

## SMALL AND MEDIUM SCALE ENTERPRISES SUSTAINABILITY IN A DEPRESSING ECONOMY: THE STRATEGIC ROLE OF NIGERIAN ACCOUNTANTS

**KPURUGBARA, NWINEE**

Department of Accountancy  
Imo State University, Owerri

**YIKAREBOGHA, EROROGHA AKPOS**

Bursary Department,  
Federal University Otuoke,

**AHIUZU, LEVI UCHE**

Department of Accounting Education  
Federal College of Education (Technical). Omoku

---

---

**Abstract:** *This paper focused on examining Small and Medium Scale Enterprises Sustainability in a Depressing Economy: The Strategic Role of Nigerian Accountants. This study took a descriptive survey approach and data was sourced from the 177 completed and returned five point likert scale questionnaire administered on accountants drawn from 40 SMEs in Rivers and Enugu State. T-test was used to analyze the data gathered with the aid of 20.0 version of statistical package for social sciences (SPSS). It was observed that SMEs in Nigeria are challenged by the poor national economic outlook that is hampering their competitiveness and threatening their sustainability. Hence, the study concludes that to satisfy the three bottom-line or pillars of sustainability, Nigerian accountants must be made strategic internal partners in SMEs as they have very important roles to play especially in the areas of environmental and economic sustainability of the firms. It was recommended that SMEs should engage in their employ qualified accountants who can guide and advice it on financial matters in other to enhance their sustainability, Training of accountants on environmental disclosure is very key to the sustainability of SMEs, There is need to ensure that SMEs do not just focus on immediate gains when developing their strategies, they should as a matter of strategic importance inculcate sustainability components in their strategies*

---

---

**Keywords:** Accountants, Disclosure, Economic, environmental, SMEs, Social, Sustainability, SMEs

---

---

### INTRODUCTION

The unfriendly economic and business climate in Nigeria typified by the ever increasing cost of doing business, frequent changes in government economic policies and increasing pressure from imported commodities are having their toll on the competitiveness of businesses in Nigeria. Big manufacturing firms are leaving the shores of Nigeria to neighboring countries with a more friendly and predictable business climate. On the other hand, small and medium scale enterprises (SMEs) in Nigeria are confronted with the challenge of survival and sustainability. Since

external environmental support is waning and government is becoming increasingly helpless to provide sufficient support to SMEs, it has become expedient for SMEs to look inwards. The quest to overcome the myriad of operational challenges confronting them has led to the adoption of diverse operational models in most cases without conscious attention to best practices or sustainability. Becoming sustainable has become central to many aspects of everyday life. Not only does this relate to environmental decisions, but many products, services, production systems and developments now claim to be sustainable. Sustainability as a concept has become a buzzword in the media, and is widely used in a diverse range of contexts with disparate meanings. Sustainability is derived from two Latin words, *sus* which means up and *tenere*, which means to hold (Theis and Tomkin 2012).

In recent past, the concept of sustainability has found its way into business and management lexicon. According to the Chartered Institute of Personnel and Development (CIPD, 2012), the essence of sustainability in an organizational context is “the principle of enhancing the societal, environmental and economic systems within which a business operates”. This introduces the concept of a three-way focus for organizations striving for sustainability. This is reflected also by Colbert and Kurucz (2007), who state that sustainability “implies a simultaneous focus on economic, social, and environmental performance”. This notion may of course relate to the growth of so called “Triple bottom line accounting”. One of the major advocates of sustainability is the organization for economic cooperation and development (OECD). Since the early 1980s, OECD has been developing and promulgating international policies aimed at preventing and reducing waste generation and managing the residues in an environmentally sound manner. It has, however, become evident that waste minimization policies which address only end-of-life products and materials are not effective in reducing increasing amounts of waste associated with economic activity and material consumption. This accentuates the need for creative and far-sighted and integrated solutions, using life-cycle thinking to reduce the negative environmental impacts of materials in a cost-effective manner.

