CONTEMPORARY ISSUES IN ACCOUNTING, FINANCE AND CORPORATE GOVERNANCE

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Ahmed Babatunde POPOOLA, B.Sc., M.Sc., MBF, FCA
Managing Director/CEO
CRC Credit Bureau Ltd
+234 80330 24307
t.popoola@crccreditbureau.com; abpopoola@gmail.com

1. INTRODUCTION

It gives me a great pleasure and a rare privilege to stand before this august assembly of erudite scholars, captains of industry and respected professionals in Accounting and Finance to present a Lead Paper. I thank the organisers of this Conference for their thoughtfulness in selecting such a relevant topic and for considering me worthy of this honour to address you. I fully intend to utilize the opportunity to share my thoughts on a number of contemporary issues that I hope will stimulate further insightful discussions, public policy intervention and corporate action for an overall meaningful and positive impact on our economy.

The theme of this year's international academic conference on **Contemporary Issues in Accounting, Finance and Corporate Governance** is germane considering developments across the globe. We have witnessed the collapse of big corporations and the state rescue of others that are now commonly referred to as "too big to fail" or "systemically important institutions". We have seen accounting treatment of transactions and preparation of financial statements moving towards a universal convergence under the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). We have also seen Accounting responding to new waves of emerging issues in the world including climate change, sustainability etc. leading to new specializations such as environmental accounting, forensic audit and sustainable finance. We are seeing new frameworks of corporate governance in financial reporting and continuous changes in the roles of enterprise managers, directors and shareholders. The new corporate governance framework is evolving and defining new areas of attention to risk management and the roles of enterprise stakeholders. Indeed, Accounting and Finance are responding to an ever-changing world.

In the last one decade, the world has also witnessed recession in many countries cutting across developing, emerging and developed economies. The world economy seems to be in a state of flux, with many economies experiencing several challenges particularly negative growth, social disharmony and institutional decline. In the last few years, governments of various nations have had to contend with how to respond to issues that confront the stability and growth of their

economies. A lot of the issues revolve around attracting and retaining direct foreign investment, managing foreign exchange volatility and the price system, promoting responsible governance of corporations, consciousness in taking care of the environment and sustainability, and addressing the widening income inequalities, youth unemployment, widespread poverty and much more. The discussion of most of these issues cannot escape those with interest in accounting, finance and economics whether as academics, professionals and business owners and managers. As a business manager, I have personally had to deal with a range of issues concerning the adoption of and conversion to the International Financial Reporting System (IFRS), responding to the provisions and requirements of new code of Corporate Governance, new Transfer Pricing Policy requirements, promotion of financial inclusion and access to credit, and treatment of some transactions requiring regulatory approvals such as the National Office for Technology Acquisition and Promotion (NOTAP) in Nigeria, etc.

Having gone through the sub-themes of this conference, it becomes a bit difficult for my Lead Paper to cover all the eighteen sub-themes identified for focus at this conference. I have therefore decided to highlight on few specific issues in each of the three broad areas of the main theme of the conference – accounting, finance and corporate governance. In doing this, however, I have taken the liberty to give a more generous attention to the issue after my heart in Finance – small and medium enterprises (SMEs) and their access to finance.

To do justice to this paper, my presentation is shaped by my experience as a professional and a practitioner. I have spent the bulk of my 31-year career in banking and promoting entrepreneurship, small business development and access to finance as well as in the board room responding to some of the dynamics that come up in accounting and corporate governance.

In view of this, my presentation is arranged into five sections. After this introductory section, Section 2 focusses on Accounting with emphasis on IFRS adoption. In Section 3, we discuss new issues in Corporate Governance especially with respect to sustainability finance. Section 4 reviews issues in Finance with attention on access to finance for SMEs. The paper is concluded in Section 5.

2. ACCOUNTING – FINANCIAL REPORTING

The developments in Financial Reporting in the last decade have been tremendous. It is fascinating to see how the accounting profession is working assiduously towards universal treatment and adoption of new concepts. In fact, national accounting boards are becoming more focused in helping their national economies to integrate with the rest of the world. The adoption of International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) has gained near universal ascendancy in the last twelve years, precisely since 2005, at a rate that was never seen before. As at date, over 120 economies have adopted IFRS in one form or the other (Dabusch, Mader and Quack, 2013). In the case of Nigeria, the Statements of Accounting Standards (SAS) formally ceased to be in effect from 2014, following the country's adoption of the IFRS.

