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Research Article

The Accounting Practices and the Sustainability of Merchandising Businesses in the Municipality of Bulan, Sorsogon, Philippines

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ABSTRACT

Long-term viability of local enterprises may be affected by financial management behaviors of its owners. It is in this premise that this study was conducted among merchandising businesses in Bulan, Sorsogon. This study examined the accounting and sustainability of these merchandising enterprises to determine and assess accounting practices, identify and assess sustainability, and establish the relationship between accounting practices and sustainability.

Correlational research design and mixed-method approach were utilized. Quantitative and qualitative data were gathered and analyzed to gain comprehensive understanding of the phenomenon. Descriptive statistics, path analysis, and structural equation modeling were used to evaluate the direction of relationships between variables. The findings revealed that among merchandising businesses in Bulan, Sorsogon the accounting practices were practiced in an inconsistent manner. The most consistently done among these businesses were inventory management and record keeping. Data shows that conducting business in a manner that leads toward sustainability was practiced "sometimes". Moreover, inventory management and record keeping had highest positive and significant effects on sustainability as shown by path analysis. SEM further verified this strong relationship. The study reveals that merchandising enterprises that are more systematic also exhibit higher resilience, financial stability and environmental responsibility.

This study proves that sustainability of merchandising businesses is influenced by accounting practices. Implementation of accounting practices, particularly inventory management and records keeping, provide strong foundation for sustainable business practices. However, due to insufficient attention to analytical and strategic accounting practices, the capacity of the business for growth and competitiveness is constrained. Capacity-building

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programs with focus on budgeting, financial analysis, and internal control may be conducted to strengthen merchandising enterprises' understanding of financial concepts and strategic decision-making. To improve accuracy, transparency, and efficiency in financial monitoring, organized and digitalized accounting systems particularly focusing on record keeping and inventory management may be implemented. Sustainability education campaigns and programs may be included in support programs and mentorship to businesses with emphasis on best accounting practices which in turn improves profitability as well as environmental and social sustainability.

Keywords: Accounting Practices, Sustainability, Merchandising Business, Path Analysis, Structural Equation Modeling

Introduction

The sustainability of businesses is dependent on several key factors such as effective accounting practices, effective management strategies, and effective management control and decision-making. These areas holistically affect the capacity and ability of the business to sustain its day to day operation. Accounting practices ensure financial management is systematic and transparent, management strategies determine how a business adapts to changes and competes in the marketplace, and business laws safeguard businesses by establishing clear guidelines for ethical and legal operations. When these factors align properly, they form a solid foundation for business sustainability. Despite their recognized importance, there is a noticeable gap in research that explores how these factors specifically contribute to the sustainability of businesses in Bulan, Sorsogon.

Accounting practices are central to the decision-making process of any business. According to Cengiz and Duman (2021), businesses with sound accounting practices maintain better control over their financial health, leading to informed decision-making and improved sustainability. These practices help businesses track vital financial metrics such as expenses, revenue, cash flow, and profitability. Similarly, Okafor and Okorie (2020) argue that robust accounting not only ensures financial transparency but also helps mitigate risks like fraud, which can threaten long-term viability. Therefore, sound accounting practices are essential

to maintaining business solvency and fostering sustainable growth.

Management strategies are equally vital for guiding businesses through dynamic and competitive environments. As noted by Anwar (2020), businesses with well-thought-out strategies are better positioned to navigate challenges and seize opportunities. Key strategic approaches such as market differentiation, cost leadership, and innovation contribute significantly to a business's sustainability (Vignesh & Kumar, 2019). For merchandising businesses, adapting to shifts in market demand, optimizing supply chains, and retaining customers are particularly crucial for sustaining operations in an increasingly competitive marketplace.

In small municipalities like Bulan, Sorsogon, the sustainability of local businesses is affected by some factors. Many businesses in this area, especially merchandising businesses, encounter problems such as limited access to capital, fluctuating market conditions, and complex regulatory frameworks. Absence sound management strategies and financial practices, these businesses may struggle to survive. Hence, understanding how accounting practices would enhance business sustainability. This study is consistent with Sustainable Development Goal (SDG) 8, which focuses on promoting sustained, inclusive, and sustainable economic growth, productive employment, and decent work for all.

At present time, there is scarcity of researches on how sustainability of merchandising businesses in Bulan, Sorsogon is affected by

the utilization of accounting practices. Hence, this research.

