The Effects of IFRS Implementation on the Financial Performance of Small and Medium Retail Enterprises in Windhoek's CBD

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Abstract

Purpose: This study investigates whether the adoption of the International Financial Reporting Standards for Small and Medium-Sized Enterprises (IFRS for SMEs) Accounting Standard is associated with the financial performance of small and medium-sized enterprises (SMEs) in Windhoek's central business district (CBD), Namibia—an under-researched setting in sub-Saharan Africa.
Design/Methodology/Approach: This research employs a mixed-methods approach, integrating quantitative data from surveys with qualitative insights gathered through interviews with SME owners and managers.
Findings: Results reveal that SMEs that fully adopted IFRS for SMEs experienced significant improvements in key financial metrics: 72% reported enhanced financial transparency, 55% noted increased profitability, and 60% experienced improved access to financing. Moreover, 72% of the SMEs indicated that their financial credibility improved after adoption, facilitating trust among stakeholders such as banks and investors. These results underscore the critical role of adopting IFRS for SMEs in fostering better financial decision-making and bolstering investor confidence, which are essential for the sustainable growth of SMEs in emerging economies.
Research Limitations/Implications: The analysis is limited to SMEs in a single urban setting and may be affected by measurement constraints associated with private-firm data.
Practical Implications: The results inform policy and practice in emerging markets by highlighting how the adoption of reporting standards, capacity building, and sound governance can support SME performance and improve access to finance.

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Originality/Value: The study provides rare firm-level evidence on the adoption of IFRS for SMEs and its impact on financial performance in Southern Africa, linking financial reporting quality to tangible outcomes for SMEs.

Keywords: IFRS for SMEs; SMEs' financial performance; retail sector; reporting quality; Namibia; access to financing; emerging market

Introduction

The implementation of the International Financial Reporting Standards (IFRS) for Small and Medium-Sized Enterprises (SMEs) Accounting Standard has become an important aspect of financial reporting among SMEs globally, particularly in emerging economies. This study focuses on the effects of adopting IFRS for SMEs on the financial performance of SMEs located in Windhoek's central business district (CBD), Namibia.

The significance of this research lies in its potential to bridge the existing gap in the literature regarding the specific challenges and opportunities faced by SMEs in adopting IFRS for SMEs. Although extensive research has examined the effects of IFRS on large corporations, limited empirical evidence exists regarding the adoption of IFRS for SMEs by small enterprises operating in developing economies such as Namibia. The International Accounting Standards Board (IASB) introduced IFRS to improve the transparency, comparability, and reliability of financial reporting worldwide. Recognising the unique characteristics and resource limitations of smaller entities, the IASB later introduced the IFRS for SMEs Accounting Standard as a simplified reporting framework tailored specifically for SMEs. The framework is intended to improve reporting quality while reducing the reporting burden on SMEs.

The study investigates the relationship between the adoption of IFRS for SMEs and key financial performance indicators, including profitability, financial accuracy, and access to financing. By employing a structured questionnaire, the research aims to gather insights from SME owners and managers regarding their experiences with adopting IFRS for SMEs. The questionnaire is designed to capture both quantitative and qualitative data, allowing for a comprehensive understanding of how IFRS influences financial performance across different types of businesses. It is divided into four main sections: demographic information, financial practices, IFRS for SMEs adoption and impact, and financial performance indicators. This structured approach ensures that the study captures a wide variety of SME experiences, providing valuable insights into the effects of IFRS on their financial management practices.

One of the key aspects of this study is the exploration of the challenges that SMEs encounter when implementing IFRS. The complexity of IFRS standards and their intricate rules can pose significant challenges for smaller businesses, which often lack the resources and expertise needed to apply these standards effectively. This research aims to identify the specific obstacles faced by SMEs in Windhoek's CBD during the adoption process and to propose strategies to help them overcome these challenges.

Understanding these barriers is essential for developing practical recommendations that enhance financial reporting practices among SMEs, ultimately contributing to their growth potential.

The significance of this study extends beyond academic inquiry; it offers valuable insights for policymakers and business owners alike. By understanding the impact of IFRS for SMEs adoption on SMEs in Windhoek's CBD, stakeholders can make informed decisions that promote better financial reporting practices and support the growth of these businesses. The study provides practical recommendations that SMEs can utilise to improve their financial performance and enhance their competitiveness in the market.

By focusing on the specific challenges and opportunities these enterprises face, the study also contributes to a deeper understanding of the implications of IFRS implementation in emerging economies. The findings of this study will not only enhance the academic discourse surrounding IFRS for SMEs adoption but also provide actionable insights for SMEs and policymakers, fostering a more conducive environment for the growth and development of small businesses in Namibia. As SMEs continue to play a crucial role in the economic landscape, understanding the impact of IFRS on their financial performance is essential for promoting sustainable economic development in the region.

Literature Review

Global Adoption of IFRS

The IFRS were introduced by the IASB as a global accounting framework designed to enhance the transparency, comparability, and reliability of financial reporting. The adoption of IFRS has been widespread across various countries, primarily aimed at improving the quality of financial reporting and attracting foreign investment. Barth et al. (2008) argue that the adoption of IFRS improves financial reporting quality by enhancing transparency and comparability across entities and jurisdictions. IFRS is widely regarded as a mechanism for aligning financial reporting practices with globally accepted accounting principles, thereby improving the quality and comparability of financial statements. The adoption of IFRS for SMEs improves the clarity, consistency, and comparability of financial reports, thereby assisting stakeholders in evaluating the financial performance and position of SMEs (Albu et al. 2013).

According to the IFRS Foundation (2021), the adoption of IFRS for SMEs enhances the comparability and credibility of financial statements, thereby improving access to financing and investment opportunities. SMEs account for a substantial proportion of businesses globally and contribute significantly to employment creation and economic development (OECD 2020). This highlights the necessity for SMEs to adopt robust financial reporting standards to compete effectively in the global market.