The main objective for the global convergence to IFRS is to enhance the transparency and comparability of general purpose financial statements across national jurisdictions. The drivers of convergence include global comparability of financial statements, standardization of accounting

and financial reporting and increased transparency. The results of conversion include ease of cross-border investments, enhancement of and improved management information for decision making especially for companies with global operations spread across many countries.

The essence of accounting is accurate, complete, and timely provision of information to aid decision making. I believe the time has come for researchers to begin to confirm whether the objectives of the IFRS are being met. It would be interesting and, indeed, important to see how this new adoption has facilitated the flow of trade, investments and capital across the globe or how it has promoted efficiency and reduce costs in the preparation, presentation, understanding and use of financial information, especially among multinational corporations.

Furthermore, some of the concepts introduced have been difficult to apply. Concepts such as 'fair value' continue to meet with debates especially in relation to implementation challenges in some instances. The central issue of Fair Value is provided by IFRS 13 which sets out frameworks for measuring fair value and demands disclosures about fair value measurements. Many agree that fair value yields a more relevant measure than historical cost, even though it is not perfect. Fair value reflects current market conditions, provides more transparency as investors and other users have greater insight into management's views as to the ultimate settlement of accounts, and offers reliability in illiquid markets. Some sources of controversies have been in the application of fair value accounting in illiquid markets and how and when modelling should be used as the method to determine fair value. Some have also raised concerns regarding the process of recording financial instruments at their fair value when price is difficult to determine. There have also been some notes of caution regarding the application of this concept in the developing and emerging markets where access to information is a challenge, since fair value is a market-based measurement and not a firm-specific measurement (Enahoro and Jayeoba, 2013).

Another critical area for research has been the impact on the domestication of certain aspects of the Accounting Standards for the purpose of financial reporting. For example, in Nigeria, Section 4(1) of NOTAP Act has stipulated the registration of certain contracts or agreements with the Office. Such include contracts and agreements in respect of:

- The use of trademarks
- The right to use patented inventions
- The supply of technical expertise in the form of preparation of plans, diagrams, operating manuals or any other form of technical assistance of any description whatsoever
- The supply of basic or detailed engineering
- The supply of machinery and plant
- The provision of operating staff or managerial assistance and the training of personnel.

Further to the above, the Financial Reporting Council (FRC) has issued a Rule that seems to be in direct violation of the accounting principle of 'Substance Over Form', in the treatment of the above listed transactions and, in the process, vitiate legitimate binding contracts between parties. The Rule states that:

"Transactions and/or events of a financial nature that require approval and/or registration or any act to be performed by a statutory body in Nigeria and/or where a statute clearly provides for a particular act to be performed and/or registration to be obtained; such transactions or events shall be regarded as having financial reporting implication only when such act is performed and/or

such registration is obtained. Accordingly, the details of the required act and/or registration obtained from such statutory body shall be disclosed by way of note in the financial statements if the transaction is recognized as part of the financial reporting of the entity. For example, an agreement that requires registration from the National Office for Technology Acquisition and Promotion can only be accrued for or received into financial reporting process when the registration of such agreement has been obtained…".

This Rule makes it difficult in certain circumstances to observe the principle of "Substance Over Form" and can put into question the reliability of a financial statement as representing the true state of affairs of the company. In certain circumstances, corporations enter into agreement for the use of a software, license, etc. and such software and license is released to the user-firm, once the two parties have reached an agreement but before they receive NOTAP approval and make payment for the software. Before the Rule, entities accrue for the cost of such an asset and commence depreciation, where applicable. With the new Rule, accrual is not permitted until the NOTAP approval is obtained. The implication is that an entity is unable to account for an asset used in generating revenues, for as long as such a firm has not obtained NOTAP approval. This is a clear negation of the concept of "Substance Over Form" and it can be intentionally exploited to give room for creative accounting where the intent of the preparer of the financial statement is to understate liabilities. This phenomenon was one of the contentious issues in the case of Stanbic IBTC v. FRC.

Though IFRS major propositions are to promote transparency and comparability of general purpose financial statements across national jurisdictions, its coverage over SMEs has also become a concern. The IFRS for SMEs was issued by IASB in July 2009. Interestingly, South Africa was the first country in the world to adopt the final IFRS for SMEs as its national SME standard. Some African countries have since then released the process and time table of IFRS implementation for SMEs. In Nigeria, the Financial Reporting Council (FRC) announced the transition date for adoption of IFRS for SMEs to begin in January 2012 (Adetula, Owolabi and Onyinye, 2014).