### **Statement of the Problem**

Organizations in Nigeria today are operating in one of the most turbulent times considering the increasing inflation rate, high cost of capital, depreciating naira value and security challenges; these has combined to increase the volatility of the environment. To remain sustainable by satisfying the triple bottom-line of business, SMEs are resorting to developing and adopting capabilities; however, the paucity of required qualified personnel in their employ has hindered many SMEs from obtaining these capabilities thereby leading to the rapid liquidation of SMEs in Nigeria. Again, organizations do not operate in a vacuum; they exist within the space provided by the society. It then follows that the changing social and climatic trends like insecurity, corruption, demand for work-life balance by employees and depleting climatic conditions are taking a toll on the ability of SMEs to survive and grow. The problem of this study is therefore to examine the roles accountants can play in helping SMEs in Nigeria in their sustainability quest

### **Objectives of the Study**

The general objective of this study is to examine the effect of resource sustainability on organizational viability. Its specific objectives include;

- i. Examine the extent of the role of accountants in promoting SMEs economic sustainability in Nigeria

- ii. Examine extent of the role of accountants in promoting the social sustainability of SMEs in Nigeria
- iii. Examine extent of the role of accountants in promoting the environmental sustainability of SMEs in Nigeria

### Research Questions

This study will be guided by the following research questions;

- i. What are the roles of accountants in promoting SMEs economic sustainability?
- ii. What are the roles of accountants in promoting the social sustainability of SMEs in Nigeria?
- iii. What are the roles of accountants in promoting environmental sustainability of SMEs in Nigeria?

### Hypotheses

The following hypotheses are raised for this study;

- H<sub>01</sub>:** Accountants do not play significant role in promoting economic sustainability of SMEs in Nigeria
- H<sub>02</sub>:** Accountants do not play significant role in promoting social sustainability of SMEs in Nigeria
- H<sub>03</sub>:** Accountants do not play significant role in promoting the environmental sustainability of SMEs in Nigeria

