Blašková, 2012; Quagli and Paoloni, 2012). However, the IASB gave less consideration to SMEs in developing countries in the discussions leading to the formulation of the standard (Bohušová and Blašková, 2012; Singh and Newberry, 2009).

It was argued that developing countries had to proceed with *IFRS* upon pressures from external forces (Al-Omari, 2010; Irvine, 2008; Mir and Rahaman, 2005). Similarly, Chua and Taylor (2008, p. 463) argue that "diffusion of IFRS is more about political and social dimensions of globalisation than it is about the alleged economic benefits of convergence in international accounting standards". Players in world capital markets such as the World Bank represent a major global institutional force pushing countries to adopt *IFRS* or develop national standards based on *IFRS* and even in some cases making the adoption of *IFRS* a requirement of their loans (Irvine, 2008; Mir and Rahaman, 2005). It could, therefore, be argued that the decision to adopt the *IFRS for SMEs* cannot be explored appropriately without an understanding of the institutional forces that provide the context for such a decision.

The objectives of this paper are, therefore, to analyse the need for international accounting standards for SMEs and to investigate the institutional forces that drove the decision to adopt the accounting standard *IFRS for SMEs* by Sri Lankan SMEs. Accordingly, this paper focusses on the following two questions:

Q1. Do Sri Lankan SMEs need international accounting standards?

Q2. What institutional pressures drove the decision to adopt the *IFRS for SMEs*?

Sri Lanka is a developing country and its national institutional orientation is different from developed countries. Sri Lanka was a British colony and the prevailing legal and accounting systems were largely influenced by the British systems (De Zoysa and Rudkin, 2010). Sri Lanka became a free market economy in 1977 and became attractive to both Western donors and large multi-national companies. In the late 1970s and early 1980s in per capita terms, Sri Lanka became the world's leading aid recipient (Arunatilake *et al.*, 2001). However, problems with the liberalisation process coupled with political conflict caused a major economic crisis in 1989 leading to conflict (Arunatilake *et al.*, 2001). The 25-year civil war (23 July 1983–18 May 2009) also impacted the political, social and economic environment (Athukorala and Jayasuriya, 2013), meaning post-war Sri Lanka again had to depend on foreign aid to rebuild its economy.

This paper makes the following contributions. Firstly, the paper contributes to understanding the decision to adopt the *IFRS for SMEs* both at country and SME level – an extension of prior research that generally concentrates on the *IFRS* adoption decision at either country or firm level. Samaha and Khlif (2016) identify a gap in empirical research regarding IFRS adoption decision making at both country and firm-level in developing countries. Therefore, to acquire a holistic understanding of the IFRS adoption, both country and firm-level decision-making should be analysed. The challenge for emerging economies such as that of the Sri Lanka's SME's is whether the reality of IFRS implementation can match the image of IFRS adoption. Following its adoption of IFRS, Sri Lanka SME's, like SMEs in other emerging economies will face difficulties in implementing those reporting standards. Sri Lanka faces particular challenges relating to their culture and regulatory systems as they implement IFRS at the individual SME level, as international standards have not been developed with the needs, culture and regulatory infrastructure of Sri Lanka in mind. The institutional concept of decoupling or loose coupling suggests that in such situations, actual organisational behaviour could be significantly different from the image portrayed by the adoption of institutionally legitimising practices. Secondly, prior research focussed on the full *IFRS* adoption by large and/or listed companies. SMEs' decision to adopt the accounting standard *IFRS for SMEs*, has not been explored using new institutional sociology (NIS) theory. This paper, therefore, fills a gap in the literature by examining the adoption of the *IFRS for SMEs* and extends the applicability of the NIS theory. Third, the findings of the paper are informative to other developing countries in determining the need for a global accounting standard for SMEs. This paper provides empirical evidence that informs the debate regarding the relevance of international financial reporting standards for SMEs. Fourth, the adoption of the *IFRS by SMEs* has not been adequately explored in the context of developing countries. Finally, the findings about the need for internationally comparable financial information for SMEs, provide useful insights to the IASB and other standard setters when reviewing *IFRS for SMEs*.

The remainder of the paper is organised as follows. Section 2 provides contextual understanding of the financial reporting environment in Sri Lanka. Secondly, in Section 3 the prior research on the need for international accounting standards for SMEs is provided. Thereafter, the theoretical underpinning of the paper is discussed in Section 4. Section 5 details the research design and data collection of the study. The findings are then presented in Section 6. Finally, in Sections 7 and 8 paper finishes with a discussion and conclusion.

2. Financial reporting environment in Sri Lanka

Evidence of financial reporting practices in ancient Sri Lanka can be found in Buddhist monasteries, which were required to keep accounting records (Liyanarachchi, 2009). Subsequently, financial reporting practices were largely influenced by the British. More recently, the financial reporting practices were directly subject to international influences such as those of the World Bank. Following the World Bank's recommendations, Sri Lanka adopted into their financial reporting system the IFRS issued by the IASB (World Bank, 2004). Accordingly, Sri Lanka's accounting standards are based on the IFRS formulated by the IASB (Institute of Chartered Accountants of Sri Lanka, 2014). Entities having public accountability are required to comply with Sri Lanka accounting standards (SLFRSs), an equivalent of the IFRS. All specified business enterprises are required to use full SLFRSs even if their securities do not trade in a public market.

The Sri Lanka accounting standards for small and medium-sized entities (IFRS for SMEs), an equivalent of the IFRS for SMEs was introduced effective from 1 January 2012 (Institute of Chartered Accountants of Sri Lanka, 2012) without modifications. The rationale provided by the president of the Institute of Chartered Accountants of Sri Lanka (CASL) was the *IFRS for SMEs* would allow banks and other financial institutions to better access a company's performance and risk, as well as improve confidence in company records and reduce barriers to accessing finance (Institute of Chartered Accountants of Sri Lanka, 2014). Further, local SMEs would be able to establish a comparable set of financial statements with SMEs globally.

However, the adoption of the *IFRS for SMEs* is unlikely to result in increasing transparency and accountability due to the underdeveloped legal and institutional framework in Sri Lanka. The broad aim of comparable financial statements may be undermined if weak enforcement and corruption lead to different compliance levels across companies (Poudel *et al.*, 2014). Recruitment of skilled personnel could also be problematic and very expensive for SMEs as there is a shortage of qualified accountants in Sri Lanka (Yapa *et al.*, 2017). Lack of widespread technical expertise may have implications on the effective implementation of international accounting standards. This raises questions about whether accounting standards developed with significant influence from advanced industrialised countries, are suitable for developing countries if they are not modified to reflect local conditions (Poudel *et al.*, 2014).

3. Need for international accounting standards for small and medium entities

Entities with international operations and that require access to finance or have foreign partners or export activities, have incentives to adopt international financial reporting standards (Atik, 2010; Dumontier and Raffournier, 1998; Hodgdon *et al.*, 2009).

However, SMEs do not engage in international activities to the extent envisaged by the IASB (Aboagye-Otchere and Agbeibor, 2012; Eierle and Haller, 2009). In their analysis, Eierle and Haller (2009) found that although German SMEs have considerable cross-border activities, they did not see any need to provide internationally comparable financial accounting data (Eierle and Haller, 2009). Therefore, Eierle and Haller (2009) suggest that German SMEs do not consider foreign suppliers and customers as major users of their financial statements.

The Conseil National de la Comptabilité (2008) survey of French companies found that although international activities-related primarily to imports and exports, this did not necessarily result in a need for international SME accounting standards as customers and vendors are not primary users of the financial statements. Finally, in their Ghanan study, Aboagye-Otchere and Agbeibor (2012) conclude that their limited international structures and activities meant that SMEs do not need internationally comparable financial reporting information.

The literature on the need for international financial accounting standards for SMEs is informed by a small number of studies. Although some literature on the need of the international financial reporting standards for SMEs exists (Aboagye-Otchere and Agbeibor, 2012; Conseil National de la Comptabilité, 2008; Eierle and Haller, 2009), they are few, context-specific and provide mixed evidence. The Conseil National de la Comptabilité (2008) study was based on the exposure draft while previous studies elicit the views of SME owners using questionnaire surveys, and thus, comprehensive understanding is missing. Some studies were undertaken more than 10 years ago, so their findings are dated. Notably, there is a lack of literature on the subject in developing an Asian countries' context. These deficiencies in the literature provide a rationale for this paper.