Generally, the quality of implementation has been poor. But there has been significant support for it from various quarters. The World Bank and the International Federation of Accountants (IFAC) opine that SMEs adoption of IFRS will enhance the quality of financial reporting and comparability of SMEs financial statements around the world thereby assisting them in gaining access to finance.

Adoption Rate for IFRS for SMEs

Year ->	2009	2010	2011	2012
Number of jurisdictions that have adopted or indicated publicly their plan to adopt IFRS for SMEs	19	60	73	80

Source: Mazhundu, K. and Mafuba, G. (2013)

However, there has been serious debate regarding the necessity, suitability and affordability of IFRS adoption for SMEs especially in developing and emerging economies (Samujh and Devi, 2015). Most SMEs are local players. A significant number of them have also not been preparing any form of financial statement in the past. In addition, implementation of IFRS is complex, costly and requires some accounting skills. There is thus the view that compelling SMEs to adopt IFRS may

actually reduce or negatively impact entrepreneurial activities in response to onerous financial reporting requirements (Samujh and Devi, 2015).

My view is that formal enterprises including SMEs should adopt IFRS in accordance with the proportionality principle, namely: subject to the nature, scale and complexity of their operations. The adoption of IFRS should not be done in a burdensome manner that harms the development of enterprise or its productivity.

3. CORPORATE GOVERNANCE – ISSUES IN SUSTAINABILITY FINANCE

Corporate Governance has also occupied a front burner the world over. This is not surprising because, more often than not, leadership and management at the corporate level represent the distinguishing factor between a successful enterprise and a failed one. In corporations, Corporate Governance represents the set of rules, processes and structures for the effective direction of a firm towards accomplishing its mission and objectives in a responsible manner. Corporations have various stakeholders with divergent interests. A sound corporate governance will ensure a robust relationship is developed that will lead to full attainment of the organizational goals. As suggested by the International Finance Corporation (IFC), good Corporate Governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital. Sound corporate governance must be built around certain key pillars, including: fairness, integrity, responsibility and accountability as well as disclosure and transparency.

Sound Corporate Governance principles recognize the fact that there are various stakeholders in the life and affairs of a corporation – shareholders, employees, management, government, auditors, customers, suppliers, financiers and the community at large. A sound corporate governance structure must address and balance the interests of all stakeholders. This is not an easy task for such interests are most times conflicting, or at best, not in alignment. Issues that involve corporate governance principles include controls (internal and external), risk management, compensation arrangements of the CEO and other top executives, resource availability for directors to carry out their duties, board nominations, composition and tenure as well as pay-out policy.

The world has witnessed tremendous abuse of corporate resources in various ways. There have been reported cases of violation of business ethics in forms of fraudulent financial reporting, creative accounting, earnings management, misleading financial forecasts, insider trading, fraud, excessive executive compensation, bribery and kickbacks. There have also been cases of environmental degradation and the various challenges of climate change influenced greatly by activities of businesses.

We have had reported cases and phenomenal where management drive corporations to declare profits at all costs, and not care how the profit is generated. Should a corporation defy an ethical principle if it can clearly see an economic benefit? Should a corporation not care how it generates revenues and makes profit? These are some of the key issues at the centre of sound corporate governance.

Corporations now need to do more than Corporate Social Responsibility (CSR). The focus has shifted to the triple bottomline of People, Planet and Profit (3P's). Essentially, corporations

increasingly see good sustainability performance as a proxy and a leading indicator for sound management and sustainable financial returns in the long run. Today, sustainability has found its way into Finance. Green investment has also become important in money and capital markets.

There are arrays of examples that can be cited to demonstrate the diverse nature of the failure of corporate governance and the importance of sustainability. Many years back, in Nigeria, the management of Cadbury was sacked after Cadbury's board-commissioned investigation undertaken by PriceWaterhouseCoopers revealed a deliberate and fraudulent overstatement of the company's financial performance through stock buy-back, cost deferrals, trade loading and false suppliers stock certificates, between 2002 and 2005 to the tune of between N13 billion and N15 billion. It was described then as Nigeria's example of Enron Corporation's scandal in the United States. Lever Brothers Nigeria suffered a similar setback few years back. In Japan, Toshiba's CEO and eight other executives resigned in July 2015 to take responsibility for false book keeping that inflated profits by 152 billion Yen ($1.2 billion) between 2008 and 2015. Similarly, in 2011, Olympus Corporation's new President in six months, blew the whistle on a long-running cover-up of losses in the company, occasioned by irregular payments for acquisitions which had resulted in significant impairment charges in the company's accounts (Punch, Wednesday July 22, 2015, p.59). Volkswagen covered their emission fraud for a long time before it was finally exposed in 2015 leading to the resignation of the CEO (Thisday, October 15, 2015). In the USA, Wells Fargo CEO was relieved of his position in 2016 and forfeited $41 million in bonus; the head of retail banking forfeited her bonus of $19 million and her severance packages of about $125 million while the bank itself paid a penalty of $185 million; all these after it was revealed that the bank had opened two million irregular and unauthorized customer bank accounts from which it earned income, resulting from employees being given unrealistic sales goals and quotas which put them under pressure.

