Research Article

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The Impact of Accounting on the Business Climate in the EU Countries

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Abstract

Accounting is a business language that evolves and adapts at all levels, from the global economy to the enterprise or personal finance level. Modern accountants perform various roles and functions, creating conditions conducive to the formation of a favourable business climate. This study aims to establish the influence of both the number and educational level of accountants on the formation of the business climate in countries within the European Union. Correlation-regression analysis was the predominant research method employed to investigate the correlation between the proportion of accountants in the workforce, education levels of accountants, and the Ease of Doing Business Index in EU countries acknowledged. The obtained results demonstrate that the number of accountants does not have a direct impact on the Ease of Doing Business Index in EU countries. However, the education level of accountants has a positive effect.

Keywords: *Accounting, EU countries, Ease of doing business index, Professional accountants, accounting education*

1. Introduction

In the modern business environment, accounting assumes an increasingly vital role, transitioning from being a mere tool for recording technical data related to debit and credit and displaying economic transactions in accounting books to becoming an integral component of enterprise management systems. Gradually, accounting has evolved into a more dynamic, professional, and flexible discipline that quickly adapts to changes in the business environment, employs cutting-edge data processing methods, and broadens the scope of its services. According to estimates from various rating agencies and the findings of diverse surveys, the accounting industry demonstrates consistent growth year by year. By 2022, The Business Research Company (2022) projects that the global market value for accounting services will reach $1324.77 billion. Currently, the accounting industry is experiencing transformation and is taking pre-emptive measures to respond to market changes. The industry is seeking to capitalize on these changes rather than being negatively impacted.

The global accountancy profession contributes a staggering $575 billion annually to the global economy, demonstrating the potential for further strengthening the profession as a unified voice (IFAC, 2015). Client expectations have expanded beyond traditional accounting services, now encompassing business and financial consulting, necessitating the involvement of additional employees and a commitment to ongoing learning and advanced training (Keir, 2020).

The utilisation of modern digital technologies and the rapid adaptation to remote work enabled accountants and accounting firms not only to resume operations during the quarantine restrictions associated with the COVID-19 pandemic but also to expand their activities through consulting services. This swift adaptation empowered the accounting sector to broaden the spectrum of services offered and enhance their quality and efficiency.

In 2020, 67% of accounting firms commenced offering services related to the pandemic, while 12% of companies plan to expand their businesses by providing coronavirus-related services. Despite certain challenges, the accounting industry continues to create opportunities for growth through professional development, digital tools, and strategic business partnerships (Hood, 2020).

Accounting has a significant and relevant impact on the business climate as it reduces information asymmetry, fosters financial stability, influences investor behaviour, ensures regulatory compliance, enhances resource allocation efficiency, supports tax systems, manages risks, and facilitates international economic interaction. Scientific studies in various fields provide empirical evidence of these effects, highlighting the critical importance of accounting in shaping the economic and business environment. However, it remains an empirical question whether the number and educational level of accountants affect the formation of the business climate in EU countries. This leads to the examination of the following hypotheses:

H1: The proportion of accountants in the country's labour force influences the business climate.

H2: The education level of accountants has an impact on the business climate in the countries.

2. Literature Review

Professional accountants play a pivotal role in the information flows and decision-making processes of modern businesses. They have the distinct opportunity to receive, analyse, summarise, and uphold the sustainability of information. To advance the understanding of the functions fulfilled by professional accountants in business, the Professional Accountants in Business Committee created an informational document in 2005. This paper defines the professional accountant in business and underscores the multitude of functions they perform. These accountants implement and maintain operational and internal controls, provide analytical and information support for strategic decision-making and planning, ensure efficient risk management processes, and support management in establishing quality and ethical practices (IFAC, 2005). In the 2011 IFAC report, the roles of professional accountants in business were summarised as the makers, enablers, keepers, and reporters of sustainable value within organisations in terms of quality and performance (IFAC, 2011).