4. New institutional sociology theory

NIS theory focusses on the social environment as an essential constituent in establishing the social structures of an institution (DiMaggio and Powell, 1983; DiMaggio and Powell, 1991;

Heidhues and Patel, 2012). The use of NIS to guide accounting research is well-established (Burns and Scapens, 2000; Burns and Vaivio, 2001; Carpenter and Feroz, 2001; De Villiers and Alexander, 2014; De Villiers *et al.*, 2014; Lawrence, Sharma and Nandan, 2009; Modell, 2009; Scapens, 2006; Sharma *et al.*, 2014). NIS has been used to identify and explain the sources of isomorphic pressures on the adoption of accounting systems such as *IFRS* (Al-Omari, 2010; Albu *et al.*, 2011; Hassan *et al.*, 2014; Heidhues and Patel, 2012; Irvine, 2008; Mir and Rahaman, 2005; Tan *et al.*, 2016). Coercive isomorphism results from formal and informal pressures and by cultural expectations exerted on organisations (Carruthers, 1995; DiMaggio and Powell, 1983). These pressures are exerted through the need for resources, regulations, executive regulations and laws (Modell, 2009; Oliver, 1991; Scapens, 2006). Institutions such as the World Bank and the International Monetary Fund (IMF) can pressure a country or an organisation to comply with international standards (Boolaky and Soobaroyen, 2017; Sharma and Lawrence, 2009). The rationale underlying this institutional coercion is primarily financial dependence of the influenced organisation (Lawrence *et al.*, 2009; Mir and Rahaman, 2005; Sharma *et al.*, 2010; Sharma *et al.*, 2014; Tsamenyi *et al.*, 2006). Coercive isomorphism also arises when organisations change their institutional practices in response to pressure from stakeholders upon whom the organisation is dependent (Deegan and Samkin, 2013).

Mimetic isomorphism takes place when: organisational technologies are poorly understood; goals are ambiguous; or the environment generates symbolic uncertainty (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). To comply organisations model themselves on industry leaders perceived to be most successful (DiMaggio and Powell, 1983). In this respect, large multi-national companies benchmark against their peers and smaller companies benchmark against industry leaders (De Villiers and Alexander, 2014). A country's commitment to adopt certain practices is also influenced by foreign commercial partners (Boolaky and Soobaroyen, 2017). Developing countries are more likely to mimic their trade partners or countries within their geographical region (Al-Omari, 2010; Irvine, 2008). It is reasonable to believe that SMEs tend to copy or mimic, the accounting practices of other successful organisations in the same industry.

Normative isomorphism arises from group norms (DiMaggio and Powell, 1983). These often form part of an educational or professional training process and are taught and reinforced by universities and professional associations (Abernethy and Chua, 1996; DiMaggio and Powell, 1983; Tuttle and Dillard, 2007). Members of professional bodies are motivated to fulfil their obligation to maintain their professional status or are employed to champion new institutional norms (Barbu and Baker, 2010; Carpenter and Feroz, 2001; Mezias and Scarselletta, 1994; Touron, 2005; Sharma and Lawrence, 2005; Sharma *et al.*, 2014). The degree of professionalisation in accounting practices is also influenced by audit firms either as independent consultants assisting in the *IFRS* adoption process or as the organisation's auditor required to provide an audit opinion on the financial statements (Jones and Higgins, 2006; Chua and Taylor, 2008). The Big Four accounting firms play an important role in the globalisation of accounting and represent the normative pressure (Albu *et al.*, 2011).

While prior studies have discussed *IFRS* adoption using institutional theory at country and firm-level; no study uses both country and firm-level data. Dillard *et al.* (2004) suggest that individual organisations and organisational fields exist in an economic and political context and that this context provides the foundation for institutional practice (Dillard *et al.*, 2004). According to this view, actors in the institutionalisation process exercise influence at different levels, with "governmental officials, regulators and legislators" as the "primary agents at the economic and political level", industry leaders, unions and consultants exercising influence at the organisational field level, and workers and managers exercising influence at the organisational level (Dillard *et al.*, 2004, p. 513). The result is "continual dynamic change" through multiple levels, from political and economic settings, through organisational fields to individual organisations (Dillard *et al.*, 2004, p. 512). In the same vein, Irvine (2008) suggests that in an increasingly globalised world, powerful institutional forces operate at an international level on individual national states, which then become a field for the transmission and adoption of acceptable institutional practices.

Hence, the adoption decision taken at the country level does not necessarily transmit to the firm level (Aboagye-Otchere and Agbeibor, 2012). The adoption and implementation of international accounting standards such as the *IFRS for SMEs* depend to some extent on individual firms and their institutional environment (Aboagye-Otchere and Agbeibor, 2012). Prior research using NIS theory focusses on the full *IFRS* adoption by large and/or listed companies (Al-Omari, 2010; Albu *et al.*, 2011; Hassan *et al.*, 2014; Heidhues and Patel, 2012; Irvine, 2008; Mir and Rahaman, 2005; Tan *et al.*, 2016). SMEs' decision to adopt the accounting standard *IFRS for SMEs*, has not been explored using the NIS theory. A key difference between listed companies and SMEs is that the primary users of SME financial information are the owner-managers, tax authorities and banks (Collis and Jarvis, 2000). Consequently, the type of accounting standards used to prepare financial statements are less important to SMEs that use private communication routes to respond to the information needs of key users such as banks (Chen *et al.*, 2011).

5. Research design and data collection

This research adopted an interpretive approach to investigate the need for international accounting standards for Sri Lankan SMEs and institutional forces that drive the adoption of the *IFRS for SMEs* by Sri Lankan SMEs. Qualitative research techniques are most appropriate for studies where the purpose is to comprehend "how" and "why" real-life practices and organisations occur (Patton, 2002). Consequently, the data collection process involved interviewing a total of 33 participants, who were divided into four categories, namely, SME owners, accountants, representatives from standard-setting authority and government institutions. Table 1 indicates the number of interviews undertaken with each group and Tables 2 and 3 set out the profiles of respondents. As reported by Patton (2002, p. 244), in qualitative research, there are no set rules for determining the appropriate size of the sample or subsample. Instead, selecting or determining the research sample relies on what you want to know, the purpose of the inquiry and what will be useful to achieve the research objectives (Makhaiel and Sherer, 2018). In light of Patton's (2002) suggestion, the researchers continued carrying out interviews with each group until the point at which no new useful information was emerging. Therefore, participants were selected using a purposive (criterion-based) sampling technique to enhance the research validity, whereby respondents were chosen based on certain criteria including preparers and users of SME financial information, accounting standard-setting authority in Sri Lanka, participants'

Table 1. Number of interviews with each group

Group	Subtotal
Owner-managers	23
Accountants	6
Standard setter	2
Government institutions	2
Total	33

Interviewee group	Interviewee	Gender [1]	Position	Experience
Representatives from government institutions	01	Male	Director, Development Finance	18 years
	02	Male	Additional Secretary	15 years
Representatives from the standard setting authority	01	Male	Head of Technical Division	8 years
	02	Female	Manager, Technical Division	5 years
SME accountants	01	Male	Chief Accountant	7 years
	02	Female	Senior Accountant	6 years
	03	Male	Accountant	8 years
	04	Female	Accountant	5 years
	05	Male	Senior Accountant	23 years
	06	Male	Financial Accountant	11 years

Table 2. Profile of interviewees

Owner manager	Gender	No. of years in the business	No. of employees	Type of business	Form of business
1	Male	13 years	28	Manufacturing	Private limited
2	Male	27 years	22	Manufacturing	Partnership
3	Male	7 years	15	Service	Sole proprietor
4	Male	8 years	22	Service	Private limited
5	Male	11 years	7	Manufacturing	Private limited
6	Female	27 years	35	Manufacturing	Private limited
7	Male	14 years	97	Manufacturing	Private limited
8	Male	30 years	14	Trading	Sole proprietorship
9	Male	23 years	42	Manufacturing	Private limited
10	Male	23 years	20	Service	Private limited
11	Male	20 years	16	Manufacturing	Private limited
12	Male	12 years	10	Manufacturing	Private limited
13	Male	22 years	45	Manufacturing	Private limited
14	Male	25 years	95	Service	Private limited
15	Male	23 years	31	Manufacturing	Private limited
16	Male	28 years	12	Manufacturing	Private limited
17	Male	38 years	98	Service	Private limited
18	Male	3 years	95	Service	Private limited
19	Male	21 years	52	Manufacturing	Private limited
20	Female	24 years	98	Service	Private limited
21	Male	26 years	94	Service	Private limited
22	Male	15 years	95	Manufacturing	Private limited
23	Male	10 years	55	Service	Private limited

Table 3. Profile of owner-managers

knowledge and experience; roles and professional positions; attitudes, beliefs and perceptions (Makhaiel and Sherer, 2018) and ability to shed light on the phenomenon under study. Snowball sampling (where participants are used to recruit future participants from among their acquaintances) was also used as interviewees often referred to people who have important insights about the area of investigation. Snowball sampling has been used to gain access to participants in several studies of SMEs (Davidson *et al.*, 2010; File and Prince, 1998; Halabi and Carroll, 2015; Holgersson, 2013; Samujh, 2011). Heterogeneity was built into the design to compensate for the non-probability nature of the sample (File and Prince, 1998) by selecting SME owners from business entities with different characteristics as shown in Table 3.

An interview guide was developed based on the research objectives. The initial interview questions were modified to the context of the study (Collis and Jarvis, 2000; Conseil National de la Comptabilité, 2008; Dang-Duc *et al.*, 2008; Eierle and Haller, 2009; Ploybut, 2012). Separate interview questions were generated for owners, government institutions and the standard-setter (Appendix A–C). The interview instrument was constructed in English and then translated into Sinhala, the native language of the respondents as most of the SME owner-managers are not fluent in English. After translation, the drafts of interview instruments, in both Sinhala and English, were discussed with academics from the financial and accounting disciplines (especially academics with an interest in financial reporting by SMEs), to determine the face validity of the instrument. Pre-testing was carried out with an owner-manager and an accountant in Sri Lanka who were preparers and users of SME financial information.