In view of the above, the last decade has seen significant and aggressive efforts at re-dimensioning the concept and coverage of corporate governance in corporations and firms. The experience world-wide has shown the need for improved governance structures in corporations. We have witnessed the abuse of governance in various ways leading to unpalatable outcomes and consequences for corporations and stakeholders. Examples abound on how the failure of corporate governance has had catastrophic consequences for stakeholders, especially shareholders and the country at large. In fact, the failure of governance has led to injection of public funds into private companies to prevent systemic collapse of industries/sectors and avoid significant adverse consequences for economic growth and political stability.

Some of the structures and practices that companies and nations are adopting to improve governance in corporations include:

- The introduction and promotion of enterprise risk management as an essential part of corporations' governance structures. Compliance and risk management functions are now on the executive floor with direct reporting to the board of directors in a lot of corporations.
- The redefinition of the roles of internal and external auditors, management and the board of directors in the preparation of financial statements.
- The composition of board of directors especially the setting of strict eligibility criteria for board membership, stipulation of tenure for directors, compulsory appointment

of independent directors, separating the positions of the chairman from that of the Chief Executive, etc.

- Continuous reviews and increased disclosures in financial statements especially of transactions with related parties as well as the disclosure of directors' interests and remuneration.

Researchers and academics need to begin to focus on the appraisal of the effectiveness of these measures.

However, beyond enhancing corporate governance which has received a lot of attention from governments through appropriate legislation and oversight by specific regulators, and the board of directors of corporations who are being increasingly empowered, corporations need to do more on their own to behave with conscience and responsibility. There is the need to pay attention to the behavior of management in generating revenues and declaring profits. It is paramount for corporations to pay attention to the environment so that we take care of not only today, but also of the future.

The subject of Sustainability is new and still emerging but has become a key aspect of Finance. There are many perspectives to the concept of Sustainability but the two most talked-about areas are in how an enterprise makes money and how it deals with the environment.

At the heart of Sustainability for an enterprise in the long run is profitability but the 21st century business needs to embrace value-based management and be morally upright in its dealings. Beyond this, however, the modern enterprise needs to address Sustainability holistically. Dame Anita Roddick, founder of The Body Shop eloquently put it when she stated that, "the business of business should not just be about money, it should be about responsibility; it should be about public good, not private greed".

Researchers have established some principles that could guide business managers in making sound business decisions. Quinn and Jones (1995) postulated four critical principles a corporation should comply with all the time. These are:

a. avoiding harm to others
b. respecting the autonomy of others
c. avoiding lying
d. honouring agreements.

McKinsey, Global Alliance Banking Values (GABV, 2012), the Carbon Disclosure Project, Accenture and a host of other bodies have carried out empirical surveys and research which have confirmed that companies that pursue sustainability have superior financial returns, are well respected and are in existence over a longer period of time.

Overall, in my view, accountants need to assert themselves and even take the lead in ensuring transparency, accountability, sound ethics and superior purpose in the governance of business organisations. There is also room for better collaboration between the accounting profession and the academia in this new field in order to formulate effective and efficient governance structures for businesses that serve the best interests of all stakeholders in a sustainable manner. Effective measures need to be formulated, preferably supported empirically, to ensure that the pursuit of profit is not done in a manner that disregards the long-term interests of all stakeholders and the

environment. In the specific case of executive and Board remuneration, for instance, a careful balance must be found in order not to promote excessive risk taking or fraudulent/creative financial reporting on the part of business executives.

