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The Rise of Virtual Accounting Industry: Evidences from the Philippines

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Abstract: When the working conditions changed due to lockdowns and social distancing protocols imposed by the government to prevent the spread of the COVID-19 virus, a lot of employees discovered opportunities to earn or make a living without leaving the safety and comfort of their homes. This paper aims to present a comparative analysis using descriptive quantitative research design that looks into the rise of the virtual accounting industry in the Philippines in the year 2019 to 2021 measured in terms of; the number of Filipino practitioners offering online accounting services, membership in exclusive social media groups for virtual accountants, published job openings for online accountants and potential income as broadcasted on social media and other available data. The paper relied on secondary data from pre-pandemic and post-pandemic phases, for the sake of establishing a rising trend. This paper also gathered primary information on some selected virtual accountants in the Philippines.

Keywords: Accounting; Virtual Accounting; Freelancing

Introduction

To practice Accounting as a profession in the Philippines, you need to finish a bachelor's degree and pass a licensure exam. In the corporate world, it's considered a 'must-have' for companies looking to hire general accountants and finance controllers. On the other hand, the accounting license is only a 'good-to-have' for foreign companies looking to hire virtual accountants, in fact, they favor experience over license whenever they engage the services of an online accounting professional.

When the COVID-19 disrupted the landscape of life and work (Bayudan-Dacuycuy et al., 2020), employees began shifting from the corporate setting to freelancing as they sought for freedom, more time with family and flexibility (Tudy, 2021). Totoh Cadir (2018) discussed the advantages and disadvantages of being a full-time online freelancer. Some of

the advantages include no need to dress code and wear company uniforms, lots of free time to do other things if deliverables are done earlier, flexible working hours and finally, freedom to choose where to work. On the other hand, there were some disadvantages identified as follows; initial culture shock for beginners in the freelancing industry, financial risk when one lacks the discipline to manage their financial resources, and lastly, losing salaried benefits or those government-mandated benefits that a regular employee enjoys. In his study, (Tudy, 2021) identified two other disadvantages of being a freelancer which are distractions at home and the lack of recognition and security of tenure.

Admitting that the Philippines do not have any published law that governs and regulates the practice of accounting in the freelancing and virtual context, and most importantly, a law that protects the accounting practitioners themselves, two (2) separate bills are currently being deliberated in congress to date. These are Senate Bill No. 1810 or the 'Freelancers Protection Act', and House Bill No. 8817 or the 'Freelance Workers Protection Bill'. In the abovementioned bills, the importance of a written contract between employer/s and freelance worker/s is emphasized and freelancers are asked to file and pay their taxes with the Bureau of Internal Revenue of the Philippines (Tan, 2022). Once passed as a law, this then will ensure that no freelancer will bear the risk of pre-terminated employment or work contracts without any consequence to the irresponsible employer or place of employment, and that the practice of virtual accounting can now be monitored by the government through taxation.

With the law to be in place soon, all roads now lead to one more challenge – is the Philippines ready for the influx of online accounting workers in terms of internet infrastructure and reach? Considering the nature of work which greatly depends on the internet, having good connectivity is a must. Thus, it is a relief that the government is continuously implementing projects to increase internet bandwidth and reach and advocating for online jobs and workers in the country by upgrading to more available and stable connections (Seráfica & Oren, 2022).

Even though online accounting had already been there prior to the global health crisis happening, the significant increase in the number of Filipinos was only highlighted because of the COVID-19 pandemic. As with all matters that abound over a short period of time, controls must be in place to ensure to legalize and regulate the protocols in place. Hence, this paper discusses the job opportunities available for accountants, the industry types and countries that are their potential markets for their online service, the salary or income (potential and actual), and finally, the observable growth from 2019 to 2021.