In Sri Lanka, there is no universal definition for SMEs. Various government agencies and other organisations use different criteria to identify SMEs on the basis of their assistance programmes. For the data collection purpose of this paper, SMEs were defined as firms with 5–99 employees. This determination is consistent with the definition given by the World Bank's enterprise survey for Sri Lanka (World Bank, 2016).

Interview appointments were arranged by telephone and through e-mails. All interview sessions were conducted face-to-face in the respondents' offices. Interviews with owner-managers, SME accountants, standard setters and government departments were conducted either in Sinhala or English. They varied in length between 30 to 50 min. To facilitate analysis, notes were made during the interview and the whole discussion was tape-recorded. Ethical considerations granted for the study were complied with. The NVivo software facilitated the process of organising, rearranging and managing the considerable amount of qualitative data. The research adopted thematic analysis (Boyatzis, 1998; Braun and Clarke, 2006) for analysing interview data. Analysis of the data revealed five emerging themes linked to the research questions. The main themes emerged in the interviews were as follows: usefulness of international accounting standards for SMEs; relevance of international activities such as foreign exports, imports, borrowings and ownership; process of adoption of the *IFRS for SMEs*; and pressures on adoption. Appendix D shows the five themes identified from the interview process in detail. These themes are described in the sections below.

6. Findings

This section presents and discusses the results from the thematic analysis of the qualitative data pertaining to the research objectives of the paper. The need for international comparable accounting information is examined and the institutional forces that drive the adoption of the *IFRS for SMEs* by Sri Lankan SMEs is explored.

6.1 Usefulness of international accounting standards for Sri Lankan small and medium entities

Owner-managers and accountants were asked to express their overall perception of the usefulness of international accounting standards for SMEs. International accounting standards are not well perceived by most owner-managers and accountants. They were uncertain about the usefulness of such accounting standards and were negative on the role of international accounting standards for SMEs. One accountant stated that they followed accounting standards only for compliance purposes:

> We need these international accounting standards only for compliance purposes. Other than that, I cannot see any use of this. Actually, I don't know [. . .] like maybe after two to three years, you can really see the outcome. Since it was recently introduced, I cannot give an opinion (Accountant 02).

Complexity and limited usefulness of the statutory financial statements for making business decisions were major reasons for their negative perceptions on the international accounting standards. They believed that accounting standards are impractical and do not add any value to their business:

> An entrepreneur has no value for these international accounting standard things. Farmers back in the day did not rely on modern ways of forecasting weather. Instead, they look at the behaviours of birds and animals to predict the weather. See it is something that comes from within. You need to be very practical to get ahead in business. These accounting standards are good for the second-generation business people [. . .] the ones who have inherited the business from their parents [. . .] the ones who have no practical feel of what they are doing. If you inherently have the business feel within you, there is no need for such accounting standards. People who rely on such documents lose sight of reality. A business should be like a river not a drain [. . .]. These international accountings standards are like drains. The business person should have their business close to their heart [. . .] people who rely on this accounting side they just sit in front of the computer trying to understand numbers and their business suffers as a result (Owner-manager 13).

Owner-managers and accountants also believe financial statements should satisfy the needs of those who use these reports. It appears international accounting standards have limited use for taxation and management purposes. Owner-managers do not perceive any use for accounting standards in preparing accounts for users of SME financial information:

> I can't see why there should be international accounting standards. It is the Inland Revenue or some authority who wants to review your financial reports, then it has to be in that readable form so that they could understand the financials of the entity. That's what it should be. For management purposes, I do not think we need these accounting standards (Owner-manager 21).

These findings are largely consistent with Paseková *et al.* (2010) in that owner-managers suggest an absence of users who make decisions based on the financial information prepared in compliance with international accounting standards. However, SME accountants who are members of the CASL commented positively on accounting standards and had adopted the *IFRS for SMEs* for their financial reporting. One accountant commented:

> Adoption of international accounting standards for financial reporting is good because we have financial discipline. It is important that these accounting standards are maintained as it works as a guide on how to do the financial reporting. Accordingly, we have adopted this accounting standard for our financial reporting (Accountant 03).

SME accountants believe accounting standards give uniformity and discipline to financial information. They hold the opinion that adopting international accounting standards would be beneficial if an entity might need to move to the next level of operations. It appears SMEs who have accountants who are members of the CASL are likely to adopt the *IFRS for SMEs*. This confirms the presence of normative isomorphism (Barbu and Baker, 2010; Carpenter and Feroz, 2001; Mezias and Scarselletta, 1994; Touron, 2005; Sharma *et al.*, 2014).

6.2 Relevance of international activities such as foreign exports, imports, borrowings and ownership to Sri Lankan small and medium entities

Consistent with the previous research conducted in developed countries by Eierle and Haller (2009) and the Conseil National de la Comptabilité (2008) most of owner-managers and accountants do not perceive any benefit from internationally comparable accounting information. Many owner-managers and accountants consider that most SME transactions are within domestic markets and that international activities such as foreign exports, ownership and borrowings, were not relevant to most of them. They perceive the reporting requirements of the *IFRS for SMEs* to be an additional burden. Lack of resources, capabilities and assistance or incentives from the government are considered as barriers to engage in international activities. All these reasons have been identified by other researchers as barriers for engaging in international activities by SMEs (Burpitt and Rondinelli, 2000; Coviello and McAuley, 1999; Shaw and Darroch, 2004; Ward, 1993). Owner-managers described lack of government support as follows:

> I do not see that these people (government) are taking any proper solid decisions to support SME businesses to upgrade to the international level (Owner-manager 11).

> I do not think there is a need to provide these types of accounting information because it does not provide us any benefit. We like to do exports but we have no link for that. I have tried to send my tyres to Gambia but there is no support for this. Government should introduce assistance programs to SME sector. I think if we are doing a foreign business, we might need these international accounting standards. Otherwise useless (Owner-manager 17).

It appeared that the struggle for survival means that international activities are of minor importance. One owner-manager shares his struggles:

> With all these business stresses, I got diabetes. I have glaucoma in one eye and I lost my vision. I continue this business just to make some money. After the business started to decline, I felt there was no use to invest anymore. Therefore, my plan now is to finish paying the loan. I have no intention to expand my business internationally (Owner-manager 16).

Owner-managers and accountants reveal few SMEs engage in foreign exports. However, SMEs engaging in exporting and importing goods and/or services do not receive any requests from their foreign customers or suppliers to provide accounting information prepared in compliance with international accounting standards.

Instead of requesting SME financial information, foreign suppliers/customers check the SMEs' websites, industry information, ISO certifications and bank guarantees. However, information required by these buyers/suppliers varies according to the foreign markets they deal with:

> It depends on the foreign market that you cater to. I am sure if you are catering to US, Germany, UK and European countries, it (international accounting standards) would support you but mine is just to China. Chinese people do need a health certificate; they do not request our financial information (Owner-manager 11).

> The buyers from Japan usually need to see our industry before they can trust us to do business. They do not go by the financial statements we prepare (Owner-manager 15).

Atik (2010) claims entities, which have foreign partners or export activities are more likely to adopt international financial reporting standards, but an accountant with a foreign owner in his business reports that he does not experience a demand for financial reporting in compliance with international reporting standards:

> We have a foreign ownership. One of our owners is from Japan. He is not interested of international accounting standards. I think they do not follow IFRS for SMEs (Accountant 02).

In contrast to the IASB's perception, Sri Lankan SMEs do not see a need to provide internationally comparable accounting information. This finding is consistent with the previous studies conducted by Eierle and Haller (2009), the Conseil National de la Comptabilité (2008) and Aboagye-Otchere and Agbeibor (2012). It is noted that international activities are of little relevance to Sri Lankan SMEs. Business matters and the survival of the business are the prime concerns of Sri Lankan owner-managers and their international exposure is limited as they are constrained by limited resources and lack of government assistance.

6.3 User involvement in the adoption process of the international financial reporting standards for small and medium entities in Sri Lanka

Respondents discussed the adoption process of the *IFRS for SMEs*. It appeared from the discussion with the representatives of the standard-setter in Sri Lanka that they did not receive an adequate number of comments about the accounting standard during the review process of the *IFRS for SMEs.* They did not reveal the number of comments received or the source of those comments. The exposure draft of the standard was posted on the standard setter's website to solicit the views from interested parties before adopting the *IFRS for SMEs*. The standard-setter representative explains the following adoption process:

> Once we have a particular accounting standard, there would be an exposure draft. Similarly, we sent exposure draft of *IFRS for SMEs* to all the interested parties from the universities to industries, and to the members. It was made available in the web site as well. We generally organise a round table discussion. However, comments received for the *IFRS for SMEs* were comparatively low. I think our people are not proactive enough to comment on a particular accounting standard. That is our culture. Once the accounting standard is readily available and finalised, they want to know how to get ready for it, that is the mentality. We have to change that definitely. Actually, it is basically based on the comments we have received from our members, Chambers and other entities. Once we issue the accounting standard, we do training. Participation in these training programmes is good (Standard Setter- representative 01).

