

## RESEARCH ARTICLE

# EXPLORING THE IMPLEMENTATION AND OBSTACLES OF SUSTAINABILITY ACCOUNTING PRACTICES IN VIETNAMESE SMEs

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**ABSTRACT** - Sustainability accounting has gained global prominence as more businesses are recognising the need to integrate environmental, social, and economic considerations into their decision-making processes. In the context of Vietnam where small and medium-sized enterprises (SMEs) form the backbone of the economy, understanding how these enterprises adopt and grapple with sustainability accounting practices is crucial for advancing sustainable development goals. This study examines the implementation of sustainability accounting practices in Vietnamese SMEs. The Archival method was employed involving a literature review and case studies, shedding light on the current state, drivers, barriers, and potential solutions of sustainability accounting among Vietnamese SMEs. The results contribute to keywords related to sustainability accounting practices in research, motivate SMEs to adopt and implement environmental, social, and governance (ESG) factors, and call for regulatory and policy measures by relevant stakeholders.

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## 1. INTRODUCTION

Sustainability accounting encompasses the integration of environmental, social, and economic considerations into business decision-making and financial reporting. It goes beyond traditional accounting practices, which primarily focus on financial performance, to incorporate non-financial metrics that reflect a company's impact on society and the environment (Adams, 2015; Kaur & Lodhia, 2019). The adoption of sustainability accounting reflects a growing recognition among businesses on the need to balance profit-making objectives with broader social and environmental responsibilities (Kaur & Lodhia, 2019; Pelsa et al., 2020).

Many scholars have advocated the significant contributions of sustainability accounting towards the small and medium-sized enterprises (SMEs) in Vietnam. The Vietnamese economy is mainly formed by SMEs of various businesses that contribute substantially to employment, innovation, and economic growth (Nguyen et al., 2024; Nguyen, 2018). The significance of sustainability accounting for SMEs in Vietnam lies in its potential to drive sustainable development and enhance its competitiveness. Despite their size, SMEs collectively contribute considerably to society and the environment through their operations, supply chains, and interactions with stakeholders (Centobelli et al., 2021; Kaur & Lodhia, 2019). By adopting sustainability accounting practices (SAPs), SMEs can better understand and manage their environmental and social impacts, identify areas for improvement, and capitalise on emerging opportunities related to sustainability (Olazo, 2023). Moreover, integrating sustainability considerations into financial reporting can enhance transparency, accountability, and stakeholder trust, thereby bolstering the reputation and credibility of SMEs (Centobelli et al., 2021; Pelsa et al., 2020). Sustainability accounting also provides SMEs with a framework to navigate complexities, mitigate risks, and seize opportunities for innovation and growth (Pelsa et al., 2020). By embracing sustainability accounting, SMEs in Vietnam can position themselves as responsible corporate citizens, contributing to the achievement of national development goals, environmental sustainability, and social equity (Costa et al., 2022; Olazo, 2023).

From a macroeconomic perspective, the growth and vitality of the SME sector are closely linked to the overall economic performance and resilience. A thriving SME sector can stimulate domestic demand, foster competition, and enhance economic dynamism, thereby contributing to sustained GDP growth and macroeconomic stability (Huu et al., 2024). The SME sector in Vietnam represents a vibrant and dynamic segment of the economy that plays a pivotal role in driving economic growth, job creation, and innovation. SMEs form the backbone of Vietnam's business landscape and comprise a diverse range of enterprises across various industries, including manufacturing, services, agriculture, and retail (Nguyen et al., 2024; Nguyen, 2018). They also account for a significant portion of the country's total businesses, with estimates suggesting that SMEs contribute up to 97% of all enterprises and over 40% of the Gross Domestic Product (GDP). Moreover, SMEs are major contributors to employment, absorbing a significant portion of the labour force and providing livelihoods for millions of people across urban and rural areas (Nguyen, 2018). This highlights the pervasive presence and substantial influence of SMEs in the Vietnamese economy.

The importance of the SME sector in Vietnam extends beyond its sheer number. SMEs serve as engines of innovation and entrepreneurship that can drive productivity enhancements, technological advancements, and market diversification

(Adams, 2015). These enterprises often exhibit flexibility, adaptability, and agility, enabling them to respond swiftly to changing market conditions and emerging opportunities (Centobelli et al., 2021; Nguyen et al., 2024). Furthermore, SMEs play a crucial role in promoting regional development and reducing income disparities by fostering economic activities in rural and remote areas (Nguyen et al., 2024; Manzoor et al., 2019). Many SMEs in Vietnam are located outside major urban centres and contribute to local economic development, infrastructure improvement, and community empowerment. In recent years, the Vietnamese government has implemented various policies and initiatives to support the development of SMEs, including financial assistance programs, regulatory reforms, and capacity-building efforts. These measures aim to enhance the competitiveness and sustainability of SMEs, enabling them to thrive in an increasingly globalised and competitive business environment (Nguyen et al., 2024).

