

<https://doi.org/10.26565/2310-9513-2025-22-14>

JEL Index: M41, H26, L25, M48, G38, O55

## THE MODERATING ROLE OF ADOPTION OF IFRS BETWEEN TAX AVOIDANCE AND SMES PERFORMANCE IN NIGERIA

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The study examines the moderating role of International Financial Reporting Standards (IFRS) adoption between tax avoidance and the performance of Small and Medium Enterprises (SMEs) in Nigeria. This research explores whether adopting IFRS for SMEs mitigates the negative implications of tax avoidance, which may improve short-term performance but create long-term reputational and operational risks. Using a quantitative research strategy as well as a positivist research philosophy, the respondents were selected using a purposive sampling technique based on the relevance of their SME activities and readiness to participate in the study. A cross-sectional survey design was employed to obtain the data from 502 SME owners and managers in Nigeria. Questionnaires were administered via Google Forms, and descriptive statistics as well as Structural Equation Modeling (SEM) were used to test formulated hypotheses. The results show that tax avoidance has a positive influence on SMEs' performance, but its benefits are offset by long-term challenges. IFRS adoption moderates this relationship by enhancing financial transparency and operational efficiency. The study reveals how IFRS adoption can improve financial reporting practices, thus promoting sustainable business growth in emerging economies like Nigeria. The study also shows that IFRS adoption is not just a compliance requirement but can also be a strategic tool to enhance SMEs' operational performance and reduce risks associated with aggressive tax avoidance.

**Keywords:** Financial transparency, IFRS adoption, Nigeria, SMEs performance, Structural equation modeling, Tax avoidance

**In cites:** Saheed Akande Shittu, Olushola Rasheed Jimoh, & Mufutau Akanmu Popoola (2025). The moderating role of adoption of ifrs between tax avoidance and SMEs performance in Nigeria. *The Journal of V. N. Karazin Kharkiv National University. Series International Relations. Economics. Country Studies. Tourism*, (22), 134-144. <https://doi.org/10.26565/2310-9513-2025-22-14>

## Introduction

Globally, Small and Medium Enterprises (SMEs) are widely recognized for their significant economic impact. Both established and emerging nations view the SME sector as the hub for economic growth. Because they have created jobs and paid taxes to the country, SMEs have made a huge contribution to the economy. However, issues like tax compliance and financial accessibility impede their expansion. IFRS adoption has been identified as a key driver for enhancing financial transparency and investor confidence. (Msechu *et al.*, 2024). In Nigeria's economic landscape, SMEs play a vital role, as they contribute about 48% to the national GDP and account for approximately 96% of all businesses. Furthermore, SMEs are responsible for 84% of employment in the country, highlighting their significance in job creation and economic stability as well as fostering local entrepreneurship and innovation. Despite their contributions, SMEs in Nigeria face numerous challenges that hinder their growth and sustainability. Key issues include access to finance, high interest rates, infrastructure deficits, and the regulatory environment. However, alignment of accounting standards, government support, networking, and collaboration among SMEs can help SMEs to mitigate all these challenges for enhancing the effectiveness of the performance of SMEs in Nigeria. The International Financial Reporting Standards (IFRS) are a wide-ranging collection of accounting standards that are set up to increase the significance of financial reporting transparency and comparability in developed and developing nations (Samour *et al.*, 2024).

According to Akpan *et al.* (2023), taxation serves as a fiscal policy tool to regulate the economy of any country. It helps in the growth of specific sectors and the development of emerging industries. Many developing countries face difficulties funding essential projects due to unstable revenue sources (Malik *et al.*, 2025). The annual increment target is a thoughtful task for government. Tax avoidance is planning strategies to use tax law and accounting standards to reduce the amount of tax payable to government and, that is expected to improve firm performance. Tax reforms in many instances have been implemented to achieve compliance with tax laws. According to Khan and Tjaraka (2024), tax reform involves a comprehensive transformation of the existing tax system, regulatory enhancements, expansion of tax base, and improvement in tax administration. In Nigeria, in order to enhance penalties for non-compliance, Nigeria Tax Act (2025) introduce ₦100,000 with first month and ₦50,000 for subsequent month for failure to register as a taxpayer. Furthermore, failure to keep books attracts fines of ₦10,000 and ₦100,000 for individuals and companies, respectively. Additionally, if convicted, nonpayment of taxes deducted at the source can result in up to three years in prison. In an effort to improve the

effectiveness and legitimacy of tax dispute settlement, it also introduces establishment of Tax Appeal Tribunal to handled dispute related to both federal and state tax legislation. Similarly, a Tax Ombud office was established to handle complaints from taxpayers and advance equity in tax administration.