Prior studies have demonstrated that adoption of IFRS improves financial transparency, reduces information asymmetry, and enhances access to capital markets (Armstrong et al. 2010; Hail et al. 2010). However, the transition to IFRS for SMEs remains challenging for many small enterprises operating in developing economies due to financial and technical constraints. Common barriers to adoption include limited technical expertise, high implementation costs, inadequate training, and weak institutional support structures (Albu and Albu 2012; Pramahender 2025; Solanke et al. 2016).

While large enterprises typically possess the resources and technical expertise necessary to comply with IFRS, SMEs often encounter significant barriers. Previous studies indicate that implementing IFRS for SMEs can be costly and technically demanding for smaller firms operating with limited financial and human resources. These challenges are exacerbated in emerging markets, where SMEs are especially susceptible to financial constraints. The costs associated with training, consultancy services, and accounting system upgrades may outweigh the perceived short-term benefits for many SMEs (Albu and Albu 2012; Perera and Chand 2015). SMEs require assistance in adopting and implementing standards due to limited awareness, constrained capabilities, and inadequate technical expertise resulting from insufficient training (Kamotho and Kaudo 2023).

In conclusion, while the adoption of IFRS presents numerous advantages for enhancing financial transparency and market access, it is necessary to consider the unique challenges faced by SMEs, particularly in developing economies, to ensure that the benefits of IFRS are equitably distributed across all business sizes. Further research could explore tailored support mechanisms to facilitate the adoption of IFRS for SMEs, thereby fostering a more inclusive global financial environment.

The Role of IFRS in Emerging Economies

In emerging economies, the adoption of IFRS for SMEs plays an important role in enhancing financial transparency, accountability, and comparability among SMEs (Kamotho and Kaudo 2023). Studies conducted in developing economies suggest that the adoption of IFRS-based reporting frameworks improves investor confidence and facilitates access to external financing (Armstrong et al. 2010; Hail et al. 2010). SMEs in many developing economies frequently encounter challenges in accessing finance due to weak financial reporting systems and limited transparency. Although IFRS for SMEs may improve transparency and reporting quality, implementation challenges remain significant among SMEs operating in developing countries (Zubairu et al. 2025). Adoption of IFRS for SMEs assists in improving the credibility and consistency of financial statements, thereby strengthening stakeholder confidence (Hail et al. 2010).

Despite its potential benefits, the implementation of IFRS for SMEs remains challenging for many SMEs in developing economies. Common obstacles include high compliance costs, limited technical expertise, inadequate training opportunities, and the

complexity of reporting requirements (Fanani et al. 2024; Solanke et al. 2016). These challenges may discourage SMEs from fully implementing IFRS for SMEs, despite the anticipated long-term benefits. Kamotho and Kaudo (2023) emphasise the importance of supportive institutional frameworks, including government support and private-sector partnerships, in facilitating the successful adoption of IFRS for SMEs. Adoption rates of IFRS for SMEs remain relatively low in sub-Saharan Africa due to cost constraints, technical complexity, and limited awareness among SME operators (IFAC 2020). Across many developing economies, limited policy support and insufficient training infrastructure continue to constrain the effective implementation of IFRS for SMEs. In Namibia, SMEs frequently report insufficient training, high implementation costs, limited professional expertise, and reluctance to disclose financial information as key barriers to adopting IFRS for SMEs (Kamotho and Kaudo 2023). Empirical evidence suggests that the adoption of IFRS for SMEs contributes positively to financial reporting quality, decision-making, and access to finance among SMEs operating in emerging economies

Implementation challenges are particularly significant for smaller enterprises with limited financial and technical resources. Previous studies of African economies show that the successful adoption of IFRS for SMEs depends heavily on institutional support, professional training, and the affordability of compliance mechanisms.

IFRS for SMEs Adoption and Financial Performance of SMEs

A growing body of literature has examined the relationship between the adoption of IFRS for SMEs and their financial performance. Several studies suggest that the adoption of IFRS-based reporting frameworks improves financial transparency, financial reporting quality, and decision-making among SMEs (Albu et al. 2013; Armstrong et al. 2010). Previous studies have shown that improved financial reporting quality enhances managerial decision-making and strengthens investor confidence. Enhanced financial transparency may also improve access to external financing by increasing the credibility of financial statements. Companies adopting IFRS-based reporting frameworks often report improved investor confidence and enhanced credibility in financial reporting (Hail et al. 2010). Furthermore, the adoption of IFRS for SMEs has been associated with improved transparency and reduced information asymmetry within capital markets (Armstrong et al. 2010).

Adoption of IFRS for SMEs improves financial decision-making by providing more structured and comparable financial information. Standardised financial reporting frameworks assist SME owners and managers in evaluating profitability, managing costs, and making operational decisions based on more reliable accounting information (Albu et al. 2013). IFRS for SMEs provides a standardised framework for measuring assets, liabilities, income, and expenses, thereby improving the consistency and reliability of financial reporting (IFRS Foundation 2021). This is particularly crucial for SMEs in emerging markets, where financial data may otherwise be incomplete or unreliable (Deloof 2003). Standardised financial statements enable SME owners to

make more informed financial and operational decisions (Albu et al. 2013). SMEs aligned with IFRS are more likely to access credit and attract private investment (Daske et al. 2008).

Improved comparability and credibility of financial reports strengthen stakeholder confidence and enhance SMEs' ability to attract external finance. In developing economies, where access to finance remains a major challenge for SMEs, transparent financial reporting improves relationships with lenders and investors. Despite the potential long-term benefits associated with the adoption of IFRS for SMEs, implementation costs may impose short-term financial pressure on them. Expenses related to staff training, consultancy services, and accounting system upgrades may be difficult for smaller firms with limited financial resources to absorb (Perera and Chand 2015). Perera and Chand (2015) found that while the long-term benefits of IFRS for SMEs adoption are evident—such as improved profitability and better access to capital—SMEs may face short-term costs due to the complexity and high compliance costs. SMEs operating in Windhoek's CBD may therefore experience implementation challenges during the transition phase before realising the longer-term benefits associated with improved reporting quality. Supportive policy interventions, affordable compliance solutions, and targeted training initiatives may assist SMEs in overcoming these challenges and achieving effective compliance with IFRS for SMEs (IFRS Foundation 2021). Clear regulatory guidance is important for encouraging SMEs to comply with accounting standards.

