



## THE IMPACT OF ACCOUNTANTS' ROLE ON SUSTAINABILITY OF BUSINESS; EMPIRICAL STUDY ON SMEs IN SRI LANKA

*M.D.D. Ishara\* , Y.M.P.M. Yaparathne, W.A.R. Senavirathne*

*Department of Accounting and Finance, Faculty of Management Studies, The Open University of Sri Lanka*

### INTRODUCTION

In Sri Lanka, if businesses want to keep their small and medium enterprises (SMEs) successfully, they need to change their strategies and planning towards long term progress in financial and non-financial terms. Also they need to identify where their values and strategies accordingly. Professional accountants can be a strategic partner for companies' transition towards a sustainability of business. Professional accountants, managers and owners can help improve how a company communicates with its stakeholders by innovating how it reports, accountants have the skills to audit companies independently and provide assurance on their sustainability processes. Also can identify the importance of the accountants for the reach business sustainability as assign costs to negative impacts on the environment and society, help businesses implement environmental, social and governance matters, perform on the ground monitoring and measuring and identify ways to reward sustainable policies. Here is a clear opportunity available today for accountants to play a leading role in the development and establishment of sustainability reporting (Lewis 2000). According to this professional accountants' role support to make their businesses and achieving the sustainable goals. In order to address the named research problem the following four questions could be address by the researcher. As follows, Q1.What are the roles played by professional accountants? , Q2.What are the determinations of sustainability? , Q3. How do roles played by accountants' impact on sustainability? , Q4. What are the specific relationships in role perform by accountant sustainability on business?. Align with the questions the objectives have been established under two main criteria. Where, the main objective of this research paper is to contribute in the accounting philosophy regarding how poor accounting & financial reporting practice affects the growth & sustainability of SMEs in Sri Lanka. This research will analyse the possible consequences of poor accounting & financial report practice by SME; how such practice hampers the growth & sustainability of this sector. Other objectives are, to examine the role of professional accountants & its impact on business sustainability, to identify determines of sustainability of business and to investigate the sustainability & the role of professional accountants in business. Also, this research is conducted to address the following alternative hypothesis.H1: Bookkeeping is significantly influence on sustainability of business, H2: Staying up to date is significantly influence on sustainability of business,H3: Correction errors are significantly influence on sustainability of business,H4: Financial acumen is significantly influence on sustainability of business,H5: Preparing financial statements are significantly influence on sustainability of business and H6: Maintaining rapport is significantly influence on sustainability of business.

### Research Problem

According to the SME policy framework 2016 and SME white paper 2002 and some scholars' research findings SME s in Sri Lanka have inherent problems. Most of the owners of SME s have hire-out professional accountants in order to deal with many inherent problems as well as practical problems like sourcing of finance, working capital management, debt management and maintaining financial records. Therefore, the responsibility of the sustainability of business has been shifted to professional accountants to from owners, then the role of professional accountants has been so critical. Here, in this study the main problem is how the professional accountant navigates the business, in order to achieve business

sustainability. Because with the competition of other similar business as well as cheaper imports the sustainability of Sri Lankan SME is very doubtful. Hence, the role of professional accountants will critically contribute to the sustainability of business.

### The Research Model

The tested research model is based on the six specifications of the professional accountants' role introduced by Committee of the International Federation of Accountants (IFAC, 2006). The researcher tried to survey significant association between six specifications of the professional accountants' roles that are book-keeping, staying up to date, correction errors, financial acumen, preparing financial statements & maintaining rapport with sustainability of business.