4. FINANCE - ISSUES IN SMEs FINANCING IN EMERGING ECONOMIES

An interesting area of focus across the globe in recent time has been on SMEs. This is not unconnected with the role that Small and Medium Enterprises (SMEs) have been perceived to play in the economies of nations. All over the world, SMEs have been identified as very strategic in the economy of nations whether developing, emerging or developed. Overall, they make significant contributions to the GDP of nations. SMEs contribute about 45 per cent to employment and 33 per cent to GDP in emerging economies. (Ayyagari, et al, 2003; Craig, et al, 2007). SMEs promote entrepreneurship, innovation and adaptation of local technology.

In view of these perceived roles, discussions around SMEs continue to be dominant in the public and political arenas. As professionals and practitioners in Accounting and Finance, we have always also been called upon to play various roles as consultants, business development service providers, accountants, auditors and fund raisers. We all should therefore be interested in the discussions of SMEs.

Finance literature have documented challenges faced by SMEs (see, for example, Beck and Demirguc-Kunt, 2005; Akingunola, 2011; Muritala, Awolaja and Bako, 2012). Of all the challenges, Ayyagari, Demirguc-Kunt and Maksimovic (2006) find that obstacles related to finance, crime and political stability directly affect the growth of firms with finance having the greatest impact. Interestingly, the same research finds that SMEs listed finance as an obstacle ahead of corruption and legal constraints.

Finance is the live wire of any enterprise. Without seamless and readily available access to finance, the birth and growth of enterprises will be hampered. SMEs have been found to confront a great deal of challenges much more than the large corporates in accessing finance. Finance literature has received a lot of attention on this. SMEs are the most affected among the spectrum of business enterprises. And this phenomenon cuts across all economies, even though it is more pronounced in developing and emerging economies. Hence, SMEs are forced to rely more on internal sources of finance than external sources, expensive alternatives and on "segmented and imperfect financial markets" (Walker, 1989: 285).

By their characteristics, SMEs in developing and emerging markets find it difficult to fulfil the requirements to access the right type, amount and mix of external financing at the right price. They are confronted with agency issue making access to bank credit to be hindered by conditions of imperfect and asymmetric information. In relation to equity funding through the capital market, this is even much more elusive. Public offers are expensive and the process is always tedious with long list of stock exchange quotation requirements, which are always difficult for SMEs to obtain.

To assist SMEs to overcome the burden of limited access to finance, most emerging economies have taken some specific steps. They adopt various programmes and initiatives to support the SMEs. Such supports include outright cash grants, government guarantees, interest subsidies, government

equity participation, tax holidays and incentives, in-kind subsidies, procurement subsidies and regulatory subsidies (Schwartz and Clemens, 1999).

In Nigeria, the support of government for SMEs, especially regarding access to finance have been huge. Nigeria established special purpose vehicles such as the Bank of Industry (BOI), Bank of Agriculture (BOA), Nigerian Export Import Bank (NEXIM), Nigeria Economic Reconstruction Fund (NERFUND), National Directorate of Employment (NDE), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), etc. to support SMEs or those who would like to establish small and medium enterprises through various schemes such as grants, subsidized loans, training, business development services, etc. In addition, the Central Bank of Nigeria (CBN) has also set up special interest funds along sectoral lines including the N200 billion SME Fund, specifically for SMEs. Most multilateral/regional development finance institutions and state governments have one form of finance scheme or the other, put in place to support access to finance for SMEs.

However, what has been the effect of government supports and interventions? It is important to know how government financing and other support programmes have achieved (or otherwise failed to achieve) their objectives by enabling SMEs to survive, grow and contribute to GDP, create employment, increase wealth creation and reduce poverty. There is a school of thought that holds the view that subsidy is always a political tool used by politicians to garner political support and that financial support for SMEs is not achieving their objectives. In the first place, most of the programmes are not well thought-out and with no clear goals and tools for measuring their impact. Furthermore, a lot of the time, poor entrepreneurs with mediocre projects are the major beneficiaries while unsubsidized entrepreneurs are crowded out (Li, 1998).

Little wonder, Curran (2000) opines that to assure us of the efficacy of government support, the three issues of additionality, deadweight and displacement must have been addressed by the interventions. For additionality principle to be achieved, net positive outcomes attributed to the intervention need to be achieved. Deadweight must be avoided, in which case, the outcomes must be as a result of the government specific support and not the outcome that would have occurred, even if the support was not implemented. Displacement occurs where the policy makes some other firms to be worse off especially if it leads to their death, decline or lower sales or employment. Besides, Schwarz (1992) also identifies similar four critical and necessary conditions that must be fulfilled for subsidized government targeted credit to effectively stimulate growth, viz: the credit must increase borrowing in the targeted sector; there must be a positive link between credit and investment in the targetd sectors; there must be a link between credit and output in the targeted sectors; and the sector which received government support must grow at a faster rate than the rest of the economy.