Overall, the adoption and implementation of SAPs for Vietnamese SMEs signifies a transformative shift towards more holistic and responsible business practices. Therefore, the purpose of this study is to explore the implementation of sustainability accounting in Vietnamese SMEs, shedding light on its implications for sustainable development in the country. The primary objectives are (1) to review the core conceptual framework of sustainability accounting; (2) to determine the current state of SAPs among Vietnamese SMEs, the drivers of its implementation, as well as successful example cases; and (3) to highlight prominent obstacles towards its implementation and recommend suggestions to raise SAPs among SMEs in Vietnam. The paper begins by reviewing the conceptual framework of sustainability accounting as well as the current status, drivers, and example cases of sustainability accounting implementation in Vietnamese SMEs. It is followed by exploring the obstacles for SAPs in Vietnamese SMEs alongside the solutions and strategies to overcome such obstacles. Finally, the paper ends with a conclusion of the overall investigation.

## 2. CONCEPTUAL FRAMEWORK OF SUSTAINABILITY ACCOUNTING

### 2.1. *Definition and Components of Sustainability Accounting*

Sustainability accounting, also known as triple-bottom-line accounting or environmental, social, and governance (ESG) accounting, is a framework that expands traditional financial reporting to incorporate the environmental, social, and economic dimensions of organisational performance. It focuses on providing a thorough review of an enterprise's impacts and contributions to sustainability, beyond purely financial metrics (Ascani et al., 2021; Burritt & Schaltegger, 2010).

### 2.2. *Components of Sustainability Accounting*

**Environmental Dimension:** The environmental dimension of sustainability accounting focuses on assessing and reporting a company's environmental impacts, risks, and performance (Munoz et al., 2017). These include activities related to resource use, energy consumption, greenhouse gas emissions, waste generation, pollution, and biodiversity conservation (Pelsa et al., 2020). Among the key environmental indicators commonly included in sustainability reports are carbon footprint, water usage, energy efficiency, and ecological footprint (Pereira et al., 2021).

**Social Dimension:** The social dimension addresses the social impacts and responsibilities of organisations towards their stakeholders, including employees, customers, communities, and society at large (Slager et al., 2012). Social indicators commonly covered in sustainability accounting encompass labour practices, human rights, inclusion and diversity, safety and health, community engagement, and philanthropy (Munoz et al., 2017). Enterprises may report aspects, such as employee turnover rates, workplace diversity statistics, community investment initiatives, and stakeholder engagement activities (Glaveli, 2020; Kaur & Lodhia, 2019).

**Economic Dimension:** The economic dimension of sustainability accounting examines the economic performance and contributions of organisations within the broader context of sustainable development (Schaltegger et al., 2017; Zaccone et al., 2022). This includes financial indicators, such as revenue, profit, return on investment, shareholder value, non-financial aspects related to economic development, value creation, and long-term viability. Sustainability accounting seeks to integrate economic considerations with environmental and social factors to assess the overall sustainability performance of organisations (Munoz et al., 2017; Pereira et al., 2021).

### 2.3 *Key Principles of Sustainability Accounting*

**Transparency and Disclosure:** Sustainability accounting emphasises the transparency and disclosure of relevant information to stakeholders, including investors, customers, employees, regulators, and the public (Garde Sanchez et al., 2020; Hogan & Reid, 2022). This enables stakeholders to make informed decisions, assess risks, and hold organisations accountable for their sustainability performance (Glaveli, 2020; Hogan & Reid, 2022).

**Materiality and Stakeholder Engagement:** Sustainability accounting recognises the importance of identifying material sustainability problems that are relevant to the organisation's long-term success and stakeholders (Hogan & Reid, 2022; Suarez & Vargas, 2021). It involves engaging with stakeholders to understand their interests, concerns, and expectations while prioritising the disclosure of information that is vital for decision-making (Pelsa et al., 2020).

**Integration and Alignment:** Sustainability accounting seeks to integrate environmental, social, and economic considerations into organisational decision-making processes, strategies, and performance measurement systems. It aims to align sustainability objectives with business objectives to create shared values for stakeholders and society.