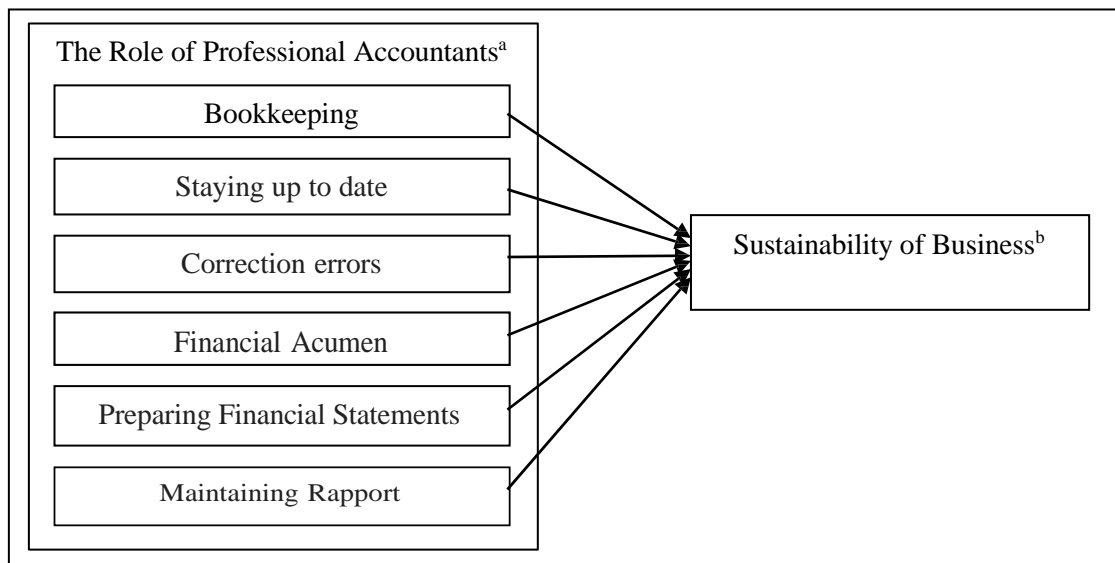


Figure: Conceptual Framework

Sources: a. Six specifications of the professional accountants' role individually defined by Committee of the International Federation of Accountants (IFAC, 2006).

b. Four perspectives to explain sustainability of business. (David P. Norton and Robert S. Kaplan's Balance Scorecard (1996)).

Six hypothesis were developed to test the above research model. It was assumed that each of the independent variables has a positive relationship with sustainability of business.

### METHODOLOGY

Primary data were gathered through a structured questionnaire from professional accountants of Small and Medium Enterprises (SMEs) in Sri Lanka. The research was conducted from a simple random sample of SMEs in Sri Lanka. 210 professional accountants of SMEs were selected for the research. A pilot study was conducted by administering the initial structured questionnaire developed by the researcher. The SPSS 20.0 statistical software was used to analyze the data. Quantitative analysis were conducted so as to ensure the validity of the affirmation of the findings. The reliability of the measure was established by testing for both steadiness and stability. Pilot survey Cronbach's Alpha values were higher than 0.7 and final survey values were higher than 0.8. Reliability statistics indicated that overall Cronbach's Alpha is more than 0.8. This is the clear indicator of internal steadiness (Walsh, 1993).

## RESULTS & DISCUSSION

**Table 1:** Results of Validity & Reliability Measurement Model

Variable	CA	CR	AVE	AVE <sup>2</sup>	Corr
BK	0.772	0.824	0.702	0.493	0.493
SD	0.843	0.788	0.670	0.449	0.611
CE	0.865	0.832	0.688	0.473	0.536
FA	0.902	0.784	0.729	0.531	0.489
FS	0.720	0.841	0.726	0.527	0.537
MR	0.841	0.877	0.650	0.423	0.260
SB	0.902	0.875	0.620	0.384	0.614

Survey Data 2020

BK: Bookkeeping, SD: Staying up to date, CE: Correction errors, FA: Financial acumen FS: Preparing financial statements MR: Maintaining rapport, CR: Composite Reliability, AVE: Average Variance Extracted, AVE<sup>2</sup>: Average Variance Extracted Square, Corr: Correlation, CA: Cronbach Alpha

**Table 2:** Results of Pearson Correlation Test

	BK	SD	CE	FA	FS	MR	SB
BK		.611**	.536**	.489**	.537**	.260**	.614**
SD	.611**		.757**	.722**	.690**	.503**	.772**
CE	.536**	.757**		.740**	.709**	.602**	.753**
FA	.489**	.722**	.740**		.780**	.587**	.783**
FS	.537**	.690**	.709**	.780**		.618**	.778**
MR	.260**	.503**	.602**	.587**	.618**		.633**
SB	.614**	.772**	.753**	.783**	.778**	.633**	