Barriers to IFRS for SMEs Adoption in SMEs

Numerous studies have identified significant barriers affecting the adoption of IFRS for SMEs in developing economies. Common challenges include high implementation costs, limited technical expertise, inadequate training, and lack of institutional support (Kamotho and Kaudo 2023; Pramahender 2025; Solanke et al. 2016). Many SMEs also lack adequately trained accounting personnel capable of effectively implementing IFRS for SMEs. This shortage of qualified accounting professionals is particularly evident in developing economies where SMEs operate with limited financial and human resources.

The technical complexity of IFRS for SMEs remains a major obstacle to adoption. Many SMEs struggle to interpret and apply reporting requirements correctly, particularly when accounting systems and training infrastructure are underdeveloped (Fanani et al. 2024). In addition, some SMEs lack the financial capacity to upgrade accounting systems or to engage external IFRS specialists (Solanke et al. 2016).

In Namibia, limited financial literacy and inadequate technical support continue to constrain the effective implementation of IFRS for SMEs among smaller enterprises. Simplified implementation guidance, targeted training initiatives, and institutional support mechanisms may help SMEs improve compliance with IFRS for SMEs.

Theoretical Frameworks: Theories Supporting IFRS for SMEs Adoption

This study is grounded in stakeholder theory, legitimacy theory, and financial transparency perspectives, which collectively explain how the adoption of IFRS for SMEs may influence financial reporting quality, stakeholder confidence, and SME financial performance.

Stakeholder theory, advanced by Freeman (1984), argues that organisations must respond to the information needs and expectations of stakeholders such as investors, lenders, regulators, and customers. Adoption of IFRS for SMEs enhances the transparency and credibility of financial reports, thereby improving stakeholder confidence and supporting stronger business relationships. Donaldson and Preston (1995) further argue that organisations that effectively address stakeholder information needs are more likely to achieve sustainable performance outcomes.

Legitimacy theory suggests that organisations seek to operate within socially accepted norms and expectations to maintain legitimacy and stakeholder support (Suchman 1995). Adoption of IFRS for SMEs may, therefore, assist SMEs in enhancing their credibility and legitimacy among financial institutions, investors, and regulators through improved financial disclosure practices. Financial transparency perspectives suggest that improved disclosure quality reduces information asymmetry between firms and stakeholders, thereby enhancing access to finance and investment opportunities (Bushman et al. 2004). Adoption of IFRS for SMEs, therefore, strengthens the quality, comparability, and reliability of SME financial reports.

Capital need theory, as proposed by Myers and Majluf (1984), suggests that firms adopt higher-quality financial reporting practices to improve access to external financing and reduce financing constraints. Myers and Majluf (1984) argue that transparent financial reporting reduces information asymmetry between firms and investors, thereby improving firms' ability to secure external capital. In the context of SMEs, the adoption of IFRS for SMEs therefore improves access to loans and investment opportunities.

These theoretical perspectives collectively support the current study by explaining how the adoption of IFRS for SMEs may improve financial transparency, strengthen stakeholder confidence, enhance legitimacy, and improve SMEs' financial performance through better access to financing and improved decision-making.

Conceptual Framework

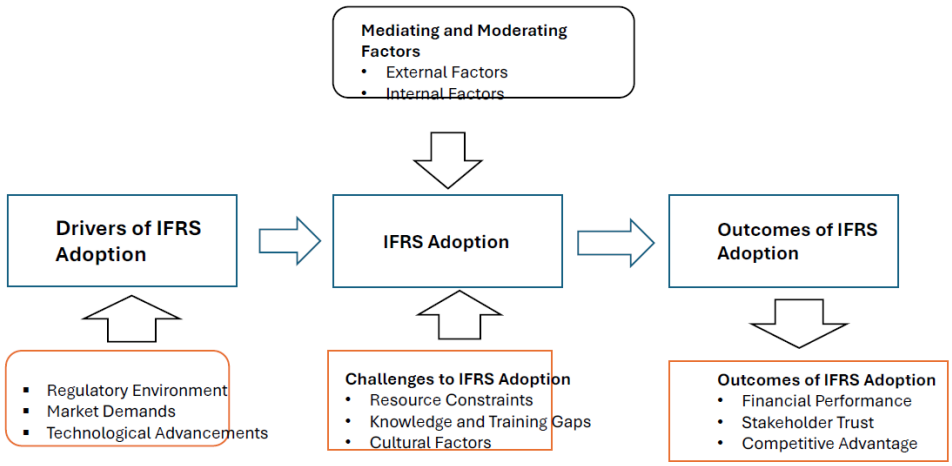


Figure 1: Conceptual framework illustrating the relationship between IFRS for SMEs adoption and the financial performance of SMEs

Source: Author's own illustration

The conceptual framework in Figure 1 illustrates the relationship between the adoption of IFRS for SMEs and financial performance among SMEs in Windhoek's CBD. The adoption of IFRS for SMEs is treated as the independent variable, while financial transparency, profitability, and access to financing are the dependent variables. The framework further recognises that implementation effectiveness may be influenced by moderating factors such as technical expertise, training availability, institutional support, and financial resources. The framework therefore suggests that the effective implementation of IFRS for SMEs positively influences SME financial performance outcomes.

Gaps in Literature and Future Research

While considerable research has been undertaken regarding the impact of IFRS for SMEs adoption on financial performance, much of the existing literature primarily concentrates on larger firms or developed economies (Armstrong et al. 2010; Hail et al. 2010). A notable gap exists in research that specifically investigates the effects of IFRS for SMEs adoption on SMEs within emerging economies, particularly in sub-Saharan Africa. This study aims to address that gap by analysing the unique challenges and advantages associated with the adoption of IFRS for SMEs in Windhoek, Namibia.

Future research could build on this study by examining the long-term effects of IFRS adoption by SMEs on their growth and profitability. Additionally, it would be advantageous to conduct sector-specific investigations to understand how the adoption of IFRS for SMEs influences various industries, such as manufacturing and retail, as the

effects may differ significantly across sectors. Furthermore, comparative studies between SMEs in Namibia and those in other sub-Saharan African countries could provide a more comprehensive understanding of the challenges and opportunities associated with IFRS for SMEs adoption in the region.