## 2.4 Importance of Sustainability Accounting for SMEs

Sustainability accounting holds significant importance for SMEs in Vietnam and globally. Although SMEs may perceive sustainability accounting as an additional burden or cost, its adoption offers several compelling benefits that contribute to their long-term success and resilience.

**Enhanced Competitiveness and Market Differentiation:** Embracing sustainability accounting enables SMEs to differentiate themselves in the marketplace by demonstrating their commitment to environmental stewardship, social responsibility, and ethical business practices (Ahmad et al., 2024; Olazo, 2023). This contributes to their brand reputation, raises the social and environmental consciousness of customers, and creates more opportunities for growth and market expansion (Mathur & Khanna, 2017; Olazo, 2023).

**Risk Management and Resilience:** Sustainability accounting helps SMEs to identify and reduce risks related to ESG factors, such as regulatory compliance, supply chain disruptions, reputation damage, and climate change impacts (Ghardallou & Alessa, 2022; Wang & Huang, 2022). By proactively managing these risks, SMEs can enhance their resilience to external shocks and uncertainties and safeguard their long-term viability (Das et al., 2020; Habib, 2022).

**Cost Savings and Efficiency Improvements:** Adopting sustainable practices through sustainability accounting can help SMEs save money and improve their operational efficiency (De et al., 2020; Mathur & Khanna, 2017). Implementing energy-efficient technologies, reducing waste creation, and optimising resource utilisation can minimise utility bills and raw material costs and enhance overall productivity, contributing to bottom-line benefits (Habib, 2022).

**Access to Capital and Investment Opportunities:** Financial institutions and investors are increasingly considering ESG factors when evaluating investment opportunities and creditworthiness. By integrating sustainability accounting into their reporting practices, SMEs can enhance their attractiveness to investors, access new sources of capital, and secure favourable terms for financing, thereby fuelling their growth and expansion aspirations (Habib, 2022; Navarro López, 2021).

**Compliance and Regulatory Requirements:** As sustainability-related regulations and reporting standards evolve globally, SMEs face increasing pressure to comply with ESG disclosure requirements (Hu & Kee, 2022; Navarro López, 2021). Sustainability accounting helps SMEs stay ahead of regulatory changes, ensure compliance with relevant laws and regulations, and avoid potential penalties or legal liabilities associated with noncompliance (Ascani et al., 2021; Kaur & Lodhia, 2019).

**Stakeholder Engagement and Relationship Building:** The participation of stakeholders, such as customers, suppliers, employees, communities, and regulators, is critical for SMEs to build trust, foster relationships, and maintain their social licenses to operate (Hogan & Reid, 2022; Suarez & Vargas, 2021). Sustainability accounting provides a platform for SMEs to communicate transparently with stakeholders about their sustainability performance, address concerns, solicit feedback, strengthen stakeholder relations, and foster mutual understanding (Bakos et al., 2020; Hogan & Reid, 2022).

## 3. RESEARCH METHOD

This study used the Archival method, which is a systematic approach to collect and process available data and documents to provide an understanding of events, phenomena, and behaviours in society (Ventresca & Mohr, 2017). First, the authors identified keywords that were relevant to the topic and proceeded to collect research papers from reputable sources, such as Google Scholar, IEEE Digital Library, ScienceDirect, Emerald Publishing, and Elsevier. The papers were then categorised according to several topics, namely challenges, opportunities, and strategies/solutions. Finally, the generalisation method was applied to synthesise and systematise the knowledge related to the research topic and the results are presented in the subsequent section.

## 4. IMPLEMENTATION OF SUSTAINABILITY ACCOUNTING IN VIETNAMESE SMES

### 4.1 The Current State of SAPs in Vietnamese SMEs

In recent years, there has been a growing recognition among Vietnamese SMEs regarding the importance of sustainability accounting in driving long-term success and resilience (Nguyen, 2018). While SAPs are still in the nascent stage among SMEs in Vietnam, there are notable signs of progress and increasing awareness of the benefits associated with integrating economic, social, and environmental considerations into operations and reporting (Nguyen et al., 2021). More Vietnamese SMEs have recognised the relevance of sustainability accounting in response to evolving stakeholder expectations, regulatory requirements, and market trends. This leads to a growing awareness among SMEs in Vietnam on the need to assess and manage environmental and social impacts, improve transparency, and enhance corporate governance practices to remain competitive and attract investment (Yang & Han, 2024).