Objectives of the Study

This study is aimed towards realizing the following objectives, to wit:

- 1 To determine and assess the accounting practices of merchandising businesses in Bulan, Sorsogon;
- 2 To identify and assess the sustainability of merchandising businesses in Bulan, Sorsogon; and
- 3 To establish the relationship between the accounting practices and the sustainability of merchandising businesses in Bulan, Sorsogon;

Methodology

This study used a quantitative correlational research design. Surveys were conducted to determine the accounting practices and the sustainability of the merchandising businesses in the Municipality of Bulan, Sorsogon. The utilization of the accounting practices as well as the business extent of the business sustainability of the respondents were determined using likert

scale and were assessed using the weighted mean.

Path analysis and Structural Equation Modelling were utilized to establish the relationships between accounting practices and business sustainability of the respondents. The primary respondents of this study were composed of two hundred twenty-three (223) owners of merchandising businesses in Bulan, Sorsogon. Only businesses which are duly registered with the Local Government Unit and with the Department of Trade and Industry and were operating for at least two years were considered.

Results And Discussions

A. Accounting Practices of Merchandising Businesses in Bulan, Sorsogon

This study determined the accounting practices of the respondents and their adherence to the standard accounting practices. These practices involved record keeping, internal control, inventory management, financial reporting and analysis, and budgeting and forecasting.

Table 1 shows the extent to which the accounting practices are used by the merchandise business owners.

Table 1. Accounting Practices – Merchandising Business

Latent Variables	Mean Scores
1. Record Keeping	3.49
2. Internal Control	2.11
3. Inventory Management	3.89
4. Financial Reporting and Analysis	2.05
5. Budgeting and Forecasting	2.00
Average Mean Scores	2.71

Note: 4.50-5.00=Always; 3.50-4.49; Often; 2.50-3.49=Sometimes; 1.50-2.49=Rarely; 1.00-1.49=Never

As shown in the table, it revealed an overall mean score of 2.71 which is within the range described as "Sometimes", which means that merchandising businesses in Bulan only occasionally used the identified accounting practices. This indicates that the respondents used some of their accounting practices regularly but failed to adopt other relevant accounting practices. Hence, the data have shown that there is inconsistency in the utilization of the accounting practices. This result is consistent with the findings of Amoako (2013) which stated that there exists a varying levels of

financial management maturity among small and medium-sized merchandising enterprises in the locality.

Among the five elements of accounting practices, inventory management got the highest score of 3.89 (*Often*). This implies that the respondents pay more attention on monitoring and controlling their inventories, which are actually their source of higher revenues. Likewise, affective inventory management would help the respondents minimize potential losses arising from inventory write-down and impairment. This is connected with the

findings of the study conducted by Atrill and McLaney (2020) which provides that effective inventory management is basic to maintaining entity's liquidity and profitability. Also, Sople (2021) reveals that proper inventory control results to cost efficiency operational sustainability.

On one hand, internal control practices obtained a score of 2.11 which means that the same are rarely utilized. This contemplates a weak system of control within the business organizations. Lack of systematic internal control which includes the elements of segregation of duties such as control, authorization, recording and execution of business transactions is a serious threat to financial reliability and asset protection. The result of the study conducted by Ariffin, Ismail, and Ahmad (2022) revealed that "among micro and small enterprises, noting that internal control mechanisms are often overlooked due to limited staffing, lack of training, or perceived irrelevance in small operations". In the relation to the LGU of Bulan, such lapses may expose the business entity to fraud and unnecessary losses which are unfavorable to both their financial standing and long-term sustainability.

The same result was shown for financial reporting and analysis (mean = 2.05) and budgeting and forecasting (mean = 2.00), which indicates that they were least practiced accounting activities by the respondents. The findings contemplate that most of the respondents seldom use financial analyses and forecasting. This implies that the respondents are not very much engaged in decision-making based on the historical accounting information. This can be

linked to the findings of Amoako (2013) which revealed that "in developing economies, small business owners often treat financial reporting as a compliance obligation rather than a strategic necessity". In the same context, Kieu (2020) highlighted that insufficient accounting literacy among business owners obstructs their ability to understand and interpret financial data, thereby restricting business growth and adaptability. The absence of budgeting and forecasting practices also indicates that many for-profit entities in Bulan, Sorsogon utilize a short-term management orientation. Absence of this organized planning system, the respondents are less prepared for cash flow variations or market fluctuations, a problem Zimmerman (2019) warns can expose businesses to liquidity issues and loss of opportunities to expand their business territories. By and large, the results simply show that accounting practices among merchandising businesses in Bulan, Sorsogon are seldom implemented by the business owners. While the data revealed awareness of the respondents of basic recordkeeping and inventory management, their limited attention in internal control, financial analysis, and budgeting exposes them to business risks.

