

# **The accounting challenges for indigenous businesses: A Pacific Islands**

## **Case Study**

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### **ABSTRACT**

**Purpose:** This paper examines the accounting challenges faced by indigenous businesses in the wholesale and retail market in Tonga.

**Research Method:** The data were collected through semi-structured interviews with 24 participants, from a mix of individuals from the wholesale and retail market in Tonga. We use institutional logics framework to inform the study.

**Findings:** The research findings suggest an inability of indigenous businesses to adapt to significant changes in the market and overcome the economic and social challenges faced in the business environment involving accounting values. A lack of business skills and accounting knowledge, restrictive traditions and religious obligations, and a poor business investment climate are key factors behind the inability of the indigenous Tongan businesses to succeed.

**Practice Implications/ Limitations:** The paper suggests better accountability from government sector on their effort to encourage inclusion of indigenous businesses. As a way forward, participants suggest that an inclusive approach for the government, businesses, and stakeholders in policy formulation and consultation would create a better business environment that would foster the development and growth of the wholesale and retail business sector in Tonga. There is a dearth of cultural studies in accounting in countries within the developing world, particularly in the Oceania region.

**Originality:** We extend the literature by considering inclusivity challenges for ethnically marginalised collectives of individuals in small business.<sup>1</sup> The research findings suggest a gap in knowledge in the current business environment with respect to the Western accounting practices in the indigenous society.

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<sup>1</sup> Tonga has been working to support indigenous businesses through legislative and policy measures that aim to promote and enhance economic activities of its local communities. The Tongan Development Bank provides financial services such as loans and grants to support the development of indigenous businesses in Tonga. The Ministry of Trade and Economic Development plays a role in promoting and regulating business in Tonga. The Ministry ensures that policies and regulations support the interests of local and indigenous businesses (<http://www.mted.gov.to>, accessed 2 September 2024).

Key words: Ethnicity; Indigenous business; Inclusive, marginalisation, Tonga; culture.

## **The accounting challenges for the indigenous businesses: A Pacific Islands case study**

### **1. Introduction**

Accounting practices in developing countries including Pacific Islands originated from a number of sources including, developed nations through colonisation, or powerful foreign investors (Chand, 2005), or through the influence of multinational companies, foreign aid and education (Dixon and Gaffikin, 2014; Sharma and Samkin, 2020). They were implemented without change and are therefore not ideally suited to the society's needs (Mirghani, 1982).

Accounting can be seen as a tool for dominating indigenous peoples (Bujaki et al., 2022; Vidwans and De Silva, 2023). Tensions between dominant western accounting concepts and indigenous values persist (Fukofuka and Ali, 2022; Sharma and An, 2018; Sharma and Lawrence, 2005, 2009, 2015; Vidwans and De Silva, 2023). Accounting and related concepts such as assets land ownership are challenged in Indigenous communities because the western capitalist value implicit in the language of accounting are different from the values of Indigenous communities (Fukofuka, Scobie and Finau, 2023).

One of the problems to the accounting development in developing countries may well be the general lack of understanding and appreciated value for accounting. Perera (1989) and Chand and White (2007) note that a major issue with accounting development in developing countries is the general lack of awareness among locals of the potential contribution that accounting could offer to the growth of organisation. Little is known about how accounting is studied in the context in which it operates, particularly in developing countries (Hopwood, 1983). We do note that if there is no organised accounting body and accepted accounting and auditing standards and practices, the government is required to apply legal authority to safeguard the public interest. We extend the literature by considering the use of accounting challenges for ethnically marginalised individuals in Tonga's small businesses.

This paper aims to fill the gap in the literature in the way accounting was used by the ethnically marginalised groups in small businesses. The purpose of this paper is to examine the accounting challenges faced by the indigenous businesses in the wholesale and retail market in Tonga. The term 'indigenous can pose various interpretations. Indigenous in Tonga which has not been colonised by foreign forces is different to Indigenous in, for example, Australia and New Zealand that have been colonised by foreign forces. The Indigenous in the

latter suggests being a minority, oppressed with rights and resources dispossessed with the former in Tonga's case, being that Indigenous Tongan are still a majority and have retained formal power. Cultural clashes with Western accounting are also contributing for Indigenous Tongans lagging behind in business compared to the Chinese Tongans. The research question being asked is how are the values of western accounting becoming hegemonic in the Pacific context and unsupportive to the social mission of local indigenous firms compared to Chinese firms? The study was conducted through semi-structured interviews. Significant contributions have been made by other studies to the management literature on Pacific Island businesses, although a lack of studies in the use of accounting in relation to indigenous business marginalisation in Tonga is noted.

The paper is organised as follows: Section 2 outlines the background information on Tonga, Section 3 reviews the literature. Section 4 outlines the research method for the study and Section 5 delineates the results for the study. Section 6 brings the narrative together in relation to the extant literature and concludes the paper.

## **2. Case study**

Tonga is the only surviving constitutional monarchy in the South Pacific region, officially known as the Kingdom of Tonga (Prescott and Hooper, 2009). It is the only island in the South Pacific region that has never been colonised by a major European power. Tonga is located in the southeast of Fiji, southwest of Samoa, and the north of New Zealand (James, 2002). It consists of an archipelago of 171 islands, of which 40 are inhabited. The total population in 2022 is 106,858, with an average growth rate of 0.79 percent from 106,017 in the 2021 census ([www.macrotrends.net](http://www.macrotrends.net), accessed 13 January 2023). The total population is spread over five administrative divisions (small island groups), which are Tongatapu, Vava'u, Haápai, 'Eua, and Ongoniua, with a total land area of 749 km<sup>2</sup>. Tongatapu is the main island, where the capital Nuku'alofa and the central government administration are located. The total population of Tongatapu is 74,320, representing 73 percent of Tonga's total population in the 2021 census. Tonga has a unique status as the last remaining Kingdom in the South Pacific region (James, 2002; Statistics Department Tonga, 2013; Tonga Statistics Department and Secretariat of the Pacific Community, 2008).