### Review of Literature

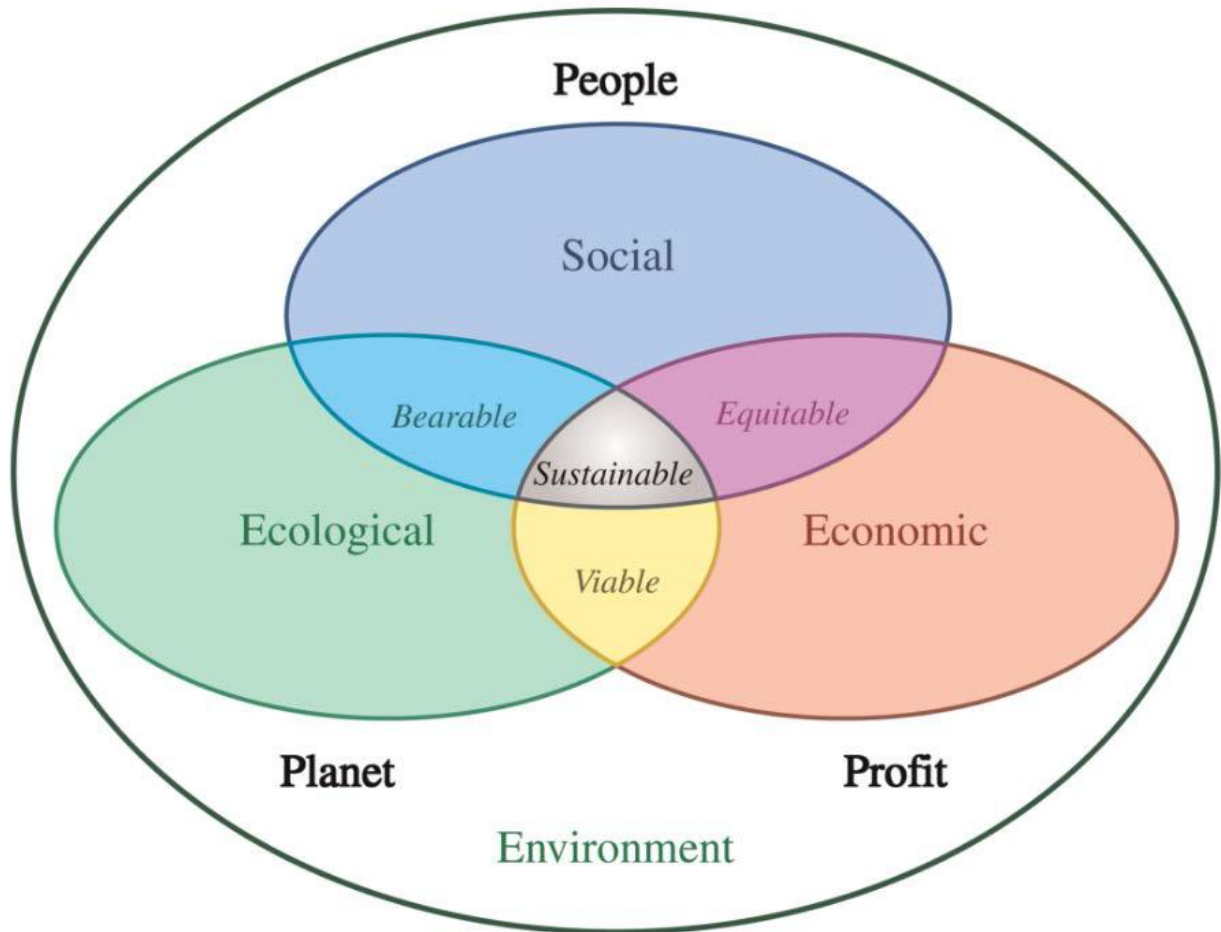
#### *Meaning Sustainability*

In the literal sense, sustainable refers to, of relation to, or being a method of harvesting or using a resource so that the resource is not depleted or permanently damaged. Alternatively, it is related to a lifestyle involving the use of sustainable methods, both according to the Webster's dictionary. The Chambers Concise Dictionary defines the root word of sustainability - *sustain* - among other things, as to hold up, to bear, to support, to provide for, to maintain, to prolong, to support the life of - selecting the definitions that fundamentally define sustainability at its core. However, in the quest to determine the meaning of the term "sustainability" in an economic sense leads to an abundance of definitions. Gro Harlem Brundtland (1987) definition of the concept of sustainability is widely used and adopted as the model for this study. Sustainability in this context *is* defined as development that meets the needs of the present without compromising the needs of future generations to meet their own needs. Any organization that fully satisfies the terms of this statement truly adheres to what the foundation of sustainability should be all about, as it is an outlook that not only completely disregards present-time selflessness, and satisfaction without gluttony, but it ensures that upcoming prospectors can be given at the minimum equal opportunities from the pool of resources. A sustainable company should in fact operate with this philosophy while balancing economic, social and environmental aspects.

#### *The Dimensions of Sustainability*

In an economic definition, Stavins *et al.* (2003) propose that dynamic efficiency and intergenerational equity are two demanding yet necessary conditions for policy guidance. Although constant consumption at a mere subsistence level would fulfill the Brundtland definition of sustainability, a socially desirable level of consumption (broadly interpreted) would be one in which the economy is at the Pareto frontier. At this point of dynamic efficiency, the

economy is maximizing social utility by exerting “non-wastefulness” and thus has the *potential* of becoming sustainable. To assure that the economy is actually made sustainable, inter-generational transfers can fulfill the intergenerational equity condition that the total welfare function is non-declining over time. Today, the understanding of the concept of sustainability in policy and academia is multidimensional; not only does it encompass environmental sustainability but also at least economic and social sustainability. Other dimensions that have been considered include cultural, historical and institutional sustainability (Botta, 2005). Fig. 1 illustrates the three dimensions of sustainability recognized as “the three pillars” (Lehtonen, 2004).



Source: Thomsen & van der Flier 2009

The three pillars model is widely familiar but is not the only way to illustrate how different sustainability dimensions need to be taken into account. Within the international policy framework, Raworth (2012) has suggested an analytical framework in which the planet’s natural resources set the environmental boundaries, a ceiling for all human activity to take place within. This *includes* the pursuit of a just space, free from critical human deprivation.

❖ *Environmental* (or ecological) *sustainability* is the most commonly assumed dimension out of the three pillars in figure 1. The dimension refers to a development that does not endanger

natural resources, species and ecosystems (Anan & Sen, 2000). Raworth (2012) proposes quantitative indicators including buffer zones for nine critical Earth-system processes to provide a 'safe operating space for humanity' as seen in figure 3. Due to current human activity, the boundaries of climate change, biodiversity loss and nitrogen use have all been crossed already.