Previous studies have identified motivations driving SMEs to adopt IFRS. A primary reason is the desire for enhanced transparency and credibility, which can facilitate access to financing and attract investors. Akpan *et al.* (2023) indicate that SMEs adopting IFRS report improved financial reporting quality, which can enhance stakeholder trust and facilitate business expansion. Furthermore, the globalization of markets has prompted many SMEs to adopt IFRS to remain competitive and compliant in international trade. By aligning SMEs' financial reporting with global standards, SMEs can better engage with foreign investors and partners, thus increasing their market reach. Despite the benefits, the adoption of IFRS presents significant challenges for SMEs. A recurring theme in the literature is the lack of resources and expertise. Many SMEs struggle with the complexity of IFRS, which can lead to increased financial reporting costs and potential misapplication of the standards. Studies have shown that the limited availability of trained personnel can hinder effective implementation, resulting in inconsistent reporting practices. Additionally, the financial burden associated with transitioning to IFRS can be daunting for SMEs. Research highlights that the costs of training, system upgrades, and ongoing compliance can disproportionately impact smaller firms, leading some to hesitate in adopting the standards.

In Nigeria, SMEs are one of the sectors that are fast-growing, and they are more significant to the growth and development of the country's economy. Thus, to meet the demand of IFRS, a streamlined IFRS is necessary for SMEs to serve this fast-rising sector. In 2010, the IFRS for SMEs framework was established with the goal of improving the quality of SMEs' reporting process and also enhancing their finances at both national and international levels. Moreover, according to the International Accounting Standard Board (IASB, 2009), SMEs are entities that are not accountable to the public and issue general-purpose financial reports to outsider users. However, SMEs may have other characteristics than those indicated by IASB according to the country's legal system (Olaleye *et al.*, 2021). Due to a variety of reasons, adoption of IFRSs by SMEs has brought uncertainty to their environments. Among those most important issues SMEs perceive are the cost, lack of experience, uncertainty surrounding the to-be system, and impact upon users' needs (Zahid & Simgamugan, 2019; Damak-Ayadi *et al.*, 2020). Nevertheless, globalization is dominant, and comparability of accounts will make such information feasible by maintaining accounting system conformity. The IASB also contends

that greater ability for users and investors, as well as the enterprise itself, to evaluate other companies' financial information and compare results to identify differences in order to make investments that will enhance the companies' position will serve all the interested parties (Oladejo & Shittu, 2018; Okafor *et al.*, 2019). Regulation is an optimum social response in accordance with public interest theory to market faults likely to lead to underproduction of accounting information. To the authors' knowledge, there are no empirical studies undertaken at the national level examining whether adoption of international accounting norms adopted by IASB is more likely in countries that cannot establish their own domestic accounting norms.

Adoption of IFRS by SMEs is more likely to happen in countries whenever there is a lack of indigenous GAAP, to the point where such countries may even see value in doing so. This is in accordance with our results. Interest group and capture theories of regulation argue that the regulator accommodates specific groups' demands. For example, full IFRS have already been adopted by various countries in Africa to be used by both public and private companies. Different groups argue that non-public accountable companies view full IFRS as too complex to use, with huge transitional and implementation costs that will overshadow such companies' benefits (Kaya & Koch, 2015). The likely effect of IFRS implementation on the precision of reporting, capital availability, and general business performance has turned adoption of the standard by SMEs in Nigeria into a much-discussed issue. The challenges associated with SMEs in adopting IFRS are viewed to be advantages and limitations associated with its implementation (Kiliç & Uyar, 2017). This study examines how SMEs in Oyo State implemented IFRS and to present informative data regarding the benefits and effectiveness of the framework to SMEs in Nigeria. Based on previous studies (Ramanna & Sletten, 2009, quoted in Kaya & Koch, 2015), evidence indicated that the adoption of IFRS by SMEs is not very attractive to countries with relatively high-quality governing institutions due to high switch-over costs and negotiating costs. This authenticated that adoption of IFRS has been associated with improved SMEs' performance in terms of profitability, along with liquidity. Additionally, as the IASB framework is similar to those in common law countries' accounting traditions, common law countries' accounting frameworks are more likely to convert their SMEs to IFRS (Pais & Bonito, 2018).

This study makes various contributions to existing studies. First, this research adds to existing literature by analyzing the potentiality as well as the hurdle of IFRS adoption by SMEs in selected states across the six geopolitical zones in Nigeria. Also, this research also identified if IFRS adoption by SMEs can affect tax avoidance, which existing studies in the field of study have not elaborated on. Furthermore, since the study

are using more explanatory variables, issues of the omitted variable problem as one of the causes of the endogeneity problem will be mitigated.