Tonga has a unique culture, which is reflected in a highly complex social structure and stratified society. The social structure provides distinction between royalty, nobility and commoners, the people on the lowest level. The relationships and fulfilment of obligations towards the king, nobles and extended families in society are respected and still maintained

by the indigenous Tongans in the modern society. Within this system, status and rank plays a powerful role in the Tongan society (James, 2002; Prescott & Hooper, 2009; Taufu'i, 1996).

Tongan society is guided by four core social values, being "*fefaka'apa'apaáki* (mutual respect), *feveitokai'aki* (sharing, cooperating and fulfilment of mutual obligations), *lototoo* (humility and generosity), and *tauhi vaha'a* (loyalty and commitment)" (Tonga Tourism Authority, 2014). With these notions in mind, the combination of these social values and religious beliefs are central features of the Tongan culture and tradition.

Tonga is widely known as the society in the South Pacific most oriented towards religious beliefs and ceremonies. The fulfilment of traditional obligations and religious functions is an inherent part of Tongan society (Fukofuka and Jacobs, 2018; Vunibola et al., 2022). The major traditional obligations in society include weddings, funerals, birthdays and other ceremonial functions, which are countless in scale. Also, the religious functions include church offerings, church conferences and other fund- raising activities. Hence, most businesses in the Tongan society are aiming at supporting family and meeting religious and traditional obligatory functions rather than maximising profit for individual consumption. The importance of traditional ceremonial activities and religious functions in the Tongan society cannot be measured in monetary terms, despite huge costs involved in these events. However, money is a relatively new concept to the Tongan society, although it is a common unit of measure in the West (Prescott and Hooper, 2009; Taufu'i, 1996).

Tonga is a developing country with small economy whose growth is highly dependent on external aid and remittances from overseas. Economic dependence on external aid is reflected in the amount of budget support provided by the donor partners, such as the Asian Development Bank, World Bank and other trading partners to the government's annual budget expenditure (James, 2002; Ministry of Finance and National Planning, 2015; Ministry of Labour, Commerce and Industry, 2013). Total budget expenditure for the 2014/2015 period was TOP\$483.70 million, in which 51.4 percent is external funding (Ministry of Finance and National Planning, 2014). Hence, the assistance provided by the donor partners has greatly contributed to elevating economic and social development in Tonga.

In the economic sector, wholesaling and retailing of grocery and household goods for final consumption is one of the business activities that has high value for the indigenous people. In 2011, 3,810 businesses were registered in Tonga, of which 45.1 percent are wholesale, retail and distribution business activities. This suggests that the vast majority of the businesses in Tonga are engaging in trading in the services sector (Ministry of Labour, Commerce and Industry, 2013). The business sector has accounted for 10 percent of Tonga's

Gross Domestic Product in the 2013/2014 period (Ministry of Finance and National Planning, 2015). Indigenous people value the business activity as a way to support their families and a means of fulfilling the obligatory functions in the society. Despite its critical importance to the indigenous Tongans, Chinese-Tongans are the leading ethnic group in the wholesale and retail business sector in Tonga.

The rising dominance of the Chinese-Tongan businesses in the market is one of the biggest changes in the whole of Tonga (Sherman, 2014). Sherman (2014) notes that there are around 3,000 businesses in Tonga, and more than half are owned by the Chinese, which is creating tension amongst locals. Tensions between the indigenous Tongan businesses and the Chinese-Tongan businesses has resulted from different perspectives with regards to the money, wealth, and social values in the society. As mentioned earlier, the indigenous Tongan businesses value family, religious beliefs and obligatory functions above money.

China is a developed country with strong economic power (An et al., 2013, 2014). China is one of the world's oldest civilisations in history and the Chinese people are all over the world. Despite the cultural diversity, the Chinese are not bothered by uncertainty and ambiguity given the collectivistic nature of the Chinese culture and relatively low score in uncertainty avoidance, as indicated in Hofstede's cultural dimension (Hofstede, 1980; Leung, 2008).

Chinese people came to Tonga largely from the 1970s during the period when the Tongan national passports were sold to citizens of other countries. Since then, Chinese migrants have actively engaged in the development of the commercial activities (Fotu, 2012; Taufu'i, 1996). It is noted that the population of the Chinese-Tongans has increased significantly, as have their business investments, as seen in different sectors in Tonga, especially the wholesale and retail sector. According to the Statistics Department Tonga (2013), the total population of the Chinese-Tongans in Tonga was 843 in the 2011 census, an increase of 113 percent from 395 in the 2006 census (Statistics Department Tonga, 2013; Tonga Statistics Department and Secretariat of the Pacific Community, 2008). Despite the tension between the indigenous Tongans and the Chinese-Tongans in the market, Chinese-Tongans are citizens and have equal rights to indigenous Tongans and are legally permitted to enter and operate in the market as Tongan subjects.