Literature Review

Freelancing

In the knowledge economy, a new standard has emerged in the entrepreneurialised labor market called freelancing (Gandini, 2016). It's a new line of work for people around the world and a promising direction in the field of employment and small business (Akhmetshin et al., 2018). Online freelancing market also known as online gig economy or online labor market is being conducted remotely by online labor platforms using the internet. These platforms are used by companies to find, hire, supervise and pay workers (Stephany et al., 2021). As a new form of work, it has disrupted both the existing business

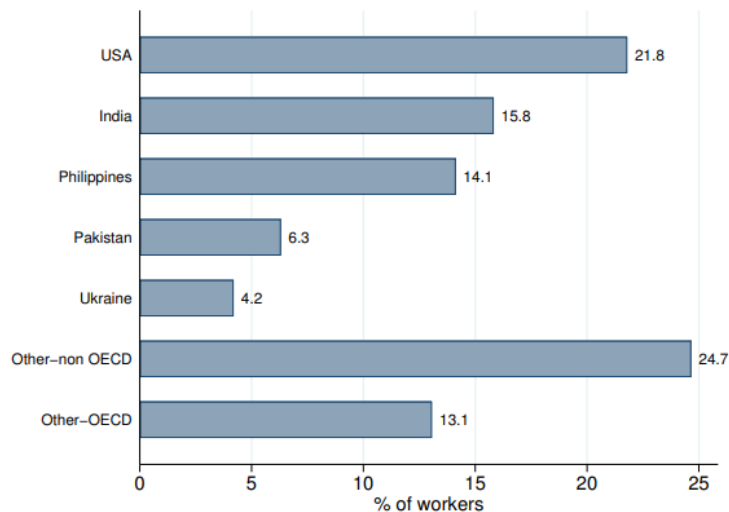
models and the employment model it relied upon. It provides workers the opportunity to work anywhere, at their convenient time and to take any jobs that suit them (Berg et al., 2018). The workers in this industry are not considered as employees but are seen as contractors, and the owners of the platforms recognized their work as a form of entrepreneurship (Ahsan, 2020). And like any other businesses, risks are also present. For most contractors, the intense competition and inherent restrictions limit their financial gains (Beerepoot & Lambregts, 2015). Therefore, to leverage platforms creatively and productively, they must adapt their skills and work strategies as a component of their 'personal holding environment' (Sutherland et al., 2020).

Filipino Freelancers

Even before the pandemic, a lot of Filipinos were already into freelancing, but when COVID-19 struck, it appeared to be more attractive and practical (Tudy, 2021). Working remotely allows them to work safely at their homes and make use of the digital technologies and innovations (Trajano, 2021).

In a study conducted (Brinatti et al., 2021) on publicly available profiles (worker-level) from a large web-based job platform, the Philippines ranked 3rd as to the highest number of freelancers among 100,000 workers located across a total of 183 countries.

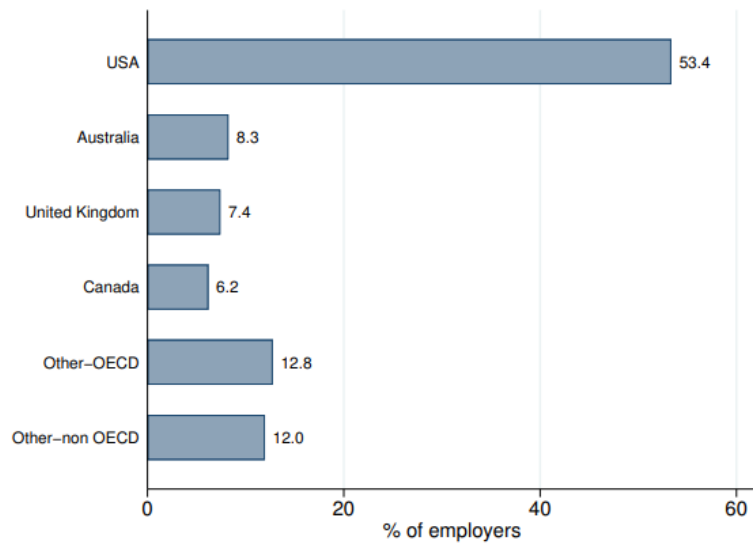
Figure 1. **The Distribution of Workers in The Worker-Level Data**



Source: (Brinatti et al., 2021)

These employees are offering their services across the world and 75% of their employers are concentrated in 4 countries: The USA, Australia, the UK, and Canada.