B. Sustainability of Merchandising Businesses in Bulan, Sorsogon

Table 2 presents the extent of the sustainability of the merchandising businesses in Bulan, Sorsogon. The study examined the five elements of sustainability namely financial sustainability, operational resilience, social sustainability, environmental sustainability, and long-term sustainability perception.

Table 2. Sustainability – Merchandising Business

Latent Variables	Mean Scores
1. Financial Sustainability	2.58
2. Operational Resilience	3.21
3. Social Sustainability	2.17
4. Environmental Sustainability	3.10
5. Long-term Sustainability Perception	2.85
Average Mean Scores	2.78

Note: 4.50-5.00=Strongly Agree; 3.50-4.49; Agree; 2.50-3.49=Neutral; 1.50-2.49=Disagree; 1.00-1.49=Strongly Disagree

The sustainability level of the respondents obtained an overall score of 2.78. This indicates

that merchandising businesses in Bulan, Sorsogon are neutral with their perception as to the

extent of their business sustainability. This finding reveals that while sustainability is considered vital, it is not yet fully embedded into the system of most of the respondents. Some areas, especially those involving operational and environmental efforts, appear more integrated in day-to-day activities, while financial, social, and long-term sustainability considerations remain inconsistent with respect to their adoption.

Many of the respondents have shown a creditable flexibility, as indicated in their relatively higher rating score for "operational resilience". This alludes that the respondents are capable of adapting to a varying market conditions, adjusting inventory, and managing supply issues. This is consistent with the findings of Korber and McNaughton (2018), who emphasized that "resilience enables small firms to navigate uncertainty by relying on informal networks, experience, and community-based knowledge rather than formal systems or technological sophistication".

Despite this resilience, the respondents got a relatively low scores in financial sustainability and long-term perception which mean that most of them remain focused on short-term survival rather than long term financial growth. The respondents appeared to have inconsistently considered financial sustainability ($M=2.58$). This finding reflects the sentiments of Rahman et al. (2021), who noted that "many SMEs in rural economies face barriers such as limited access to credit and low financial literacy". Similarly, social sustainability ($M=2.17$), is another point of concern. This advises that fair labor treatment, employee development, and community engagement are rarely observed.

C.1 Path Analysis

Table 3 — Path Analysis (observed predictors → Sustainability composite)

Predictor (Accounting Practice)	Standardized β	SE	p-value	95% CI (β)
Inventory Management	0.38	0.07	< .001	[0.24, 0.52]
Record Keeping	0.25	0.08	.002	[0.10, 0.40]
Internal Control	0.05	0.06	.40	[-0.07, 0.17]
Financial Reporting & Analysis	0.03	0.07	.65	[-0.10, 0.16]
Budgeting & Forecasting	-0.04	0.06	.50	[-0.16, 0.08]
Model R² (Sustainability)	0.52	—	—	—

On the other hand, the mean score for environmental sustainability of 3.10 manifests that business operations of the respondents are eco-friendly. These may include basic waste management, energy-saving habits, or minimizing packaging waste. The results also show that while respondents are aware of environmental concerns, their activities tend to be reactive. This observation upheld Bansal and Song's (2017) claim that "small businesses frequently adopt environmental measures for pragmatic rather than ideological reasons".

Finally, these findings reveal that merchandising businesses in Bulan, Sorsogon have shown adaptability but lack strategic and long-term sustainability. While their resilience allows them to endure operational challenges, the extent of their sustainability endure uneven and generally reactive. This shows that sustainability remains a promising concept rather than a primary business idea, constrained by financial condition and performance, lack of awareness, and management support.

C. The Relationship Between the Accounting Practices and the Sustainability of Merchandising Businesses in Bulan, Sorsogon, Philippines

As shown in Table 3, the model generated an R^2 of 0.52, representing that approximately 52% of the variance in sustainability level among the respondents can be explained by the effect of accounting practices utilization. This indicates a temperately strong explicatory power. This further suggests that accounting practices utilization affect the sustainability of the business operation of the respondents.

Using Path analysis, it was disclosed that Inventory Management and Record Keeping are the substantial contributors to the sustainability level of the respondents. Inventory Management has the largest standardized effect ($\beta = 0.38$, $p < .001$), followed by Record Keeping ($\beta = 0.25$, $p = .002$). The identified predictors explain a large portion of variance in the sustainability level ($R^2 = 0.52$), suggesting that enhancement in the utilization of accounting practices with focus on inventory control and basic records are connected with better sustainability result.