Scholars believe that SAPs allow Vietnamese SMEs to take advantage of driving factors to achieve sustainable business goals and create competitive advantages in the global integration environment (Giunipero et al., 2012; Saudelli & Niemczyk, 2022). First, the growing consumer and investor demand for sustainable products and responsible business practices encourage SMEs to adopt sustainability accounting to meet market expectations and differentiate themselves from competitors (Datar et al., 2024; Ekaterina, 2022; Ceglia et al., 2022). Second, the Vietnamese government has

introduced various regulations and incentives aimed at promoting sustainable business practices that encourage SMEs to incorporate sustainability considerations into their operations and reporting (Datar & Rajan, 2018; Ceglia et al., 2022; Slager et al., 2012). Third, financial institutions and investors consider ESG factors in their investment decisions. Subsequently, many SMEs recognise the importance of sustainability accounting in accessing capital and securing favourable terms for financing (Datar et al., 2024; Ekaterina, 2022; Ozili, 2022).

Despite the growing awareness and positive momentum, Vietnamese SMEs face several obstacles and barriers to adopting SAPs (Ahmad et al., 2024; Ozili, 2022). The primary concern is the lack of awareness and resources regarding SAPs. Many SMEs lack awareness of sustainability concepts and may perceive sustainability accounting as complex and resource-intensive. Limited financial and human resources as well as a shortage of expertise and technical know-how also pose significant barriers to SAPs implementation (De et al., 2020; Olazo, 2023). Furthermore, SMEs often struggle to collect, analyse, and report reliable data on environmental and social performance owing to limited monitoring and reporting systems as well as inadequate data management capabilities (Chen & Liu, 2018; Ozili, 2022). SMEs also lack the internal capacity and organisational readiness to implement SAPs effectively, with building internal capacity, training employees, and embedding sustainability into organisational culture are some of the ongoing obstacles (Ahmad et al., 2024; Centobelli et al., 2021). Finally, SMEs face obstacles in complying with sustainability reporting requirements due to the complexity of regulations, lack of standardised reporting frameworks, and limited guidance from regulatory authorities (Costa et al., 2022; Slager et al., 2012). Following these obstacles, some SMEs have taken advantage of opportunity factors to succeed.

#### **4.2. Case Studies of Successful SAPs Implementation**

##### **Thien An Garment Corporation**

Thien An Garment Corporation is a medium-sized textile manufacturer located in Ho Chi Minh City, Vietnam. It successfully implemented SAPs by adopting a comprehensive sustainability strategy focused on reducing water and energy consumption, minimising waste generation, and improving labour practices. The implementation of sustainability accounting helped the enterprise to identify opportunities for resource efficiency improvements and cost savings and enhance environmental and social performance while maintaining operational efficiency. This was achieved by investing in energy-efficient equipment, optimising production processes, and implementing wastewater treatment systems that significantly reduced the enterprise's water and energy usage, resulting in lower operational costs and environmental impacts. Moreover, Thien An Garment Corporation implemented several social sustainability measures, such as providing training and capacity-building programs for workers, promoting safe workplaces and health, and engaging with local communities. These efforts improved employee morale and retention and enhanced the enterprise's reputation and brand image in the market. As a result of its successful implementation, Thien An Garment Corporation experienced improved financial performance, increased market competitiveness, and strengthened stakeholder relations, demonstrating the tangible benefits of integrating sustainability into business operations.

##### **Vietnam Organic Farm Co. Ltd.**

Vietnam Organic Farm Co. Ltd. is a family-owned organic farming enterprise located in the Mekong Delta region. It specialises in producing organic fruits and vegetables using sustainable farming methods and practices that prioritise environmental protection and community wellbeing. The enterprise has become a pioneer for the successful implementation of SAPs in the agricultural sector. It employed sustainability accounting practices by systematically monitoring and reporting environmental, social, and economic performance indicators, such as water usage, soil reservation, biodiversity preservation, fair labour practices, and financial performance. Moreover, the enterprise successfully reduced its reliance on chemical inputs and enhanced biodiversity on its farms by embracing organic farming methods, resulting in increased soil fertility, crop yields, and product quality.

