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DETERMINANTS OF OPACITY IN THE FINANCIAL REPORTING OF POLISH MICRO- AND SMALL ENTERPRISES

Abstract

Purpose: *This article aims to assess the relationship between financing providers for micro and small companies (MSCs) and the use of the reduced financial reporting regime, which obscures the assessment of their financial situation. The main research question is: What are the determinants of the decision to abbreviate the financial statements of micro and small companies?*
Methodology/approach: *Based on the Orbis database and financial statements extracted directly from the National Register of Companies (KRS) in Poland, logistic regression was employed to determine the relationship between different sources of funding and stakeholders and the use of abbreviated financial statements.*
Findings: *According to the findings, less than half of eligible companies use abbreviated financial statements in Poland, which is much less than expected and compared to other countries. Abbreviated financial statements do not seem as attractive as they might seem on the basis of the preamble to the Accounting Directive, that repeats the goals of many EU policies. Furthermore, abbreviated financial statements are correlated with legal form (small and micro enterprises) and financial debt (micro enterprises only). The more complex legal form and use of financial debt reduces the likelihood of using abbreviated financial statements. Thus, the use of abbreviated financial statements can be challenging for micro-entities seeking external debt financing.*
Research limitations/implications: *The research was performed on a sample of Polish companies that met the quantitative criteria for small and micro entities. Limitations are related to the sample size. The results can only be extrapolated in terms of the share of entities using abbreviated financial statements. The implications are relevant to the regulatory area, as the results point to the conflicting consequences of different EU policies.*
Originality/value: *Quantitative studies of the phenomenon of the use of abbreviated financial statements and their determinants are scarce. We showed the negative consequences of deregulation of financial reporting for micro and small companies in a specific Polish context.*

Keywords: *financial reporting, micro and small entities, accounting policy, accounting simplification.*

Introduction

Micro and small companies (MSCs) make up the vast majority of firms in the economy, including EU countries. They account for 99.2% of the total number of firms in the EU, create 67.9% of the value added in the EU economy and employ 76% of the total EU workforce (Di Bella et al., 2023). Smaller enterprises are officially termed the "backbone" of the economy in many reports, strategies and other official EU documents (e.g. An SME Strategy, 2020). A significant number of government documents and policies aim at supporting the development of MSCs (Heitz, 2019), especially in terms of increasing funding opportunities and reducing administrative burdens (Dilger, 2016).

The first public policy orientation is based on the observation that it is much more difficult for smaller companies to access financing for their operations and growth than for larger companies (Ardic et al., 2012; Gap Analysis for SME, 2019). The smaller the company, the more dependent it is on internal resources and the resources of the owners (e.g. Masiak et al., 2019), so it is reasonable to provide assistance to MSCs in their search for funding sources.

The second major public policy direction targets the problem of limited MSC resources to address the excessive administrative requirements imposed on them. Therefore, legal requirements must be adapted to the situation of MSCs. This policy direction led to the decision to simplify financial reporting requirements for MSCs in the EU Accounting Directive (Directive 2013/34/EU, 2013), making their financial statements more opaque and thus raising barriers to their financing.

The financial system's ability to allocate resources to companies is, in theory, contingent on its effectiveness in mitigating information asymmetry issues (Healy and Palepu 2001). Directive regulation obligates EU member states to implement regulations that discriminates between regular and reduced reporting requirements. Small and micro companies, defined in Directive and member states' regulations, may prepare abbreviated financial statements. The choice lies within an EU member state, which issue a precise regulation, and a company. As a result, small and micro companies can voluntarily publish a certain amount of information that is required of larger companies. The traditional function of accounting is to alleviate information asymmetry issues, but making certain financial information voluntary raises doubts on its efficiency.