There seem to have been no comments from the government institutions that are involved in setting policies for the SME sector. It appears that the standard-setter did not encourage 'other interested parties' such as government institutions to participate in this process. Instead, they relied heavily on comments given by their members and members of the accounting standards committee. It could be said that approval or support for the *IFRS for SMEs* was not invited and comments not particularly welcomed:

> We have the authority to set accounting standards in Sri Lanka. The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 has given the permission to do so. There is no need to take the approval from the Ministry of Finance or anybody. Because it is a one-time approval, they have given from the Act. The Ministry of Finance is not involved in this process. Actually, we have delegated this task to the Accounting Standards Committee. It has the capacity (experience and calibre) to do that. The composition of the committee is very good (Standard Setter - representative 01).

> They (standard setters) did not consult us before adopting this accounting standard (*IFRS for SMEs*). However, we are engaged in the implementation part. I mean, we facilitate the implementation of this standard (Government institution 01).

It appears from the above quote that users' views on the *IFRS for SMEs* were not represented during the review process. This finding raises an important question relating to the decision usefulness of accounting information prepared in compliance with the *IFRS for SMEs* due to inadequate user involvement in the accounting standard-setting process (Durocher *et al.*, 2007; Harding and McKinnon, 1997). As a result, standards may be unworkable in application, overly costly or even inconsistent with basic concepts (Tandy and Wilburn, 1992).

6.4 Institutional pressures to adopt the international financial reporting standards for small and medium entities in Sri Lanka

The standard setter conducted various seminars and awareness programmes on the accounting standard *IFRS for SMEs* for owner-managers and accountants of SMEs, and small and mid-tier audit firms who carry out audits of SMEs. Sri Lankan standard setters received a grant of US$500,000 from the World Bank to improve the awareness and skills in the *IFRS for SMEs* among SME accountants and to strengthen the skills and competencies of small and mid-tier audit firms (Sunday Observer, 2012). A representative from the standard setter explains:

> We got a grant from the World Bank. It covered four parts: quality assurance; capacity building of SMEs and small and mid-tier audit firms; the third one is to increase adoption of the IFRS; and the fourth was on public sector accounting standards. Under the capacity building for SMEs and small and mid-tier audit firms, we developed a separate project manual and we conducted seminars and workshops to SMEs on how to apply the *IFRS for SMEs* to small and mid-tier audit firms on how to apply auditing standards for SMEs (Standard Setter- representative 02).

Also, the standard setter received funds from the, German Development Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH) to achieve inclusive development of the SME sector (Institute of Chartered Accountants of Sri Lanka, 2017). The GIZ project with the standard-setter focusses on conducting regional seminars on the *IFRS for SMEs*, as well as training programmes on basic accounting and bookkeeping for SMEs (Institute of Chartered Accountants of Sri Lanka, 2017). Throughout the project, a help desk was also established to support SMEs and small and mid-tier audit firms while technical materials, guidance notes, application guidance and practice notes on the *IFRS for SMEs* were also published for the benefit of SMEs and small and mid-tier audit firms. One respondent from the standard-setter described the institutional support received from international donor agencies:

> We recently entered into an agreement with GIZ, a donor agency for SMEs. GIZ wanted to build the capacity and to provide assistance for SMEs. With their support, we have initiated so many projects recently. The first one is on making the awareness of the *IFRS for SMEs*. So we had seven regional seminars on *IFRS for SMEs*. Asian Development Bank funded seminars and workshops conducted to teachers and SMEs. With the support of ADB, we conducted regional seminars on the SME standards and we trained 300+ SMPs on how to use the audit manual (Standard Setter - representative 02).

It appears that the standard-setter also receives technical assistance from the IASB when implementing the accounting standard *IFRS for SMEs*:

> If we have a query, we will certainly write to the IASB seeking assistance. Then they (IASB) are giving advice on how to apply these particularly standards in the accounting context, and what is the accounting treatment. I think support from them is also quite enough (Standard Setter - representative 01).

> We get technical assistance from the IASB. Actually, one board member of the IASB and the chairman of SME implementation group came here and they did a training session on how to apply the SME standard. We are getting their updates and technical resources that are available in their websites. We are keeping in touch with them and we write to them when we have a clarification. One of our senior members is in the implementation group of the *IFRS for SMEs* (Standard Setter - representative 02).

The IASB and the standard-setter in Sri Lanka play an active role to promote the adoption of the *IFRS for SMEs* and provide training and seminars to the CASL members. In addition, these institutions also educate the CASL members by providing interpretations and guidance on the standard.

Some of the owner-managers and accountants had been made aware by their external accountants about the *IFRS for SMEs*. It appears that the decision to adopt the *IFRS for SMEs* was taken not by them but by their external accounting firms:

> Yes, I know that there is a new accounting standard for SMEs. My accounting firm X (name of a small and mid–tier audit firm in Sri Lanka) informed me about this. I think we need to follow that standard, as it is a legal requirement. Therefore, I asked my accounting firm to prepare my financial reports as per these rules and submit to the relevant authorities on my behalf (Owner-manager 17).

> One of the chartered accountancy firms in Sri Lanka prepares our audited financial statements. They mentioned about this requirement. I'm not interested of knowing all these. They (name of a small and mid-tier audit firm in SL) are experts in the field and they know what to do. They prepare my accounts and advise me accordingly (Owner-manager 19).

> When it (*IFRS for SMEs*) was introduced, we were informed by our audit firm. We had a chat and learnt that we were going to adopt this accounting standard. We always seek advice from them (Accountant 02).

Consistent with previous research (Albu *et al.*, 2011; Jones and Higgins, 2006; Joshi and Ramadhan, 2002), it appears from the above quotes that external audit firms exert normative pressure on Sri Lankan SMEs to adopt the *IFRS for SMEs*. However, what is different from prior research is that instead of Big-Four audit firms, small and mid-tier audit firms in Sri Lanka encourage the adoption of the *IFRS for SMEs* in Sri Lanka. The reason for this finding is that small and mid-tier audit firms provide accounting and auditing services to Sri Lankan SMEs.

7. Discussion

This paper examines the need for international financial reporting standards for Sri Lankan SMEs and investigates institutional pressures that drove the adoption of the *IFRS for SMEs* in Sri Lanka. We provide insight into the institutional pressures that influence Sri Lanka to adopt the *IFRS for SMEs*. Institutional pressures such as coercive, normative and mimetic pressures, have been seen to influence the adoption of *IFRS* in other countries. The adoption of the *IFRS for SMEs* in Sri Lanka is examined at both country and firm-level to see how and if these pressures are evident.

7.1 Coercive pressures

Accounting systems of Sri Lanka were greatly influenced by the British. However, subsequent development in the accounting system were directly subject to international influences such as the World Bank and the IMF. Sri Lanka joined the World Bank in 1950 and, as then the World Bank's assistance is aimed at helping Sri Lanka reach its development goals and providing financing and technical help (World Bank, 2005). The World Bank's current portfolio in Sri Lanka consists of 18 projects with a total net commitment value of US$2.1bn (World Bank, 2017).

In return for their financial assistance, the World Bank and the IMF insisted on compliance with certain financial reporting practices. For example, the IMF announced that the second review of the loan disbursement reached a staff-level agreement with Sri Lankan authorities subject to submission of a new Inland Revenue Act to the Parliament by June 2017 (World Bank, 2017). However, the most direct influence to adopt the *IFRS* came from the World Bank. The World Bank directly coerced changes by forcing the standard setter in Sri Lanka to adopt the *IFRS* as promulgated by the IASB. The World Bank pressured CASL to adopt the *IFRS* through the *Review of accounting and auditing frameworks in Sri Lanka* (World Bank, 2004, p. 14).

Interview results reveal that the standard setters received a grant from the World Bank to implement some of the key recommendations of their review and to facilitate the adoption process of the *IFRS for SMEs* in Sri Lanka. This observation is consistent with Irvine (2008) and Mir and Rahaman (2005), who claim that the decision to adopt *IFRS* would not be driven by the needs of local organisations and the suitability of *IFRS* for local companies, but would rather be imposed on them by international organisations such as the Asian Development Bank, IMF and the World Bank (Irvine, 2008; Mir and Rahaman, 2005; Sharma and Lawrence, 2009).

Besides the World Bank, the standard-setter received pressure from the IASB to adopt the *IFRS for SMEs*. Interview findings reveal that the standard setters received technical assistance from the IASB for the *IFRS for SMEs*. One board member of the IASB and the chairman of the SME implementation group conducted workshops and training sessions on the *IFRS for SMEs* to preparers and auditors of SME financial statements in Sri Lanka. Developing countries such as Sri Lanka have been experiencing pressure from the World Bank, may be reluctant to resist the efforts of the IASB to promote the *IFRS for SMEs*. The IASB's project on the *IFRS for SMEs* has been criticised for lack of input from developing countries in the discussions leading to the formulation of the standard (Bohušová and Blašková, 2012; Singh and Newberry, 2009). Therefore, it is reasonable to believe that the IASB excluded consideration of the position of SMEs in most developing economies. Thus, the process used to persuade countries to adopt the *IFRS* issued by the IASB is argued as being more about political and social dimensions of globalisation than it is about the alleged economic benefits of *IFRS* convergence (Chua and Taylor, 2008; Rodrigues and Craig, 2007).