Furthermore, Vietnam Organic Farm Co. Ltd. played an active role in collaborating with local communities, creating job opportunities for local residents, supporting educational and healthcare solutions, and promoting sustainable development in the region. By incorporating social responsibility into its business model, the enterprise has cultivated strong relationships with its stakeholders, earned customers' trust, and improved its brand reputation. The implementation of SAPs has enabled the enterprise to gain a competitive advantage in the market, command premium prices for its organic products, and access niche markets both domestically and internationally. By aligning its business objectives with sustainability principles, the enterprise has achieved positive environmental and social impacts alongside financial success. These case studies present how enterprises of various industries in Vietnam have effectively adopted SAPs to generate positive environmental, social, and economic outcomes. By prioritising sustainability and incorporating it into their business plans, these enterprises have enhanced their financial performance and competitiveness, making substantial contributions to sustainable development and the well-being of local communities in Vietnam.

## **5. OBSTACLES AND OPPORTUNITIES FOR ADOPTING SAPS IN VIETNAMESE SMES**

### **5.1. Limitations in Awareness of Sustainability Knowledge**

One main challenge in the implementation of SAPs for Vietnamese SMEs is the comprehension and appreciation of sustainability principles. SMEs' awareness regarding the benefits of sustainability in accounting remains limited alongside

their ability to access sustainability principles and applications in accounting. Several reasons for this limitation are summarised in Table 1. It is evident that various elements have an impact on SME managers' awareness and implementation of SAPs in Vietnam. For this to be addressed, it is essential for stakeholders, such as the government, professional associations, educational institutions, and organisations supporting the implementation of SAPs, to collaborate and offer support. Furthermore, the active participation of SME managers in seminars, training programs, and sustainable accounting knowledge-sharing platforms is crucial for fostering a culture of sustainability in these enterprises (Ahmad et al., 2024; Costa et al., 2022; Wang & Huang, 2022; Yang & Han, 2024). Ultimately SMEs will have a better understanding of the importance, application, and resources they need to prepare and are more willing to participate in implementing SAPs.

Table 1. Reasons for the lack of knowledge in sustainability

Items	Note
Education	SME owners and managers have limited access to educational resources and training programs that provide valuable knowledge and guidance on sustainability concepts and practices.
Complexity	SME owners and managers consider sustainability as a complex and technical process that necessitates specialised consultants and resources to implement successfully.
Short-term Profitability	SME owners and managers focus more on short-term profitability than long-term sustainability considerations. The focus on short-term financial goals results in a lack of investment in sustainability activities and integrating sustainability into their business strategies.
Language and Culture	SME owners and managers have limited access to translated materials or culturally relevant training programs, which may exacerbate the obstacles of raising awareness and promoting the adoption of SAPs.
Success Models and Stories	The absence of information about successful models or examples of implementing SAPs can result in a lack of motivation and confidence for SME managers to adopt and pursue sustainability accounting.
Government Support and Guidance	The absence of initiatives and clear guidance on implementing SAPs and insufficient supportive policies from the government contribute to SME managers' limited awareness towards the significance of sustainability accounting.

(Source: Generated by the authors)

### 5.2. Resources and Capacity Constraints

SMEs often have limited budgets and resources. As a result, resource allocation has become the primary barrier preventing the widespread adoption and effective implementation of SAPs in Vietnamese SMEs (Ghardallou & Alessa, 2022; Hu & Kee, 2022; Suarez & Vargas, 2021; Yang & Han, 2024). Table 2 reveals the inadequate resources and capacities of Vietnamese SMEs to adopt and implement SAPs. Thus, efforts by government agencies, industrial organisations, financial institutions, and development partners are essential for SMEs to successfully and effectively adopt SAPs. Offering financial support, providing targeted training and capacity-building programs, and facilitating access to affordable technological solutions are strategies that can help SMEs overcome these challenges and realise the benefits of sustainability accounting (Costa et al., 2022; Hu & Kee, 2022; Yang & Han, 2024). In addition, SMEs can take significant steps towards incorporating sustainable practices into their business operations, ultimately resulting in positive long-term environmental and social impacts (Hu & Kee, 2022; Pelsa et al., 2020; Suarez & Vargas, 2021).

Table 2. Limited items in SAPs adoption by SMEs

Items	Note
Finance	Implementing SAPs requires allocating operation capital, which can result in SMEs having to sacrifice their limited financial resources towards essential activities like production, marketing, and expansion.
Technical Expertise	Hiring experts in sustainability reporting, data analysis, and environmental management systems can be expensive and may exceed the budget of many SMEs. Consequently, SMEs often depend on their current employees who have limited knowledge in sustainability areas.
Technology	Many SMEs face difficulties in acquiring cost-effective technology that is suitable for data collection, analysis, and reporting. Additionally, the cost of maintaining technology systems for implementing SAPs is a major obstacle for many SMEs.
Human Resource	Employees must take on many roles and responsibilities in SMEs. This situation can impede the ability to allocate adequate human resources to sustainability accounting initiatives. The absence of dedicated and loyal personnel who are committed to SAPs also poses a significant barrier to successfully implement and manage sustainable development projects.
Competing Priorities	Balancing the needs of running a business with investing resources in sustainable initiatives is a considerable obstacle for SMEs, especially those operating in highly competitive or constrained financial environments. As a result, sustainability implementation is not a top priority for SME managers.

