

AFA RESEARCH REPORT

The Institutional Environment for Small and Medium Enterprises (SMEs) and Roles of the Accounting Profession (ASEAN Perspectives)

A publication of the ASEAN Federation of Accountants (AFA), supported by the Association of Chartered Certified Accountants (ACCA) and the Chartered Accountants Australia & New Zealand (CA ANZ).

The ASEAN Federation of Accountants (AFA) has formally launched the AFA Research Report at the AFA – CAPA Joint Forum (Sydney, November 3, 2018), a culmination of the Federation’s aspiration to be a regional thought leader for SMEs and SMPs issues, with emphasis on the role of the accountancy profession. First introduced in December 2016, the AFA Research call for proposals attracted 44 proposals from nine countries inside and outside of the ASEAN region. The grant was given to researchers from the School of Information Systems and Accounting – Faculty of Business Government and Law, University of Canberra.

The research was conducted using a combination of research methodologist such as document collection and analysis, regional regulatory and institutional survey, regional survey of professional accountants and a time-use survey (200 responses), interviews with SMEs participants across the region (regulators, peak industry bodies, SMEs accountants and businesses), and preparation of more detailed case studies of three economies – Thailand, Indonesia, and Brunei Darussalam.

The AFA Research initiative is fully supported by the Association of Chartered Certified Accountants (ACCA) and the Chartered Accountants Australia & New Zealand (CA ANZ).

What are the Key Findings and Recommendations?

The Report discussed the topic of SMEs in the region and the role of the profession from three aspects: 1) definition of SMEs in the region, 2) the role of the accounting profession in the region, with emphasis on SMEs, and 3) the role of accountants as trusted business professionals for the SMEs.

The Report identified significant issues on inconsistent and arbitrary definitions of SMEs – within/between countries and across regulatory bodies, government departments, and professional institutions. These and the fact that the ASEAN region is politically, socially, and economically diverse are likely to make it difficult to negotiate and adopt a common and coherent definition throughout

the region. A common definition will only be useful if properly integrated (with support from key public and private stakeholders, particularly tax regulators). It recommended to retain local definition for domestic purposes (as per the EU model) to enable national policy makers to address initiatives to local challenges and conditions, while facilitating an ASEAN wide response to regional strategies.

The Report also identified the important role of the accounting profession to lead the development of financial literacy in the region. Persistent obstacles such as the lack of skills to understand, prepare and utilise financial information for business decision making and to add value to firms through strategic partnerships and business expansion, limited access to basic business skills, financing, innovation and technology and the incompatibility of government approaches to SMEs continue to hinder the progress of SMEs in the region. This is even more relevant and urgent for the micro entities. The Report emphasis on the value of membership with accountancy bodies as a platform for development and capacity building for accountants to assist and provide value to the ASEAN SMEs.

In term of services that accountants provide, the Report highlighted an anticipation from respondents of significant future demand in planning and advisory services, including tax, and business and financial planning. Accountants are expected to play a central role in advocating and advising on regional economic development especially with respect to micro and small entities. To respond to this, accountancy bodies should ensure that regional educational pathways involved in training accountants include SME-focused education (as against a traditional focus on listed entities). The accounting profession as “a trusted business advisor” should bridge the void between SMEs and governments throughout the ASEAN community in mapping key problems faced by the ASEAN SMEs.

ABOUT AFA

The ASEAN Federation of Accountants (AFA) was organised in March 1977 to serve as the umbrella organisation for the recognised national Professional Accountancy Organisations (PAOs) of the Association of Southeast Asian Nations (ASEAN) member states. AFA is an accredited Civil Society Organisation of the ASEAN, recognised under the ASEAN Charter.

For more information about AFA and to access the AFA Research Report, please visit www.aseanaccountants.org.