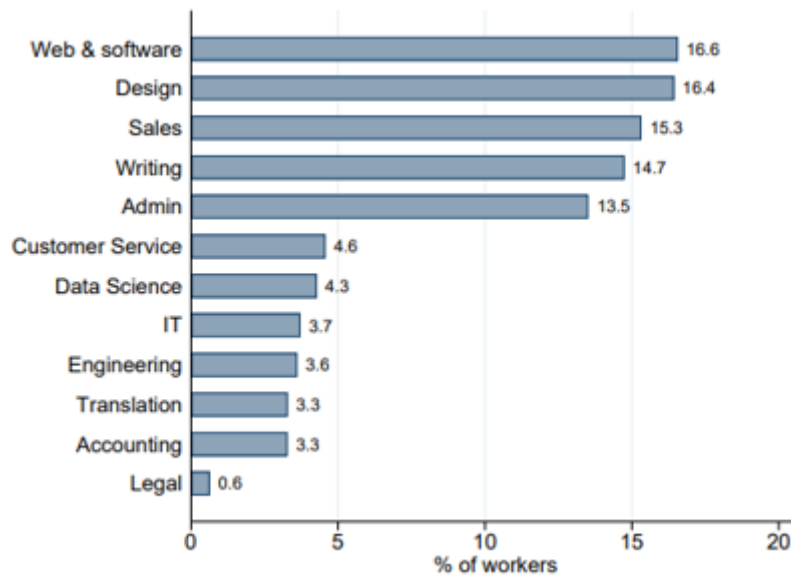
Figure 2. Distribution of Jobs Across Worker's Locations



Source: (Brinatti et al., 2021)

These workers are distributed in different broad occupations as shown in Figure 3. Among the top 12 occupations, Accounting is one of the areas with the largest number of workers. That's what inspired the proponents to conduct this study to present the increase in the number of professionals engaging in this field.

Figure 3. Workers by Broad Occupation



Source: (Brinatti et al., 2021)

On top of the identified advantages of online freelancing, Filipino workers receive payment denominated in US dollars that makes it even more attractive. The average working rate is between \$10/hour to \$50/hour (Villena, 2020).

Virtual Accounting

By definition, virtual accounting uses accounting technologies and virtual accountants to perform all the virtual bookkeeping tasks with the convenience of shared access to their accounting information via a secure portal (HSBCbusinessgo, 2023).

Another definition by Consultance Accounting is that Virtual Accounting, also referred to as remote accounting, flexible accounting, or cloud accounting, allows accountants to work from any location instead of commuting to a client's physical business or office. The business grants the accountant remote access to their server, financial documents, and software programs (Consultance, 2023).

Methods

This study used a descriptive quantitative research design. The paper focuses mainly on secondary information published on social media platforms specifically Facebook, networking platforms specifically LinkedIn and job-hunting sites like OnlineJobs.ph. All information gathered are limited only to those published with the Philippines as the primary setting, whether a publication intended for Filipino freelance accountants to see (i.e., employers' job postings) and/or a post or testimonial published by a Filipino freelance accountant. This study also solicited primary information using a researcher made questionnaire which was distributed using google forms. Data gathered in this study was summed up utilizing pie chart. The respondents of the online survey consisted of 87.5% Female while only 12.5% are male; 85.7% of them are freelance Virtual Accountants while the rest of the 14.3% own and manage their own Virtual Accounting firms. About 80% of the respondents were already involved with the Virtual Accounting profession for more than 10 years, while the rest of the 20% have 3 years or less exposure to the same industry.

The primary data are those derived from the responses to the google survey disseminated, while the secondary data are the posts or publications from social media platforms specifically Facebook, LinkedIn and OnlineJobs.ph. Thus, the primary and secondary data are independent of each other and do not have similarities because the primary data aims to establish the rise of Virtual Accounting on the basis of job posts published, while the secondary data aims to assess the status of Virtual Accounting as an industry in terms of membership, income, demand and interest.

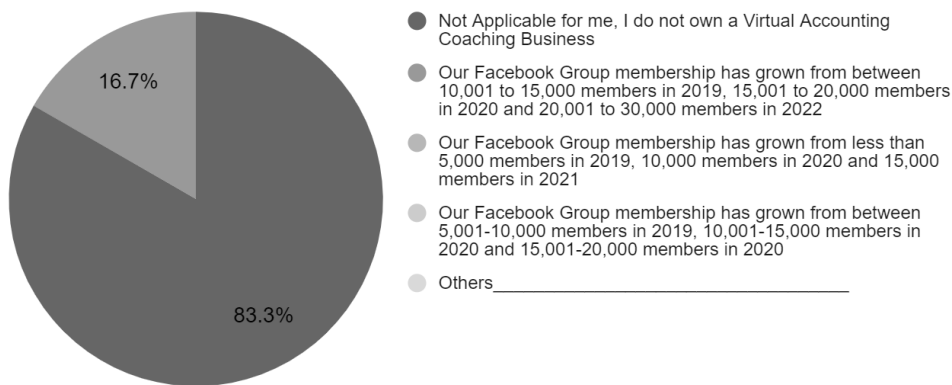
The proponent decided to limit the scope of the secondary data to only Facebook, LinkedIn and OnlineJobs.ph because these are the websites known to be widely used by potential clients and/or employers to find their Virtual Accountant or announce a job opening for one. Conversely, Virtual Accountants use the same abovementioned sites to post about their intention and readiness to work for future clients.

