

Entrepreneurship Accounting and Sustainable Economic Development in the ARISE Agenda of Akwa Ibom State

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Abstract

This is an exploratory survey study that deployed a qualitative approach to examine entrepreneurship accounting and sustainable economic development in the ARISE Agenda of Akwa Ibom State. The study was conducted out of the increasing number of entrepreneurial firms folding up in Nigeria due to poor accounting practices after so much of resourceful entrepreneurship efforts. Specifically, to examine the entrepreneurship accounting effects on sustainable economic development; and to examine the entrepreneurial accounting skills for sustainable economic development. Entrepreneurship accounting or accounting for entrepreneurship is the application of accounting practices and skills to entrepreneurial transactions. The data were obtained specifically from reviewing of literature in an armchair research method and the exploratory approach through adequate exegesis of the gathered secondary information in arriving at conclusion. It was concluded in the study that entrepreneurship accounting effects on sustainable economic development include; provision of accounting information for decisions making, budgeting, cost saving and control, credit risk management, fraud prevention and detection, financial reports preparation and analyses, provision of other financial services among others. Moreso, it was also concluded that the entrepreneurial accounting skills for sustainable economic development include cash flow management skill, account payables and receivables management skills, expenses management skill, profitability skill, financial statements analysis skill, tax compliance skill, accounting software skill as well as budgeting and budgetary control skills. Therefore, entrepreneurship accounting is key to sustainable economic development in the ARISE Agenda of Akwa Ibom State. It was recommended among others that; entrepreneurship accounting should be considered vital pillar of success by all entrepreneurs for business growth, productivity and increasing financial performance as well as for sustainable economic development in the spirit of ARISE Agenda in Akwa Ibom State.

Keywords: *Entrepreneurship accounting, sustainable economic development, ARISE Agenda.*

Introduction

One of the major challenges facing entrepreneurs is lack of proper accounting system. This might be due to inadequate knowledge necessary for proper accountability of the business transactions. Many entrepreneurs lack the understanding that no matter how well conceptualized the business model, choosing a brand name, designing the logo, situated business in good environment and effective running of general day-to-day operations, without proper accounts of the resources utilised in the running of the business, such business is bound to die a natural death. It is pertinent to understand that Nigerian economy cannot grow without entrepreneurship development for reduction of unemployment since it contributes about 64.5% jobs (Adeosun & Shittu, 2022; ASBON, the Association of Small Business Owners of Nigeria, 2023)

Udo (2018) stated that some entrepreneurs especially, the sole proprietorship and partnership in Nigeria do not keep accounting records of the business transactions at all while some may choose those that are closely related to cash receipts, receivables, payables, assets (properties acquired) among others but those of expenses, adjustments in purchases and sales revenue are left out. These issues are not only detrimental to the business alone but also tarnishing the reputations of the entrepreneurs, that the entrepreneur started business but could not sustain it. It is worthy of note, that prior to 2019, Nigeria had 41.5 million micro, small and medium enterprises (MSMEs), but this number has decreased to 31.6 million, that is about 10 million shutdown businesses (ASBON, 2023). According to a survey conducted by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS) in 2023. This represented 23.9 percent decrease in the number of MSMEs in Nigeria over the period. By implication, over 9.9 million MSMEs shut down between 2019 and 2023 (Taiwo, 2023).

According to the United States Bank pilot study of 2023, four in every ten firm worldwide lost money yearly due to poor accounting system (accounts may be paid late or not paid at all), 82% of the businesses have failed due to cash

flow mismanagement especially small and medium businesses, Nigeria is not exception and might even get worse in the present years. Companies that follow poor accounting practices and procedures have adverse effects on business growth and profitability making it difficult to achieve set goals. Also, poor accounting practices affect firms' ability to follow up on receivables and settle claims which will impact cash flows. The case of poor financial risk management and inappropriate accounting practices as well as compromised in corporate governance have resulted in accounting frauds of the giant firms collapse like Enron Corporation of the United States of America in 2001 and WorldCom in 2002 among others. Security and Exchange Commission (SEC) had uncovered several instances of financial fraud committed by high-ranking executives. In Nigeria, Oceanic Bank failed in 2011 due to reckless credit facilities management, violation of accounting standards and mismanagement of deposited funds of executive managers. The African lead maker of confectionery, Cadbury (Nig) Plc collapse scandal in 2002 due to manipulation of its financial reports that were issued to the public by managers (Ekpoattai, 2023). Many of the executives have been charged with wire fraud, money laundering, securities fraud, mail fraud and conspiracy and all sorts accounting irregularities. This is happening because, entrepreneurs are no longer in-charge of the entrepreneurship, in other word, no idea of the accounting practices deployed by the entities' executive managers especially where the entrepreneurs have no firsthand supervision of the entities.