According to Directive's preamble, the regulation that introduced abbreviated financial statements was intended to alleviate "very burdensome" accounting regulations for micro entities (Preamle to Directive 2013/34/EU, 2013, para. 2). However, the weight of the accounting burden and the relief that stems from the removal of some of the requirements are questionable (Martyniuk & Martyniuk, 2020). The use of abbreviated financial statements does not seem to be as popular in Poland as it might seem, as suggested by the preamble (Czaja-Cieszyńska & Mućko, 2022). Therefore, the statement in par. 2 of Directive Preamble is a kind of hypothesis based upon rather larger companies than applicable to the situation of small and micro entities. Therefore, the purpose of this article is to verify the dissemination of simplifications in financial reporting and to assess the relationship between financial stakeholders of micro and small companies and the use of the reduced financial reporting regime available to them. The basic research question is: why do qualifying companies prepare or do not prepare abbreviated financial statements, obscuring the view of their financial position and performance, and increasing the asymmetry of information between companies and their financing providers. This research question leads to hypotheses on the influence of different factors representing financing providers. To find the determinants of this accounting choice, we used a logistic regression method. As such, the research investigates the determinants of financial statement opacity in the specific context of Poland. This fills the gap by examining such determinants in an economy other than the most developed Western economies, such as Belgium and Great Britain.

1. Literature review

1.1. Opacity and abbreviation of financial statements of the MSC against the information asymmetry problem

The aim of financial reporting is to provide useful information for interested users to make decisions, mainly about providing resources to the reporting entity (Conceptual Framework, 2018). From the economics perspective, accounting serves the purpose to mitigate information asymmetry between managers and owners, creditors, other investors, and resource providers (Healy and Palepu 2001). Investors need to assess the ex-ante profitability of the company's current operations. Owners, on their part, require financial information to assess the performance and effectiveness of managers ex-post in fulfilling their responsibilities (Beyer et al. 2010). Research on the public or larger companies provides many arguments for higher level and better quality disclosure. More disclosure is associated with less information asymmetry, thus companies that provide more and higher quality information are awarded with greater trust, and are perceived as more reliable (Healy and Palepu 2001). Thus, subsequently, they are awarded with better pricing (Graham et al. 2005), more liquidity (Verrecchia and Weber 2006), and lower cost of capital (Leuz and Verrecchia 2000; Francis et al. 2008; Howorth and Moro 2012). However, all of these effects were tested on large or public companies.

Small companies are not just like large, but smaller (Deaconu & Buiga, 2015). A different environment, structure of stakeholders, availability of resources, and, finally, aims, causes them to be much more unlike large companies than it just might result of a smaller size. Thus, the determinants of disclosure of small enterprises might not be the same as in large public companies (Ceustermans & Breesch, 2017). These determinants might be a good starting point in the analysis. However, the final feature of micro and small companies that makes their financial reporting different from large companies is their information opacity. The main factors behind information opacity comes from several information asymmetries combined (Tirelli, 2021):

1. Micro and small companies are generally private and unlisted, which means much more flexible financial reporting regulations and regime.
2. Micro and small companies are usually young and do not survive over long periods of time, which makes their credit history relatively unreliable and requires more relational-lending technique (Berger & Udell, 2006).
3. Micro and small companies populates dynamically developing and high-tech sectors, characterized with higher intensity and reliance in "soft", or intangible, resources that are much more difficult to assess.
4. The governance structure of micro and small companies changes the location of the main asymmetry barrier: it is not between managers and

owners (which are usually the same persons), but between company and outside resources providers.

It is noteworthy that the simplifications in accounting regulations designed for the micro and small companies, of which abbreviated financial statements are the most prominent example, are one of the causes of information opacity of these entities (Berger & Udell, 2006).

1.2. Financial stakeholders of small and micro companies

The most potentially influential feature of small companies is that they usually do not experience the separation of management and capital (Ceustermans & Breesch, 2017). Thus, the main users of their financial reporting are not equity capital providers, as in public companies (either large or small), if they are involved in management. In the case of companies with minority interests, we may assume that minority owners are the primary users of financial reporting, without which they could not evaluate financial situation and performance of the company. However, even in that case, minority owners might use other sources of information about financial performance and position of the entity. Owners are usually informed because they are involved in management or informally through unofficial channels of communication, as in family businesses. Thus, we should see the main users of financial statements in other resource providers: banks and financial institutions, other lenders, and other creditors, including business partners (goods and services suppliers). Other sources of funding are necessary because small companies cannot usually seek capital on stock exchanges (Howorth & Moro, 2012). Moreover, smaller companies experience serious difficulties even in accessing bank loans, leaving their financing to the founders and owners (which do not usually need financial statements), and various groups of other resources suppliers. The use of financial statements by the latter might be, however, questionable (Saerens & Ceustermans, 2021). Yes, the users need to evaluate financial position of any potential debtor, before taking a decision to support their client with their resources, such as goods or services. However, the relation between a significant creditor and a debtor is quite often much more close (Berger & Udell, 2002), which gives the creditor more sources of data and other bases for decision making at the expense of decreasing the relative importance of external financial reporting in the decision-making process. Nevertheless, financial statements are still required in credit decisions (Berger & Udell, 2006) and correlates with cost of credit (Cassar et al., 2015), and going concern assumption is assessed and monitored carefully (Geiger et al., 2024). Therefore, we may still assume that financial reporting plays a certain role in mitigating information asymmetry also in case of small companies (Hope et al., 2017), although not as significant as in the large ones.