Professional accountants contribute significantly to economic development at both micro and macroeconomic levels. Melnyk et al. (2020) suggest that promoting transparency and efficiency whilst cultivating an investment-friendly environment are crucial steps in boosting a company's productivity and contributing to economic growth in society. The competencies of professional accountants necessitate an integrated understanding spanning multiple domains, including a business's operations, risks and opportunities, systems and processes, and productivity, while also encompassing knowledge of sustainable development factors (IFAC, 2022). As noted by Coate and Mitschow (2018), Luca Pacioli - widely regarded as the "father" of accounting - upheld the ethical and societal importance of accounting, business, and businesspeople committed to the public good. This indicates that Pacioli recognised that business involves more than solely accounting and financial gains.

Salehi's (2022) study is a literature review examining the impact of accountants on managers' decision-making processes. The results confirm that accounting affects three managerial decisions: "dilution of the content of financial reporting information," "malpractice of accounting information makers," and "managers' disinclination to use accounting information" (Salehi, 2022).

Accounting must ensure transparency and completeness of information regarding companies' business activities in financial reporting. As Abdul-Baki et al. (2021) note, for accountants to perform these duties effectively, they must maintain independence from their clients, free from pressure or influence during their duties. However, the desire of companies to maximise profit and corrupt actions can negatively impact the professionalism of accountants.

Accountants and accounting are viewed as vital to achieving the Sustainable Development Goals (SDGs) by some researchers. The implementation of SDGs presents an opportunity and a need for academic research in the field of accounting (Bebbington & Unerman, 2018). The International Federation of Accountants and the global accounting profession recognize promoting and implementing SDGs as a top priority (IFAC, 2021).

The quality of accounting relies on accountants' professional competence, cultivated through their education, on-the-job training, practical experience, and professional growth. Accounting education, in this context, aims to prepare competent and intelligent professionals who can make a constructive contribution to businesses and the society they serve over their careers (IFAC, 2003). Herbert et al. (2021) explored the decline in entry-level accounting jobs as accounting tasks, especially in large companies, are restructured, automated, and outsourced. Reducing employment opportunities for accounting graduates poses challenges for accounting education, necessitating an optimal blend of intellectual, technical, and general skills among accounting professionals. Karlsson and Noela (2022), using Sweden as an example, reveal that most students do not choose accounting as a profession due to a lack of interest, perceiving accounting work as dull, or believing that other occupations (such as management or marketing) offer higher salaries. Peer and teacher influences (unfavourable subjective norms) can also discourage people from pursuing a career in accounting.

The influence of globalisation on business impacts the professional practices of accountants by expediting the digitisation of accounting and promoting competition. Consequently, it prompts accountants to obtain professional qualifications to fulfil the demands of employers and users of accounting services (Mateș & Irimuș, 2020). Concurrently, globalization elevates the standard of professional demands and stimulates competition, prompting accountants to progress along the value chain and attain advanced levels of education and professional certifications (Wei, 2008).

Konchitchki and Patatoukas (2014) emphasise that macroeconomic research is often disconnected from accounting research, which predominantly occurs at the firm level. However, professional accountants support the business climate and economic growth by promoting transparency and efficiency. Notably, as per IFAC's (2015) research, a positive correlation exists between economic growth and the percentage of accountants in a nation's labour force, as measured by GDP per capita. This correlation is most evident in developing economies and comparatively less so in the least-developed nations (IFAC, 2015).

3. Methodology

The study examined the impact of accounting on the business climate utilizing the Ease of Doing Business Index (EDB). The choice of the EDB indicator was prompted by the rising reliance on Global Performance Indicators (GPI) in evaluating corporate efficiencies and assessing the influence of different governance aspects worldwide. Kelley and Simmons (2019) contend that global indices are suitable for regular comparisons, prompting governments to be concerned about their reputation and that of their country. Doshi et al. (2019) posit that the Ease of Doing Business Index (EDB) is a global performance indicator successfully developed by the World Bank with significant effects on business regulation worldwide. The GPI holds a prominent position among business climate indicators, facilitating the evaluation and ranking of countries while serving as a resource for information users, including foreign investors. Researchers demonstrate that countries respond to public ratings, thereby influencing domestic politics, altering investor sentiment, and bureaucratic procedures.