Findings

Membership

For purposes of this research, the words ‘Membership or Members’ were defined as the number of followers on a Social Media landing page like Facebook. It is also presumed that the following or these followers share the same interests, goals, or have something in common with the founders or the online platform itself. Below is a pie chart out of the answers to the survey question; “If you are a Virtual Accounting Coaching Business Owner, how many members have expressed interest to join you (i.e., Facebook Group members) since you started?”

Figure 4. **Memberships in Social Media Groups**



16.7% of the total respondents observed an increasing trend in their Facebook Group following in this fashion: Between 10,001 to 15,000 members in 2019, 15,001 to 20,000 members in 2020 and 20,001 to 30,000 members in 2021. Hence, applying the simple comparative analysis formula (see Table 1), there is a 200% increase in membership over a span of three (3) years.

Table 1. **Increase of Facebook group members**

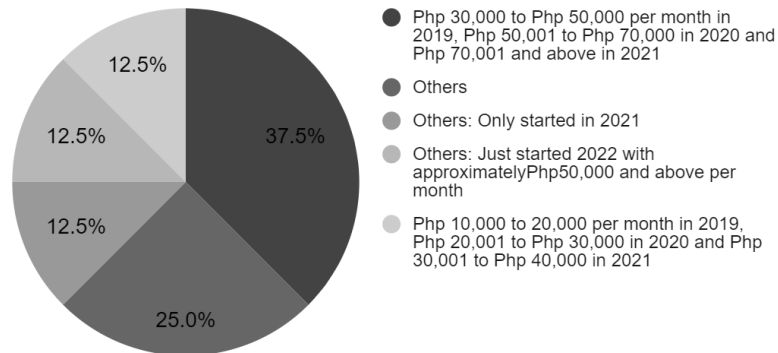
Year	From	To	Average
2019	10,001	15,000	12,501
2020	15,001	20,000	17,501
2021	20,001	30,000	25,001

Earnings/Income

Aside from the obvious perk of working virtually, anytime at the convenience of one’s home or even opting to be a Digital Nomad working from anywhere, comes the unlimited earning potential of working in the Virtual Accounting industry. Based on the data, a virtual accountant has shown an upward trend of 61% income increase from when she first started a year ago to date. With a monthly salary between PhP400,000 (USD 7,000) to PhP500,000 (USD 8,700), one virtual accountant has enjoyed the perks of this job as evidenced by her luxurious lifestyle (Alpez, 2022).

In addition, the respondents earned as little as PhP10,000 to as high as PhP70,000 per month in the year 2021. Thus, we can safely conclude that there is an incontestable potential to earn more when working as a Virtual Accountant.

Figure 5. Average Income of Virtual Accountants



Growing Demand

In the early months of 2019, accountants surveyed by Robert Half in the US were worried about the impact of automation on their profession and expressed concerns about being replaced, having fewer opportunities for creative problem-solving and an overdependence on tech in completing daily tasks. Yet, the events between then and now, including the Covid-19 pandemic, have instead shown that accountants, like other professionals, need to worry much more about adaptation than replacement (Higgins, 2021) as job openings shoot up and the number of employers looking to hire a Virtual Accountant is constantly moving up. Clearly, based on the online job postings (LinkedIn, 2022; OnlineJobs PH, 2022) there are at least 283 job openings (January to September 2022) on Online Jobs PH and according to LinkedIn, there are over 21,963 jobs to take worldwide as of the month of September 2022.

Interested Filipino Applicants

In the online survey disseminated, the researchers asked; “How many clients have you worked with since you started until now?”. 71.4% of freelance Virtual Accountants said they have less than 5 clients, while 14.3% of them have between 5 to 20 clients. Also, 33.3% of those who are Virtual Accounting firm owners cater to more than 20 clients according to their responses.