Udo (2018) opined that the most common entrepreneurial accounting challenges include credit risk management, payroll management, cash flows management, expense and profit management, tax compliance, technologies in accounting/ software management, corporate reporting, inventory management, regulatory compliance, budgeting and budgetary control as well as the challenges of technology in accounting. Entrepreneurs are the brain of any business and must possess skills in entrepreneurial accounting to run it effectively and sustainably. Entrepreneurs perform and wear multiple hats throughout the journey of a business whether as Chief Accounting Officer (CAO), Chief Executive Officer (CEO), Managing Director (MD), Director General (DG), Director or Managers. Being the owners/founders of the company and chief risks bearers, the entrepreneurs cannot look to shy away from any responsibility, especially during the early stage when the manpower strength and available money to run the business is low or where there is no trained accountant. Udo (2018) stated that, when there is no trained accountant, the entrepreneurs must perform the following major tasks for the business to include: overseeing the accounting items, including ledgers, assets, credits, receivables; oversee payroll and budgeting processes to ensure the flow of operations; oversee internal and external audits and makes recommendations and changes to processes; tracks records, plan and file all state and federal taxes; ensure the preparation of financial reports as well as setting up effective and efficient internal control system to achieve the organisations' objectives. Entrepreneurship is not just about conceptualizing the business model, choosing a brand name, designing the logo, and running of general day-to-day operations. Most business coaches and mentors would also scout for the importance of honing skills like leadership and communication.

However, many tend to ignore a critical function of accounting in entrepreneurship. Thus, accounting for entrepreneurship is essential for business growth and sustainability of the economy. Entrepreneurship accounting is essentially documenting all business transactions in the books of entity and thereby producing information available for reporting to stakeholders and regulatory agencies, and for informed business decisions. According to Udo (2018), entrepreneurship accounting is defined the art and science of generating the necessary financial information needs of business for decision making, financial management and monitoring of the business. As an art, entrepreneurship accounting functions as practice that followed a systematic procedure in the preparation of accounting information. As a science, entrepreneurship accounting functions as the language of business by providing vital information for decision-making and financial management. Entrepreneurship accounting otherwise called accounting for entrepreneurship is a field of accounting that involves the provision of financial reports on entrepreneurial assets, liabilities and equity capital and how they change over time aiming at monitoring the business growth and sustainability. Entrepreneurship can be defined as a business-related area where leaders in organizations are not afraid to take risks, tackle innovative solutions to boost their business performance and ensure the highest income. It is a technique of using data for cost and profit ascertainment of each entrepreneurial transaction and decision making with regards to the most profitable line of activity (Udo, 2023b).

Entrepreneurship concentrates on business opportunities exploitation, business plan development and control, startup establishment, management, team building, market strategies, human resource management, leadership, innovation, intellectual property, economy, networking, market research among other innovations. Thus, entrepreneurship

accounting ensures the provision of financial information necessary for the sustenance of entrepreneurship and innovations. Accounting for entrepreneurship is essentially a skill critical for entrepreneurs because it depicts how well a business is running. It is a way to showcase resources efficiency and control over the business numerically. Even though unglamorous this function sounds, this is an essential activity to perform to run business smoothly. It is very unfortunate that no entrepreneurship curriculum nor course specifications in our tertiary institutions addresses any aspect of accounting skills/education needed by entrepreneurs for sustainable development yet many higher institutions graduate students who become jobs seekers instead of jobs creators.