1.3. Why small and micro companies reduce the extent of financial statements?

Considering the above discussion, we may generally expect the lesser volume and quality of information disclosed in financial statements of micro and small companies (Gos et al., 2008; Sawicki, 2008). Providing more information is time and resource consuming. Moreover, it is associated with more proprietary costs (Beyer et al., 2010; Verrecchia & Weber, 2006). Leaving some of the information undisclosed might give a company competitive advantage over the other market participants (Ali et al., 2014). In more competitive sectors, small companies tend to produce an abbreviated income statement, even omitting revenue items (Saerens & Ceustermans, 2021). In the case of micro and small companies, there are so many arguments in favour of limiting the scope of the information presented that it is more important to identify the determinants of disclosing more information than is required under accounting regulations. Thus, it is still the more intriguing why micro and small companies disclose more than necessary. In such cases, we can expect strong influence from key stakeholders, such as financing providers, although other factors may also have an impact.

In a series of three papers prepared on the basis of Belgian small companies Ceustermans and others showed that main financial stakeholders: owners and trade creditors might influence the decision to abbreviate financial statements or to provide more information voluntarily (Ceustermans et al., 2017; Ceustermans & Breesch, 2017; Saerens & Ceustermans, 2021). A voluntary decision not to shorten financial statements can help small private companies to alleviate the problems of information asymmetry with their trade creditors, thereby increasing trade credit (Ceustermans et al., 2017). The same conclusions apply to micro entities (Saerens & Ceustermans, 2021). Hence, these results support the conclusions reached in research on larger companies regarding the significant role of financial statements in mitigating the problem of information asymmetry. However, the significance is certainly not as high as in the case of large and public companies: a large share of small companies (c. 30%) is not aware of their reporting behaviour, i.e. whether they prepare full or abbreviated financial statements (Ceustermans & Breesch, 2017). This result reflects the lesser importance of formal financial reporting among other communication channels certainly used by small companies in their relationships with stakeholders, as well as the much weaker separation of management and ownership. Ceustermans's and others's studies showed the link between level of trade credit and the decision to disclose one particular item in financial statements, i.e. sales. They also showed that the decision to disclose sales figure is correlated with factors related to the separation of ownership and management. However, only the trade credit factor was tested on a broad sample of companies. The other potential determinants were examined on the basis of an email survey, with response rate was just 3.5%. Moreover, many country-specific factors have an impact on accounting choices and reporting behaviour (Gray, 1988), and are much more influential for micro and small companies than for large and public companies. Thus, Polish companies, which prepare abbreviated financial statements much less frequently, provide a good opportunity to examine the determinants of this type of reporting choice, and this gap is the objective of the study.

2. Hypothesis development

Research by Ceustermans and others (Ceustermans et al., 2017; Ceustermans & Breesch, 2017; Saerens & Ceustermans, 2021) showed the association of several factors with the decision to abbreviate financial statements in Belgium. We may interpret their results in terms of influence of certain stakeholders on the reporting decisions, and those stakeholders' demand for financial information. Stakeholders with the greatest influence on accounting and financial reporting include the company's owners, banks and other financial institutions, and other creditors, with a particular focus on trade creditors. Those stakeholders are the main actors in our hypotheses.