The EDB ranks economies from 1 to 190, with the top position being the most favourable. A high ranking (a low numerical rank) indicates a regulatory environment conducive to business operations. The index calculates the country's percentile rankings across 10 topics covered in the World Bank's Doing Business report. The ranking for each topic is the simple average of the percentile rankings for its component indicators. However, it's worth noting that the Doing Business methodology has limitations since it does not cover many crucial policy areas, and even within its covered domains, it has a narrow scope. Doing Business fails to assess the full range of factors, policies, and institutions influencing an economy's business environment and national competitiveness.

Two measures, the proportion of accountants in the labour force and the proportion of accountants with tertiary education, are used to examine the impact of accounting.

The assessment of how the proportion of accountants in the workforce and those with higher education relate to the Ease of Doing Business Index was based on data from EU member states from 2020. The EU was selected as the study's focal point because of its status as one of the largest clusters with standardized data on accountants' number and educational level. It is important to note that Malta was excluded from the study due to the unavailability of relevant data for analysis.

Information regarding the number of accountants and their educational qualifications in the EU was gathered from the World Bank and the Centre for the Development of Vocational Training (Cedefop). At the European level, Cedefop provides statistics, monitors labour market trends, and aids the European Commission, EU member states, employers' organisations, and trade unions in aligning training with labour market demands. Information regarding professions in EU countries is structured according to the ISCO-08 classification.

The evaluation of the impact of the proportion of accountants in the labour force (x_1) and the proportion of accountants with higher education (x_2) on the Ease of Doing Business Index (y) was carried out in Excel using correlation-regression analysis. The regression parameters were estimated using the method of least squares.

4. Results

The employment of accountants in EU member states in 2020, excluding Malta, totalled 5,871,600, with an associated unemployment rate of 3.9% and an income 105% higher than that of comparable occupations. Manufacturing (23.6%), wholesale and retail trade (21.7%), transport and storage (16.6%), and professional services (9.9%) were the primary sectors where accountants were employed in the EU (Cedefop, n.d.a).

The initial data for analysing the relationship between the proportion of accountants, their level of education, and the Ease of Doing Business Index are presented in Table 1:

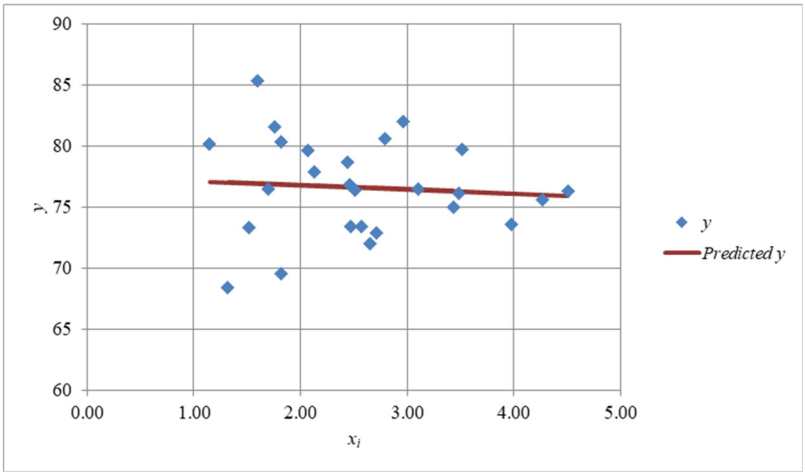
Table 1: Number of Accountants, Proportion of Accountants with Higher Education, and Ease of Doing Business Index in EU Countries in 2020