Research Methodology

Research Design and Approach

This study adopted a mixed-methods research design to examine the impact of IFRS for SMEs adoption on the financial performance of SMEs operating in Windhoek's CBD. The mixed-methods approach combined quantitative survey data with qualitative interview insights to obtain both statistical evidence and a deeper contextual understanding of SMEs' experiences with IFRS for SMEs implementation. The quantitative component utilised a cross-sectional survey design to collect data from SME owners, managers, and accounting personnel at a single point in time. In addition, semi-structured interviews were conducted with selected participants to obtain qualitative insights regarding implementation challenges, perceived benefits and operational experiences associated with the adoption of IFRS for SMEs. The mixed-methods approach was considered appropriate because it enabled the study to combine statistical analysis of financial performance indicators with qualitative explanations related to implementation experiences, thereby enhancing the depth and credibility of the findings.

Population and Sampling

The target population for this study encompasses SMEs operating within Windhoek's CBD, which hosts a range of businesses across various industries, including retail, manufacturing, services, hospitality, and trade. This diversity enables the study to capture a broad spectrum of experiences and perspectives related to the adoption of IFRS for SMEs across different economic sectors.

To ensure the representativeness of the sample concerning the broader SME population in Windhoek, a stratified random sampling method was employed. This technique involves segmenting the population into distinct strata or groups based on specific characteristics—in this case, the industry sector (e.g., retail, manufacturing, services). Each stratum was then subjected to random sampling, ensuring that the sample accurately reflects the diversity of industries within the SME landscape of Windhoek's CBD. This approach enhances the precision and generalisability of the study's findings by ensuring that all pertinent sectors are adequately represented.

The sample size for the study was calculated using Cochran's formula—a tool commonly employed in research to determine an appropriate sample size based on population size, confidence level, and margin of error. The formula yields a sample size that ensures the statistical significance and representativeness of the results. Considering

the population of SMEs in Windhoek's CBD, the sample size was set at 150 with the intent of securing at least 100 valid responses. The study successfully attained a response rate of 74.7%, resulting in 112 valid questionnaire responses. In addition, 16 SME owners and managers were purposively selected for qualitative interviews.

This sampling strategy guarantees that the research captures a diverse array of SME experiences concerning the adoption of IFRS for SMEs, thereby providing a comprehensive understanding of the impact of IFRS on financial performance across different business types.

Data Collection Method

Data for the study were collected using both structured questionnaires and semi-structured interviews. The questionnaire was designed to evaluate the relationship between the adoption of IFRS for SMEs and financial performance indicators among SMEs operating in the Windhoek CBD. The interview component was included to obtain deeper qualitative insights regarding implementation experiences, challenges, and perceived benefits associated with IFRS for SMEs adoption.

The questionnaire was organised into four key sections:

1. Demographic information: This section collected fundamental data regarding the SMEs, including industry sector, years of operation, size (based on employee count and annual revenue), and their current status of IFRS for SMEs adoption (full, partial, or none).

2. Financial practices: This section aimed to evaluate the financial practices of SMEs by assessing their use of financial management tools, the adoption of accounting systems, and their experiences with financial reporting before and after the adoption of IFRS for SMEs.

3. IFRS for SMEs adoption and impact: This section specifically addressed the adoption of IFRS, probing respondents about their motivations for adopting (or foregoing) IFRS, the challenges encountered throughout the adoption process, and the perceived benefits related to financial accuracy, profitability, and access to financing.

4. Financial performance indicators: This section collected data on key financial performance indicators, including profitability (measured by profit margins and return on assets), financial accuracy, and access to financing (e.g., loans, investments).

The questionnaire utilised a Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree) to gauge respondents' perceptions of IFRS's impact on their financial performance and business operations. This format allowed participants to offer nuanced

responses, reflecting varying degrees of agreement or disagreement with specific statements.

The questionnaires were distributed to SME owners and managers via email and in-person meetings. To enhance the response rate, follow-up emails and phone calls were made to encourage participants to complete the survey. The data collection period lasted eight weeks, allowing adequate time to receive responses from a diverse array of SMEs.

Semi-structured interviews were conducted with 16 purposively selected SME owners and managers who possessed direct knowledge of their organisations' financial reporting practices. The interviews focused on implementation challenges, compliance costs, financial reporting improvements, and perceived operational benefits associated with IFRS for SMEs adoption. Each interview lasted approximately 30 to 45 minutes, and the responses were recorded and analysed thematically.

Data Analysis

Following data collection, a combination of descriptive and inferential statistical methods was employed to assess the impact of IFRS for SMEs adoption on the financial performance of SMEs in Windhoek's CBD. The data analysis was conducted using SPSS (version 27), a widely recognised software for statistical analysis in social science research.

Descriptive statistics were used to summarise the demographic characteristics of the respondents, the levels of IFRS for SMEs adoption, and the perceived benefits and challenges associated with IFRS for SMEs adoption. This included calculating frequencies, percentages, means, and standard deviations for various survey items, facilitating the identification of trends and patterns in the responses. Pearson's correlation coefficient was used to evaluate the strength and direction of the relationship between IFRS for SMEs adoption and key financial performance indicators, including profitability, financial transparency, and access to financing. This analysis enabled the researcher to determine whether a statistically significant correlation exists between IFRS for SMEs adoption and improvements in financial performance.

To further examine the relationship between IFRS for SMEs adoption and financial performance, a multiple regression analysis was conducted. This method identifies the extent to which IFRS for SMEs adoption accounts for variations in financial performance metrics (e.g., profit margins, return on assets), while also controlling for other factors that could affect financial performance, such as SME size and industry sector. This adds depth to the understanding of how the adoption of IFRS for SMEs influences SMEs, accounting for potential confounding variables.

Qualitative interview data were analysed using thematic analysis. Recurring themes related to implementation challenges, financial transparency, access to financing, and

operational benefits were identified and categorised into broader analytical themes to complement the quantitative findings.

The integration of these analytical methods facilitated a comprehensive exploration of the relationship between IFRS for SMEs adoption and financial performance, yielding both statistical evidence and contextual insights regarding the impact of IFRS on SMEs in the Windhoek CBD.

