

**Untapped Opportunities in the Informal Sector for the Nigerian Professional Accountants being a Paper presented @ the 27<sup>th</sup> Annual National Conference of ANAN September 14, 2022, by Professor Muhammad Sani Bello, FCNA**

**I. Preamble**

1. Informal economy or sector comprises any unregulated economic activity, including operation of unregistered enterprises such as street traders, subsistence farmers, small scale manufacturers, and individual service providers. The informal economy is flexible in nature and can withstand occasional business shocks.
2. Accounting is a popular and dependable occupation, with different opportunities as well as the possibility of an extensive career. Professional accountants obtained prior license to practice accounting and provide other important services to target clients. Professional accountants are entrepreneurs. They have knowledge, skills and experience which enable them to provide needed services. They are highly qualified and knowledgeable in different undertakings. They also acquire business management skills and financial acumen in the cause of their career, which enable them to manage their own enterprise.
3. I am presenting this paper in four parts. Part **II** highlights the characteristics of Nigeria's informal sector and the opportunities for professional accountants therefrom. Part **III** lists services that professional accountants could provide within the realm of the informal sector for mutual satisfaction of both parties. Part **IV** wraps up the paper with concluding remarks.

**II. Characteristics of Nigeria's Informal Sector**

4. Analysis of the macroeconomic indices in Nigeria's economic performance would indicate the vital importance of the informal sector in economic developments. For instance, the informal sector makes significant contribution to the Nigerian economy both in terms of employment opportunity and Gross Domestic Product (GDP). According to the International Monetary Fund (IMF), Nigeria's informal economy accounts for 65% of GDP in 2017. The informal sector serves as a safety net by providing

employment for those for those who would have been unemployed. The sector also serves as a source of veritable income to poor households, thereby affording them access to goods and services.

5. The Nigerian economy is projected to continue its growth rate at 6% annually until 2022. And with a population size of over two hundred million people, Nigeria has an immense market and automatically presents untapped business opportunities both for the accounting professionals and others.
6. Nigeria's informal sector is particularly characterised by low entry requirements in terms of capital and professional qualifications, small scale of operations, and labour-intensive methods of production. The sector is also characterised by limited skills and education among players, markets, infrastructural facilities, and access to finance and government support, leading to avoidable business foreclosure. Another important characteristic of the informal sector is the prevalence of use of cash as medium of exchange between parties without trace of the transaction. This serves as a drawback to the potential impact of prevailing monetary policy.
7. The active participation of professional accountants in the Nigeria's informal sector will help towards combating the impediments to its growth and development. Indeed, such impediments to the growth and development of the informal sector would broadly represent untapped opportunities for the professional accountants.

### **III. Opportunities for Professional Accountants**

8. There are untapped business opportunities out there for professional accountants to tap. The first untapped opportunity for professional accountants in Nigeria's informal sector derives from the meaning of an accounting system. It is arguable that most enterprises in the informal sector do not deploy requisite accounting system in their business undertakings. An accounting system is a formal means of gathering and communicating data to ease decision making in line with the objectives of an organization. In this connection, professional accountants could cash in the underlining broad untapped opportunities:

## **Bookkeeping Service**

Bookkeeping services, remote or physical, are the most important untapped opportunities for professional accountants in Nigeria's informal sector. Proper bookkeeping is necessary to ascertain the profit and loss of a business. Where such is not taking place, accounting professionals can encourage informal business owners to do so by introducing the way to do it and provide analysis so that owners can see the true position of their businesses. In addition, there is opportunity in assisting informal business owners to conduct bank reconciliation and negotiate bank charges.

The proliferation of software deployed by businesses to manage their accounting records have not eliminated the need for professional accounting services, including bookkeeping. In fact, professional accountants can leverage on technology to provide bookkeeping services even remotely, using videoconferencing facilities. Professional accountants can provide bookkeeping services to help target clients maximise their impact and value.

Moreover, and rather than encourage informal sector entrepreneurs to purchase ready-made accounting packages, professional accountants can develop effective and easy-to-use accounting software that would not scare businesses and bring ease when deployed. Similarly, professional accountants can develop funds management protocols that are in tandem with the uninterrupted structure of the MSMSE business activities. They can also mention ways and means to reverse poor banking habits among informal sector managers.

## **Tax Management**

Subnational units in Nigeria's federation are expanding their tax net by taxing the informal sector in a bid enhance internal revenues generation and growth. However, tax collection from the informal sector is fraught with challenges, including administrative problems, human capital shortage, lack of record keeping, nature of its economic activities and cost implications.

Most MSMSE and high-net-worth individuals in Nigeria do not know about the breaks and benefits that they could enjoy when filing their tax returns. The lack of knowledge and technical knowhow provide real opportunity for tax preparation services. Indeed, taxing businesses in the informal sector

and getting taxpayers to comply with extant laws and regulations is a major untapped opportunity for professional accountants in Nigeria. Professional accountants should partake in managing the tax matters of target MSMSE as well as high-net-worth individuals within their reach.

### **Teaching & Research**

Another untapped opportunity for professional accountants is in teaching and research. For instance, professional accountants could earn money by providing tutorial services to students who want to qualify as certified or chartered accountants, teaching MSMSE operators on how to use financial tools, developing generic or tailor made finance and management training programs suitable for the entrepreneurial development of the MSMSE and supporting researchers willing to deepen accounting and finance studies in this informal sector.

Professional accounts can also initiate both theoretical as well as practical studies on the informal sector in terms of their poor record-keeping habits. Conduct tax studies, emphasizing the value of tax management while fulfilling societal responsibility.

### **Advisory Services**

The ongoing federal government intervention schemes have led to the advent of new informal sector businesses which in turn created varied advisory service opportunities for professional accountants. Newly established and existing MSMSEs would require advisory services in different areas such as Startups Advisory, Customer Profiling, Inventory Management, Proper Pricing and Wage Structure, Optimal Investment and Portfolio Mix, Loans Negotiation, Debt Collection, Notarizing and Assurance as well as Property Valuation.

9. It is important to advise that professional accountants should carve a niche in specific areas of untapped opportunities to build reputation and compete favourably rather than being jack of all trade; expert in none. They should offer unique services in line with their value proposition.

#### **IV. Concluding Remarks**

10. Professional accountants are certified or chartered by a recognized body to practice accounting based on strict codes of conduct. S/he works in formal organisations as a staff or partner. Like a barrister at law, s/he could also work as an independent person to provide various forms of services. A professional accountant must embody certain qualities which include ethical orientation, trustworthiness, accuracy, customer-centered, ability to solve problems, effective communication skills and interpersonal relations and s/he does not attach emotional values to money.
11. There are challenges that professional accountants encounter in the course of their service delivery, particularly when dealing with the informal sector entrepreneurs. One, is lack of genuine appreciation for services rendered vis-à-vis imposed fee charges. The second challenge is the fear on the part of informal sector managers that the professional accountants may disclose their business secrets such as profits made, sources of supply and customers database to third parties. The best way to overcome these challenges is to build confidence in the minds of the informal sector operators and be moderate in charging professional fees.
12. There is no doubt that the untapped opportunities for professional accountants in Nigeria's informal sector are varied. The opportunities depend on the professional accountants' skills, business acumen, client network, visibility, influence, location, and environment among other factors.
13. At end, the relationship between professional accountants and informal sector entrepreneurs is symbiotic: while the former smile home with their fee-based income for services rendered, the latter enjoy the benefits of maintaining good accounting records and competent advisory services.

**Thank you for your attention!**