However, to another school of thought, specific financing support for SMEs is unnecessary since it is subject to abuse and it is always neither efficient nor transparent. The position of this set of scholars is anchored on the seminal works of McKinnon (1973) and Shaw (1973) which considered and faulted arbitrary intervention in the money markets which subsidization represents. They hold the view that interventions of all kinds represent financial repression and prevent efficient allocation of funds since both depositors and lenders are constrained by arbitrary pricing. Hence, this group advocates for financial liberalization. This position goes further to recommend that if government

would intervene, it should rather focus on promoting programmes and policies that address the imperfections in the economy and allow all economic agents to benefit from its actions.

Overall, there is no consensus on the effectiveness of government support programmes in access to finance for SMEs. For example, Antunes, et al (2011) find that credit subsidies only function as a form of wealth distribution from workers to entrepreneurs, and that subsidization is better explained by political rather than economic considerations. They thus proposed financial reforms that “improve the functioning of financial and credit markets directly, such as reforms that increase creditor protection, and decrease asymmetric information and intermediation costs” (Antunes, et al, 2011: 30). The jury is still out there. Researchers continue to comb and analyse data for evidence of the effectiveness of such interventions and subsidies. Others focus their research efforts in identifying the most effective of the various government initiatives.

In line with the trend to promote access to finance through an efficient financial system, most governments now adopt tools of monetary and fiscal policies and financial reforms that promote overall development of the financial markets for all. Thus, beyond subsidies and grants, most governments in emerging economies seem to have agreed that the use of credit infrastructure can really be deployed to enhance access to finance for SMEs.

The objectives of credit infrastructure are to reduce information asymmetry between lenders and borrowers, facilitate information sharing among creditors, reduce the incidence of lending in the dark and enhance informed credit decision making. The presence of credit infrastructure promotes strong credit systems and a strong credit system promotes a productive economy by encouraging credit to SMEs and enhancing quality of life of people through credit to consumers.

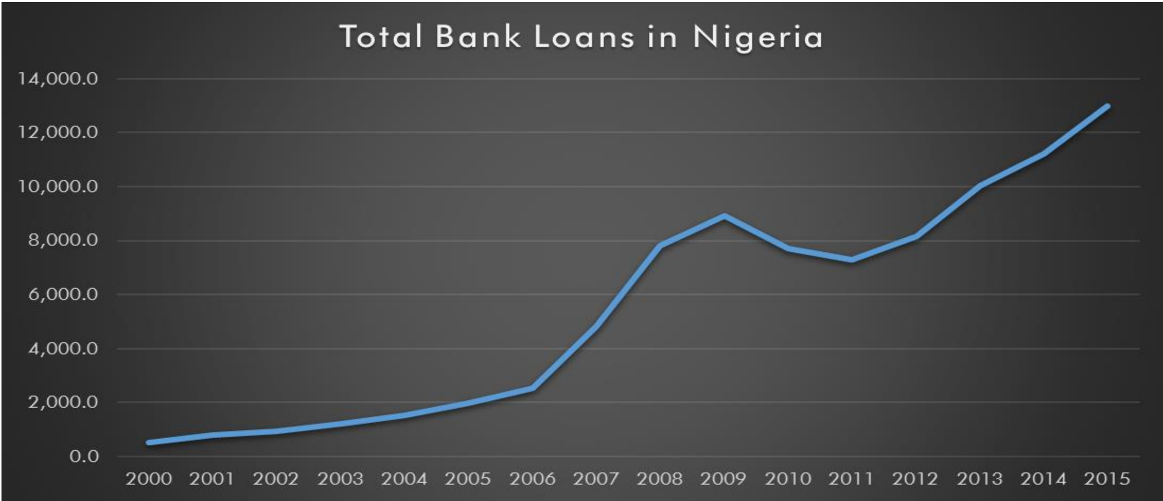
However, a strong credit system normally and usually has a strong credit risk management system (CRMS) to fill the trust gap with reliable information. A strong CRMS makes it easy to determine the payment capacity and the willingness to pay by borrowers, two major important pieces of information required by creditors. An effective credit infrastructure for a strong CRMS will usually have credit bureaus, credit rating agencies and scores, collateral registry, sound bankruptcy laws and an efficient judicial system. Each of these could have significant impact on access to credit, especially for consumers and SMEs. For the purpose of this paper, it may suffice to briefly examine how the presence of a credit bureau, credit rating agencies and collateral registries impact access to finance for SMEs.