Tonga's private sector is largely made up of medium, small and micro enterprises (MSME) in the wholesale and retail business sector (Ministry of Labour, Commerce and Industries, 2013). Most businesses in the society are sole traders and family-owned

businesses. Given the relatively small sizes of the individual businesses and the increasing numbers of local Tongan businesses in the society, the government reserves the business sector for Tongan investors only. Generally, the government reserves some of the business activities in the market in which the Tongans can do well for local investments from foreign investors (Ministry of Labour, Commerce and Industries, 2010). The wholesale and retail of grocery and household goods for final consumption is one of these reserved business activities. This is stipulated in the Foreign Investment Act 2002 and Foreign Investment Regulation 2006.

The Ministry of Finance and National Planning (2015) states that the number of wholesale businesses in Tonga increased by 10 percent from 191 in 2013 to 211 in 2014. Likewise, the number of retail businesses in the market increased by 17 percent to 1,461 businesses. Indeed, the increasing number of rivals in the business sector is creating significant changes in the market and challenges for the indigenous Tongan businesses in the society despite the economic benefits flowing into the economy. As a result, a significant reduction is noted in the operation of the indigenous Tongan businesses in the market, while the numbers of Chinese-Tongan businesses have increased significantly.

The rising dominance of the Chinese-Tongan businesses in the market unveils a new business practice in the society with respect to time consciousness, customer orientation, cash transactions, and other proper business practices. These business practices are new to the indigenous Tongans in the society, especially the small and micro businesses. Provided that the indigenous Tongans have strong cultural and religious roots in the society, money is important only insofar as it facilitates the traditional obligatory functions in family and society (Gill, 2005). This suggests that the accounting practice in the small and micro enterprises in the society does not go beyond the simple book-keeping records; hence it is a challenge for the indigenous Tongan businesses (Taufuí, 1996).

### **3. Incompatibility of Western accounting practices in Pacific Islands**

As globalisation dominates business and accounting activity, there is also a move towards homogeneous accounting practices and standards (Garrido et al., 2002). Cultural forces have been identified as an important force in a country's accounting system (Hofstede, 1980). Recently, there has been a move to consider accounting in its relationship with indigenous cultures and peoples (Gallhofer and Chew, 2000; Hauriasi and Davey, 2009).

Recent decades have seen increasing studies being conducted to assess the suitability of imported western accounting system to developing countries (e.g., Chand, 2005; Perera,

1989). These studies have shown doubts on the ability of these systems to meet the needs of developing countries with consequent call for developing countries to identify their own needs and based on local circumstances, to develop new systems or modify existing ones. Given the historical dominance of western imperialism and colonialism, this is difficult without an appreciation of the impact of accounting and accounting systems on cultural values and indigenous peoples.

Much of the recent studies have underscored the inherent tensions between western accounting values and the local indigenous values (Hauriasi and Davey, 2009). Often indigenous values concerning work, land and kinship are fundamentally at variance with the values and principles imposed by accounting and accounting systems (Greer and Patel, 2000). The predominant western accounting systems tends to elevate property and economic values above family and social values. Gallhofer and Chew (2000) contrast the values of sharing, relatedness and kinship obligations embodied in indigenous perspective on work and land, with the value of productivity, efficiency, calculative tool, reason and logic typically imposed by accounting and systems of accountability. It is the potential juxtaposition of the neo-classical view of accounting with indigenous values that stimulated the research reviewed here.

There is dearth of cultural studies on accounting in countries within the developing world particularly in the African and Oceania regions. Studies cited so far relate to Fiji and Papua New Guinea (Chand, 2001). This is a weakness as most countries in these regions are economically poor and studies to explore how accounting could be used to more effectively manage their scarce resources are most needed.

Wealth is normally accumulated in the form of pigs, food crops, and social wellbeing. Such wealth was not solely for individual consumption but for sharing with relatives, creating obligations on them to reciprocate such gifts in the future.

Social exchanges are not normally recorded; those involved are required to remember the other parties to the transaction either as recipient or giver in anticipation of future reciprocal acts. Such exchanges are voluntary, and demands are not imposed on other parties. Despite their voluntary nature, these are usually honoured because it is considered 'shameful' not to reciprocate a kind act from a relative.

Communalism is the central feature of the culture in the Pacific Islands (Kuma et al., 2023; Sharma and An, 2018; Sharma and Lawrence, 2009, 2015; Yusuf, 1998). Prescott and Hooper (2009) indicate that being individualistic in relation to distribution of wealth in the traditional society is generally regarded as offensive and negative. Cahn (2008) states:

In rural Samoa, people will receive status and prestige from entrepreneurial activities, but only if it is financially successful, enhances the status of the family, and if they generously distribute the proceeds of the business to family, community and church obligations. An unsuccessful business brings ridicule and embarrassment, and if the proceeds are not shared jealousy and bad feelings will accrue towards the entrepreneur. Jealousy can seriously jeopardize a business, and seems to be quite unpredictable, not just related to distribution of proceeds. (p. 10)

Cahn (2008) reveals the realities of the business operation in the traditional society. Norris, Kutubi and Greenland (2022) note that the need for more culturally responsive accounting is established, and studies have highlighted the inadequacies of reporting practices which do not appear to capture the priorities and nuances of First Nations entities. The impacts of accounting techniques used to create and sustain inequalities are still felt today (Fukofuka and Jacobs, 2018; Sharma and Irvine, 2016). The First Nations entities and their stakeholders needs appear to be not met by existing financial reporting standards (Norris et al., 2022).

Accounting is seen as a tool for dominating indigenous peoples (Bujaki et al., 2022; Vidwans and De Silva, 2023). Tensions between dominant western accounting concepts and indigenous values persist (Fukofuka and Ali, 2022; Sharma and An, 2018; Vidwans and De Silva, 2023). Accounting and related concepts such as assets land ownership are challenged in Indigenous communities because the western capitalist value implicit in the language of accounting are different from the values of Indigenous communities (Fukofuka, Scobie and Finau, 2023).