The above explanation is consistent with the institutional account of coercive isomorphic pressure (DiMaggio and Powell, 1983, 1991). DiMaggio and Powell (1983) argue that isomorphic pressures can occur in a coercive manner and could emerge from formal and informal pressures exerted on organisations by powerful players upon which weak organisations are dependent. There is evidence to suggest that international organisations have used foreign aid and loans as a coercive mechanism to push for accounting harmonisation in less developed countries (Irvine, 2008; Joshi and Ramadhan, 2002; Mir and Rahaman, 2005; Sharma *et al.*, 2014). Sri Lanka was dependent on international donor agencies such as the World Bank for financial assistance. Therefore it becomes apparent that Sri Lanka's decision to adopt the *IFRS for SMEs* was primarily due to coercive pressure stemming from resource dependence (DiMaggio and Powell, 1983; Lawrence *et al.*, 2009; Mir and Rahaman, 2005; Oliver, 1991; Sharma *et al.*, 2010, 2014; Tsamenyi *et al.*, 2006). The World Bank became a source of coercive pressure for the adoption of the *IFRS for SMEs* in Sri Lanka, as has been the experience in other countries; for example, in Jordan (Al-Omari, 2010), in the United Arab Emirates (Irvine, 2008) and in Bangladesh (Mir and Rahaman, 2005). It is also apparent that the standard-setter was under pressure from the IASB to accept the *IFRS for SMEs*. Barbu and Baker (2010) and Irvine (2008) claim that the IASB pressurises countries around the world to adopt the *IFRS*.

Following the pressures from the World Bank and the IASB, CASL was the next influential player who exerted coercive pressure on SMEs to adopt the *IFRS for SMEs*. In its capacity as the country's sole authority in promulgating accounting and auditing standards, CASL made a decision to converge fully with accounting standards and all pronouncements issued by the IASB. Accordingly, CASL decided to adopt the *IFRS for SMEs* as "Sri Lanka

Accounting Standards for SME" (*IFRS for SMEs*) without any modification. This reinforces the theory that coercive pressures are exerted through rules and regulations set up by regulatory agencies such as accounting and audit standard-setting institutions (Boolaky and Soobaroyen, 2017).

The standard-setting process is not transparent and seems to be dominated by the partners and members of the Big Four audit firms in Sri Lanka. This could be because CASL is predominantly represented by the partners and managers of the Big Four audit firms in Sri Lanka and they use their authority in the council to make decisions on accounting standards (Yapa *et al.*, 2017). The interview findings disclose that the standard-setter did neither encourage nor consulted government institutions that are directly involved in setting policies for the SME sector, to participate in this process. There appears to have been little consultation with various interested parties before adopting the *IFRS for SMEs* in Sri Lanka. Intended user groups of the *IFRS for SMEs* did not take part in the review process of the accounting standard. Evidence indicates that government intervention into accounting standard-setting in Sri Lanka is low.

7.2 Normative pressures

Small and mid-tier audit firms who provide accounting and auditing services to SME clients also appear as influential players on SME decisions to adopt the *IFRS for SMEs*. This result is consistent with the findings from Jones and Higgins (2006) that show external auditors are rated as the most important party to be involved in the *IFRS* implementation process. Professional accountants played a significant role in the implementation of market-oriented public sector practices in Fiji (Sharma and Lawrence, 2005) and were instrumental in the adoption of international accounting standards in Bangladesh (Mir and Rahaman, 2005). There is consensus in the literature that the Big Four accounting firms play an important role in the globalisation of accounting and represent the normative pressures within the accounting society (Al-Omari, 2010; Irvine, 2008). However, small and mid-tier audit firms prepare and audit most SMEs' financial statements in Sri Lanka (Yapa *et al.*, 2017). The findings from the interviews indicate that small and mid-tier audit firms influenced and adviced SMEs to adopt the *IFRS for SMEs* for their financial reporting. This is because auditors work closely, as advisors, with the SME accountants when preparing SME financial statements in compliance with the *IFRS for SMEs*. When the audit firms make a recommendation to adopt international financial reporting standards, SMEs see it as something to comply with to be able to survive. For these reasons, it could be argued that small and mid-tier audit firms exert normative institutional pressure on Sri Lankan SMEs to adopt the *IFRS for SMEs*.

This finding is consistent with research by Joshi and Ramadhan (2002), Albu *et al.* (2011) and Chua and Taylor (2008), who argue that the external auditor is the most dominant party involved in the *IFRS* adoption process. DiMaggio and Powell (1983) identify professionals as key sources of normative isomorphic pressures. This pressure arises from fulfilling professional expectations or adopting practices that matches with group norms (DiMaggio and Powell, 1991). Normative isomorphism occurs when the norms of society and professional bodies influence the practices of organisations (Scapens, 2006). In Sri Lanka, the professional bodies influence the practices of SMEs through the actions of the auditors.

It was interesting to note that firms, which were owned and managed by members of the CASL and had members of the CASL in the position of accountant, adopted the *IFRS for SMEs* for their financial reporting. This is because owners could exert both coercive and normative pressure to adopt the *IFRS for SMEs*. On one hand, owners act as powerful stakeholders upon whom the organisation is dependent (Deegan and Samkin, 2013) and on the other hand, fulfil their obligation through professional membership (Carpenter and Feroz, 2001; Touron, 2005). Their opinions and resultant actions may be influenced by their desire to maintain professional membership of a recognised accounting body (Carpenter and Feroz, 2001; Touron, 2005). It is claimed that professional institutions have the influence to disseminate norms, influence the field and otherwise direct members (Tuttle and Dillard, 2007).

7.3 Mimetic pressures

Mimetic institutional pressures refer to the copying and duplicating of successful organisational behaviour by other organisations (DiMaggio and Powell, 1983). Prior research (Hassan *et al.*, 2014; Irvine, 2008) presents evidence that mimetic isomorphism, as a result of emulating other countries, predicts *IFRS* adoption. Prior research (Hassan *et al.*, 2014; Irvine, 2008) also notes relationships with the country's trading partners had on *IFRS* adoption. However, findings of this paper are contrary to Hassan *et al.* (2014) and Irvine (2008) and do not support the mimetic institutional pressures both in the Sri Lankan and the SME contexts. As Sri Lanka is one of the first countries to decide on the adoption of the *IFRS for SMEs*, there is no reasonable evidence to support a proposition that the adoption decision is influenced by other developing countries in the region.

7.4 Need for international accounting standards for Sri Lankan small and medium entities

The IASB's arguments about the need for the *IFRS for SMEs* and the standard itself have been the subject of considerable debate (Aboagye-Otchere and Agbeibor, 2012; Chand *et al.*, 2015; Eierle and Haller, 2009; Singh and Newberry, 2009). Unique characteristics, different conditions and different transactions encountered by different countries are not conducive to a global set of accounting standards for the SME sector.

In contrast to the IASB's view, most respondents to interviews do not support the need for internationally comparable accounting information for Sri Lankan SMEs. The finding of this study is consistent with the research conducted by Eierle and Haller (2009), the Conseil National de la Comptabilité (2008) and Aboagye-Otchere and Agbeibor (2012). The negative perception of owner-managers and accountants towards internationally comparable financial information may be because the majority of Sri Lankan SMEs are purely domestically-based and financed locally. The literature supports the contention that there is no benefit for entities that operate locally to follow the *IFRS for SMEs* (Chand *et al.*, 2015). Entities that try to obtain financing from international banks and other international financial institutions find it beneficial to comply with international reporting standards (Dumontier and Raffournier, 1998). The most relevant international activity for Sri Lankan SMEs was foreign imports as indicated by most owner-managers interviewed. Despite the various support services and development programmes provided by government departments, limited capacity, limited resources, and lack of government support and incentives were referred to as barriers for expanding SME business operations globally. Consistent with Samujh (2011), SME owner-managers indicate that their primary concern is the survival of the business rather than the growth of the business.

Apart from foreign imports and exports, other foreign activities such as foreign ownership and borrowings are not relevant for Sri Lankan SMEs. Despite the export and import activities of SMEs, owner-managers do not see any need to provide internationally comparable financial accounting data. This is because foreign suppliers and customers do not request the information as envisaged by the IASB. Rather, they obtain information through their local agents, and company websites and ask for bank guarantees. Therefore, the emphasis on international accounting standards due to international structures and activities is not a priority for them because only a small percentage of SMEs have a global focus.