It has been established that banks will increase the amount of credit to SMEs and consumers where they could better predict the payment probability by their potential borrowers (Popoola, 2016). This information theory of credit asserts that when lenders have adequate information about prospective borrowers, it will deepen the credit market (McDonald and Schumacher, 2007). Empirical evidence has shown that countries with private credit bureaus enjoy higher financial penetration with higher credit to the Gross Domestic Product (GDP) ratio.

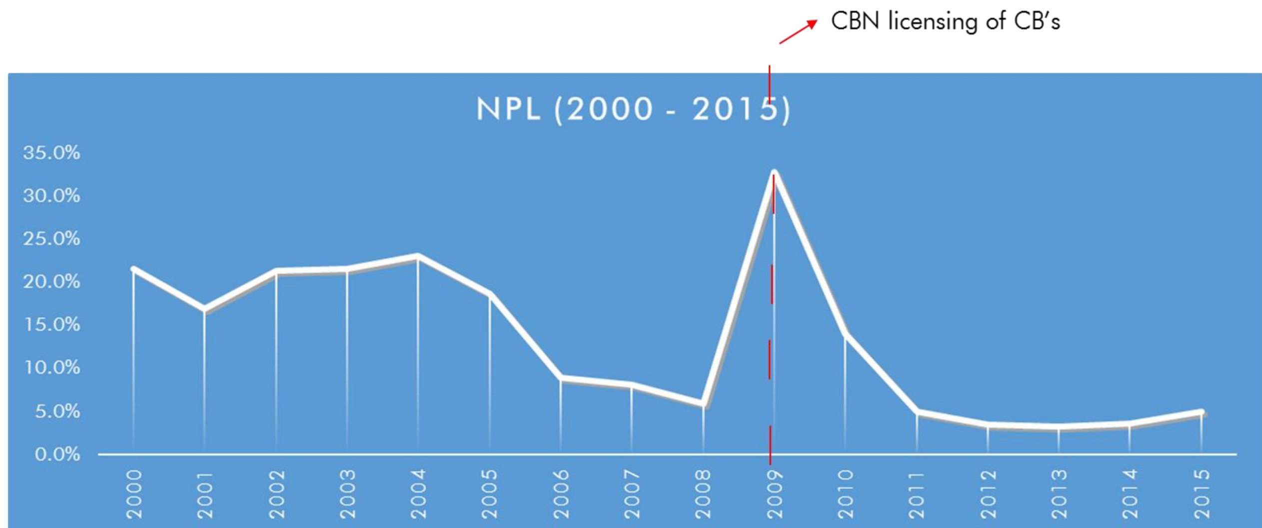
The World Bank in a study of 5,000 firms in 51 countries conducted in 2003 revealed that the percentage of small businesses reporting high financing constraints reduced from 49 per cent to 27 per cent with the introduction of credit bureau. The same study also confirmed that the probability of obtaining a bank loan by small firms increased from 28 per cent to 40 per cent with the introduction of credit bureau in a country. There has been research on country-specific evidence of how credit bureaus led to lower cost of credits in Ukraine and how there was a significant

increase in the number of micro entrepreneurs that obtained a loan by 1,098 per cent from 60,000 to 719,000 in Ecuador (IFC, 2006). McKinsey and Company (2009) also shows that non-performing loans (NPL) ratio reduced from 6.67 per cent to 4.52 per cent in banks in Shanghai at the end of 2002, just one year after the launch of a credit bureau; whereas in Argentina, default rates dropped by 79 per cent in small banks.

Nigeria licensed three private credit bureaus in 2009 and the impacts on volume of loans and reduction in the rate of non-performing loans (NPLs) have been remarkable. Loans to the private sector rose from N7.7 trillion in 2008 to over N12 trillion in 2015. Special products for SMEs and the introduction of credit cards became possible with the advent of credit bureaus. Furthermore, NPL ratios declined significantly from about 32.8 per cent in 2009 to a single digit of 5.1 per cent in 2014. The healthy loan portfolios were assisted by the establishment of private credit bureaus and the creation of the Asset Management Corporation of Nigeria (AMCON).