Indeed, the indigenous people's expectation and behaviour within the society can jeopardise the business activity if the entrepreneur fails to involve and cooperate with the society. This suggests that everything is communal in the indigenous society, even at the expense of the business activity. Hauriasi and Davey (2009) claim that the lives of these business activities are usually short due to insufficient capital resources resulting from on-going fulfilment of the traditional norms in the society.

In support, Gill (2005) highlights a similar situation in the Aboriginal society in Australia, where rancher prioritised the cultural and social benefits of the ranching enterprises above economic benefits. The author further noted that money is important only insofar as it facilitates for the Aboriginal ranchers the continuation of the ranching enterprises. Any financial benefits generated from the ranching enterprises are locally and socially embedded by redistributing wealth among the kinship networks. Consequently, cultural benefits are

generally ranked above the economic benefits (Gill, 2005). Movono and Becken (2017) note in the Indigenous Fijian study on tourism industry that money alone does not create development for the Indigenous community, but social solidarity and people's access to other forms of capital such as social capital do. The outcomes of the internal bonds between people are evidenced by the community's ability to come together to raise a significant volume of funds through their shared sense of responsibility and obligation to contribute to their *vanua*(village) and Church (Movono and Becken, 2017).

Mika et al., (2017) note that indigenous entrepreneurs represent a growing segment of the business community in many countries, but face challenges in starting and running enterprises. Research on the aspects of indigenous entrepreneurial lives is in its infancy (Amoamo et al., 2018; Mika et al., 2017). According to Amoamo et al., (2017) indigenous economy values an accumulation of sharing, enabling equitable distribution of wealth among the community. Hauriasi and Davey (2009), on the other hand, point out that most of the recent research emphasises the tensions between the local indigenous values and the Western accounting values. The authors highlight that accounting systems and practices in the West tend to elevate the economic values above social values (see also Vunibolo et al., 2022). This suggests that the wealth creation and accumulation dominate the global view of economic activities in the West. The accounting practice in the West is employed to serve the needs of the resource provider and various external parties in the Western context, instead of reflecting the non-monetary values of the indigenous social world.

We agree with Annisette and Prasad (2017) about the limited research impact of critical accounting historians on the field and focused mainly on historical studies in the accounting-race nexus. Accounting becomes an eminently suitable technology to manage and enact violence on racialised population in its capacity to dehumanise them or render them invisible as people. On race literature, Fleischman et al., (2004, p.16) observe that "accounting for slaves was identical in most places to accounting for livestock." Accounting was deployed to monetise slave population in order to facilitate commercial slave population in order to facilitate commercial slave trading (Fleischman and Tyson, 2004, p.393).

The purpose of this study is to examine the challenges faced by indigenous businesses in the wholesale and retail market of Tonga. The research question being asked is how are indigenous business marginalised and what are the key factors contributing to these inclusivity challenges?

#### **4.Theoretical Framework: Institutional Logics**

Thornton et al., (2015) define institutional logic as

[...] the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values and beliefs, by which individuals, and organisations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences.

Institutional logics explain how cognition is structured and decision making is guided by broad belief systems (Lounsbury, 2008). The notion of institutional logics can help explain practice variations (Friedland and Alford, 1991). The concept of institutional logics is a way of understanding how actors' selections are conditioned by specific frames of reference that inform the sensemaking, the vocabulary of motivation and the identities that actors bring to situations.

The issue of variation is especially pertinent when non-isomorphic change may occur in respect of one set of institutional logics (the cultural symbols and material practices that shape decision making and provide meaning to actors' social reality in a field) being challenged by another (Ezzamel et al., 2012). While studies of institutional change have shown how new logics can assume dominance at the micro-level of practice, there are relatively few studies that show how transition is followed where rivalries between logics persist.

In our study, we posit two key institutional logics in the field of business: business logic and communal logic. Business logic represents the profit maximization goals of business. Communal logic refers to the process of sharing and caring for kinship and community and prioritising family, community and church over business goals. We explore how the tensions between dominant logic of business and the extant communal logic played out in the running of the indigenous business. Our aim has been to explore the roles of accounting in indigenous business where dominant logics are in transition and multiple logics are competing.

Thornton et al., (2015) advocates that there are six institutional orders (family, religion, market, state, profession, and corporation) in the society with a central logic that guide its organizing principles and provide social actors with vocabularies of motives and a sense of self-identity. Even though the roots of institutional logics perspective can be traced

to neo-institutional sociology, it arose as a reaction to the lack of agency from a neo-institutional perspective (Friedland and Alford, 1991). The institutional logics perspective is a “meta-theory of institutions that includes organisations and explains not simply homogeneity but also heterogeneity” (Thornton et al., 2015, p.15).

Most studies are required in relation to developing countries where social and political structures often dominate rational decision-making with the presence of competing logics (Damayanthi and Gooneratne, 2017). There is potential that traditional logics compete with global logics and ultimately how accounting reproduces wider social and political implications. This paper attempts to contribute to this stream of the literature.

#### **4. Methodology and method**

The focus of this study is to understand the social world of the indigenous Tongan business people in the wholesale and retail market; hence, an interpretivist approach best suits this research purpose. Given the exploratory nature of the interpretivist paradigm, a qualitative research approach is adopted as the method of collecting data from the 24 participants. The data were collected through observation and semi-structured interviews with the participants. The semi-structured interview was adopted as a potential means of effectively collecting qualitative data and understanding the individual perceptions in this ever-changing world.