Generally, micro and small companies face large difficulties in external financing (Beck & Demirguc-Kunt, 2006; Nguyen & Canh, 2021). Nevertheless, in case when such external financing is found, lender become an important user of financial statements. Thus, the existence and the level of financial debt is associated with financial reporting quality (Chen et al., 2011; De Meyere et al., 2018; Moro et al., 2015). Lack of information or poor quality of financial information makes it difficult for small companies to access external funds (Van Caneghem & Van Campenhout, 2012). Moreover, according to the study of Peel (2019), credit rating agencies assign worse scores to companies that prepare abbreviated financial statements for micro entities. On the other hand, some argue that financial institutions have enough power to obtain any necessary information from a debtor, thus the higher level of financial debt the lower the probability of good-quality financial reporting (Lardon & Deloof, 2014). In summary, the conclusions on the association of external financial debt on the abbreviation of financial statements are mixed. Moreover, for micro and small companies, external financial debt is rare, so the mere existence of such a source of funding may change the decision to prepare abbreviated financial statements or not. Thus, the first hypothesis is:

H1: The use of a financial debt correlates with abbreviated financial statements

Trade creditors constitute one of the main resource providers for micro and small companies (Wandhöfer, 2019). In the case of a frequent lack of financial debt (Beck & Demirguc-Kunt, 2006) and doubts about whether micro and small companies experience information asymmetry between managers and owners, the trade creditor might become the only source of demand for financial reporting. According to Saerens and Ceustermans (2021) the presentation of financial statements in a format dedicated for micro-entities is negatively related to the level of trade credit. Since in micro and small entities, trade credit accounts for the majority of liabilities, the positive relationship of overall leverage with both the quantity and quality of information in financial statements (Van Caneghem & Van Campenhout, 2012) also indicates that the decision to abbreviate financial statements may have a negative impact on trade credit levels. Thus, the second hypothesis is as follows:

H2: The level of trade credit correlates with abbreviated financial statements

Owners remain important users of financial statements, despite the lesser information asymmetry issues facing micro and small companies when owners are involved in management (Wijekoon et al., 2025). Particularly in companies where not all owners participate in management, financial statements are the ultimate reliable source of information for non-managing owners, even if they duplicate more informal knowledge about the company's financial standing and performance. Following Ceustermans and Breesch (2017), we may assume that the type of ownership is the most important determinant of extended voluntary disclosure. In particular, the presence of a legal entity owner may be indicative of a more complex ownership structure and thus greater agency problems, which in turn implies a greater incentive to prepare voluntarily full financial statements. Thus, the third hypothesis refers to the presence of a legal entity in the ownership structure:

H3: The presence of a corporate owner reduces the possibility that abbreviated financial statements are prepared

The complex ownership structure mentioned by Ceustermans and Breesch (2017), which reflects issues of asymmetric information and can be related to the decision to prepare abbreviated or full financial statements, can also be linked to the legal form used by the company. The Commercial Code offers a variety of legal forms suitable for different arrangements between owners and between owners and other stakeholders: from the simplest general partnerships, suitable for quite small companies with only two owners, through limited liability companies to joint stock companies, designed for the situation of many different shareholders and even for quotation on public capital markets. Therefore, our fourth hypothesis links the decision to abbreviate the financial statements to the legal form of the reporting company:

H4: The legal form of the company is linked with abbreviated financial statements

It seems that the legal structure might encompass all the complexity of information asymmetry in a company that is not addressed by other factors. However, McMahon (1999) found this variable insignificant when analysing Australian companies. Thus, the final significance of this variable is not certain.

3. Methods and data

3.1. Regulatory context

In all EU countries, limited liability companies (including joint stock companies) are subject to accounting legislation, which means that they are obliged to prepare and publish financial statements. The level of disclosure and scope of the financial statements varies depending on the size of the company and the national accounting regulations implementing EU law. The Polish Accounting Act also regulates the financial reporting of other entities, including – besides limited liability entities – general and limited partnerships. All these entities are classified by size as micro or small entities, each eligible to prepare abbreviated financial statements (micro entities even more abbreviated), or other entities, required to prepare full financial statements.

Companies eligible to prepare abbreviated financial statements for micro or small entities must not exceed at least two of the three thresholds presented in the table 1 in the current and previous financial year. Furthermore, according to the Polish Accounting Act, only the owners are entitled to take a decision allowing the company to prepare abbreviated financial statements (comp. Martyniuk & Martyniuk, 2020). Thus, the role of owners among the determinants of abbreviated financial statements is crucial, which should support hypotheses 3 and 4.