Data Source: NDIC and CBN Annual Reports (*various issues)*



Data Source: NDIC and CBN Annual Reports (*various issues)*

Collateral Registries have been found to also be a robust infrastructure that positively impacts access to credit for SMEs. Ghana presents a live example. The Collateral Registry of Ghana was established in 2010 to register charges and collaterals, both movable and immovable types. Within three years, a total of 104,308 collaterals were registered and more than nine thousand SMEs and about 30,000 micro businesses had received loans totaling over $6 million secured with movable properties listed on the registry (Bank of Ghana, 2013). Interestingly, about 20 per cent of total loans granted were to women entrepreneurs – and that is another subject for another day. China established its collateral registry in 2007. An independent evaluation of its impact commissioned by the IFC in 2011 revealed that more than 490,000 searches were conducted in the registry and of the US$3.5 trillion new financing facilitated, approximately US$1.1 trillion were for SMEs. The percentage of movable asset-based lending in China went from 12 per cent pre-reform to about 20 per cent afterward (IFC, 2015).

Nigeria established its National Collateral Registry (NCR) in 2015 and its impact should be a subject of research in the coming years.

Credit rating agencies represent another set of credit infrastructure that support access to credit for SMEs. Credit rating helps in reducing information asymmetry and capturing creditworthiness, makes access to credit easier and based on favourable terms, increases visibility and credibility on the SMEs and assists in providing confidence to lenders and various stakeholders. India, with an estimated population of 1.252 billion has four credit bureaus and seven licensed SME rating companies. Looking at the impact of the rating companies on the ease of access to credit for SMEs, the Infrastructure Development Finance Company (IDFC) and the IMF reported a 24 per cent increment in retail credit in 2007alone and projected a 25 per cent growth rate of bank credit flows to infrastructure and SMEs between 2008 and 2012.

If we are serious as a nation about moving our economy forward, it is my view that greater attention should be paid to improving our business environment in order to engender entrepreneurship especially in the area of SME activity. We will do well to build business incubation centres across

the country, preferably focused on the available human and material resources in the various geo-political zones of the country. There is also need to focus on the labour-intensive productive activities at this stage of our development – especially textile manufacturing, construction, road rehabilitation and agriculture – that are bound to generate employment and enhance self-dependency in the economy. The various measures undertaken to ease access to finance for SMEs deserve to be reviewed to ascertain impact and fulfilling the objectives of measures/interventions. Overall, deliberate actions, initiatives and policies towards having favourable environment in which business thrive and in the provision of necessary infrastructure remain the most assured ways to economic growth and development.

5. CONCLUSION

The dynamism of the world is no longer in doubt. Technology, innovation, globalization, politics, and by extension, regulation are shaping our world in a very fast tempo, thereby changing the way business is done. Every profession needs to deploy resources and processes to cope with the ever-changing phenomena. Accounting and finance cannot be an exception.

The world has converged and accepted free enterprise as the best economic system, even though with varied levels of moderation among nations. Free enterprise requires free information and flow of economic resources to where they are secured, and earn the best returns. Accounting has to support this movement providing relevant, accurate and timely information to investors and other stakeholders in meaningful ways. IFRS is the answer for now. Furthermore, the challenge of globalization and agency in the management of enterprises have also brought corporate governance to the front burner. Many nations keep on evolving laws, regulations and policies that will promote accountability, and ethical behavior by businesses. Corporate Governance is taking on wider scope concerning itself not just with how a business is run, or that business is run primarily with returns to shareholders in mind, but also with attention to the safety of the environment and the interests of other stakeholders and the larger society.

And finally, every part of the world has come to accept that the micro, small and medium enterprises have significant roles to play in the prosperity of nations and their inhabitants. The question as to how SMEs are able to operate optimally to achieve economic growth, wealth creation, generate employment and reduce poverty have been the focus of research. The options have been reduced to supporting SMEs directly, promote economic policies that generally improve business environment and provide necessary infrastructure. It is my submission that for Nigeria to successfully and timeously navigate itself out of the current level of economic abyss, deliberate interventions need be made to promote responsible and sound corporate governance, transparency and accountability in the management of corporate resources, and the development and successful operation of small and medium scale enterprises that would enhance productivity, generate employment and spread prosperity among larger segments of the population. No matter the level and manner of government support and interventions, the survival, growth and sustainability of SMEs will still depend upon their adopting good accounting system and upholding minimum corporate governance principles.

All these issues will continue to occupy ample room for researchers now and in years to come. While trusting accounting professionals to play their part in raising the standards of accountability,

transparency, and sound corporate governance, the challenge I would throw at our academics is to intensify policy-relevant research rooted in our unique environment as a basis for developing effective policy instruments to propel the growth of our beleaguered economy.

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