(Source: Generated by the authors)

**5.3. Difficulty in Reporting Non-financial Indicators**

Another significant challenge in implementing SAPs among SMEs in Vietnam is the difficulty of measuring and reporting non-financial indicators. While financial indicators found in financial statements are based on historical data and can be easily identified and quantified, non-financial indicators that measure performance in SAPs, such as qualitative social and environmental performance, can be extremely challenging for SMEs (Costa et al., 2022; Das et al., 2020; Pelsa et al., 2020; Pereira et al., 2021). Table 3 addresses the difficulty of preparing and reporting non-financial indicators related to sustainability reports. To boost SAPs, SAP reports are specific; they require a combination of targeted support, capacity-building efforts, and collaboration among stakeholders (Ascani et al., 2021; Hu & Kee, 2022; Kaur & Lodhia, 2019). Furthermore, the availability of more training and guidance on sustainability reporting frameworks, data collection methodologies, and performance measurement techniques can enhance SMEs’ ability to accurately and effectively prepare sustainability reports (Ahmad et al., 2024; Costa et al., 2022; Hu & Kee, 2022). Table 3 shows the factors associated with the complexity of measuring and reporting non-financial indicators.

Table 3. Complexity in identifying non-financial indicators

Items	Note
Qualitative Nature	Non-financial indicators, such as environmental impact indicators, staff satisfaction, and community service participation, often involve subjective and qualitative assessments. These indicators lack consistent definitions and measurement methods. Thus, comparing performance across different organisations becomes difficult.
Data Availability and Reliability	Unlike financial data, non-financial data primarily relies on external sources like stakeholder surveys or third-party assessments, which can be expensive or time-consuming to obtain. Additionally, the quality and reliability of non-financial data may vary depending on the collection method and potential biases.
Complexity in Measurements	Non-financial metrics are typically complex and influenced by various factors, resulting in tailored suggestions or solutions that are often impractical.
Lack of Regulation Standards	The absence of established standards for the systematic development and presentation of non-financial indicators is a challenge for SMEs in identifying indicators that are relevant to the size and characteristics of their business. This further complicates the process of implementing sustainability performance indicators.
Difficulty in Communication	SMEs must transform measurement results into “stories” to effectively communicate the outcomes of SAPs implementation to investors, customers, employees, and state agencies. This is because these stakeholders are from various groups and possess distinct levels of comprehension and concern for sustainability.

(Source: Generated by the authors)

**5.4. Drivers Encouraging the Adoption and Implementation of SAPs**

Despite these challenges, SMEs have been receiving greater encouragement and impetus for implementing and adopting SAPs. These drivers come from heightened awareness about the significance of integrating environmental, social, and economic aspects into organisational decision-making and reporting procedures. Table 4 shows the list of factors motivating SMEs to adopt sustainability accounting.

Table 4. Drivers motivating SMEs’ adoption of SAPs

Items	Note
Market and Consumer Expectations	Customers are becoming more concerned regarding products that are produced and sourced responsibly, pressuring companies to incorporate sustainability concerns into their business operations to meet market expectations and satisfy their customers.
Investor and Shareholder Expectations	Investors, asset managers, and shareholders are more interested in ESG factors when making investment decisions and assessing enterprise performance. Thus, SMEs that perform ESG through SAPs are more likely to attract investors and achieve long-term value for their shareholders.
Regulatory Requirements	The Vietnamese government strives for sustainable development through Resolution No. 136/NQ-CP dated 25 September 2020 by building and promulgating a legal framework and reporting standards for sustainable development, mandating enterprises to report their environmental, social, and governance performance. Implementing and adhering to SAPs enables SMEs to stay ahead, proactively comply with these regulations, and avoid legal risks that can damage their reputation.
Risk Management	By implementing SAPs, SMEs can evaluate and tackle the challenges posed by climate change, regulatory changes, supply chain interruptions, and stakeholders’ expectations. This enables them to effectively manage risks and maintain their operations.

Table 4. (cont.)

