

# CHAPTER TWO

## LITERATURE REVIEW AND THEORETICAL FRAMEWORK

### 2.1 Introduction

This chapter reviews existing literature on the role of the accountancy profession in economic development, with a focus on Nigeria and the Institute of Chartered Accountants of Nigeria (ICAN). It explores theoretical perspectives, empirical studies, and gaps in knowledge relevant to the study.

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### 2.2 Conceptual Framework

#### 2.2.1 Definition of Key Concepts

- **Accountancy Profession:** A regulated field involving financial reporting, auditing, taxation, and advisory services to ensure economic transparency.
- **Economic Impact:** The measurable contribution of a profession or sector to GDP, employment, and business efficiency.

- **ICAN District Society:** A branch of ICAN that promotes professional standards, training, and ethical practices among accountants in a specific region.

## 2.2.2 Accounting and Economic Development

- Accounting enhances **investor confidence** through reliable financial reporting (Okafor, 2020).
  - It supports **corporate governance** by reducing fraud and mismanagement (Adegbite, 2019).
  - Professional accountants contribute to **tax compliance** and **public sector efficiency** (Oyedokun, 2021).
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## 2.3 Historical Development of the Accounting Profession in Nigeria

### 2.3.1 Pre-Independence Era

- Introduction of basic bookkeeping during colonial rule.
- Lack of formal accounting standards before ICAN's establishment.

## 2.3.2 Post-Independence and ICAN's Role

- **ICAN was established in 1965** to regulate the profession.
- **Adoption of International Financial Reporting Standards (IFRS)** in 2012.
- **Expansion of district societies**, including ICAN Ilorin, to localize professional development.

## 2.3.3 ICAN Ilorin's Contributions

- **Organizes mandatory Continuing Professional Development (CPD)** programs.
  - **Advocates for ethical accounting practices** in Kwara State.
  - **Supports SMEs** through financial literacy initiatives.
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## 2.4 Empirical Studies on Accounting and Economic Growth

## 2.4.1 Global Perspectives

- Studies show that strong accounting systems **reduce corruption** (World Bank, 2023).
- Countries with robust professional accounting bodies attract **more foreign investment** (IMF, 2022).

## 2.4.2 Nigerian Context

- ICAN members contribute to **Nigerian Stock Exchange (NSE) transparency** (Okoye, 2021).
  - Accounting firms enhance **SME survival rates** by improving financial management (Adeyemi, 2020).
  - ICAN's regulation reduces **financial fraud in public institutions** (EFCC Report, 2024).
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## 2.5 Theoretical Framework

### 2.5.1 Agency Theory (Jensen & Meckling, 1976)

- Explains the role of accountants in **reducing conflicts** between business owners (principals) and managers (agents).
- ICAN ensures **audit independence** to prevent fraud.

### 2.5.2 Human Capital Theory (Becker, 1964)

- Professional accountants add value through **skills and expertise**.
- ICAN's training programs enhance **workforce productivity**.

### 2.5.3 Institutional Theory (DiMaggio & Powell, 1983)

- ICAN, as an institution, **shapes accounting norms** in Nigeria.
- Compliance with ICAN standards improves **business credibility**.

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## 2.6 Summary of Literature Review

- The accounting profession is **critical for economic stability**.
- ICAN plays a **regulatory and developmental role** in Nigeria.
- **Gaps in research:** Few studies focus on district-level impact (e.g., ICAN Ilorin).