Ethical Considerations

This research adhered to ethical guidelines to ensure the confidentiality, integrity, and voluntary participation of all respondents. Prior to data collection, participants were presented with an informed consent form detailing the study's purpose, the data collection process, and any potential risks involved. They were informed that their participation was voluntary and that they could withdraw from the study at any time without facing penalties.

To safeguard participants' privacy, anonymity was maintained by ensuring that no personal identifiers were collected or recorded. All data were securely stored and used solely for research purposes. Furthermore, the study's results are presented in an aggregated form to ensure that no individual participant's responses can be identified.

Validity and Reliability

The study's validity was bolstered by implementing a pilot study conducted with a small sample of SME owners and financial managers in Windhoek's CBD. Feedback from this pilot study was used to refine the questionnaire and ensure that the survey items accurately captured the variables of interest. To assess internal validity, multiple regression analysis was used to control for potential confounding factors, thereby ensuring that the relationships identified between IFRS for SMEs adoption and financial performance were not attributed to external influences.

The reliability of the survey instrument was evaluated using Cronbach's alpha, which measures internal consistency. A Cronbach's alpha coefficient above 0.70 was considered acceptable for internal consistency reliability. Additionally, inter-coder reliability was ensured by having multiple researchers independently analyse the qualitative data and compare their findings, further enhancing the study's credibility.

Results and Discussion

Demographics of Respondents

A total of 112 valid questionnaire responses were obtained from SMEs operating in Windhoek's CBD. In addition, 16 SME owners and managers participated in qualitative interviews. This section presents the demographic characteristics of the survey respondents.

Age Demographics of Respondents

As depicted in Figure 2, most participants—specifically 80%—fall within the age range of 25 to 35 years. A smaller proportion of respondents belong to the 35 to 45 age range, and even fewer participants are aged 45 to 55. This distribution indicates a predominantly young demographic among SMEs in Windhoek, likely reflecting a trend toward younger, more dynamic managerial roles, particularly in the retail sector. The results indicate that most respondents were relatively young professionals actively involved in SME financial and operational management.

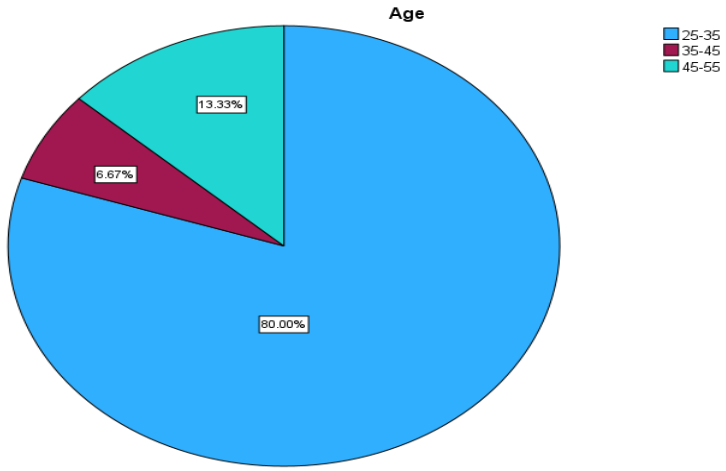


Figure 2: Age demographic of respondents

Gender Distribution of Respondents

Figure 3 illustrates a notable gender distribution among respondents, with males comprising 33.33% and females comprising the remaining 66.67%. This distribution suggests an increasing presence of women in managerial and supervisory roles in SMEs within Windhoek's CBD. The findings indicate a relatively strong female representation

among respondents involved in SME financial and managerial functions within Windhoek's CBD.

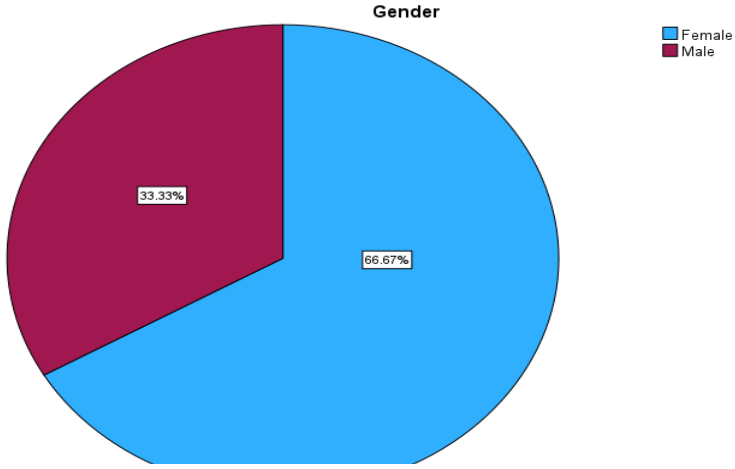


Figure 3: Gender distribution of respondents

Position Distribution of Respondents

The findings indicate that most respondents held managerial and supervisory positions within their organisations. This suggests that participants possessed sufficient operational and financial knowledge to provide informed responses regarding the adoption of IFRS for SMEs and financial performance.

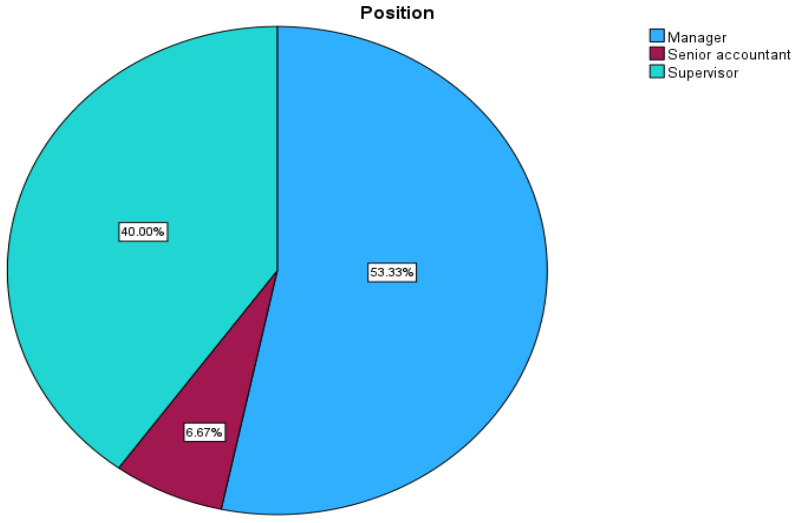


Figure 4: Position distribution of respondents

Descriptive Statistics Findings

Impact of IFRS on Financial Accuracy

In response to the question concerning how the adoption of IFRS affects the performance of SMEs in Windhoek's CBD, the findings indicated that 53.33% of participants perceived the improvement in financial accuracy as significant (Figure 5).