Items	Note
Financing Supports	Investors, creditors, and banks have begun to account for sustainability as a key factor when making official lending and investment decisions. By implementing SAPs, SMEs can gain an advantage in obtaining capital and financial support, allowing them to achieve their business objectives and promote sustainable growth.
Brand Reputation	SAPs empower SMEs to communicate openly and effectively with stakeholders about their environmental and social responsibilities, which in turn fosters stakeholder relationships, enhances their reputation, and promotes loyalty from customers and investors.
Operational Efficiency	By implementing SAPs, SMEs can identify opportunities to optimise production and business processes, minimise input resource consumption, and reduce waste. Additionally, the application of energy-saving technologies, circular production, and improved resource management can help them reduce operating costs, enhance labour productivity, and optimise business production activities.

(Source: Generation by authors)

In summary, despite the various challenges, there are indeed drivers of SAPs adoption and implementation among SMEs in Vietnam, comprising market trends, regulatory requirements, investor expectations, and a new business environment. These factors motivate and enable SMEs to fulfil stakeholders' demands and legal obligations, offering more possibilities for innovation, expansion, and competitive advantage in a growing sustainable and responsible business environment.

### 5.5. Solutions and Strategies to Overcome Obstacles

Based on the difficulties and advantages of implementing SAPs among SMEs in Vietnam, this paper proposes several recommendations and strategies that cover a wide array of aspects. These suggestions hope to facilitate both the government and stakeholders in creating a beneficial environment that encourages Vietnamese SMEs to embrace sustainability practices.

#### 5.5.1. Raising SAPs Awareness among SME Managers

The following key suggestions and strategies are proposed to enhance the knowledge, skills, and capabilities of SME managers in sustainability accounting and motivate them to integrate sustainability into their business operations:

**Develop Training Programs:** Government and state agencies should design and implement training programs that are specifically aimed at SME managers to provide practical guidance on sustainability accounting principles, methodologies, and best practices. These programs should be customised to the needs, capacities, and characteristics of SMEs' political-geographical positions.

**Provide Technical Assistance:** Government and state agencies, service providers, and technology enterprises should coordinate the deployment of consulting and support programs and provide data collection, analysis, and reporting services at reasonable prices.

**Online Learning Platforms:** Universities and training centres can collaborate with professional associations to offer learning programs and online seminars to overcome geographical barriers and enhance SMEs' access to educational resources in sustainability accounting.

**Upholding Professional Associations:** Professional organisations can strengthen their role by collaborating with business networks and chambers of commerce in provinces to organise seminars and information dissemination events on sustainable practices for SMEs. Additionally, they may arrange forums for SMEs to exchange their experiences and effective implementation methods for sustainable practices. Putting sustainability accounting should become a subject in the curriculum of accounting training programs at universities and professional institutions to establish a pipeline for future enterprise leaders who are equipped with the knowledge and skills needed to practice sustainable business.

**Promoting Awareness:** The government and relevant stakeholders must communicate and promote the benefits of SAPs for expanding markets, increasing customer loyalty, improving the competitiveness of SMEs, and meeting the current trend of sustainable business activities in the world.

#### 5.5.2. Development of Sustainability Reporting Frameworks for SMEs

Creating sustainability reporting frameworks for SMEs is crucial as it will not only help them overcome obstacles in implementing and adopting SAPs but also establish a legal framework to simplify reporting requirements and facilitate communication with stakeholders. Therefore, the following recommendations and solutions are proposed:

**Creating Reporting Templates:** Government and regulatory agencies must create and standardise sustainability reporting and presentation templates that are suitable for the operational characteristics and resource constraints of SMEs. Furthermore, the instructions must be standardised to ensure ease of understanding and accessibility by SMEs.

**Provide Case Studies:** The government and stockholders should hold events to communicate and honour case studies (i.e., SMEs) that are successful in implementing SAPs and motivate them to share the methods, benefits, and results achieved in practice.

**Offer Capacity-Building Support:** The government and stakeholders should collaborate to devise policies that can promote SMEs' capacity for efficient resource utilisation when implementing SAPs. Additionally, hosting regular seminars and conferences can equip SME managers with the skills necessary for sustainable development reporting and the tools and technologies used in SAPs.

**Provide Consultation Services:** Professional organisations can collaborate with training providers, information technology providers, and sustainable development consultants to offer technical and technological assistance and streamline the process of implementing data collection, performance indicators, and SAPs reporting formats for SMEs.

### 5.5.3. Governmental Support to SAPs Adoption

Government support and incentives are vital to motivate SMEs in Vietnam to adopt SAPs. Implementing policies, providing financial assistance, and offering incentives are some of the key solutions, as illustrated below.