8. Conclusion

The decision to adopt the *IFRS for SMEs* in Sri Lanka was not driven by the needs of SMEs and their users of financial information but was rather imposed on them by organisations such as the World Bank, the IASB and the CASL. Findings from interviews reveal that international activities are of minor importance or relevance for Sri Lankan SMEs. Despite the relevance of exports and imports to SMEs, they do not receive any requests from their trade partners to provide internationally comparable accounting information. The probable reason for this finding is that nine countries (USA, Germany, Italy, Belgium, The Netherland, France, India, China and Japan) of the top 12 trading countries of Sri Lanka currently do not adopt the *IFRS for SMEs* (IFRS, 2020). From the empirical results, it is indicated that the *IFRS for SMEs* is not deemed to be relevant to small and medium-sized SMEs in Sri Lanka as most of them are domestically-based and financed locally. The challenge for emerging economies such as that of Sri Lanka's SMEs is whether the reality of IFRS implementation can match the image of IFRS adoption. Following its adoption of the *IFRS for SMEs*, Sri Lanka SMEs like those in other emerging economies will face difficulties in implementing this standard. Sri Lanka faces particular challenges relating to their culture and regulatory systems as they implement the *IFRS for SMEs* at individual SME level, as this standard was not been developed with the needs, culture and regulatory infrastructure of Sri Lanka in mind. The institutional concept of decoupling or loose coupling suggests that in such situations, actual organisational behaviour could be significantly different from the image portrayed by the adoption of institutionally legitimising practices. The desirability of a standard such as the *IFRS for SMEs* is uncertain and it should be amended to take into account local needs if it is to be maintained as a financial reporting standard in Sri Lanka.

In summary, the coercive pressures are the strongest factor that drove the adoption of the *IFRS for SMEs* both at country and individual firm levels in Sri Lanka. Specifically, coercive pressures from the World Bank and the IASB on Sri Lanka and coercive pressures from the CASL on individual SMEs are apparent from the findings of this paper. Coercive institutional pressures are the most obvious, as in an institutionalised environment there is an "elaboration of rules and requirements" including "pressures for conformity to public expectations and demands" (Oliver, 1991, p. 101). Normative pressures seemed to occur at the individual organisational levels from small and mid-tier audit firms in Sri Lanka. No mimetic influences were identified at both country and SME levels. While the political, cultural, economic and social situation in Sri Lanka may not be identical to that in other nations, much of the experience in Sri Lanka is anticipated to be useful to other developing countries in the region. It appears from the results that the influence of local users' needs and the government interference on the development of accounting standards does not exist in Sri Lanka. Government intervention in the accounting standards-setting process is low in Sri Lanka. For example, two government organisations in Sri Lanka that are directly involved in formulating policies for the SME sector do not actively participate and were not consulted in the standard-setting process. The results indicate that the adoption and implementation of the *IFRS for SMEs* are dominated by international organisations and the CASL. Government should participate in the standard-setting process to protect users' interests and prevent domination by organisations that are external to the country and may have allegiances with non-Sri Lankan interests. Findings further affirm that countries seeking financial assistance from international donor institutions are also likely to be affected by pressures from these institutions to improve their accounting regimes.

This paper makes several contributions both to knowledge and to practitioners. Firstly, the adoption of the *IFRS by SMEs* has not been adequately explored in the context of developing countries. Therefore, the findings of the paper make a contribution to the existing literature by providing an empirical study from a developing country, Sri Lanka. Additionally, the findings about the need of internationally comparable financial information for SMEs provide useful insights to the IASB and other standard setters for planning a review of the *IFRS for SMEs*.

The paper contributes to the literature by adopting institutional theory to interpret the empirical findings and to understand the *IFRS for SMEs* adoption by Sri Lankan SMEs. The paper also contributes to understanding the decision to adopt the *IFRS for SMEs* both at country and SME level – an extension of prior research that generally concentrates on the *IFRS* adoption decision at either country or firm level (Aboagye-Otchere and Agbeibor, 2012; Chand *et al.*, 2015). Prior research focussed on the full *IFRS* adoption by large and/or listed companies. SMEs' decision to adopt the accounting standard *IFRS for SMEs* has not been explored using NIS theory. This paper fills a gap by examining the adoption of the *IFRS for SMEs* (not the full *IFRS)* using the NIS theory.

The results presented in this paper have several implications for the IASB and countries that are currently undertaking convergence projects throughout the world. The findings provide useful insights to the IASB for planning the next review of the *IFRS for SMEs*. As the IASB did not pay sufficient attention to SMEs in developing countries, the findings of the paper could assist them in determining the need for a global accounting standard for these entities. Findings on the types and sizes of SMEs that would benefit from the development of a standalone *IFRS for SMEs* could offer useful insights for both local and international standard setters in deciding on the most appropriate financial reporting frameworks for the SME sector. However, the results of this paper suggest that the *IFRS for SMEs* is not relevant to SMEs in Sri Lanka and should be replaced by a locally developed standard.

The outcomes of this research are subject to limitations. The research is limited to a single country. The data were collected from SMEs in Sri Lanka, as intended by the research boundary. However, different jurisdictions have different institutional settings, different accounting regimes, and may define SMEs according to different criteria, so that generalisation of the results to other jurisdictions may have limited application and relevance. However, inter-country comparisons are enhanced through such "one country" boundaries during research. This study provides a reasonable basis for future research. Future studies could undertake studies in other developing countries to gain comparative insights regarding the relevance and impact of the *IFRS for SMEs*.

Note

1. In Sri Lanka, women are underrepresented among senior officials and managers (Asian Development Bank, 2015, p. 20) and unable to reach the highest decision making positions in the employment structure as they are disadvantaged by the inequitable gender division in the labour market (Asian Development Bank, 2015, p. 20). The accounting and finance profession is no exception. This is the reason why only five women are represented in the sample.

References

Abernethy, M.A. and Chua, W.F. (1996), "A field study of control system 'redesign': the impact of institutional processes on strategic choice", *Contemporary Accounting Research*, Vol. 13 No. 2, pp. 569-606.

Aboagye-Otchere, F. and Agbeibor, J. (2012), "The international financial reporting standard for small and medium-sized entities (IFRS for SMEs): suitability for small businesses in Ghana", *Journal of Financial Reporting and Accounting*, Vol. 10 No. 2, pp. 190-214.

Albu, N., Albu, C.N., Bunea, S., Calu, D.A. and Girbina, M.M. (2011), "A story about IAS/IFRS implementation in Romania", *Journal of Accounting in Emerging Economies*, Vol. 1 No. 1, pp. 76-100.

Al-Omari, A. (2010), "The institutional framework of financial reporting in Jordan", *European Journal of Economics, Finance and Administrative Sciences*, No. 22, pp. 32-50.

Arunatilake, N., Jayasuriya, S. and Kelegama, S. (2001), "The economic cost of the war in Sri Lanka", *World Development*, Vol. 29 No. 9, pp. 1483-1500.

Asian Development Bank (2015), "Country gender assessment Sri Lanka:an update", available at: https://think-asia.org/bitstream/handle/11540/5110/sri-lanka-country-gender-assessment-update.pdf?sequence=1

Athukorala, P.C. and Jayasuriya, S. (2013), "Economic policy shifts in Sri Lanka: the post-conflict development challenge", *Asian Economic Papers*, Vol. 12 No. 2, pp. 1-28.

Atik, A. (2010), "SME's views on the adoption and application of "IFRS for SMEs" in Turkey", *European Research Studies Journal*, Vol. 13 No. 4, pp. 19-32.

Barbu, E.M. and Baker, R.C. (2010), "An historical and neo-institutional analysis of institutions involved in international accounting convergence", *Accounting and Management Information Systems*, Vol. 9 No. 2, pp. 218-241.

Bohušová, H. and Blašková, V. (2012), "In what ways are countries which have already adopted IFRS for SMEs different", *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, Vol. 60 No. 2, pp. 37-44.

Boolaky, P.K. and Soobaroyen, T. (2017), "Adoption of international standards on auditing (ISA): do institutional factors matter?", *International Journal of Auditing*, Vol. 21 No. 1, pp. 59-81, doi: 10.1111/ijau.12081.

Boyatzis, R.E. (1998), *Transforming Qualitative Information: Thematic Analysis and Code Development*, Thousand Oaks, CA: Sage Publications.

Braun, V. and Clarke, V. (2006), "Using thematic analysis in psychology", *Qualitative Research in Psychology*, Vol. 3 No. 2, pp. 77-101.

Burns, J. and Scapens, R.W. (2000), "Conceptualizing management accounting change: an institutional framework", *Management Accounting Research*, Vol. 11 No. 1, pp. 3-25.

Burns, J. and Vaivio, J. (2001), "Management accounting change", *Management Accounting Research*, Vol. 12 No. 4, pp. 389-402.

Burpitt, W.J. and Rondinelli, D.A. (2000), "Small firms' motivations for exporting: to earn and learn?", *Journal of Small Business Management*, Vol. 38 No. 4, pp. 1-14.

Carpenter, V.L. and Feroz, E.H. (2001), "Institutional theory and accounting rule choice: an analysis of four US state governments' decisions to adopt generally accepted accounting principles", *Accounting, Organizations and Society*, Vol. 26 Nos 7/8, pp. 565-596.

Carruthers, B.G. (1995), "Accounting, ambiguity, and the new institutionalism", *Accounting, Organizations and Society*, Vol. 20 No. 4, pp. 313-328.