❖ *Social sustainability* is the least well-defined of the three dimensions and it can even be argued that everything about sustainable development has a social dimension (Littig & Grießler, 2005). Two commonly used approaches to assess social sustainability are through capabilities (of people to convert economic wealth into desirable outcomes) and social capital (in the form of norms, trust and reciprocity that improves the efficiency of society), and others include economic equity, livability, health equity, community development, social support, human rights, labor rights, social responsibility, social justice, cultural competence, community resilience, and human adaptation (Adams, 2006). She notes that within the international relations framework, social priorities from governments are that people are well, productive and empowered and she also acknowledges that we have never had a state of social sustainability for all humanity but argues that reaching such a state should be top priority for policy makers.

❖ *Economic sustainability* can be defined as maintenance of capital, for continuous generation of income (Stern, 1997). A more useful definition for governments, firms and households need to account for private as well as social costs and benefits; benefit-cost analysis may thus be one useful application. By assigning monetary values to social costs and benefits and using a life-cycle economic (LCE) approach, government and firms may account for different types of future consequences using a financial framework. Minimized life-cycle costs (LCC) and non-declining capital (real estate) values are possible interpretations of the term economic sustainability (Stavins *et al.*, 2003). Although the LCC approach can be criticized for oversimplifying and for not properly assessing environmental risks, it still provides a methodology that permits taking into account environmental impact over time and comparing them in a uniform framework (Gluch & Baumann, 2004). To complement these monetary assessments with qualitative concerns, a balanced scorecard may also be used (Figge, 2002).

### **The Role of Accountants in Promoting Business Sustainability**

IFAC suggests eight practical ways for accountants to make a difference and fulfill their role as business partners:

1. *Identify and connect* key trends and impacts to the organization's strategy, business model and performance.
2. *Integrate* significant natural and social capital issues into decision-making processes.
3. *Assess the benefits* of tackling environmental and social issues (eg cost reduction; revenue generation).
4. *Organize internal systems* and processes to ensure what matters is measured and managed.
5. *Link the strategy and resources* to the creation of value for stakeholders.
6. *Drive efficiency* by reducing waste and controlling costs.
7. *Provide credibility* to the information and data produce through effective oversight and governance.
8. *Communicate clearly* to ensure transparency.

According to Imran (2016), the following are the specific roles accountant can play to promote business sustainability

- ❖ *Putting the business case for sustainability to stakeholders:* Does a plan to become more sustainable make good business sense? In the short-term, a shift towards greener or more socially responsible policies might mean a bigger outlay and a hit on profits. Especially if this is also going to have a negative effect on shareholder dividends, companies may struggle to secure stakeholder buy-in to the idea. An accountant can help organizations make the business case for sustainability. In many situations, this might involve long-term viability reporting; helping stakeholders look beyond the short-term costs associated with adopting 'greener' policies and realising the longer term benefits.
- ❖ *Reporting and disclosure:* Sustainability policies can bring reputational benefits to companies. If, however, those companies are perceived to have made misleading statements and given the wrong impression on their position, this can have significant adverse reputational consequences for the company in question. Accountants can help organizations present a transparent, accurate and verifiable picture of their sustainability efforts. A policy is only credible if the sums add up - so accountants should be seen as a natural port of call to ensure this is the case.
- ❖ *Identifying opportunities:* Line-by-line budget analysis might reveal specific areas where greater efficiencies might be possible within an organization. Especially in areas such as saving fuel and running 'greener' offices, those efficiencies might tie in neatly with a wider commitment to sustainability. In areas such as life cycle costing of proposed new capital assets, accountants can also help businesses integrate sustainability into the decision-making process.
- ❖ *Partnership arrangements* A key part of a typical business sustainability policy tends to involve looking at the attitudes and practices of the third parties you work with. Do these potential partners share our values? Can they demonstrate a similar commitment to corporate social responsibility? By demonstrating a commitment to best practice these areas, accountancy firms can help to position themselves as a 'natural choice' for potential clients looking to do business with ethical service providers. So as well as being well placed to help their clients develop meaningful sustainability policies, by adapting such policies themselves, accountancy firms may be able to enhance their own value proposition in the eyes of potential clients.