**Develop Regulatory Support:** The government plays a leading role in promulgating policies and legal mechanisms to encourage SMEs to implement SAPs. Therefore, environmental and social responsibility regulations must be researched and developed based on the collaboration of relevant parties to suit the specific characteristics of SMEs and help them balance between their business goals and pursuing the government's development goals.

**Provide Financial Assistance:** The government must issue support policies and financial sponsorship programs to provide capital resources for SMEs to actively participate in and implement SAPs. These initiatives include supporting sustainability audit costs and preferential loans alongside the provision of incentives for technologies that use green energy, efficiency, and emission reduction.

**Establish Dedicated Support Programs:** The government, along with local agencies and departments, can coordinate with associations and professional organisations to build a comprehensive support framework for sustainable development to advise SMEs in implementing SAPs. This support framework should include items related to access to sustainable development resources and SAPs, specialised policies for each industry, and a group of solutions to implement SAPs and finance support packages.

**Offer Tax Credits:** The government should provide incentive policies, credits, and tax deductions for SMEs that actively participate in implementing SAPs, such as offering tax breaks to invest in environmentally friendly technology and green infrastructure as well as activities that raise environmental awareness.

**Facilitate Preferential Finance:** The government should establish numerous policies to promote access to funding sources from developed countries, organisations investing in sustainable development, and non-governmental organisations promoting sustainable environmental development. This can provide SMEs with more access to preferential capital sources for them to invest, improve, innovate, and pursue sustainable development goals, including SAPs activities.

**Raising Awareness:** The government must incorporate policies that can motivate provincial-level agencies to organise events honouring SMEs that implement SAPs. Such evaluation can be done based on the costs saved before and after implementing SAPs, green technologies that were invested and used, and other criteria contributing to the sustainable development of society and the environment in accordance with the characteristics of SMEs and the localities where they operate.

## 6. CONCLUSION

In conclusion, the implementation of SAPs by SMEs in Vietnam carries certain advantages, such as promoting better risk management, increasing stakeholders' trust and customer loyalty, and ensuring long-term business stability. It also helps SMEs to create and develop improved brands and reputations through activities that promote environmental and social welfare, subsequently contributing to sustainable economic growth and competitiveness within the Vietnamese business environment. A number of factors and challenges to SAPs implementation by Vietnamese SMEs have been discussed, followed by the proposal of several recommendations to overcome the issue, including the need to increase SME managers' awareness on the importance of SAPs, establish sustainability reporting frameworks for SMEs, and support from the government. Findings from this study can facilitate policymakers to set development priorities, such as (1) building, completing, and promulgating a legal framework for implementing SAPs for SMEs; (2) issuing unified guidelines and roadmaps for implementing SAPs suitable for SMEs; and (3) issuing necessary policies and guidelines for SMEs to access preferential capital sources to deploy SAPs. From the academic perspective, this study serves as a foundation for further research to evaluate the effectiveness of capacity-building support programs, how legal policies are issued, and the efficacy of policy mechanisms to support capacity-building. Future investigation can also explore the factors influencing the implementation of SAPs on SME performance.



While this study provides insights into the obstacles and drivers of SAPs implementation in Vietnamese SMEs, it is important to acknowledge its limitations. First, the study focuses primarily on the obstacles in adopting SAPs and the suggested solutions to overcome them. It does not delve deeply into the specific nuances of individual industries or sectors that may have unique sustainability considerations. Second, the findings are based on the existing literature and general observations, which may not fully capture the diverse experiences and contexts of all Vietnamese SMEs in terms of size, sector, location, and operational capacity. Third, the Archival method does not portray the latest and most recent empirical results for SMEs. Despite these limitations, this study contributes to the existing body of knowledge on SAPs among Vietnamese SMEs by synthesising key obstacles, drivers, and implications for policy and practice. Future research endeavours should address these limitations and provide more robust insights into the complex dynamics of sustainability accounting in Vietnam and the characteristics of SMEs.

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## CONFLICT OF INTEREST

The authors declare no conflicts of interest.

## AUTHORS CONTRIBUTION

Phuong Thi Kim Tran (Conceptualisation; Project administration; Supervision);  
Thien Nguyen Huu (Methodology; Writing - original draft; Data curation; Formal analysis);  
Lam Khanh Tran (Validation; Writing - review & editing);  
Duong Mai Dai and Thu Nguyen Hoang Anh (Resources).

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