Accounting plays a vital role in running business. Not only will the entrepreneur be able to track income and expenses, but good accounting will also help entrepreneurship ensure statutory compliance and provide the government, management, and investors with quantitative financial information – which leads to overall better business decisions and sustainability. Ndalul et al. (2021) expressed that financial information provided by entrepreneurship accounting is useful and used by almost every sector of every society, whether directly or indirectly. Accounting is in charge of supplying vital details for financial planning, control and decision-making. Accounting has long been thought of as a necessary component of the developed economy, but its importance to the development of a developing economy has received less attention (Thomas, 2002). According to Ndalul et al. (2021), accounting plays a critical role in state's or nation's economic viability, political stability, and social harmony. Given the enormous multi-sectorial dimension of Nigerian economic activities in both the public and private sectors, the explanation for this obvious fact about our national growth is not far-fetched (Oluwatuyi et al., 2018).

The word 'sustainability' is gaining momentum recently as it buttresses meeting the needs of the present generation without jeopardizing the aspiration of the future generation in terms of human, economic, social and environmental perspectives. Sustainable economic development is defined as an economic development which meets the needs of present generation and which would not endanger nor compromise the needs of future generation (Nagesha & Subrahmanya, 2006). Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs. Sustainable development has been defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (United Nations, 2015). Sustainable development calls for concerted efforts towards building an inclusive, sustainable and resilient future for people and planet (GlobalGoalsUn, 2017).

Sustainable development is how the people must live today if the people want a better tomorrow, by meeting present needs without compromising the chances of future generations to meet their needs (International Institute for Sustainable Development, IISD, 2022). The survival of the societies and economies depends on a more sustainable world of business. When entrepreneurship is sustainable through accountability of resources, everyone will have access to decent work, quality life and increased life expectancy and a better future is possible even in the phase of impossibility.

The "A.R.I.S.E" agenda has become a household name in Akwa Ibom State. It stands for agricultural revolution, rural development, infrastructural maintenance/advancement, security management and educational advancement. In other word, Akwaibomites arise to the path of economic prosperity through entrepreneurship development not only on white collar jobs. The questions yet to answer are: How would entrepreneurship accounting affect sustainable economic development? What are the entrepreneurship accounting problems and the way forward as well as what are the entrepreneurial accounting skills for sustainable economic development?

Entrepreneurship Accounting Effects on Sustainable Economic Development

The effects of Entrepreneurship Accounting on Sustainable Economic Development include:

- i. Provision of the tools and knowledge needed to manage financial resources effectively;
- ii. It promotes transparency, accountability, business performance and stability; iii. Support economic growth and stability through tax liabilities (Agbata et al., 2022).
- iv. Provide information to take investment decisions on wide range of business opportunities;
- v. Ensures statutory compliance and provide the government, management, and investors with quantitative financial information – which leads to overall better business decisions, thus, meets business legal requirements;

- vi. Promote the reputations and images of business entities (Udo, 2018).
- vii. Entrepreneurship accounting information aid in optimal allocation and use of resources;
- viii. Aids in budgeting, cost saving and control;
- ix. Fraud prevention and detection;
- x. Financial reports preparation; and xi. Provision of financial and managerial services (Nдалu et al., 2021).

Entrepreneurship Accounting Problems and the Way Forward

Accounting problems entrepreneurs have commonly encountered with effective strategies to overcome them, ensuring the success and growth of venture include:

1. The Challenge of Maintaining Accurate Financial Records: Accurate and up-to-date financial records are the backbone of every business, providing the foundation for informed decision-making and ensuring compliance with regulatory requirements. Without reliable financial records, you may navigate blindly, unable to make strategic choices that drive your business forward.

The Solution: Implement a robust bookkeeping system, utilize accounting software, and regularly reconcile your accounts. Consider hiring an experienced accountant or outsourcing your accounting needs to professionals. **ii. The Challenge of Cash Flow Management:** Effective cash flow management is vital for business sustainability and provides the fuel for growth. Without proper management, your company may face cash shortages, hampering your ability to pay suppliers, meet payroll obligations, or invest in opportunities for expansion.