### Literature review

#### Theory underpinning the study

Institutional theory served as the foundation for this investigation. The institutional theory was put out by Scott (2004) to describe the resources, regulatory foundations, and other associated activities that provide the institutional lifecycle stability. According to institutional theory, institutional isomorphic forces motivate and exert pressure on an organization's formal structure. According to Boxenbaum and Johsson (2017), the theory offers structures, norms, and practices that help entities create efficient social behavior procedures. The theory, which focuses on the most profound and reliable features of institutional structures, is generally and widely accepted because it considers the norms and processes by which structures, techniques, conventions, and practices generate compelling procedures for social behavior and conduct. Functionalism, restricted reason, attenuated awareness, and external contexts are important elements of the theory (Mvunabandi, 2023; Shittu *et al.*, 2023). Because it is a crucial tool for identifying the elements that influence SMEs' adoption of IFRS, institution theory was taken into consideration in this study. Nonetheless, the opportunistic behaviors of managers who may lower their tax liability by employing a variety of intricate transactions to serve their own interests are explained by agency theory.

#### Tax Avoidance

SMEs are significant, particularly in terms of nation building. There are various barriers to SMEs' engagement in some operations in the internal market. The major challenges are traceable to inconsistent national tax and accounting frameworks. SMEs bear costs associated with tax compliance based on this fact, which is intended to be decreased by IFRS adoption. The literature has also explored various theoretical frameworks to understand tax avoidance. For instance, the agency theory has been applied to analyze how managerial incentives influence tax planning decisions. Studies have shown that managers may engage in tax avoidance to enhance their personal benefits, which can conflict with shareholder interests. Additionally, the behavioral agency model posits that family firms may avoid aggressive tax strategies to preserve their socioemotional wealth, reflecting a tension between financial optimization and reputational concerns (Sánchez-Ballesta & Yagüe, 2024). As businesses increasingly adopt complex tax strategies, there is a call for more nuanced regulations that account for the varying motivations behind tax planning behaviors (Septriani *et al.*, 2025). There is a need to explore the intersection of tax avoidance with emerging trends such as the adoption of IFRSs with SMEs' performance.

### **SMEs Performance**

The performance of SMEs has attracted a lot of attention lately since it is essential to job creation and economic growth. SMEs are crucial to Nigeria's economy and have a significant impact on its development (Adeosun&Shittu,2021).However,Adeyemo and Olateju (2022) asserted that Nigerian SMEs were overlooked by successive administrations in favor of their bigger rivals. However, the majority of working people are employed by SMEs. Furthermore, the majority of Nigeria's large-scale businesses began as SMEs, according to Awoyemi and Makanju (2020). Similarly, according to Adelekan *et al.* (2019), SMEs account for the bulk of businesses in Nigeria and contribute considerably to the GDP of the nation. SMEs that adopt and implement IFRS for SMEs can better meet changing consumer demands, thereby improving their competitive edge and effectively enhance overall performance. Moreover, the proactive identification of market opportunities allows SMEs to position themselves advantageously against competitors (Oyedemi *et al.*, 2023). Additionally, SMEs may use financial performance metrics to assess their financial situation, identify areas for improvement, and establish reasonable long-term goals. It also helps firms compare themselves to other businesses in the same sector since it provides an objective evaluation of their financial status over a given time period (Yoo & Managi, 2022). Umadia and Kasztelnik (2020) claim that because SMEs' failures result in financial loss, job loss, a lack of incentive for entrepreneurship, and ultimately firm collapse, their predicted contributions to the Nigerian economy have decreased. Another recent focus has been on the relationship between SME success and the implementation of IFRS. Furthermore, little research has been done on how tax evasion affects the connection between SMEs' performance and the adoption of IFRS, especially in Nigeria. By giving SMEs owners additional information and insight into various tactics they may use to boost their productivity and maintain the steady expansion of their companies, the current study advances business practices.