The 24 participants were selected from a mix of individuals in the wholesale and retail market using purposive sampling, followed by the principle of saturation. The participants were categorised into three groups, as indigenous Tongan business entrepreneurs, Chinese-Tongan entrepreneurs, and others. The ‘others’ group represents the government, ex-indigenous Tongan entrepreneurs, church leaders, related business organisations and associations, and the society.

Table 1 provides a summary of the participants in this study and the allocation to each respective group.

**Table 1: Summary of participants in groups**

<b>Groups</b>	<b>Respondents</b>	<b>Business and organisations</b>
G1: Indigenous Tongan entrepreneurs	R1	Retail
	R2	Retail
	R3	Retail
	R4	Wholesale and retail
	R5	Retail
	R6	Retail
G2: Chinese-Tongan entrepreneurs	R7	Wholesale and retail
	R8	Wholesale and retail
	R9	Wholesale and retail
	R10	Wholesale and retail
	R11	Wholesale and retail
	R12	Wholesale and retail
G3: Others	R13	Ex-Tongan retail
	R14	Ex-Tongan retail
	R15	Ex-Tongan retail
	R16	Ex-Tongan retail
	R17	Ex-Tongan retail
	R18	Government official
	R19	Government official
	R20	Business organisations
	R21	Business associations
	R22	Church leader
	R23	Church leader
	R24	Communities representative

Note:  $n = 24$

(Table 1 by authors)

A number of questions were designed based on the literature review, to guide the interview. Ethical approval was obtained.

The face-to-face semi-structured interviews were either conducted in English or Tongan. The interviews were voice recorded with the consent of the interviewees. The audio recordings were transcribed into MS Word documents and returned to the respondents for verification and confirmation prior to translating some of the Tongan transcripts into English. The richness of qualitative data may shape interview participants to conflict each other in terms of views. When this happened, we ensured that we captured the majority view on the same questions asked to the participants. We interviewed a range of Tongan leaders including Indigenous Tongan entrepreneurs, Chinese Tongan entrepreneurs, government officials, and church leaders to ensure that the views of the participants are credible. The

translation from Tongan to English was done by the Tongan research assistant who is a native Tongan.

As data collection proceeded, data reduction occurred in relation to interviews (coding and teasing out themes) (Miles et al., 2014). We accomplished this by preparing tables listing codes/ themes frequently raised in relation to challenges to social change faced by indigenous businesses. Several codes/ themes such as (changes in business environment, challenges of indigenous businesses, cultural and religious belief, Chinese Tongan business) were drawn from these responses. The data representing the codes or themes were clustered together (Sharma et al., 2010; Tsamenyi et al., 2006).

## **5. Results**

This section discusses the findings of the study on the use of accounting challenges for ethnically marginalised individuals in Tonga's small business. This section is organised in three subsections: key changes in the business environment, Chinese Tongan business and accounting challenges faced by indigenous Tongan businesses.

### **5.1 Key changes in the current business environment**

A business environment refers to the business operating area and its surrounding conditions. There are two types of business environments, being internal environment and external environment (Duncan, 1972). The internal environment refers to the circumstances within the business operation. This environment is controlled by the business. In contrast, external environment refers to the outside forces that have potential to affect the business operation (Duncan, 1972). A change in the business environment is either creating opportunity or challenge for the businesses in the market.

Table 2 presents a summary of the key changes identified in the current business environment by the interviewees.

**Table 2: Summary of the key changes in the current business environment**

No.	Key changes	Percentage (%)	Justifications
1.	Chinese-Tongan businesses rising dominance in the market.	60	The Chinese-Tongan businesses are taking over the wholesale and retail business sector in Tonga. The numbers of the Chinese-Tongan businesses are increasing significantly in the market, expanding in the capital area, reaching out to the rural areas and small and outer islands of Tonga. Most of the indigenous Tongan businesses are closing down and being taken over by the Chinese-Tongan businesses by renting the premises or leasing the land.
2.	Wide varieties of goods available in the market.	19	There are wide varieties of goods available in the market compared to the previous years. Previously, goods were imported from New Zealand, Australia, Fiji and the United States, but nowadays most of the goods are imported from China. Also, the counterfeit products are increasingly imported into the market. The current business premises and infrastructure have improved compared to the previous years.
3.	Prices are increasing continually in the market.	16	The prices are increasing continually in the market and the Competent Authority (price regulator) is increasing the numbers of regulated goods especially the convenience goods to control the prices by setting a maximum price. Prices are increasing due to high cost of operation and other factors.
4.	Government involvement in the market.	5	There are more regulations and charges imposed in the market compared to the previous years. Also, the requirement for business licenses has increased and is more strongly enforced nowadays than the previous years. There is also a lack of consultation between the government and the private sector to address business issues in the market.
<b>Total</b>		<b>100</b>	

(Table 2 by authors)

The population of the study is 24. The percentage in the Table 2 demonstrates the view of the participants in relation to the key changes in the business environment. The

percentage is based on the total responses received. The summary of the key changes in the current business environment in Table 2 are presented below.