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source. Survey Data 2020

2020

According to the above table all the independent variables are significantly correlated with dependent variable. It can be seen that financial acumen & sustainability of business have highest correlation coefficient value of  $r = 0.783$ ,  $p < 0.0005$ , second important correlation coefficient is shown in preparing financial statements (0.778). Third correlation coefficient is staying up to date (0.772), fourth correlation coefficient is correction errors (0.753) and maintaining rapport is the fifth correlation coefficient. It is (0.633). Where book-keeping shows the lowest correlation coefficient of 0.614. However all variables are significantly correlated with each other.

**Table 3:** ANOVA<sup>a</sup>

Model	Sum of squares	df	Mean Square	F	Sig.
Regression	112.001	6	18.667	168.909	.000 <sup>b</sup>
<sup>1</sup> Residual	32.381	293	.111		
Total	144.382	299			

a. Dependent Variable: SB

b. Predictors: (Constant), MR, BK, FA, SD, CE, FS

FS

Source: Survey Data 2020

This is the table that shows the output of the ANOVA analysis & whether there is a statistically significant with a P- value of .000, which is less than the 0.05 alpha level. This means, there is a statistically significant means of the variables.

**Table 4:** Model Summary<sup>b</sup>

R	R Square	Adjusted R Square	Std. Error of the Estimate
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Source: Survey Data 2020

Model summary gives us R values for assessing the overall fit of the model. The R Square value in this case is 0.776. This tells us that the six independent variables in our model account for 77.6% variance in the dependent variable (sustainability of business). Therefore we can conclude that this is a moderately good model as there are other factors which account for 22.4% of variance in the dependent variable. That is sustainability of the small and medium-sized business. The adjusted R<sup>2</sup> gives us some idea of how well our model generalizes and ideally we would like its value to be the same, or very close to, the value of R<sup>2</sup>. Therefore this model basically imply that independent variable account for 77.1% variation in the dependent variable. In short it is said that the role of professional accountants (independent variables) account for 77.1% of the sustainability of business (dependent variable).

**Table 5:** Results of the Regression Analysis

Hypothesis	Variables	Standardized Coefficients $\beta$	P Value
Hypothesis 1	Bookkeeping vs. a	.179	.000
Hypothesis 2	Staying up to date vs. a	.217	.000
Hypothesis 3	Correction Errors vs. a	.088	.078
Hypothesis 4	Financial Acumen vs. a	.226	.000
Hypothesis 5	Preparing Fin. St. vs. a	.184	.000
Hypothesis 6	Maintaining Rapport vs. a	.178	.000

\*P&lt;0.01 Two-tailed test

a. Dependent Variable : Sustainability of Business Source: Survey Data 2020

## CONCLUSION & RECOMMENDATION

The main issue of this study is the professional accountants' lack of professional competency. The research issue and its significant were stressed with practical cases within Sri Lankan context as well as international level. Many previous research findings were supported for this argument. To address the issue of professional accountants' role the researcher presumed that book-keeping, staying up to date, correction errors, financial acumen, preparing financial statements & maintaining rapport have impact on sustainability of business. Then attempt were taken to develop or enhance knowledge and application dimension of the independent factors. Therefore it is mandatory to ensure the causal relationship between independent and dependent factors. Initial pre-assumption was that there are role of professional accountants significantly influence on sustainability of business. This presumption was validated by the outcome of regression analysis. Then it can be concluded that, book-keeping, staying up to date, financial acumen, preparing financial statements and maintaining rapport have positive or direct relationship with sustainability of business. Based on the outcomes of this research, the researcher presents following recommendations as to how future studies should be conducted. In order to meet the hypothesis author suggested, future research must have a large sample size. It is recommended to enhance their existing level of education and professional experience particularly on financial and accountancy knowledge. Continuous professional accounting education programs will helps professional accountants in SMEs to enhance their existing level of knowledge of accounting and business management.



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