### **IFRS for SMEs Adoption**

Global focus has come to rest with the adoption of IFRS for SMEs' implementation due to the fact that it presents a frame of reference specific to these organizations' needs. Nigeria, with one of Africa's largest economies, adopted the IFRS for SMEs framework in 2010 upon realizing how important standardization in reporting finances is (Abedana *et al.*, 2016; Mvunabandi & Mbonigaba, 2023). The standard's pre-publication period from 2000 to 2009 was examined in the first instance, while its second revision from 2009 to 2015 and the feedback received from 2019 to 2021 were also assessed to have a better understanding of the evolution of the IFRS standard for SMEs. According to the studies carried out by Adetula and Okafor (2014) as well as Izedonmi and Uadiale (2017), they revealed

that adoption of IFRS for SMEs has increased openness in reporting, made ease in comparison, and allowed SMEs to access finance. They added that it has increased investor confidence and also increases the validity of statements. Authors concluded that SMEs' performance is positively influenced by the adoption of IFRS since it improves SMEs' quality of reporting as well as decision-making. However, Okoye and Ajam (2019) observed that SMEs faced various hitches during the adoption process, such as lack of knowledge, lack of qualified staff who are capable of handling implementation and understanding of the framework successfully, as well as the need for more training and funds. Additionally, Onyali and Odia (2015) highlighted technical assistance and advice, economic consequences of compliance, as well as challenges of adopting complex accounting rules. Several studies have proven to have an effect in shaping IFRS adoption by Nigerian SMEs. However, there are limited studies on how tax avoidance influences the relationship between IFRS adoption and SME performance. Hence, this study looked at how tax evasion affected the way Nigerian SMEs performed after adopting IFRS.

### **Empirical review and hypotheses development**

#### **Tax avoidance and SMEs Performance**

SMEs are regarded as the backbone of every economy and have a significant role in national economic development (Roman *et al.*, 2023). Malik *et al.* (2025) evaluate the connection between business success and corporate tax evasion. The findings show that corporate tax evasion improves business success. Additionally, Khan and Tjaraka (2024) look at how Surabaya's SMEs' compliance is affected by their perceptions of tax fairness and tax comprehension. The results show that SME taxpayers' compliance in Surabaya is positively impacted by their view of tax fairness as well as their comprehension of taxes. Similarly, Sánchez-Ballesta and Yagüe (2024) investigate how tax evasion affects SMEs' production in Spanish. According to the research, tax evasion boosts SMEs' productivity. However, Roman *et al.* (2023) used secondary data from 2008 to 2021 to determine the link between SMEs' performance and the taxes they pay across 27 EU member states. The results demonstrate that the taxes SMEs must pay are viewed as obstacles to performance improvement. Additionally, Khan *et al.* (2023) used PLS-SEM to examine data from 375 Pakistani SME textile businesses in order to evaluate the impact of tax evasion and corporate social responsibility on sustainable business performance as well as the mediating function of green competence. The findings show that the relationship between tax evasion and sustainable business performance is unaffected by corporate social responsibility. As a result, after reviewing earlier research in the field, it has been noted that little is known about the connection between the performance of SMEs and tax evasion, especially in Nigeria. Therefore, this study examined the connection between the performance of SMEs and tax evasion.

### IFRS for SMEs adoption as moderator

The impact of IFRS 16 adoption on the financial statements and important financial ratios of mining firms listed on the Johannesburg Stock Exchange (JSE) in South Africa was evaluated by Wyk and Enslin (2025). The results showed that after implementation, IFRS 16 raised overall assets and liabilities. Additionally, Muda *et al.* (2024) examined how institutional isomorphic constraints affected Ghanaian SMEs' adoption of IFRS. The findings showed that mimetic and coercive isomorphic pressures had a major beneficial impact on SMEs' adoption of IFRS in Ghana. Similarly, Tenzer (2024) evaluated how the implementation of IFRS 15 affected performance evaluation. In order to handle the changes brought about by the new accounting standard, healthcare policymakers and managers must have a thorough awareness of both the planned and unforeseen consequences of its implementation, according to the report. The adoption and implementation of IFRS for SMEs also poses a number of difficulties, according to Segotso *et al.* (2024). These difficulties include poor educational attainment, adoption-related expenses, political pressures, regulatory body training and assistance, and cultural considerations.