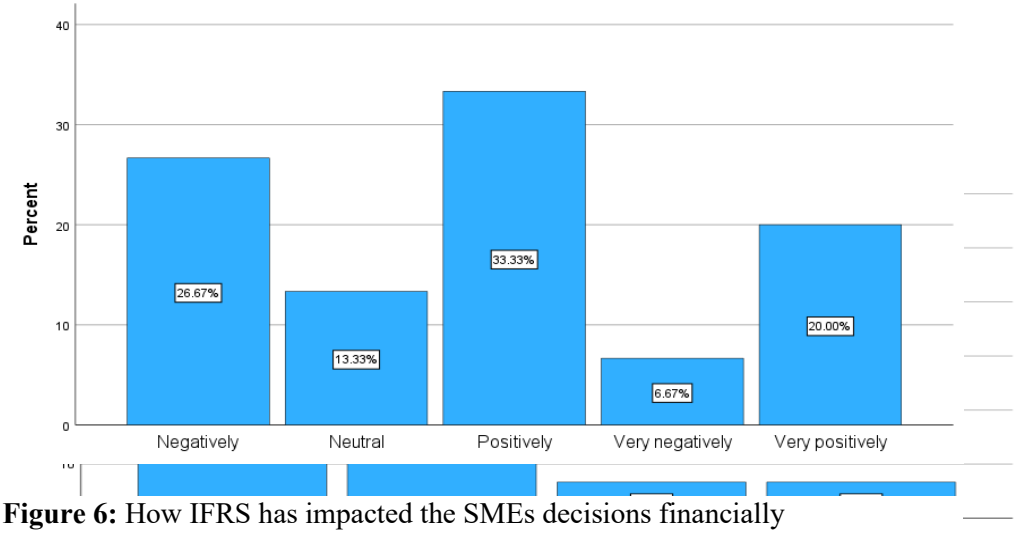


Figure 6: How IFRS has impacted the SMEs decisions financially

Figure 5: How IFRS has improved financial accuracy in these SMEs

This suggests that the adoption of IFRS, with its structured reporting requirements, has substantially enhanced the financial accuracy of these SMEs. The structured reporting requirements associated with IFRS for SMEs appear to have contributed positively to improved accuracy and consistency in reporting among SMEs.

Conversely, about 6.67% of participants categorised the improvements as "very significant," indicating a profound transformation in their financial reporting accuracy due to the stringent adherence to IFRS standards. These findings suggest that the adoption of IFRS for SMEs may contribute positively to improved financial reporting practices among SMEs.

Some SMEs indicated that resource limitations and insufficient technical expertise constrained their ability to fully realise the benefits associated with IFRS for SMEs implementation.

Financial Decision-Making and IFRS Impact

The findings suggest that the adoption of IFRS for SMEs has contributed positively to financial decision-making among many SMEs by improving financial transparency and reporting consistency. However, some respondents indicated that implementation costs

and technical complexity negatively affected operational efficiency during the transition period.

Business Profitability Following IFRS for SMEs Adoption

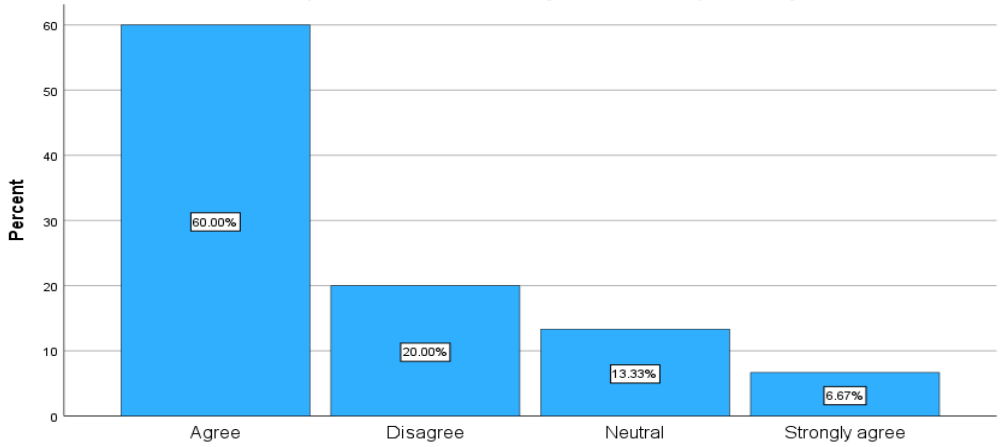


Figure 7: Business profitability after the adoption of IFRS

As shown in Figure 7, the majority (60%) of participants agreed that adopting IFRS positively influenced their profitability by enhancing transparency and credibility in financial reporting, thereby attracting investors and facilitating funding acquisition. However, 20% expressed disagreement with this assertion. Some respondents, however, indicated that implementation complexity and compliance costs limited the perceived profitability benefits associated with the adoption of IFRS for SMEs. Only 6.67% strongly agreed that IFRS for SMEs adoption directly correlated with significant profitability improvements, while 13.33% remained neutral, indicating that their circumstances had not changed notably as a result of IFRS compliance.

Funding Access and Loans

The findings indicate that improved credibility and transparency associated with IFRS for SMEs adoption positively influences SMEs' ability to access external financing. However, some respondents indicated that lending institutions continue to place considerable emphasis on collateral requirements and credit history.