Economy	Number of accountants	Labour Force	Accountants in total Labour Force, (x_1, %)	Accountants with higher education, (x_2, %)	Ease of Doing Business Index (y)
Austria	113400	4637815	2.45	32.8	78.7
Belgium	177100	5155729	3.44	39.5	75.0
Bulgaria	87300	3286415	2.66	30.8	72.0
Croatia	70200	1765171	3.98	18.7	73.6
Cyprus	15600	631523	2.47	39.8	73.4
Czech Republic	243000	5388485	4.51	14.6	76.3
Denmark	48500	3027786	1.60	15.5	85.3
Estonia	19700	706382	2.79	33.7	80.6
Finland	31600	2746237	1.15	51.3	80.2
France	744100	30255910	2.46	49.1	76.8
Germany	1547900	44078049	3.51	11.3	79.7
Greece	62100	4712041	1.32	26.6	68.4
Hungary	122200	4748466	2.57	22.1	73.4
Ireland	50000	2412829	2.07	57.8	79.6
Italy	681400	25093564	2.72	14.2	72.9
Latvia	17800	979421	1.82	33.9	80.3
Lithuania	26000	1479033	1.76	50.6	81.6
Luxembourg	5900	323663	1.82	11.1	69.6
Netherlands	330500	9490719	3.48	26.5	76.1
Poland	453100	18022671	2.51	19.9	76.4
Portugal	88400	5194476	1.70	6.6	76.5
Romania	135800	8957512	1.52	26.7	73.3
Slovak Republic	116100	2722079	4.27	23.3	75.6
Slovenia	32000	1030725	3.10	20.6	76.5
Spain	489400	22992127	2.13	62.9	77.9
Sweden	162500	5489900	2.96	27.1	82.0

Source: Compiled by the authors on the data from The World Bank (2021a); The World Bank (2021b); The World Bank (n.d.); Cedefop (n.d.a)

In 2020, Germany had the largest number of accountants among EU countries, with 1,547,900 accountants, which accounted for 3.51% of the employed population. However, it's noteworthy that in Germany, the proportion of accountants with higher education is one of the lowest among the indicators analysed, at 11.3 (only lower in Luxembourg at 11.1 and Portugal at 6.6). The Slovak Republic boasts the highest proportion of accountants in the labour force, while Spain has the highest percentage of accountants with higher education, at 62.9.

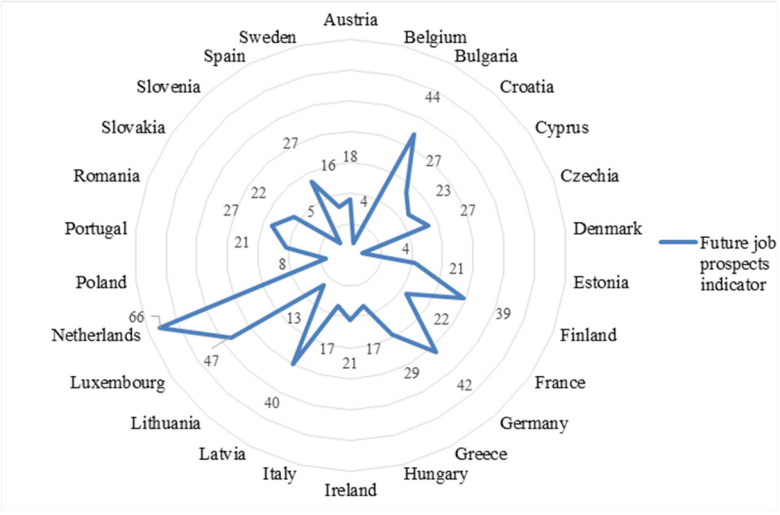
The results of the analysis of the impact of the number of accountants on the Ease of Doing Business Index are presented in Annex 1 (Table A1) and Graph 1.