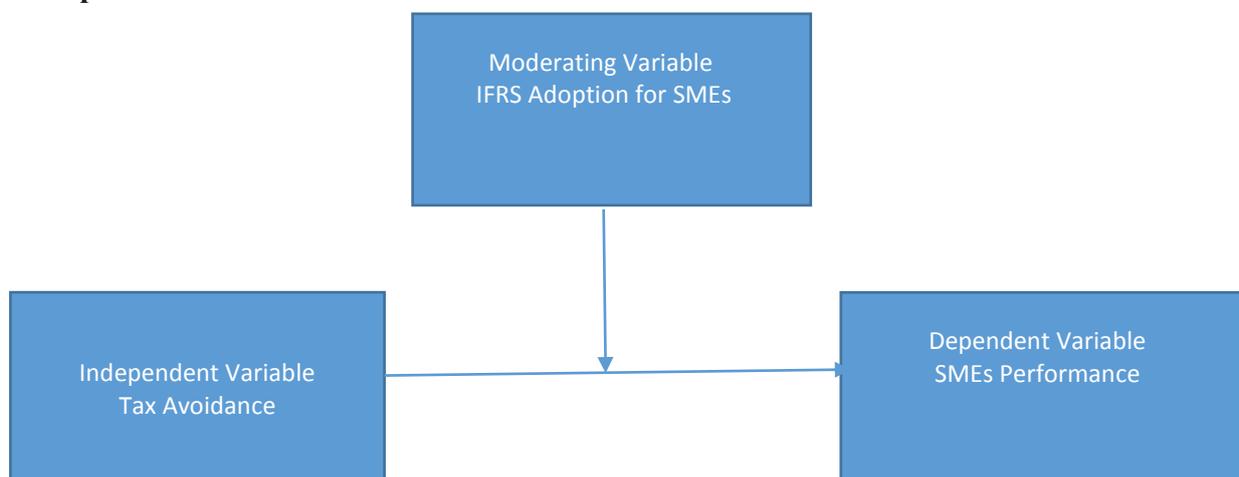
Additionally, the impact of education level, the presence of alternative accounting standards, and the degree of internationality on the implementation of IFRS for SMEs was evaluated by Fanani *et al.* (2024). The results show that the adoption of IFRS for SMEs is negatively impacted by educational attainment and the presence of alternative accounting standards. Additionally, Msechu *et al.* (2024) looked at how business characteristics affected Tanzanian SMEs' adherence to IFRSs. The results indicate that the performance of SMEs and the degree of IFRS compliance are significantly positively correlated. The link between macroeconomic conditions and SMEs' adoption of IFRS was examined by Issam and

Ibtissam (2023). The results show that a non-Anglo-Saxon culture and an adverse political environment increase a nation's likelihood of implementing IFRS for SMEs. Similar to this, Akpan *et al.* (2023) looked at how SMEs were affected by the implementation of IFRS, taking into account both their appropriateness and the difficulties they face. According to the survey, different nations have different levels of SMEs' adoption of IFRS. Some have adopted IFRS for SMEs as their principal standard, while others continue to use a hybrid approach in addition to national standards. The use of the historical research methodology was also explored by Marina (2022), who looked at the history and evolution of the IASB's project on SMEs' financial reporting as well as the events that followed the standard's first and second revisions. Furthermore, there aren't many studies on the adoption of IFRS for SMEs as a mediator in evaluating SMEs' performance. Some examined more complicated adoption issues, but the majority of studies on IFRS for SMEs have concentrated on stakeholders' perceptions of the costs and benefits of adoption (Litjens & Bissessur, 2012; Uyar & Güngörmüş, 2013; Albu *et al.*, 2013; Kılıç *et al.*, 2014). None of these earlier studies take into account the adoption of IFRS by SMEs in Africa, particularly in Nigeria, as a moderator. Adoption's influence was not taken into account as a moderator in the few research studies that were carried out in Nigeria and throughout Africa (Adetula & Okafor, 2014; Abedena *et al.*, 2016; Okafor *et al.*, 2019). Thus, by developing the assumptions listed below, the current study closed the research gap.

H<sub>1</sub>: Tax avoidance has a significant on SMEs performance in Nigeria

H<sub>2</sub>: IFRS adoption positively significantly moderate the relationship between tax avoidance and SMEs performance in Nigeria

### Conceptual framework



**Methodology**

The study adopts a quantitative research strategy as well as a positivist research philosophy. A cross-sectional survey design was employed to obtain the data. The respondents were selected using a purposive sampling technique based on the relevance of their SME activities and readiness to participate in the study. Data was collected through questionnaires via Google Forms and disseminated through various WhatsApp platforms and mails of some SME owners/managers. Out of 540 responses received, 502 were found useful for the study. Respondents were informed that all data collected is only used for research purposes, and they were allowed to choose to participate or not by proving their consent through clicking the ‘I agree’ on Google Forms. The questionnaire was designed to have an introduction, bio data of respondents, and main questions used to measure. The main respondents to this study are SME owners and the senior managers of SMEs who are directly involved in day-to-day running activities of business to get appropriate responses and to reduce lack of knowledge of IFRS for SMEs. Information gathered from respondents was evaluated using descriptive statistics, while the study adopted Smart-PLS, advanced for empirical analysis.