Figure 6. Number of Clients as Virtual Accountants

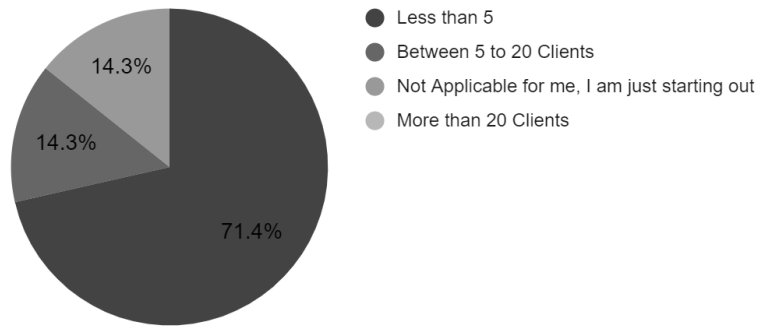
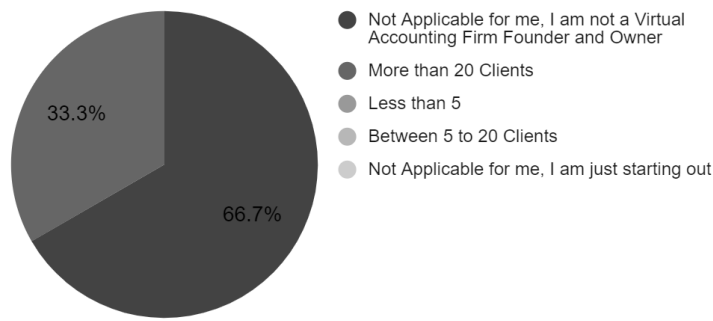


Figure 7. Number of Clients as Virtual Accounting firm owner



Implications for Practice

With all aspects of membership, increase in income, demand from potential employers and interest of Filipino applicants measured in terms of applying and landing the remote jobs offered, the proponents therefore imply that Virtual Accounting as an Industry is truly rising, if not booming, as established in the trend observed in the years 2019, 2020 and 2021. Furthermore, the researchers would like to convey the following insights based on the data gathered. First, the upward trend in the virtual accounting jobs allows the virtual accountants to increase their income and expand their learning capacities as the virtual accounting profession is a bit unique compared to the traditional one. However, this poses potential risks and implications (both in policy and profession) in some future time. While it is true that virtual accountants really enjoy the perks and privileges of this profession, we cannot deny the fact that there is no existing policy that governs this practice especially in developing states such as the Philippines. For instance, the protection of the virtual accountants is not guaranteed, thus, they may be subjected to possible exploitation. Also, this may have implications on the tax/government revenue since the absence of a law that governs online jobs, including the practice of virtual accounting as a profession, would mean opportunity loss on the part of the government because of the uncollected taxes out of the unmonitored and unregulated income of the online professionals including accountants. Second, there appears to be vulnerability issues with regards to the information provided in virtual platforms, perhaps, this is one thing that the proposed state policy should look into. Since virtual accounting is currently an uncharted profession in the Philippines, data of clients could be put in jeopardy. The no employer-employee

relationship somewhat becomes an avenue for some individuals to exploit the information available to them and at some point, others may be tempted to sell such information to other interested parties.

Limitations of the Study

The paper attempts to establish the fact that Virtual Accounting is fast becoming a rising professional industry in the Philippines focusing on the years 2019, 2020 and 2021 and this paper only considered the virtual accountants and the secondary data from related articles, social media posts and google analytics results from the google survey accomplished by a handful of respondents, were used as reference in finding out the progress of the Virtual Accounting profession over the years in terms of the following factors only; membership, income, demand and interest. With the time constraints, the very limited number of those who have responded to the study also served as the limitations of this paper. Also, this paper was not able to extend to the advanced factors that define the progress or rise of a profession or industry.

Conclusion

In conclusion, although there is limited data gathered from a small number of respondents, Virtual Accounting is truly an industry that is on the rise and is full of potential for growth in terms of membership, income, demand and the interest of Filipinos. Furthermore, the ‘work anywhere’ or work-from-home has become the new norm for work post pandemic.

Recommendation

The proponent highly recommends that this paper be pursued by the next researcher and that he/she should allocate more time and resources in ensuring that there is a significant number of respondents who will answer the google survey. In addition, the value of this paper can be enhanced by including advanced factors to define the progress or rise of a profession or industry.

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