## METHODOLOGY

This study took a descriptive survey approach and data was sourced from the 177 completed and returned five point likert scale questionnaire administered on accountants drawn from 40 SMEs in Rivers and Enugu State. T-test was used to analyze the data gathered with the aid of 20.0 version of statistical package for social sciences (SPSS). The formular for t-test is given as;

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

### Test of Hypotheses

**Keys:** SA= Strongly Agree, A= Agree, U= Undecided, D= Disagree, SD= Strongly Disagree

### Hypothesis One

**H<sub>01</sub>:** Accountants do not play significant role in promoting economic sustainability of SMEs in Nigeria

**Table 1 Response Distribution for Research Question One**

S/N	OPTIONS				
	SA	A	U	D	SD
7	37	60	44	29	7
8	21	54	68	31	3
9	33	61	41	29	13
10	35	55	34	43	10
11	26	62	30	39	20

Source; field survey, 2016

### SPSS OUTPUT FOR HYPOTHESIS ONE

T-TEST GROUPS=RANKS(5 1)

/MISSING=ANALYSIS

/VARIABLES=EKandBMV

/CRITERIA=CI(.95).

**Table 2 Group Statistics**

	RANK S	N	Mean	Std. Deviation	Std. Error Mean
EKandBM	5.00	5	30.4000	6.69328	2.99333
V	1.00	5	10.6000	6.42651	2.87402

**Table 3 Independent Samples Test**

	Levene's Test for Equality of Variances	t-test for Equality of Means
--	---	------------------------------

	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
EKandBMV	.159	.701	4.771	8	.001	19.80000	4.14970	10.23078	29.36922
			4.771	7.987	.001	19.80000	4.14970	10.22802	29.37198

The SPSS output shows that the p-value (sig 2-tailed) is 0.001 which is less than the level of significance (0.05), therefore we reject the null hypothesis ( $H_0$ ) and conclude that Accountants plays significant role in promoting economic sustainability of SMEs in Nigeria

### Hypothesis Two

**H<sub>02</sub>:** Accountants do not play significant role in promoting social sustainability of SMEs in Nigeria

**Table 4 Response Distribution for Research Question Two**

S/N	SA	A	U	D	SD
12	23	66	49	30	9
13	33	74	40	24	6
14	22	68	51	25	11
15	17	44	63	39	14
16	28	69	45	29	6

Source; field survey, 2016

### SPSS OUTPUT FOR HYPOTHESIS TWO

T-TEST GROUPS=RANKS(5 1)

/MISSING=ANALYSIS

/VARIABLES=KDandFV

/CRITERIA=CI(.95).

**Table 5 Group Statistics**

	RANK S	N	Mean	Std. Deviation	Std. Error Mean
KDandF	5.00	5	24.6000	6.10737	2.73130
V	1.00	5	9.2000	3.42053	1.52971



**Table 6 Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
KDandFV	Equal variances assumed	1.739	.224	4.919	8	.001	15.40000	3.13050	8.18107	22.61893
	Equal variances not assumed			4.919	6.285	.002	15.40000	3.13050	7.82326	22.97674

The SPSS output shows that the p-value (Sig 2-tailed) is 0.001 which is less than the level of significance (0.05), hence we reject the null hypothesis ( $H_0$ ) and conclude that Accountants do not play significant role in promoting social sustainability of SMEs in Nigeria

### Hypothesis Three

**H<sub>03</sub>:** Accountants do not play significant role in promoting the environmental sustainability of SMEs in Nigeria

**Table 7 Response Distribution for Research Question Three**

S/N	OPTIONS				
	SA	A	U	D	SD
17	26	60	44	34	13
18	22	49	59	40	7
19	29	55	63	30	0
20	25	43	57	41	11
21	28	50	55	33	11

Source; field survey, 2017

**SPSS OUTPUT FOR HYPOTHESIS THREE**

T-TEST GROUPS=RANKS(5 1)