**Descriptive statistics**

As presented in Table 1, the demographic data of respondents include gender, enterprise size, position of respondent, years of experience, age, level of education, and industry sector. In terms of gender distribution, female and male respondents were 57.2% and 42.8%, respectively, which implies that majority of respondents are female. When it comes to enterprise, 71.9% is for small enterprise, while medium size reveals 28.1%. This implies that, among respondents, small size is more than medium size. Looking at position by the respondent, majority of the respondents are SMEs managers, accounting for 60.1%, while owners of SMEs make up 39.9%. With regards to year of experience, majority of respondents have 6-10 years of experience the having 42.6%, followed by above 10 years of experience with 31.1% experience, while the remaining 26.3% have below 5 years of experience. Moreover, in terms of age group, the largest proportion fall fallswithin 30-40 years’ category making up 47.2%, followed by the 41-50 years’ group at 25.1%, below 30 years’ group at 17.5% and 50 years above group at 10.2%. This may be due to majority of respondents who are managers of SMEs are in their middle age. Considering education level, majority respondents are holders of Higher National Diploma (HND) or first degree, having 35%, while 26.9% of respondents are National Diploma (ND) graduates or holders of a National Certificate in Education (NCE). Followed by those who have postgraduate degree at 26.1%, degrees and 12% of respondents obtained senior secondary school certificates. Regarding industry sector, SMEs considered for this study fall within retail,

services, consumer, agriculture, and others at 25.5%, 23.1%, 20.7%, 18.7%, and 12%, respectively.

Table 1

**Respondents demographic information**

Variable	Characteristics	Frequency	Percentage (%)
Gender	Female	287	57.2
	Male	215	42.8
Enterprises size	Medium	361	71.9
	Small	141	28.2
Position	SMEs Owner	198	40
	Manager	304	60
Work experience of respondent	1 to 5 years	132	26
	6 to 10 years	214	43
	Above 10 years	156	31
Age group	Below 30 years	88	17.5
	30 – 40 years	237	47.2
	41 – 50 years	126	25.1
	51 years and above	51	10.2
Education	SSCE	60	12
	NCE/OND	135	26.9
	HND/BSc.	176	35
	Postgraduate	131	26.1
Industry sector	Consumer	104	20.7
	Services	116	23.1
	Retail	128	25.5
	Agriculture	94	18.7
	Others	60	12

**Measurement scale testing**

The factor loading ranges for all the items are above 0.5, except for IFRSA8, which has 0.487. This suggests a moderate to strong relationship between the items and the construct. Composite reliability for TA, SPM, and IFRSA are 0.807, 0.761, and 0.879, respectively, which, being above the recommended threshold of 0.7, suggests that the internal consistency is adequate and the construct is reliable. The average variance extracted for the study variables (TA, SPM & IFRSA) was 0.501, 0.512, and 0.611, respectively, which are slightly above the 0.5 threshold, implying that more than half of the variance in the indicators is explained by the construct. This suggests acceptable convergent validity. Furthermore, variance inflation factor values for individual items range from 1.349 to 2.99, suggesting no severe multicollinearity issues, as these values are within the acceptable range.

**Result of SEM analysis**

The results of assessing the structural model as shown in the figure below, tax avoidance reveals a positive influence on SMEP, with a coefficient of 0.733. The study suggests that while tax avoidance may increase the short-term profits for SMEs, it can lead to long-term challenges such as reputational damage and operational risks. SME performance was measured based on financial outcomes, business growth, and operational efficiency. The results indicate that tax avoidance directly influences

Table 2

## Factor weights of measurement scale

		Variables	Weight	VIF	References
Tax avoidance ( $\alpha = 0.799$ , CR = 0.807, AVE = 0.501)					
1	TA1	The taxes we pay correspond to the amount of money we make.	0.88	2.993	Fuadah <i>et al.</i> (2022)
2	TA2	Our tax payments comply with the tax code.	0.81	2.078	
3	TA3	We always fulfill our tax responsibilities in a proper manner.	0.665	1.46	
4	TA4	Our SMEs involve in asset depreciation as tax avoidance strategy	0.776	2.0	
5	TA5	Our SMEs involve in tax credits and incentives as tax avoidance strategy	0.717	1.774	
6	TA6	Our SMEs involve in transfer pricing as tax avoidance strategy	0.824	2.246	
SMEs performance ( $\alpha = 0.761$ , CR = 0.761, AVE = 0.512)					
7	SPM1	Our SMEs are able to meet expected sales	0.623	1.352	Adelekan <i>et al.</i> (2019)
8	SPM2	Our SMEs earned targeted profit	0.653	1.343	
9	SPM3	Overall business performance improved in the past years by involving in Tax avoidance?	0.772	1.691	
10	SPM4	Revenue generated have been increasing over time through tax avoidance?	0.741	1.883	
11	SPM5	Tax avoidance has contributed to your business performance	0.744	1.928	
IFRS adoption ( $\alpha = 0.871$ , CR = 0.879, AVE = 0.611)					
12	IFRSA1	Adoption of IFRS for SMEs has reduce tax avoidance strategy perpetrated by SMEs	0.716	1.847	Fanani <i>et al.</i> (2024)
13	IFRSA2	Understanding of IFRS for SMEs has assisted your SMEs to adopt effective tax avoidance strategies	0.52	1.349	
14	IFRSA3	SMEs have enjoined some benefits by adopting IFRS for SMEs	0.616	1.468	
15	IFRSA4	The performance of SMEs has improved after IFRS adoption.	0.54	1.499	
16	IFRSA5	Stakeholder trust has increased when SMEs adopted IFRS.	0.714	2.054	
17	IFRSA6	The implementation of IFRS for SMEs improved their access to capital.	0.784	2.71	
18	IFRSA7	Does SMEs' adoption of IFRS mitigate the impact of tax evasion on performance?	0.70	2.916	
19	IFRSA8	SMEs performance would improve further if SMEs enhanced IFRS adoption?	0.487	1.824	