The Solution: Create a comprehensive cash flow forecast and vigilantly track the accounts receivable and accounts payable to maintain a healthy cash flow cycle. Seek opportunities to negotiate favorable payment terms with suppliers and consider establishing a line of credit to address any short-term cash shortages that may arise. **iii. The Challenge of Budgeting and Financial Planning:** Comprehensive budgeting and financial planning lay the foundation for your business's success by providing a roadmap for achieving your goals and tracking your progress along the way. Without a well-defined budget and financial plan, there is risk operating in the dark, making decisions based on guesswork rather than data-driven insights.

The Solution: Craft a detailed budget that aligns closely with the business objectives, ensuring every aspect is considered. Regularly assess and refine the budget, track actual expenses compared to projected figures, and analyze variances to make well-informed financial decisions and maintain financial agility. **iv. The Challenge of Tax Compliance:** Navigating the ever-changing tax landscape and ensuring compliance with tax laws can quickly overwhelm business owners, leading to potential penalties and missed opportunities for tax savings.

The Solution: Stay updated with tax regulations, maintain accurate records, consult a tax professional, and explore the opportunities presented by tax incentives and deductions specifically designed for small businesses.

v. The Challenge of Managing Accounts Payable and Receivable: Managing accounts payable and receivable efficiently is crucial for maintaining a healthy cash flow and nurturing positive vendor relationships. Late payments to suppliers can strain business partnerships, potentially leading to strained negotiations and limited access to credit terms.

The Solution: Set clear and concise payment terms and policies to establish a solid transaction foundation. Streamline the invoicing processes through automation and implement a robust collections strategy to manage payments proactively. Additionally, leverage the negotiation skills to secure favorable terms with suppliers, fostering stronger and mutually beneficial partnerships. **vi. The Challenge of Financial Reporting and Analysis:** Understanding and interpreting financial statements is critical for entrepreneurs to gain valuable insights into the business's financial health and performance. However, it can be a complex and challenging task, especially for those without a background in accounting.

The Solution: Familiarize with financial reporting standards. Leverage the power of accounting software to generate precise and timely financial reports. When in doubt, seek the expertise of a seasoned accountant who can help you interpret and analyze complex financial statements, enabling one to make informed decisions.

vii. The Challenge of Compliance with Regulatory Requirements: Staying compliant with regulatory requirements is a critical responsibility for entrepreneurs. The ever-evolving landscape of payroll taxes, financial disclosures, and other regulatory obligations can create business challenges and uncertainties.

The Solution: Navigate the complex world of regulatory compliance by staying informed about relevant regulations and requirements. Seek guidance from legal and accounting professionals to ensure accuracy and adherence to the law and implement internal controls and processes to mitigate risks. Consider outsourcing payroll services to trusted experts.

viii. The Challenge of Inventory Management: Managing inventory levels, tracking costs, and optimizing inventory is a significant challenge faced by businesses dealing with physical goods. Maintaining the right balance of inventory is crucial for ensuring smooth operations, meeting customer demand, and maximizing profitability. Understanding the methods of valuing inventory and the type of products to apply is crucial. Get the understanding of first-in first-out FIFO and weighted average cost method as recommended by International Accounting Standard (IAS) 2 Inventory. The Solution: Implement an inventory management system, analyze sales data to forecast demand accurately, establish reorder points, and consider adopting Just-in-Time (JIT) inventory practices to optimize inventory levels and tied down excessive fund on inventory. **ix. The Challenge of Handling Payroll:** Accurate payroll processing, tax compliance, and effective employee benefits management are critical responsibilities to streamline operations, but they can be intricate and timeconsuming for businesses.

The Solution: Streamline the payroll processes and eliminate the burden of complex calculations and tax withholdings by harnessing the power of payroll software or entrusting the payroll processing to a trusted outsourcing partner. Entrepreneurs can ensure accurate and timely payroll processing by leveraging cutting-edge technology and industry expertise while staying compliant with intricate payroll-related regulations and ever-evolving employment laws.

x. The Challenge of Scaling Accounting Systems: As the business continues to flourish and expand, the accounting systems and processes may face challenges in keeping up with the increasing complexity and volume of financial transactions. Outdated or inadequate accounting systems can hinder the ability to accurately track financial data, generate timely reports, and meet the growing demands of financial management.