Graph 1: Impact of the proportion of accountants in the EU countries' labour force on the Ease of Doing Business Index
Source: Compiled by the authors

There is no significant correlation between the economic climate (Ease of Doing Business Index) and the proportion of accountants in the total labour force. The R-square value is virtually zero (Table A1). The p-value for the x-variable exceeds 0.1; hence, we cannot reject the null hypothesis that there is no correlation between the dependent and independent variables.

The absence of an impact of the number of professional accountants on the development of the business climate can potentially affect employment prospects. It could result in a reduction of available positions and an escalation of unemployment rates among accounting specialists in EU nations (Graph 2).



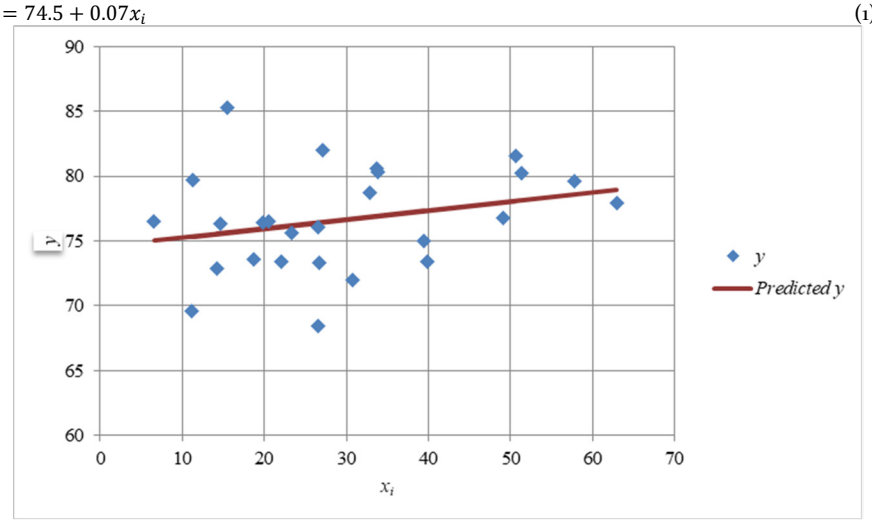
Graph 2: Future job prospects of accountants in the EU countries in 2020-2030
Source: Compiled by the authors on the data from Cedefop (n.d.a)

The Future Job Prospects Indicator (FJPI) for accountants (Graph 2) indicates that the profession's projected job vacancies are relatively low compared to the total employment.

High employment prospects for accountants are anticipated in just one EU country – the Netherlands, where the FJPI exceeds 60. A score ranging from 40 to 60 indicates moderate employment prospects, signifying that the number of vacancies is close to but slightly lower than the current employment levels. Luxembourg, Bulgaria, Germany, and Latvia are among the EU countries falling within this range. Conversely, the remaining EU countries have an FJPI score below 40, implying relatively limited employment prospects. The lowest FJPI values are recorded in Denmark, Belgium (4), Slovenia (5), and Poland (8). The average number of future employment opportunities across EU countries from 2020 to 2030 is a mere 15, indicating that there will be more future job vacancies than employed specialists.

Using the data presented in Table 2, we develop a model to assess how the share of accountants with higher education affects the Ease of Doing Business Index (see Annex A, Table A2 and Graph 3). The calculation formula is as follows:

$$y = 74.5 + 0.07x_i \quad (1)$$

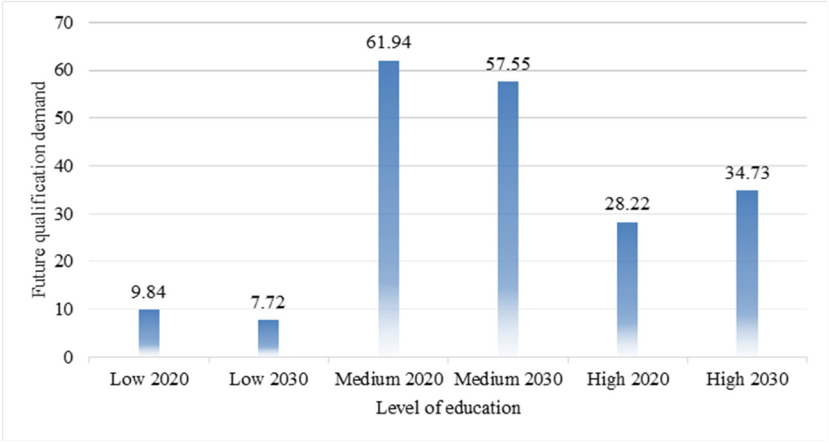


Graph 3: Impact of the proportion of accountants with higher education in the EU countries on the ease of doing business index
Source: Compiled by the authors

There is some evidence of a weak correlation between the quality of accounting professionals and the Ease of Doing Business Index. The regression results indicate that a higher number of accountants with a university degree is associated with a better economic climate. However, the correlation is weak, with a Multiple R of 0.267 and an R-square of 0.07 (Table A2).

The education level of accountants carries weight in moulding the EU's business climate, potentially impacting the prerequisites for future accountant job openings (Graph 4).

The Indicator of Future Qualification Demand enlightens us on the probable evolution of employed individuals' skill levels until 2030. Qualification levels are categorised as high (International Standard Classification of Education levels 5 and above), medium (levels 3 and 4), or low (level 2 and below). To offer a projection of future changes in the composition of professional employment across various sectors of the labour market, the occupational skills indicator quantifies the percentage change in the share of employment attributed to each skill level (Cedefop, n.d.b).



Graph 4: Current and future employment share of accountants by level of education in the EU countries in 2020-2030
Source: Compiled by the authors on the data from Cedefop (n.d.b)

The data presented in Graph 4 reveal that the demand for accountants with low and medium levels of education is expected to decline between 2020 and 2030. Conversely, the demand for accountants with a high level of education is projected to experience a substantial increase, rising from 28.22% to 34.73%. Between 2020 and 2030, the EU is projected to require 1,110,900 individuals with higher education in accounting, while the demand for experts with lower qualifications is estimated at 54,300 individuals (Cedefop, n.d.a).

5. Discussion

According to experts from the International Federation of Accountants (IFAC, 2003), available resources and the economic circumstances of a country can impact the connection between higher education, practical experience, and professional training. For example, an increase in job opportunities may require additional resources that some companies and proprietors find challenging to provide. In such cases, the balance between quantity and quality may shift towards the academic component. However, it's unrealistic to evaluate the effectiveness of accounting solely based on academic training. Notably, the data we've examined regarding the number of accountants and their level of education varies significantly among EU countries. For instance, only in the Czech Republic and the Slovak Republic is the proportion of accountants in the total employed population more than 4.0%. In contrast, in Finland, Ireland, Lithuania, Spain, and France, nearly 50.0% of professional accountants have a higher education background.

The absence of any significant correlation between the Ease of Doing Business Index and the proportion of accountants in the total labour force (with R-square almost at zero) suggests that the number of accountants in EU countries may gradually decrease. This trend is supported by Cedefop (n.d.a) data based on the Future Job Prospects Indicator, which assesses the projected number of vacancies in a particular profession relative to the total employment in that profession. Preliminary estimates suggest that the potential employment opportunities for accountants in European Union nations from 2020 until 2030 are a meagre 15 out of 100, with an average of 22.9 job prospects anticipated throughout this period. The indicator ranges from a minimum value of 4 for individual countries to a maximum of 66. However, it is noteworthy that the IFAC's (2015) study produced divergent outcomes, showing a robust relationship between economic growth and development, measured by GDP per capita, and the proportion of accountants in the workforce.

The correlation between the quality of accountants and the Ease of Doing Business Index reinforces the constructive effect of a greater percentage of highly educated accountants on the business environment. Although the Multiple R (0.267) and R-square (0.07) values are small, they demonstrate a significant correlation and are therefore crucial for evaluating the future of the accounting field. These results correspond with the projected number of available vacancies for professional accountants by 2030. The Indicator of Future Qualification Demand, categorized by education level, is highest for accountants with higher education.