Table 1. *Eligibility criteria for simplified financial statements for micro and small entities during the research period*

Criterion	Thresholds for micro entities	Thresholds for small entities
Total assets not greater than	1.5 million PLN	25.5 million PLN
Net turnover not greater than	3 million PLN	51 million PLN
Average annual employment not more than	10 FTE	50 FTE

Source: own elaboration based on Polish Accounting Act.

3.2. Sample selection

Our main variable, which reflects the decision to shorten the financial statements, is easily observable in any single financial report read. However, this variable is not collected by any financial databases. It must thus be extracted from the financial statement XML files sent by companies to the Polish Register of Entrepreneurs (KRS). Therefore, as a first step, a sample of companies eligible for financial statements abbreviation was selected. We selected eligible companies that meet the criteria of micro and small entities in the Orbis database, which was necessary because employment data are not always disclosed in financial statements, especially of micro entities that are not required to do so. We then used the Orbis database to randomly sample 500 companies. Due to data errors and corrupted files (a fairly common problem in micro and small company financial statement XML files), the final sample consists of 439 companies. The size of the sample allows conclusions to be drawn about the share of companies that abbreviate financial statements in the total population. We also extracted the other variables from the XML files.

3.3. Estimation model

We used the following logit model to estimate the potential factors that may influence the decision to abbreviate financial statements:

$$AbbrFS = \alpha + \beta_1 FinDebt + \beta_2 TradeCredit + \beta_3 Owner + \beta_{4-6} LegalForm + \beta_7 Size + \beta_8 Profitability$$

The variables used in the model are described in table 2 and table 3.

Table 2. *Description of variables in the study*

Label	Description
AbbrFS	Dummy variable; 1 if the company has prepared abbreviated financial statements, 0 if full financial statements.
FinDebt	Dummy variable; 1 if any financial debt is presented in company balance sheet
TradeCredit	Ratio of trade credit to total assets.
Owner	Dummy variable; 1 if all owners are natural persons, 0 if at least one of the owners is not a natural person.
LegalForm	Three dummy variables, for each legal form sorted by frequency of occurrence; the most common legal form, limited liability company (sp. z o.o.), means 0 in all three variables.
Size	Control variable; log of total assets
Profitability	Control variable; ratio of net profit (loss) to total assets.

3.4. Descriptive statistics

The data sample allows conclusions to be drawn about the share of the population of eligible companies that exhibit certain properties. The proportion of eligible companies that abbreviated their financial statements in the sample is 42.8%, which means that we can expect the population percentage to be 38.2%-47.4% (with a confidence level of 95% and a margin of error of 5%). This result is consistent with other Polish studies (Czaja-Cieszyńska & Mućko, 2022), but is far below the findings in other countries. The option to abbreviate financial statements is widely used in other countries: for example, the percentage of companies not using this option is approximately 10% (Van Caneghem & Van Campenhout, 2012) or 17% (Ceustermans et al., 2017) in Belgium, and 18% in the UK (Peel, 2019). The much rarer use of abbreviated financial statements in Poland is a phenomenon worth explaining.

Around 55% of companies have any financial debt. Moreover, as many as 60% have only individuals as owners. It is also worth noting that the companies in our sample are really small, with average total assets of c. 1.5 million PLN. Table 3 shows the other descriptive statistics.

Table 3. *Descriptive statistics of the data sample*

Variable	N	Mean	SD	Median	IQR	Min	Max
AbbrFS	439	**0.428**	0.495	0	1	0	1
FinDebt	439	0.547	0.498	1	1	0	1
TradeCredit	439	0.323	0.264	0.266	0.399	0.007	0.943
Owner – Natural Person	439	0.604	0.490	1	1	0	1
Legal form:	439						
– LLC		0.412	0.493	0	1	0	1
– Lim. Partnership	163	0.371	0.484	0	1	0	1
– General partnership	49	0.112	0.315	0	0	0	1
– Joint-stock comp.	46	0.105	0.307	0	0	0	1
Size (LogAssets)	439	14.230	1.852	14.449	2.622	7.617	18.832
Profitability	439	0.191	0.267	0.107	0.302	-0.215	0.855

4. Results and discussion

Table 4 presents the regression results of four models that differ in terms of the sample used (the entire sample versus micro entities only) and the variables included (all variables based on hypotheses versus only significant variables). Firstly, it is noteworthy that size is a significant variable in all models. Despite the small size of the companies in the sample, the smaller companies are more likely to use abbreviated financial statements, which further obscures their financial situation for external stakeholders. In general, the literature provides evidence that size matters in financial reporting and accounting policy decisions (e.g. Dedman and Lennox 2009). However, our results prove that size remains an important factor for companies of similar sizes that meet the criteria described in Table 1. The companies in the sample are similar, as evidenced by the variable's standard deviation being approximately 6 million PLN.