The Solution: Stay ahead of the curve by regularly evaluating the effectiveness of the accounting systems. Consider upgrading to cutting-edge software solutions that can streamline the financial processes or engage the services of a trusted accounting and financial advisory firm that can offer comprehensive support and guidance tailored to your evolving needs.

Entrepreneurial Accounting Skills for Sustainable Economic Development

i. Cash Flow Management skill: The time-tested saying, “cash is king” really is true. Paying attention to cash inflows and outflows allows entrepreneurs to plan accordingly, prevent any unnecessary cash shortages, and use excess cash productively to grow the business.

ii. Company’s Financial Position Maintenance Skill: The statement of financial position provides a snapshot of a company’s financial health at a particular point in time. It allows those interested in the business to quickly see what resources are available and how those resources were financed, shows both the assets and liabilities or what you have right now and what you owe others, including the equity (claims on owners over the business).

This skill to help keep the business in check. While sales revenue may be increasing exponentially, keeping an eye on the liabilities side of the statement of financial position is important to the long-term success of the business. Even though investors care about growth potential, the investors also care about how much the company owns versus how much it owes. The position gives investors, and potential buyers, a solid understanding of where the company currently stands which is a plus to economic development. **iii. Profitability Skill:** Profitability is defined as how much money is left from each Naira of revenue sales after all expenses have been subtracted. This may seem obvious for entrepreneurs interested in starting a business, but it can sometimes fade into the background during the early stages of a company. It is often necessary to take a loss early to reach a target market, accumulate customers, increase visibility, or launch successfully, but this cannot be a long-term strategy. Entrepreneurs must have a path to profitability to attract investors and succeed over time and for sustainable economic development.

iv. Financial Statements Analysis Skill: Understanding financial statements is very important for every entrepreneur. This includes statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flow, statement of change in equity and value added statement. These financial reports are pathway for sustainable economic development.

v. Taxation Skill: Understanding taxation laws and regulations is crucial for entrepreneur. Taxation is major source of revenue to government. Failure to comply with these laws can result in hefty fines and penalties. Entrepreneurs must understand the tax laws that apply to their business and ensure that they comply with them. This involves keeping accurate records of income and expenses, filing tax returns on time, and paying taxes promptly.

vi. Accounting Software Skill: There are several accounting software solutions available that can help entrepreneurs manage their finances more efficiently. These solutions offer features such as bookkeeping, invoicing, and financial statements, which can help entrepreneurs save time and reduce the risk of errors. Many of these solutions are userfriendly and require little to no accounting knowledge to use effectively.

vii. Budgeting Skill: Creating a budget helps entrepreneurs plan their expenses and revenue for a specific period. This helps entrepreneurs manage their cash flow and make informed decisions about the business's financial health. Budgeting allows entrepreneurs to prioritize their spending, identify areas where entrepreneurs can reduce expenses, and plan for future investments. **viii. Accounts Management Skill:** Account management skill is the practice of providing customers with service, support, and improvement opportunities to increase their consumption of a product or service and maximize retention and cross-sell/upsell opportunities within the customer base as well as informing the customers when and how to pay. Must be knowledgeable about how to balance between accounts payable and accounts receivable without no or minimal risk.

Conclusion and Recommendations

Entrepreneurship accounting and sustainable economic development in the ARISE agenda of Akwa Ibom State was studied. Specifically, to express opinion on the issues bothering entrepreneurship accounting effects on sustainable economic development, the entrepreneurship accounting problems and the way forward as well as the entrepreneurship accounting skills for sustainable economic development in the ARISE agenda of Akwa Ibom State. It was recommended that every entrepreneur must have accounting fundamentals to understand accounting practices deployed by the entities. This would enable the entrepreneurs to be in full control of the entrepreneurship and innovation activities.

Akwa Ibom State Government should collaborate with accounting professionals (Chartered Accountants), SMEDAN and ASBON - to train and support entrepreneurs to ensure that entrepreneurship and innovation are entrenched into well performing MSMEs and remain up to date.

Entrepreneurship accounting should be taught to all students to educate the students about entrepreneurship for sustainable economic, social, human and environmental development in Akwa Ibom State and Nigeria at large.

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