Our study findings are consistent with those of Herbert et al. (2021), who also predicted a potential reduction in entry-level accounting jobs, particularly in large companies in high-income countries. Simultaneously, the demand for accounting education is increasing to prepare university graduates for the challenges of the global market. Robalo and Costa (2017) argue for the growing need for fully qualified accountants with integrated knowledge and skills relevant to the business environment. We concur with Salehi's (2022) research, which, based on a critical literature review, highlights the role of accounting in the decision-making process, identifies shortcomings, and emphasizes the importance of a deep understanding of the accounting profession's role. The results regarding the influence of education level on the Ease of Doing Business align with the broader consensus among scholars advocating for stronger requirements in accounting students' training, curriculum review, and an emphasis on active learning and practical training (van Mourik & Wilkin, 2019).

6. Conclusion

The accounting industry is highly responsive to market demands and the dynamic changes occurring in the global business landscape. The accounting profession is evolving rapidly to meet the needs and expectations of consumers of accounting services and to facilitate the establishment of an effective business climate at both micro and macro levels. The rising need for accounting services calls for the recruitment of more professionals and continuous training and professional development.

However, despite a substantial number of professional accountants being employed across the EU, their quantity and educational levels vary significantly among individual countries. Several nations, namely the Czech Republic, Slovak Republic, Slovenia, Croatia, Germany, Belgium, and the Netherlands, have a significant proportion of accountants in their workforce. On the other hand, Finland, France, Ireland, Lithuania, and Spain boast a high percentage of professional accountants with advanced education.

The lack of a significant correlation between the Ease of Doing Business Index in EU countries and the proportion of accountants in the total labour force can significantly impact the future employment prospects within the field of accounting. In most EU countries, job prospects appear relatively bleak, with expectations of low job vacancies by 2030 across nearly all EU member states, except for the Netherlands and a few countries with moderate future job prospects indicators (including Luxembourg, Bulgaria, Germany, and Latvia).

The evidence demonstrating a correlation between the quality of accountants and the Ease of Doing Business Index underscores the importance of having a higher proportion of accountants with advanced education, which contributes to a more favourable economic climate in EU countries. Such a correlation may influence the future educational requirements for accountants. The indicator forecasting future qualification demand indicates that by 2030, the demand for accountants with lower and intermediate education levels will decline, while those with a higher education level will see a significant increase, consequently affecting their employment prospects.

The significance of these findings extends beyond forecasting the number of accountants based on their impact on the business climate. They also provide insight into monitoring labour market trends and aligning the education levels of professional accountants with the demands of the job market. Prospective research includes investigating patterns and comparing the influence of the number of accountants and their educational levels in countries with varying levels of development.

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ANNEX A

Table A1:

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.075969							
R Square	0.005771							
Adjusted R Square	-0.03565							
Standard Error	4.033213							
Observations	26							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	2.266221	2.266221	0.139316	0.712239			
Residual	24	390.4034	16.26681					
Total	25	392.6696						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	77.46279	2.433409	31.83303	3.83E-21	72.44049	82.4851	72.44049	82.4851
X Variable 1	-0.33454	0.8963	-0.37325	0.712239	-2.18442	1.515328	-2.18442	1.515328

Table A2:

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.267804							
R Square	0.071719							
Adjusted R Square	0.033041							
Standard Error	3.897156							
Observations	26							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	28.16186	28.16186	1.854239	0.185938			
Residual	24	364.5078	15.18782					
Total	25	392.6696						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	74.53668	1.699617	43.85498	1.99E-24	71.02884	78/04451	71.02884	78.04451
X Variable 1	0.070074	0.05146	1.361705	0.185938	-0.03614	0.176282	-0.03614	0.176282