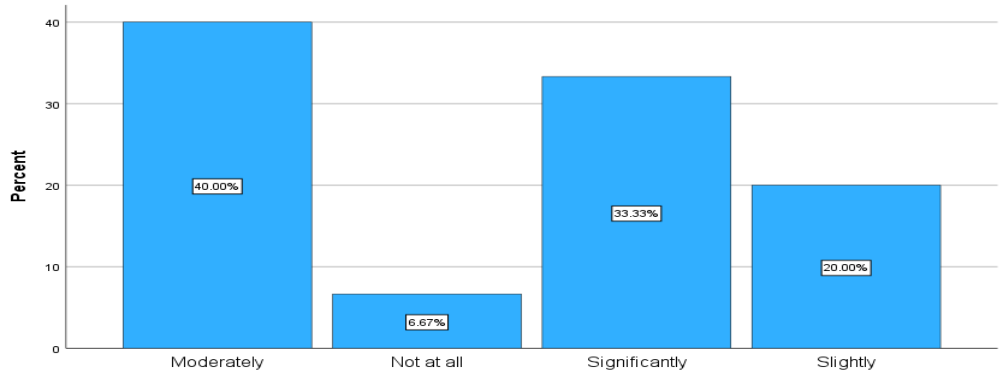


Figure 8: How IFRS influenced the ability for funding and loans

In conclusion, the data collected from this study indicate that the adoption of IFRS among SMEs in Windhoek's CBD has led to significant improvements in financial accuracy, decision-making abilities, and profitability. Nevertheless, challenges remain, particularly regarding resource constraints and the complexities of full implementation. Through targeted support and capacity-building initiatives, SMEs can better harness the benefits of IFRS compliance, ultimately driving enhanced financial performance and sustainability in their operations.

Correlation and Regression Analysis

To explore the relationship between the adoption of IFRS for SMEs and financial performance, Pearson correlation analysis was conducted using key financial performance indicators including profitability, financial transparency, and access to financing.

The correlation analysis revealed a significant and strong positive correlation ($r = 0.65$, $p < 0.01$) between IFRS for SMEs adoption and profitability. Specifically, this finding indicates that SMEs that adopted IFRS experienced higher profit margins and improved returns on assets (ROA). The positive relationship identified between IFRS for SMEs adoption and profitability is consistent with prior studies linking improved financial reporting quality to enhanced financial performance.

The analysis further revealed a positive relationship between IFRS for SMEs adoption and financial transparency, suggesting that improved reporting practices strengthen stakeholder confidence and enhance the reliability of reporting. This finding aligns with research conducted by Akpan et al. (2023) and Kaya and Koch (2015), which reported

a positive relationship between the adoption of IFRS for SMEs and financial transparency among SMEs across sub-Saharan Africa, further solidifying the argument that IFRS compliance fosters accountability and trustworthiness in financial reporting.

Multiple regression analysis further confirmed that the adoption of IFRS for SMEs is a statistically significant predictor of financial performance. The model indicated that adoption contributed positively to profitability while controlling for factors such as SME size and industry sector. These findings suggest that improved reporting quality contributes positively to SME operational and financial performance. For instance, larger enterprises are generally better able to leverage economies of scale to absorb the costs associated with International Organisation for Standardisation (ISO) implementation than smaller firms. Additionally, the complexity inherent in certain industry sectors may dictate the degree of alignment with IFRS standards, which can affect the effectiveness of financial reporting. Nevertheless, the prominence of IFRS for SMEs adoption as a predictor of financial performance reinforces its significance in the operational strategies of these enterprises.

These findings are consistent with previous studies suggesting that the adoption of IFRS-based reporting frameworks positively influences SME financial performance and operational efficiency. For example, Perera and Chand (2015) reported that IFRS for SMEs adoption positively influences profitability, particularly by enhancing the financial health and operational efficiencies of businesses. The established evidence highlights the transformative potential of IFRS for SMEs, suggesting that compliance with these international standards could serve as a blueprint for improved financial outcomes and long-term sustainability.

Despite the positive findings, respondents indicated that implementation costs and technical complexity remain significant barriers to effective compliance among SMEs (Perera and Chand 2015). The results indicate that, although SMEs recognise the benefits of adopting IFRS for SMEs, factors such as limited resources often hinder their full compliance.

The findings further suggest that improved financial transparency strengthens SMEs' relationships with lenders and investors, thereby improving access to external financing. The positive correlation found between IFRS for SMEs adoption and profitability signifies that as SMEs enhance their financial transparency and accountability, they are likely to see corresponding improvements in financial outcomes. Notably, 60% of SMEs indicated that after adopting IFRS, they had better access to external financing—further illustrating that transparent financial reporting practices facilitate stronger relationships with investors and creditors.

These findings highlight the importance of supportive training initiatives, institutional support, and affordable compliance mechanisms in facilitating the effective implementation of IFRS for SMEs. A robust support framework may require

investments in training and capacity-building initiatives to ensure that those responsible for financial reporting within SMEs are well acquainted with IFRS requirements. Furthermore, it may be beneficial for SMEs to establish partnerships with external consultants or advisers during the transition to IFRS compliance to alleviate the burdens associated with implementation challenges.

Overall, the findings suggest that the adoption of IFRS for SMEs may positively influence financial transparency, profitability, and access to financing among SMEs operating in Windhoek's CBD.

Qualitative Insights

The qualitative data obtained from interviews with SME owners and managers provided valuable insights into both the challenges and advantages associated with adopting IFRS. A consistent sentiment expressed by many respondents was that, despite the high initial costs associated with compliance, adopting IFRS for SMEs has had a significantly positive long-term impact on their businesses. For instance, one manager from a service-oriented SME remarked, "Although the initial process was financially burdensome and complicated, the clarity and transparency in our financial reporting have substantially improved, facilitating easier access to investment opportunities."

Several SME owners further indicated that adopting IFRS for SMEs improved their credibility with external stakeholders such as banks, suppliers, and investors. One respondent stated that improved financial reporting enhanced the organisation's ability to secure credit facilities and strengthen stakeholders' trust.

Despite the reported benefits, many participants highlighted high implementation costs, limited technical expertise, and insufficient institutional support as major barriers to the effective implementation of IFRS for SMEs.