### **5.2.1 Chinese-Tongan businesses rising dominance in the market**

As suggested in Table 2, the Chinese-Tongan businesses taking over the wholesale and retail market in Tonga is the most common change identified by the participants (60%). This is also confirmed by Sherman (2014) that more than half of the Tongan business are owned by the Chinese. The participants confirmed that the Chinese-Tongan businesses are growing and expanding in the capital area of Nuku'alofa and have also reached out to the rural and small island groups of Tonga. Some of the premises of the closed businesses once owned by the indigenous Tongans are rented by the Chinese-Tongan entrepreneurs, or they are leasing the land. The participants indicate that the numbers of wholesale and retail outlets owned by the Chinese-Tongan entrepreneurs have increased significantly while the quantities of the businesses owned by the indigenous Tongans in the society have decreased significantly. This is evident in the following interviewee comments below:

The biggest change that is noted in today's business environment is the significant increase in the number of businesses owned by other Tongan subjects in the market, approximately 80 percent and more are owned by the Chinese-Tongans. I do not know how long the remaining indigenous Tongan-owned businesses are operating in the market because the Chinese-Tongans are taking over the market (R18).

The Chinese-Tongan businesses are taking over the market especially the small villages. Previously, there were businesses owned and operated by the indigenous people in each respective village but nowadays I hardly see any business owned by the indigenous Tongan as the majority are owned by the Chinese-Tongans (R22).

The biggest change that is happening today in the market is the significant increase in the number of Chinese-Tongan businesses in the market. For instance, in the wholesale market, only one or two wholesale businesses owned by the indigenous Tongans are still operating and the rest are Chinese-Tongan businesses (R19).

The interview evidence suggests that the Chinese Tongan are more dominant in the market than the indigenous Tongans. The indigenous Tongans are marginalised in businesses and do not feel inclusive of running small business. These could be attributed to a variety of forces such as entrepreneurial skills, social obligations amongst others for the indigenous Tongans.

### 5.3 Accounting Challenges faced by the indigenous Tongan businesses in the market

The success of a business depends on how well it recognises the significant changes in the business environment and adapts to these changes in a timely manner. Table 3 below provides a summary of the key challenges faced by the indigenous Tongan business people.

**Table 3: Summary of the key challenges faced by the indigenous Tongan businesses in the market**

<b>Key challenges in the market</b>	<b>Percentage (%)</b>	<b>Justification</b>
Culture and religious belief	52	The Tongan society has ranges of traditional obligations and religious functions to fulfil as part of the Tongan culture. These obligations and functions involve huge expenses such as indigenous exchanges and gifting at traditional functions, preparing feast, religious offerings and religious sacrifices. Also, supporting family members through extended family living affects the level of the individual income and savings. The close family ties, relationships, social status and rank in family and society are also affecting the business operation through exercising the social power over the business activity.
Lack of accounting business skills and knowledge	20	The lack of accounting business skills and knowledge is reflected in the lack of commitment to the business activity, mismanagement, business practices employed, lack of accountability, time consciousness, lack of understanding the financial reports, lack of creativity and innovative ideas, lack of entrepreneurship skills and the inability to separate the owner from the business entity.
Limited access to finance	13	The access to finance in Tonga is difficult and expensive given the high interest rates on loans, many requirements for collateral and short-term repayment period. Also, the lack of income generation and flow in the economy is a challenge because people are relying on remittances from Tongans abroad to support family and business activity.
Competition	11	The market is relatively small but the numbers of rivals are increasingly leading to increase in competition.
Unstable economy	4	The change in government position has resulted in many changes in the market. Also, there is a lack of consultation and public-private dialogue between the government and the business sector in policy formulation.
<b>Total</b>	<b>100</b>	

**(Table 3 by authors).**

The percentage above is based in relation to the total participants interviewed which included 24 participants. The summary of the key challenges faced by the indigenous Tongan businesses in Table 3 above are provided in the sub-sections below.

**5.3.1 Key accounting challenges in the wholesale and retail market**

As shown in Table 3, the challenges are summarised into five main themes: culture and religious belief, lack of business skills and knowledge, limited access to finance, competition and unstable economy.

**5.3.1.1 Culture and religious belief**

The respondents (52%) identified culture and religious beliefs as the biggest challenges faced by the indigenous Tongan businesses in the market. Respondents felt that western accounting standards and rules conflict with local culture and do not provide cultural integrity. In Tonga, cultural moves derived from generally accepted established practices of society, rather than written rules and regulations are the determining criteria for organisational procedures, efficiency, cost control, profitability and discharge of accountability. As tradition and religion are deeply ingrained in the Tongan society, fulfilment of traditional obligations and religious functions involve huge expenses, which often affect the business activities in the society. The social status and relationship within the family and society are overlapping with the business activity; hence, this is a challenge for the indigenous Tongan business people in the market. This is evident in the interviewee comments below:

The Chinese-Tongan, *palangi* (white people) and Indian-Tongan owned businesses are burdened by *fakatonga* (Tongan way of life and culture). It is a social burden that affects the ability of the indigenous Tongan businesses to do things because there is not enough cash flow available to grow the business. I often think that *fakatonga* in democracy and *fakatonga* in commerce are not compatible (R21).

I believe that culture is one of the challenges because of our sharing nature. When families are coming and asking for credit or loans it is very difficult for us to say no and this is the main reason why most of the indigenous Tongan businesses are closing down. Our culture is not good for business because we value close family ties and relationship more than the business profit (R18).

The Tongan culture is a big disadvantage for the indigenous Tongan businesses in the market. The culture does not encourage saving and if a person operates his/her business by following the Western business practices that person will be isolated and

eventually cut off by the family and society. Likewise, church in Tonga is too powerful and as family we do not know how to say no to them (R20).

The Tongan society believes in kinship relations which are predicated on communal way of life. This can pose hindrance to the business operations in terms of written accounting processes.