Chand, P., Patel, A. and White, M. (2015), "Adopting international financial reporting standards for small and medium-sized enterprises", *Australian Accounting Review*, Vol. 25 No. 2, pp. 139-154.

Chen, F., Hope, O.K., Li, Q. and Wang, X. (2011), "Financial reporting quality and investment efficiency of private firms in emerging markets", *The Accounting Review*, Vol. 86 No. 4, pp. 1255-1288.

Chua, W.F. and Taylor, S.L. (2008), "The rise and rise of IFRS: an examination of IFRS diffusion", *Journal of Accounting and Public Policy*, Vol. 27 No. 6, pp. 462-473.

Collis, J. and Jarvis, R. (2000), "How owner-managers use accounts", available at: https://www.icaew.com/-/media/corporate/files/technical/research-and-academics/publications-and-projects/financial-reporting-publications/how-owner-managers-use-accounts.ashx

Conseil National de la Comptabilité (2008). "IFRS for SMEs: Survey of the expectations and needs of SMEs including field tests", available at: http://www.focusifrs.com/content/view/full/3468

Coviello, N.E. and McAuley, A. (1999), "Internationalisation and the smaller firm: a review of contemporary empirical research", *Management International Review*, Vol. 39 No. 3, pp. 223-256.

Dang-Duc, S., Marriott, N. and Marriott, P. (2008), "The banks' uses of smaller companies' financial information in the emerging economy of Vietnam: a user's oriented model", in M. Tsamenyi and S. Uddin (Eds.), *Corporate Governance in Less Developed and Emerging Economies*, (pp. 519-548). Bingley, England: JAI Press.

Davidson, M.J., Fielden, S.L. and Omar, A. (2010), "Black, Asian and minority ethnic female business owners: Discrimination and social support", *International Journal of Entrepreneurial Behavior and Research*, Vol. 16 No. 1, pp. 58-80.

De Villiers, C. and Alexander, D. (2014), "The institutionalisation of corporate social responsibility reporting", *The British Accounting Review*, Vol. 46 No. 2, pp. 198-212.

De Villiers, C., Low, M. and Samkin, G. (2014), "The institutionalisation of mining company sustainability disclosures", *Journal of Cleaner Production*, Vol. 84 No. 0, pp. 51-58.

De Zoysa, A. and Rudkin, K. (2010), "An investigation of perceptions of company annual report users in Sri Lanka", *International Journal of Emerging Markets*, Vol. 5 No. 2, pp. 183-202.

Deegan, C. and Samkin, G. (2013), *New Zealand Financial Accounting*, (6th ed.). North Ryde, Australia: McGraw-Hill.

Dillard, J.F., Rigsby, J.T. and Goodman, C. (2004), "The making and remaking of organization context", *Accounting, Auditing and Accountability Journal*, Vol. 17 No. 4, pp. 506-542.

DiMaggio, P.J. and Powell, W.W. (1983), "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 No. 2, pp. 147-160.

DiMaggio, P.J. and Powell, W.W. (1991), *The New Institutionalism in Organizational Analysis*, Chicago, IL: University of Chicago Press.

Dumontier, P. and Raffournier, B. (1998), "Why firms comply voluntarily with IAS: an empirical analysis with Swiss data", *Journal of International Financial Management and Accounting*, Vol. 9 No. 3, pp. 216-245.

Durocher, S., Fortin, A. and Côté, L. (2007), "Users' participation in the accounting standard-setting process: a theory-building study", *Accounting, Organizations and Society*, Vol. 32 Nos 1/2, pp. 29-59.

Eierle, B. and Haller, A. (2009), "Does size influence the suitability of the IFRS for small and medium-sized entities? Empirical evidence from Germany", *Accounting in Europe*, Vol. 6 No. 2, pp. 195-230.

File, K.M. and Prince, R.A. (1998), "Cause related marketing and corporate philanthropy in the privately held enterprise", *Journal of Business Ethics*, Vol. 17 No. 14, pp. 1529-1539.

Guerreiro, M.S., Rodrigues, L.L. and Craig, R. (2008), "The preparedness of companies to adopt international financial reporting standards: Portuguese evidence", *Accounting Forum*, Vol. 32 No. 1, pp. 75-88.

Halabi, A.K. and Carroll, B. (2015), "Increasing the usefulness of farm financial information and management: a qualitative study from the accountant's perspective", *Qualitative Research in Organizations and Management: An International Journal*, Vol. 10 No. 3, pp. 227-242.

Harding, N. and McKinnon, J. (1997), "User involvement in the standard-setting process: a research note on the congruence of accountant and user perceptions of decision usefulness", *Accounting, Organizations and Society*, Vol. 22 No. 1, pp. 55-67.

Hassan, E.A., Rankin, M. and Lu, W. (2014), "The development of accounting regulation in Iraq and the IFRS adoption decision: an institutional perspective", *The International Journal of Accounting*, Vol. 49 No. 3, pp. 371-390.

Heidhues, E. and Patel, C. (2012), *Globalization and Contextual Factors in Accounting: The Case of Germany*, Bingley, England: Emerald.

Hodgdon, C., Tondkar, R.H., Adhikari, A. and Harless, D.W. (2009), "Compliance with international financial reporting standards and auditor choice: New evidence on the importance of the statutory audit", *The International Journal of Accounting*, Vol. 44 No. 1, pp. 33-55.

Holgersson, M. (2013), "Patent management in entrepreneurial SMEs: a literature review and an empirical study of innovation appropriation, patent propensity, and motives", *R&D Management*, Vol. 43 No. 1, pp. 21-36.

Institute of Chartered Accountants of Sri Lanka (2012), *Sri Lanka Accounting Standards for Small and Medium Sized Enterprises*, Colombo, Sri Lanka: Author.

Institute of Chartered Accountants of Sri Lanka (2014), "CA Sri Lanka", Retrieved from https://casrilanka.com/casl/

Institute of Chartered Accountants of Sri Lanka (2017), "CA Sri Lanka and GIZ in partnership to develop and strengthen SMEs and SMPs", available at: https://www.casrilanka.com/casl/index.php?option=com_content&view=article&id=829:ca-sri-lanka-and-giz-in-partnership-to-develop-and-strengthen-smes-and-smps-&catid=50:general&Itemid=156

International Accounting Standards Board (2009), "Basis for conclusions on international financial reporting standards for small and medium-sized entities", London, England: Author.

International Financial Reporting Standards (IFRS) (2020), "Who uses IFRS standards", available at: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/

Irvine, H. (2008), "The global institutionalization of financial reporting: the case of the United Arab Emirates", *Accounting Forum*, Vol. 32 No. 2, pp. 125-142.

Jones, S. and Higgins, A.D. (2006), "Australia's switch to international financial reporting standards: a perspective from account preparers", *Accounting and Finance*, Vol. 46 No. 4, pp. 629-652.

Joshi, P.L. and Ramadhan, S. (2002), "The adoption of international accounting standards by small and closely held companies: evidence from Bahrain", *The International Journal of Accounting*, Vol. 37 No. 4, pp. 429-440.

Lawrence, S., Sharma, U. and Nandan, R. (2009), "Giving institutional theory a critical edge: a study of systems change in a Fijian housing authority", *International Journal of Critical Accounting*, Vol. 1 No. 4, pp. 390-405, doi: 10.1504/ijca.2009.028063.

Liyanarachchi, G.A. (2009), "Accounting in ancient Sri Lanka: some evidence of the accounting and auditing practices of Buddhist monasteries during 815—1017 AD", *Accounting History*, Vol. 14 No. 1-2, pp. 101-120, doi: 10.1177/1032373208098554.

Makhaiel, N.K.B. and Sherer, M.L.J. (2018), "The effect of political-economic reform on the quality of financial reporting in Egypt", *Journal of Financial Reporting and Accounting*, Vol. 16 No. 1, pp. 245-270, doi: 10.1108/JFRA-05-2016-0035.

Meyer, J.W. and Rowan, B. (1977), "Institutionalized organizations: formal structure as myth and ceremony", *American Journal of Sociology*, Vol. 83 No. 2, pp. 340-363, doi: 10.2307/2778293.

Mezias, S.J. and Scarselletta, M. (1994), "Resolving financial reporting problems: an institutional analysis of the process", *Administrative Science Quarterly*, Vol. 39 No. 4, pp. 654-678, doi: 10.2307/2393775.

Mir, M.Z. and Rahaman, A.S. (2005), "The adoption of international accounting standards in Bangladesh", *Accounting, Auditing and Accountability Journal*, Vol. 18 No. 6, pp. 816-841, doi: 10.1108/09513570510627720.

Modell, S. (2009), "Institutional research on performance measurement and management in the public sector accounting literature: a review and assessment", *Financial Accountability and Management*, Vol. 25 No. 3, pp. 277-303.

Murphy, A.B. (1999), "Firm characteristics of swiss companies that utilize international accounting standards", *The International Journal of Accounting*, Vol. 34 No. 1, pp. 121-131.

Oliver, C. (1991), "Strategic responses to institutional processes", *Academy of Management Review*, Vol. 16 No. 1, pp. 145-179.