/MISSING=ANALYSIS

/VARIABLES=KAandMV

/CRITERIA=CI(.95)

**Table 8 Group Statistics**

	RANK S	N	Mean	Std. Deviation	Std. Error Mean
KAandM	5.00	5	26.0000	2.73861	1.22474
V	1.00	5	8.4000	5.17687	2.31517

**Table 9 Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
KAandMV	Equal variances assumed	1.826	.214	6.720	8	.000	17.60000	2.61916	11.56021	23.63979
	Equal variances not assumed			6.720	6.076	.001	17.60000	2.61916	11.21058	23.98942

The p-value (Sig 2-tailed) from the SPSS output above is 0.000 which is less than the level of significance (0.05), therefore we reject the null hypothesis ( $H_0$ ) and conclude that Accountants plays significant role in promoting the environmental sustainability of SMEs in Nigeria

**Conclusion**

SMEs in Nigeria are challenged by the poor national economic outlook that is hampering their competitiveness and threatening their sustainability. This study concludes that to satisfy the three bottom-line or pillars of sustainability, accountants must be made strategic partners as they have very important roles to play especially in the areas of environmental and economic sustainability of the firms

### Recommendations

In line with the results obtained and the conclusion in this study, the researchers recommend as follows;

- i. There is need for SMEs to engage in their employ qualified accountants who can guide and advice it on financial matters in other to enhance their sustainability
- ii. Training of accountants on environmental disclosure is very key to the sustainability of SMEs
- iii. There is need to ensure that SMEs do not just focus on immediate gains when developing their strategies, they should as a matter of strategic importance inculcate sustainability components in their strategies



### REFERENCES

- Adams, W.M. (2006). *The Future of Sustainability: Re-thinking Environment and Development in the Twenty-first Century*. Report of the IUCN Renowned Thinkers Meeting, 29–31. Available online: [http://cmsdata.iucn.org/downloads/iucn\\_future\\_of\\_sustainability](http://cmsdata.iucn.org/downloads/iucn_future_of_sustainability).
- Anan, S. and A. Sen (2000). Human Development and Economic Sustainability. *World Development* Vol. 28 No. 12,
- Botta, M. (2005), *Towards sustainable renovation. Three research projects*. Doctoral dissertation. TRITA-ARK-Akademisk avhandling, Stockholm: KTH Royal Institute of

Technology Available online: <http://www.diva-portal.org/smash/get/diva2:14564/FULLTEXT01>.

- Chartered Institute of Personnel Development, CIPD (2012). *Corporate social responsibility and HRM's role*. London:CIPD.
- Figge, F., T. Hahn, S. Schaltegger and M. Wagner. (2002). The Sustainability Balanced Scorecard – Linking Sustainability Management to Business Strategy, *Business Strategy and the Environment* Vol 11
- Gluch & Baumann (2004). The life cycle costing (LCC) approach: a conceptual discussion of its usefulness for environmental decision-making, *Building and Environment*, Vol 39 No 5
- Imran J (2016). The Accountant's Role in Business Sustainability. Available online at; <https://www.bluefinprofessions.co.uk/home/blog/2016/accountants-role-business-sustainability/#.WIdzhbl97Mw>
- Lehtonen, M. (2004). The environmental-social interface of sustainable development: capabilities, social capital, institutions”, *Ecological Economics* Vol. 49 Iss. 2
- Littig, B. & Grießler E (2005). Social sustainability: a catch word between political pragmatism and social theory, *International Journal of Sustainable Development*, Vol. 8 No. ½,
- Raworth, K. (2012). A Safe and Just Space for Humanity. Can we live within the doughnut? Oxfam International Discussion Paper
- Stavins, R.N., A.F. Wagner and G. Wagner (2003). Interpreting sustainability in economic terms: dynamic efficiency plus intergenerational equity, *Economic Letters* Vol. 79
- Stern, D.I. (1997). The Capital Theory Approach to Sustainability: A Critical Appraisal, *Journal of Economic Issues*, Vol. 31 No 1
- Thomsen, A. and K. van der Flier (2009). Replacement or renovation of dwellings: the relevance of a more sustainable approach. *Building and Research Information*, Vol. 37 No. 5-6,