#### ***5.3.1.2 Lack of accounting business skills and knowledge***

As shown in Table 3, the respondents (20%) identified the lack of accounting business skills and knowledge as one of the challenges faced by the indigenous Tongan business people in the market. This is reflected in some of the interviewee comments below:

I believe that the lack of accounting business skills and knowledge is one the challenges faced by the indigenous Tongan business people in the market. Most of the indigenous Tongan people are operating a retail business but they do not have the relevant accounting skills and knowledge to successfully plan and well manage the business operation (R17).

Definitely the lack of accounting skills, as these businesses are small and they should be able to look after their books. Expansion is another challenge that the indigenous Tongan business people are facing. Personally I think the indigenous Tongans do not have the accounting skills to know when to expand the business and not to expand. If you look at the Chinese-Tongans, they would not expand their businesses to a bigger supermarket like the indigenous Tongans. Hence, the lack of creative and innovative ideas and entrepreneurship skills are reflected in the indigenous Tongan businesses (R20).

The lack of accounting business skills is the key problem noted in the indigenous Tongan businesses despite the fact that the indigenous Tongans are educated. The accounting business initiatives and experiences are required to operate the business successfully. For instance, the lamb, butter, chicken, and corned beef will not have the same sales margin and price because frozen food requires a freezer for storage, hence the prices of these goods need to reflect the costs of operation such as power, but the indigenous Tongan business people cannot identify and differentiate the costs and allocate accordingly to the products (R3).

#### ***5.3.1.3 Limited access to finance***

Respondents (13%) identified the limited access to finance as one of the challenges faced by the indigenous Tongan businesses in the market as shown in Table 3 above. The lack of resources, income generation and flow in the economy has been a challenge given the high interest rates on loans, many requirements for collateral and short-term repayment period. Hence, people are relying on remittances from Tongans abroad to financially support the business activity. This is evident in the following interviewee comments:

The current export to overseas markets is very poor and cannot generate enough income to motivate the new business establishments in Tonga. Also, high interest rates as well as requirements for obtaining a loan are too complicated. People need financial assistance to further develop the growth of their businesses but access to finance is an obstacle (R22).

Seeking other alternative financial support to assist the business is the key challenge because the bank interest rate on loans is very expensive and it is difficult to obtain a loan given the requirements for collateral and others (R2).

I know Tonga Development Bank have some incentives but the criteria is too high. They actually allowed six to nine months' payback period, which is ridiculous. They said that they will move it to one year which is still short. Also, they were asking for collateral, securities and others they were asking too much and it still is an issue. Some of the businesses end up going to the commercial banks but access to finance is still a major problem for the indigenous Tongan businesses (R20).

#### **5.3.1.4 Competition**

The respondents (11%) identified competition as another challenge for the indigenous Tongan businesses in the market. The market in Tonga is relatively small but the numbers of rivals in the business sector are increasing leading to increase in competition. This is evident in the following interviewee comments:

The Chinese-Tongan businesses have entered our community and it is a threat for my business especially if there are two or more Chinese-Tongan businesses operating next to my shop because the market is too small but competition is high due to the increasing numbers of rivals. Same thing noted for the whole of Tonga as the numbers of retailers and wholesalers have increased significantly but the market size is too small (R5).

Competition is very difficult because there are too many Chinese-Tongan businesses in multiple locations. An indigenous Tongan business cannot survive if surrounded by the Chinese-Tongan businesses (R4).

The above interview comments suggest that it is a challenge for indigenous Tongan businesses to compete with Chinese-Tongan businesses. Western accounting often prioritises individualistic economic goals over collective well-being of the Tongan people, which leads to tensions between financial accountability and social accountability based on societal norms.

#### **5.3.1.5 Unstable economy**

The respondents (4%) indicate that the unstable economy is another challenge that affects the business operation in the market. In particular, the previous change in government power has resulted in many changes in the market: for instance, lack of consultation between

the government and the business sector in policy formulation and lack of public-private dialogue to discuss business issues and foster close relationship through cooperation and partnership. This is supported by the following interviewee comments:

It does not matter what nationality you are, everybody has the same challenges such as unstable economy, unstable government and there are lots of changes happening over time while there is no interaction altogether to generate our feedback from the business sectors (R21).

I know that the changeover in government power has been a challenge to everyone because of the instability in government position. Last year I think 50 percent of the bills and regulations were approved by the government but neither us nor businesses or communities were consulted. So, there is a need to be an inclusive approach to bring businesses, government and other sectors and some civil societies together to address some of these issues but at the moment it is not being addressed as there is no platform like I said the previous government had (R20).

### 5.3.2 Comparison of business goals between the indigenous Tongan businesses and Chinese-Tongan businesses

The goal of a business activity reflects the desired outcome which the individual entrepreneurs are pursuing. The respondents, indigenous Tongan entrepreneurs and Chinese-Tongan entrepreneurs were asked to provide the purpose of their business activities, and different business goals were provided. It is believed that the non-financial goals provided are related to the causes of the challenges faced by the indigenous Tongan businesses in the market. Table 4 summarises and compares the business goals between the indigenous Tongan businesses and the Chinese-Tongan businesses.

**Table 4: Comparison of business goals**

<b>Business Goals</b>	<b>Indigenous Tongan businesses</b>	<b>Chinese-Tongan businesses</b>
Profit maximisation	33%	100%
Fulfilment of obligatory functions	67%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

Note:  $n = 12$  (G1 and G2)

(Table 4 by authors)

The percentages above are based on group 1 participants, indigenous Tongan entrepreneurs and group 2 participants- Chinese Tongan entrepreneurs which equates to 12 participants.