Table 4 shows the variables and their respective hypotheses. The full model, which includes all dependent variables, reveals that only hypothesis H4 is confirmed since one legal form variable is significant. Operating in the legal form of a joint stock company (SA) reduces significantly the chances of preparing abbreviated financial statements, despite meeting all other conditions. This result conforms to our expectations, since a joint stock company is the most complicated legal form of those included in the sample, designed especially for businesses with many shareholders that are not involved in management. Thus, we may confirm that financial reporting extent and quality is associated with information asymmetry issues. It is noteworthy that the result is significant in the presence of a controlling variable for size that is also significant. After controlling for size, a legal form that suits the purpose of solving information asymmetry issues reduces the likelihood of abbreviated financial statements. This result is stable in a reduced model in which insignificant variables are excluded (model 2). This conclusion partly supports the results of Ceustermans and Breesch (2017), who showed the importance of owners: both their type and number. In this study, the former variable was found to be insignificant, while legal form can be interpreted as being consistent with their results on the latter variable.

As there is a huge difference between the financial statements structure for small and for micro companies, we tested the model on a subsample that consists only of companies that qualify for the micro entity category. Model 3 and model 4 present the regression results on such a subsample. In these models, the legal form becomes insignificant, which may be explained by the much smaller number of joint stock companies in the micro subsample. Micro companies are those that meet two of the three criteria described in Table 1 regarding total assets, net turnover, and employment. These criteria are all set rather low (1.5 and 3 million PLN, and 10 full-time equivalents (FTE), respectively). Very few joint stock companies generally fulfill such low criteria because this legal form is better suited for larger enterprises and is burdened with more legal restrictions. Thus, hypothesis H4 is not confirmed due to the inadequacy of this legal form for micro-entities. Among other legal forms, there is no difference in the odds of abbreviating financial statements.

However, in the micro companies subsample, the financial debt variable demonstrates significance. Financial debt is negatively correlated with abbreviated financial statements, indicating that external financing, such as a bank loan, reduces the likelihood of financial statements being abbreviated and the company's financial situation being obscured. This result supports the first hypothesis. External debt financing requires the company to provide voluntary disclosures in the form of full financial statements or financial statements for small entities, despite the possibility of simplifications for micro-entities. This finding confirms the previous studies on the relationship between financial reporting quality and financial debt (Chen et al., 2011; De Meyere et al., 2018; Moro et al., 2015). In particular, this is confirmed by Peel's (2019) result on the worse credit ratings of micro enterprises that applied additional financial reporting relief for micro entities. Micro companies seeking external financing may attempt to avoid such negative consequences. However, since the result is only applicable to micro-entities and not to the entire sample of small and micro-enterprises, we can assume that the layout of financial statements for small entities is not an obstacle when a firm seeks external debt financing. Our results are supported by the substantial number of negative opinions regarding the opacity of micro-entities' financial statement layouts, which moreover it does not reduce accountants' workload (e.g. Czaja-Cieszyńska & Mućko, 2022; Martyniuk & Martyniuk, 2020).

None of the models support hypotheses H2 or H3. The level of involvement of trade creditors in company financing does not correlate with the decision to abbreviate financial statements. Trade creditors do not appear to be interested in assessing the financial situation based on financial statements. While this result contradicts some previous research (e.g. Ceustermans & Breesch, 2017; Saerens & Ceustermans, 2021), it is supported by other studies which demonstrate the importance of non-accounting information sources (e.g. Cassar et al., 2015; Berger & Udell, 2002). For smaller companies, where financial reporting may often be modest in terms of complexity and informativeness (e.g. in the case of micro-entities using simplified reporting), soft data and relationships may be more influential than accounting-based sources.