Where TA = Tax Avoidance, SPM = SMEs performance, IFRSA = International Financial Reporting Standard Adoption

SMEs' performance. The results align with the research findings of Sánchez-Ballesta & Yagüe (2024) and Malik *et al.* (2025) while differing from the works of Adetula & Okafor (2014) and Izedonmi & Uadiale (2017). Moreover, IFRS adoption moderates the relationship between tax avoidance and SMEs performance. Specifically, the study found that SMEs that adopted IFRS reported better financial transparency and operational efficiency. IFRS adoption provides a structured approach to reporting, which reduces the temptation for aggressive tax avoidance practices and enhances overall performance. Hence, IFRS mitigates the negative implications of tax avoidance by improving the quality of financial reporting, which in turn positively influences SME performance.

#### Conclusion of the study

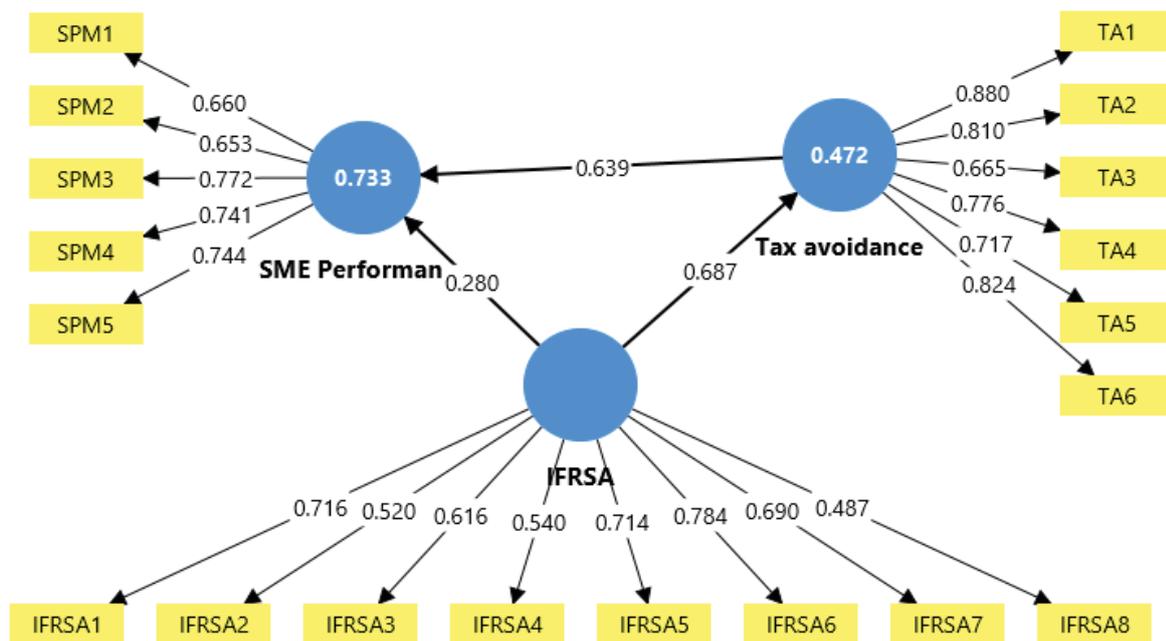
The study concludes that tax avoidance has both direct and indirect effects on SMEs' performance, with IFRS adoption serving as a crucial mediator. While tax avoidance can improve immediate financial

outcomes, it may harm long-term performance due to regulatory scrutiny and reduced transparency. SMEs that have adopted IFRS, nevertheless, benefit from a more structured approach to financial reporting, which enhances their performance despite the challenges associated with tax avoidance.