Comparison with Previous Studies

The findings of this study are generally consistent with previous research examining the adoption of IFRS-based reporting frameworks among SMEs in developing economies. Consistent with prior literature, the study found that improved financial reporting quality may positively influence profitability, transparency, and access to financing among SMEs. Previous studies similarly report that enhanced financial disclosure practices improve stakeholder confidence and support better financial decision-making (Armstrong et al. 2010; Hail et al. 2010).

The study further highlights the importance of both public-sector and private-sector support mechanisms in facilitating the implementation of IFRS for SMEs. While government support remains important, respondents also identified affordable accounting software, consultancy services, and technical support from private-sector providers as key facilitators of compliance. This finding suggests that while government

support remains vital, the private sector also plays a crucial role in equipping SMEs with the necessary resources and tools for successful IFRS implementation.

This nuanced understanding contributes valuable context to the ongoing dialogue surrounding the adoption of IFRS for SMEs, highlighting the multifaceted nature of the challenges faced by these entities. It underscores the need for a collaborative approach in which both government entities and private-sector players work together to create an environment conducive to adopting IFRS, ensuring that SMEs can fully leverage the inherent benefits of enhanced financial reporting standards.

Conclusion

Summary of Findings

This study examined the impact of IFRS for SMEs adoption on the financial performance of SMEs operating in Windhoek's CBD. The findings suggest that adopting IFRS for SMEs contributed positively to financial transparency, profitability, and access to financing among the participating SMEs. Improved reporting credibility and transparency were identified as important factors influencing stakeholder confidence and financial decision-making.

The study also identified significant implementation barriers, including high compliance costs, technical complexity, and limited availability of skilled accounting personnel. These challenges were particularly significant for smaller enterprises with limited financial and technical resources.

Agreement and Disagreement with Previous Studies

The findings of this study generally support previous literature indicating that the adoption of IFRS-based reporting frameworks improves financial transparency, reporting quality, and access to financing for SMEs operating in developing economies. The study also confirms prior findings that implementation costs, technical complexity, and inadequate expertise remain major barriers affecting SME compliance. However, the study contributes additional evidence from the Namibian context by highlighting the complementary role of private-sector support mechanisms, such as affordable accounting software and consultancy services, in facilitating the implementation of IFRS for SMEs.

Moreover, the challenges documented in this study, including high compliance costs and the complexity of implementing IFRS for SMEs, are consistent with the findings of Kamotho and Kaudo (2023), Fanani et al. (2024), and Solanke et al. (2016), who identified similar barriers affecting SMEs in sub-Saharan Africa and other developing economies. These studies indicate that, although the adoption of IFRS for SMEs offers significant benefits, high implementation costs, limited technical expertise, and inadequate training frequently hinder effective implementation. Similarly, Albu et al.

(2020) and Pramahender (2025) found that insufficient technical expertise, inadequate training, and the costs associated with implementation remain major obstacles to IFRS adoption in developing and emerging economies.

However, the current study's findings diverge slightly from some previous literature regarding the role of government support. Barth et al. (2008) and Perera and Chand (2015) assert that insufficient government backing can exacerbate the challenges that SMEs face in adopting IFRS. Conversely, this study posits that while government support remains essential, the role of the private sector—specifically through access to affordable financial software and consultancy services—is equally vital. Significantly, 60% of respondents noted that solutions from the private sector, such as accessible software tools, were more effective in easing the IFRS implementation process than government-driven initiatives. This divergence suggests that fostering public-private partnerships is crucial for supporting SMEs in their efforts to adopt IFRS.

Practical Recommendations

Based on the study's findings, several practical recommendations can help SMEs in Windhoek's CBD maximise the benefits associated with adopting IFRS for SMEs:

1. SMEs should invest in continuous training and professional development initiatives to strengthen their technical accounting capacity related to the implementation of IFRS for SMEs.

2. SMEs should adopt accounting software that includes features for IFRS reporting. Utilising solutions such as QuickBooks, Xero, or purpose-built IFRS compliance tools can significantly reduce the complexity and costs associated with maintaining compliance.

3. SMEs should consider outsourcing expertise to assist with the adoption process. Engaging consultants can facilitate smooth implementation and provide training to staff to ensure compliance with IFRS standards.

4. Government institutions, professional accounting bodies, and private-sector stakeholders should collaborate to develop affordable training programming, technical support initiatives, and simplified compliance mechanisms to support SMEs' adoption of IFRS for SMEs.

5. SMEs should participate in networking and knowledge-sharing initiatives to help mitigate barriers to adopting IFRS for SMEs. Workshops and forums can provide platforms for sharing experiences and strategies, enabling SMEs to learn from one another and reduce the risk of common pitfalls during implementation.

Policy Recommendations

To facilitate the adoption of IFRS for SMEs among SMEs in Windhoek's CBD, the following policy recommendations are proposed:

1. The development of simplified implementation guidelines, practical toolkits, and sector-specific training materials for the IFRS for SMEs Accounting Standard would ease compliance burdens and encourage wider adoption among SMEs.

2. The introduction of financial incentives could encourage SMEs to adopt IFRS. Such incentives may take the form of tax breaks, subsidised software solutions, or grants to offset compliance costs, thereby lowering the financial barriers to adoption.

3. Collaboration with professional organisations, such as the Institute of Chartered Accountants of Namibia (ICAN), could provide SMEs with technical assistance, consultation services, and training workshops to help them navigate the complexities of IFRS effectively.

Further Research

While this study provides valuable insights into the impact of IFRS for SMEs adoption on SMEs in Windhoek's CBD, further research is warranted to expand upon these findings. Future studies could investigate the long-term implications of IFRS for SMEs adoption on SME growth and profitability, especially by following businesses over extended periods to determine whether the benefits of IFRS adoption for SMEs are sustained. Additionally, sector-specific studies would facilitate a more nuanced understanding of how IFRS for SMEs impact various types of SMEs, as effects may vary markedly among sectors such as retail, manufacturing, and services. Comparative research examining the adoption of IFRS for SMEs across diverse regions within Namibia or other countries in sub-Saharan Africa would further elucidate the challenges and opportunities associated with implementing IFRS for SMEs in distinct economic contexts.

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