Table 4. *Regression results*

	Model 1 full (whole sample)	Model 2 reduced (whole sample)	Model 3 full (micro only)	Model 4 reduced (micro only)
(Intercept)	1.71 *	1.79 **	4.39 ***	4.65 ***
	(p=0.06)	(p=0.04)	(p=0.01)	(p=0.00)
FinDebt (H1)	-0.25	-0.23	**-1.04 *** **	**-1.03 *** **
	(p=0.25)	(p=0.28)	**(p=0.01)**	**(p=0.01)**
TradeCredit (H2)	-0.18		0.46	
	(p=0.64)		(p=0.43)	
Owner – Natural Person	0.13		-0.27	
(H3)	(p=0.57)		(p=0.48)	
Legal form (H4):				
– Lim. Partnership	0.09	0.03	0.00	
	(p=0.74)	(p=0.89)	(p=1.00)	
– General partnership	0.22	0.27	0.75	
	(p=0.54)	(p=0.45)	(p=0.52)	
– Joint-stock company	**-1.57 *** **	**-1.59 *** **	-16.36	
	(p=0.00)	**(p=0.00)**	(p=0.99)	
Size	**-0.14 ** **	**-0.14 ** **	**-0.36 *** **	**-0.39 *** **
	(p=0.03)	**(p=0.03)**	**(p=0.01)**	**(p=0.00)**
Profitability	0.50	0.51	-0.87	-0.67
	(p=0.24)	(p=0.22)	(p=0.19)	(p=0.22)
N	439	439	200	200
Pseudo R2	0.11	0.11	0.22	0.17
AIC	580.00	576.54	231.41	229.24

*** **p** *< 0.01;** p < 0.05;* p < 0.1.*

Similarly, we cannot uphold hypothesis H3, which focuses on the significant influence of owners' characteristics on the level of obscurity of financial statements. By contrast, research conducted on Belgian companies (e.g. Ceustermans & Breesch, 2017; Saerens & Ceustermans, 2021) yielded different findings. However, this inconsistency may be explained by the specific domestic accounting environment. This environment can significantly impact financial reporting choices and is a key factor in international comparisons (Daniele, 2023; Beyer et al., 2010; Nobes, 2013). In the Polish context, certain companies, particularly limited partnerships, are eligible for specific tax incentives if they have at least one limited liability company as an owner.

Conclusions and implications

We found that financial statements abbreviation is not as attractive to companies as assumed in the preamble to accounting Directive 2013/34/EU. This finding supports many restrictions described in literature (Martyniuk & Martyniuk, 2020). Despite concerns about the excessive accounting burden on micro and small entities, their reduction does not appear to be linked to abbreviated financial statements. In our sample, less than half of eligible companies use abbreviated financial statements, which is significantly less than expected and compared to other countries. When a company (its owners) decides to abbreviated its financial reports, this should not be seen as a way of simplifying the work of the accountants, but rather as a way of reducing the proprietary costs associated with expanded presentation and disclosure.

Our results support the hypothesis that selected financial stakeholders influence accounting policy choices in micro and small companies. The abbreviated financial statements are correlated with the legal form of small and micro-enterprises and with financial debt in micro-entities. The more complex legal form and use of financial debt reduce the likelihood of preparing abbreviated financial statements. Based on the latter conclusion, concerns can be raised that companies that apply an additionally reduced financial statements design for micro entities may experience increased barriers when seeking external debt financing.

We see implications for our findings in the regulatory area. Firstly, we have shown that two specific directions of the EU's long-term economic policies are in conflict with each other, which creates a need for specific measures to counteract this conflict. There are two options: either we retain further efforts to deregulate financial reporting, or we counteract its negative effects. Counteracting the negative effects of simplifying financial reporting for micro and small entities can be accompanied by programmes promoting the development of small relationship-based and local banking, which is an alternative source of financing for these entities. Alternatively, we shall recognise the negative consequences and limitations of simplifying the financial reporting of these entities, especially since the practical benefits associated with it are not in fact significant. Admittedly, the administrative workload imposed on small businesses should be reduced, but financial reporting is not the most significant burden, especially when compared to other administrative obligations arising from tax regulations, other public law settlements or the settlement of EU funding. Compared to other regulations, financial reporting does not seem particularly complex, and further simplification could have negative effects.

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