#### Theoretical and practical implications

The study adds to the corpus of research that shows a connection between corporate performance and tax evasion. It supports the notion that, despite the potential for short-term gains, tax evasion may have long-term negative effects on a company's viability, transparency, and credibility. Furthermore, SMEs in Nigeria and similar markets should carefully balance their tax strategies with the long-term benefits of transparent financial reporting. While tax avoidance may seem appealing in the short term, adopting IFRS could lead to better financial outcomes and operational growth in the long run.

### Structural Model



Where TA = Tax Avoidance, SPM = SMEs performance, IFRSA = International Financial Reporting Standard Adoption

### Recommendations

The study recommends that regulatory authorities should consider hybrid frameworks, providing SMEs with the flexibility to choose between international and national standards. Policymakers should allocate resources for SMEs, specific education, training, incentives, and facilitating technology adoption and conduct regular reviews of IFRS for SMEs to ensure

relevance and alignment with evolving business practices. This will improve financial transparency and corporate governance, benefiting the economy as a whole. Encouraging SMEs to adopt IFRS can be an essential strategy for improving financial practices and boosting SME competitiveness, particularly in emerging economies like Nigeria.

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Authors Contribution: All authors have contributed equally to this work.

Conflict of Interest: The authors declare no conflict of interest.

*The article was received by the editors 21.10.2025*

*The article is recommended for printing 21.11.2025*

*Published 30.11.2025*

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## МОДЕРУЮЧА РОЛЬ ЗАПРОВАДЖЕННЯ МІЖНАРОДНИХ СТАНДАРТІВ ФІНАНСОВОЇ ЗВІТНОСТІ (МСФЗ) У ВЗАЄМОЗВ'ЯЗКУ МІЖ УНИКНЕННЯМ ОПОДАТКУВАННЯ ТА ЕФЕКТИВНІСТЮ ДІЯЛЬНОСТІ МАЛИХ І СЕРЕДНІХ ПІДПРИЄМСТВ У НІГЕРІЇ

У статті досліджено модераторну роль запровадження Міжнародних стандартів фінансової звітності (МСФЗ) у взаємозв'язку між уникненням оподаткування та результативністю діяльності малих і середніх підприємств (МСП) у Нігерії. Дослідження спрямоване на з'ясування того, чи здатне застосування МСФЗ для МСП пом'якшити негативні наслідки податкового ухилення, яке, з одного боку, може покращувати короткострокові фінансові результати, а з іншого — створює довгострокові репутаційні та операційні ризики. Дослідження ґрунтується на кількісній дослідницькій стратегії та позитивістській науковій парадигмі. Відбір респондентів здійснювався за допомогою цільової вибірки з урахуванням релевантності їхньої підприємницької діяльності та готовності брати участь у дослідженні. Для збору емпіричних даних застосовано перехресний (cross-sectional) дизайн дослідження. Дані отримано від 502 власників та менеджерів МСП у Нігерії шляхом анкетування з використанням платформи Google Forms. Для аналізу даних застосовано описову статистику та моделювання структурними рівняннями (Structural Equation Modeling, SEM) з метою перевірки висунутих гіпотез. Результати дослідження свідчать, що уникнення оподаткування чинить позитивний вплив на ефективність діяльності МСП, однак його переваги нівелюються довгостроковими викликами. Запровадження МСФЗ виступає модератором цього взаємозв'язку, підвищуючи фінансову прозорість і операційну ефективність підприємств. Дослідження демонструє, що застосування МСФЗ сприяє вдосконаленню практик фінансової звітності та підтримує сталий розвиток бізнесу в країнах з перехідною економікою, зокрема в Нігерії. Водночас доведено, що МСФЗ є не лише інструментом дотримання регуляторних вимог, а й стратегічним засобом підвищення ефективності діяльності МСП та зниження ризиків, пов'язаних з агресивною податковою оптимізацією.

**Ключові слова:** фінансова прозорість; запровадження МСФЗ; Нігерія; ефективність діяльності МСП; моделювання структурними рівняннями; уникнення оподаткування.

Внесок авторів: всі автори зробили рівний внесок у цю роботу.

Конфлікт інтересів: автори повідомляють про відсутність конфлікту інтересів.

*Стаття надійшла до редакції 21.10.2025*

*Стаття рекомендована до друку 21.11.2025*

*Опубліковано 30.11.2025*