Paseková, M., Müllerová, L., Strouhal, J. and Čiževská, L. (2010), "IFRS for SMEs: challenge for emerging countries? Case of Czech Republic and Ukraine", *World Academy of Science, Engineering and Technology*, Vol. 66, pp. 1691-1694.

Patton, M. (2002), *Qualitative Research and Evaluation Methods*, Thousand Oaks, CA: Sage.

Ploybut, S. (2012), "Financial reporting by small and medium enterprises in Thailand (doctoral", thesis). University of Portsmouth, Portsmouth, England, available at: http://eprints.port.ac.uk/9861/

Poudel, G., Hellmann, A. and Perera, H. (2014), "The adoption of international financial reporting standards in a non-colonized developing country: the case of Nepal", *Advances in Accounting*, Vol. 30 No. 1, pp. 209-216.

Quagli, A. and Paoloni, P. (2012), "How is the IFRS for SME accepted in the European context? An analysis of the homogeneity among European countries, users and preparers in the European commission questionnaire", *Advances in Accounting*, Vol. 28 No. 1, pp. 147-156.

Rodrigues, L.L. and Craig, R. (2007), "Assessing international accounting harmonization using Hegelian dialectic, isomorphism and Foucault", *Critical Perspectives on Accounting*, Vol. 18 No. 6, pp. 739-757.

Samaha, K. and Khlif, H. (2016), "Adoption of and compliance with IFRS in developing countries: a synthesis of theories and directions for future research", *Journal of Accounting in Emerging Economies*, Vol. 6 No. 1, pp. 33-49.

Samujh, R.H. (2011), "Micro-businesses need support: survival precedes sustainability", *Corporate Governance: The International Journal of Business in Society*, Vol. 11 No. 1, pp. 15-28, doi: 10.1108/14720701111108817.

Scapens, R.W. (2006), "Understanding management accounting practices: a personal journey", *The British Accounting Review*, Vol. 38 No. 1, pp. 1-30.

Sharma, U. and Lawrence, S. (2005), "Public sector reform, global trends vs. local needs: the case of a state rental organisation in Fiji", *Journal of Accounting and Organizational Change*, Vol. 1 No. 2, pp. 141-164.

Sharma, U. and Lawrence, S. (2009), "Global remedies for local needs: corporate governance and public sector reforms in Fiji", *Pacific Accounting Review*, Vol. 21 No. 3, pp. 260-285.

Sharma, U., Lawrence, S. and Lowe, A. (2010), "Institutional contradiction and management control innovation: a field study of total quality management practices in a privatized telecommunication company", *Management Accounting Research*, Vol. 21 No. 4, pp. 251-264.

Sharma, U., Lawrence, S. and Lowe, A. (2014), "Accountants as institutional entrepreneurs: changing routines in a telecommunications company", *Qualitative Research in Accounting and Management*, Vol. 11 No. 3, pp. 190-214.

Shaw, V. and Darroch, J. (2004), "Barriers to internationalisation: a study of entrepreneurial new ventures in New Zealand", *Journal of International Entrepreneurship*, Vol. 2 No. 4, pp. 327-343.

Singh, R.D. and Newberry, S. (2009), "Corporate governance and international financial reporting standard (IFRS): the case of developing countries", *Research in Accounting in Emerging Economies*, Vol. 8, pp. 483-518, doi: 10.1016/S1479-3563(08)08016-X.

Sunday Observer (2012), "World bank boost for CA Sri Lanka. Sunday observer", available at: http://archives.sundayobserver.lk/2012/04/15/fin15.asp

Tan, A., Chatterjee, B., Wise, V. and Hossain, M. (2016), "An investigation into the potential adoption of international financial reporting standards in the United States: implications and implementation", *Australian Accounting Review*, Vol. 26 No. 1, pp. 45-65, doi: 10.1111/auar.12081.

Tandy, P.R. and Wilburn, N.L. (1992), "Constituent participation in standard-setting: the FASB's first 100 statements", *Accounting Horizons*, Vol. 6 No. 2, pp. 47-58.

Touron, P. (2005), "The adoption of US GAAP by French firms before the creation of the international accounting standard committee: an institutional explanation", *Critical Perspectives on Accounting*, Vol. 16 No. 6, pp. 851-873.

Tsamenyi, M., Cullen, J. and González, J.M.G. (2006), "Changes in accounting and financial information system in a Spanish electricity company: a new institutional theory analysis", *Management Accounting Research*, Vol. 17 No. 4, pp. 409-432.

Tuttle, B. and Dillard, J. (2007), "Beyond competition: institutional isomorphism in U.S. accounting research", *Accounting Horizons*, Vol. 21 No. 4, pp. 387-409.

Ward, E.A. (1993), "Motivation of expansion plans of entrepreneurs and small business managers", *Journal of Small Business Management*, Vol. 31 No. 1, pp. 32-38.

World Bank (2004), "Sri Lanka – Report on the observance of standards and codes (ROSC): accounting and auditing", available at: http://documents.worldbank.org/curated/en/2004/05/6589025/sri-lanka-report-observance-standards-codes-rosc-accounting-auditing

World Bank (2005), "The world bank in Sri Lanka", available at: http://siteresources.worldbank.org/INTSRILANKA/Resources/LK06.pdf

World Bank (2016), "Enterprise surveys", available at: http://www.enterprisesurveys.org/data/exploreeconomies/2011/sri-lanka#firm-characteristics

World Bank (2017), "Sri Lanka development update", available at: http://documents.worldbank.org/curated/en/784501498569162805/pdf/116846-WP-GMF06-38p-PUBLIC-june28-1pm-Sri-Lanka-Development-Update-Spring-2017.pdf

Yapa, P.W.S., Jalathge, S.L.U. and Siriwardhane, P. (2017), "The professionalisation of auditing in less developed countries: the case of Sri Lanka", *Managerial Auditing Journal*, Vol. 32 No. 4/5, pp. 500-523.

Appendix 1

I. General information	Could you tell me about your business?
II. Preparation of financial statements	Which types of financial statements do you prepare? How does your entity keep records of business transactions? Who normally prepares your entity's financial information? Do you use the services of external professional accountants?
IV. International accounting standards for SMEs and the IFRS for SMEs	What is your view on the role of international accounting standards for SMEs? Does your entity have any foreign activity? Does your entity need to provide internationally comparable accounting information? How did you come to know about the accounting standard IFRS for SMEs? How would you describe your own knowledge of the IFRS for SMEs?

Table A1.
Interview guide – owners and accountants of SMEs

Appendix 2

I. General information	Could you please describe your main job functions? What is the role of your institution towards providing services to SMEs?
III. Accounting standards for SMEs	What is your view on the role of international accounting standards for SMEs? What is the involvement of your organisation in setting accounting standards for SMEs? Did the standard-setter consult/obtain comments from your organisation in adopting international reporting standards for SMEs? Do you consider that the adoption of the accounting standard IFRS for SMEs by SMEs will assist you to obtain additional relevant information for making decisions on SMEs? Did you see any improvement of financial reporting by SMEs after the adoption of the accounting standard IFRS for SMEs?

Table A2.
Interview guide – government institutions

Appendix 3

Table A3.
Interview guide – standard setter

I. General information	Could you please describe your main job functions?
III. Accounting standards for SMEs	What is your view on the role of international accounting standards for SMEs? Did the institution receive any assistance from multi-national lending agencies and donors (such as the World Bank, ADB, IMF) for the adoption of SLFRS for SMEs? Did the institution receive any assistance from the International Accounting Standards Board (IASB) for the adoption of SLFRS for SMEs? Did the institution obtain comments from SMEs and their users of financial statements in adopting the IFRS for SMEs? What are the implications of SLFRS for SMEs on your institution? for example, training, etc. Do you consider that the adoption of the accounting standard SLFRS for SMEs will provide additional relevant information to users for making decisions on SMEs?

Appendix 4

Table A4.
Themes, categories and sub-categories identified from the qualitative data analysis

Research question – Do Sri Lankan SMEs need international accounting standards?		
Themes	Categories	Sub-categories/concept
Perception on the usefulness of international accounting standards for SMEs	Positive, neutral and negative	Only for the compliance purpose Add no value to the business Limited use in taxation and management purposes Provide financial discipline
Relevance of international activities such as foreign exports, imports, borrowings and ownership	Not relevant vs relevant	Business operations limited to domestic markets Focus on survival than the internationalisation of the business Barriers for internationalisation such as limited resources, lack of government supports and incentives No request from foreign suppliers, customers and owners for financial information Check through other sources such as websites, industry information, local agents, ISO certifications and bank guarantees
Research question – What institutional pressures drove the decision to adopt the IFRS for SMEs?		
Themes	Categories	Sub-categories/concept
Process of adoption of the IFRS for SMEs	User involvement	Low government involvement Comment letters from other users
Institutional pressures on adoption of the IFRS for SMEs	Coercive	The World bank pressure The IASB's involvement CASL engagements and activities
	Normative	Audit firms provide consultancies and recommendations for adoption SME accountants and owners' decision and recommendations for adoption Owner managers were not aware about the IFRS for SMEs Owner managers were made aware by their external accountants

Corresponding author
Grant Samkin can be contacted at: grantsam@waikato.ac.nz