From among the sustainability contributors, Inventory Management ($\beta = 0.38$, $p < .001$) was found to have the most significant factor of sustainability level of the merchandising businesses. This implies the important function of effective inventory control in maintaining operational efficiency, minimizing losses, and ensuring product availability

factors that directly affect both financial and operational sustainability. The finding is consistent with the study of Nyabwanga et al. (2013) who stated that "proper inventory management enhances liquidity and profitability, enabling small enterprises to operate more sustainably".

Likewise, Record Keeping ($\beta = 0.25$, $p = .002$) was found to have a significant positive effect on the sustainability level of the respondents. Proper record keeping enables the respondents to track performance, plan future actions, and demonstrate transparency, all of which contribute to long-term business viability as emphasized by Rahman et al., (2021).

C.2 Structural Equation Modeling

Table 4 presents the result of Structural Equation Modeling (SEM). This was conducted to further validate the relationships between identified variables in the path analysis,

Table 4 — Structural Equation Modeling Results

Latent Construct / Path	Indicator or Path	Standardized Loading / Estimate (β)	SE	p-value	Remarks
Accounting Practices (AP)	Inventory Management	0.84	0.03	< .001	Strong indicator
	Record Keeping	0.76	0.04	< .001	Strong indicator
	Internal Control	0.61	0.05	< .001	Moderate indicator
	Financial Reporting & Analysis	0.58	0.05	< .001	Moderate indicator
	Budgeting & Forecasting	0.55	0.06	< .001	Moderate indicator
Sustainability (SUS)	Operational Resilience	0.82	0.03	< .001	Strong indicator
	Environmental Sustainability	0.79	0.03	< .001	Strong indicator
	Long-term Sustainability Perception	0.70	0.04	< .001	Moderate indicator
	Financial Sustainability	0.65	0.04	< .001	Moderate indicator
Structural Path	Social Sustainability	0.48	0.06	< .001	Weak indicator
	Accounting Practices → Sustainability	0.67	0.08	< .001	Significant, positive relationship
	Latent R ² (Sustainability)	—	0.45	—	45% variance explained

Fit Index	Value	Acceptable Threshold	Interpretation
χ^2 (df)	120 (80)	Smaller / non-significant preferred	Acceptable
CFI	0.96	≥ 0.95	Excellent fit
TLI	0.95	≥ 0.95	Excellent fit
RMSEA (90% CI)	0.038 (0.020–0.053)	≤ 0.06	Excellent fit
SRMR	0.035	≤ 0.08	Excellent fit

The SEM was likewise used in this analysis for it was deemed to be appropriate for this study for it combines measurement and structural components, allowing "Accounting Practices" and "Sustainability" to be assessed based on their multiple indicators (Byrne, 2016). Using this analysis, when accounting practices and sustainability level were modeled as latent variables, the results revealed a strong and significant positive relationship between them ($\beta = 0.67, p < .001$). This means that respondents with effective accounting practices would lead to better sustainability. The model explained 45% of the variance in sustainability ($R^2 = 0.45$), showing that nearly half of the differences in sustainability performance among merchandising businesses can be attributed to how well they manage their accounting processes. Similar to Path Analysis, Inventory Management and Record Keeping showed the strongest contributions in maintaining and ensuring financial and operational sustainability of the respondents.

The overall model exhibited an excellent fit to the data (Comparative Fit Index (CFI) = .96, Tucker-Lewis Index (TLI) = .95, Root Mean Square Error of Approximation (RMSEA) = .038, Standardized Root Mean Square Residual (SRMR) = .035), confirming that the hypothesized relationships were consistent and robust.

These results are consistent with the findings of Elkington's (1997) Triple Bottom Line theory, which revealed that "sound financial management underpins environmental and social well-being". This also supports with the result of the study conducted by Latan et al. (2018), who found that "effective accounting information systems enhance sustainable business decisions in emerging economies". Hence, both the path analysis and SEM confirm that the sustainability of merchandising businesses in Bulan is greatly determined by the extent to which accounting practices are utilized and consistently applied by the respondents.

Conclusions and Recommendations

It was concluded that accounting practices significantly affect business sustainability. Among the accounting practices determinants, inventory management and record keeping

revealed to be as the most influential contributors of sustainability level.

Based on the findings, the researcher humble recommends the following:

- 1 Local government units, academic institutions, and business offices should conduct regular capacity building programs focused on budgeting, financial analysis, and internal control.
- 2 Merchandising businesses should be encouraged to adopt organized inventory management and record keeping systems.
- 3 Future related researches may be conducted to enhance the validity of this research.

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