### **5.3.2.1 Profit maximisation goal**

As suggests in Table 4 above, 33 percent of the respondents from the indigenous Tongan businesses indicate that profit maximisation is the primary business goal of the business activity in the society. This is evident in the following interviewee comments:

Profit maximisation is the primary business objective and there is no plan to fail. Achieving our target goal depends on the management; if we can control and manage well the operation by minimising the costs and train the employees to effectively perform then profit is expected to be achieved (R4).

Profit maximisation is the primary objective of the business. If profit is generated then other obligatory functions to family, community and church can be fulfilled (R5).

This is in contrast to the Chinese-Tongan businesses; these respondents (100%) indicate that profit maximisation is the main target goal of the businesses in the market. This is reflected in the following interviewee comments:

Profit maximisation is the priority, to collect enough money to support the business activity and then family (R8).

Profit maximisation is the priority to enable growing and expanding the business activity to maximise revenue. All of my profits are going to my stock because if you do not have enough stock then how can you make money and profit? (R11).

The other 67 percent of the respondents from the indigenous Tongan businesses indicate that fulfilment of the obligatory functions in society is the goal of their business activities. This is reflected in the interviewee comments below:

When I started my small shop, a pastor came and blessed my shop and before opening, he asked me this question “what is the purpose of your business?” My response was to raise sufficient funds to meet church, family, and community obligations. When I moved here years ago and started this business another pastor came and asked me the same question. In my business I prioritise church obligations like church offering and also meeting family obligations (R1).

The purpose of operating this business is to assist the people in the community such as decreasing theft: it is better to come ask than steal. Likewise, those poor families who need help can also come and ask rather than arguing with neighbours and others when they need anything. Also, meeting church obligations is the second objective and lastly if profit is generated then I am grateful (R3).

It appears from the above that accountability is perceived through two distinct cultural lenses- Western and non-western. The Western perspective emphasises on profit

maximisation. Conversely, non-western accountability suits indigenous Tongan which is predicated on the cultural system of reciprocity, dialogue and communal decision making aligned with collective interests.

### 5.3.3 Financial report preparation and audit inspection

The preparation of financial reports and audit inspections are important aspects of the Western accounting practices. Due to the importance of this aspect to the research objective of this study, the findings are presented separately from the *lack of skills and knowledge* subsection to enable comparison between the indigenous Tongan businesses and the Chinese-Tongan businesses. Table 5 presents a summary of the key findings in financial report preparation and audit inspections between the indigenous Tongan and Chinese-Tongan businesses.

**Table 5: Summary of financial statement preparation and audit inspection**

Items	Indigenous Tongan businesses	Chinese-Tongan businesses
Financial statement preparation		
Prepared by owners	100%	-
Prepared by agents	-	100%
Audit inspection		
Conducted by the Ministry of Revenue Services	50%	33%
Conducted by the owner	33%	67%
No audit inspection	17%	-

Note:  $n = 12$  (G1 and G2)

(Table 5 by authors)

The preparation of financial reports requires accounting skills to understand the business transactions and accounting concepts in order to accurately prepare the reports to reflect the true and fair presentation of the business activity. As shown in Table 5 above, respondents (100%) from the indigenous Tongan businesses indicate that the business owners are preparing the financial statements at the end of the financial period with the assistance of the Ministry of Revenue Services. This is evident in the interviewee comments below:

The financial accounts are manually recorded and I prepared the financial statements at the end of the financial period with the assistance provided by the Ministry of Revenue Services (R6).

Previously, an agent was hired to prepare the financial statements but recently, Ministry of Revenue Services is providing guidelines to follow in preparing the financial statements. So, I prepare the financial statements at the end of the financial period (R3).

Respondents of indigenous Tongan felt that “not doing things” because it does not align within the requirements of western-imposed formal accounting rules, or waiting for formal compliance which may never happen, is not a proper discharge of accountability. In contrast, for the Chinese-Tongan businesses, the respondents (100%) indicate that the financial statements are prepared by agents at the end of the financial period. The Chinese-Tongan businesses are recording the financial accounts and collecting the source documents for the agents to prepare the financial statements. The next section brings the narrative together and concludes the paper.

## 6. Discussion

The purpose of this paper is to examine the challenges faced by the indigenous businesses in the wholesale and retail market in Tonga. The research question being asked is how are the values of western accounting becoming hegemonic in the Pacific context and unsupportive to the social mission of local indigenous firms compared to the Chinese firms?

Tongan society is guided by four core social values being “*fefaka’apa’apa’aki* (mutual respect), *feveitokai* (sharing, cooperating and fulfilment of mutual obligations), *lototoo* (humility and generosity), and *tahui vaha’a* (loyalty and commitment)” (Tonga Tourism Authority, 2014). With these notions in mind, the combination of these social values and religious beliefs are central features of the Tongan culture and traditions.

The rising dominance of the Chinese Tongan businesses in the market is one of the biggest changes in the Tongan society (Sherman, 2014). Tensions between the indigenous Tongan business and the Chinese Tongan businesses has resulted from different perspectives with regards to the money, wealth and social values in the society. The indigenous Tongan businesses value family, religious beliefs and obligatory functions above money. Much of the recent studies have underscored the inherent tensions between western accounting values and the local indigenous values (Hauriasi and Davey, 2009).

This paper utilised institutional logics perspective to inform the study. While studies of institutional change have shown how new logics can assume dominance at the micro-level of practice, there are relatively few studies that show how transition is followed where rivalries between logics persist. In our study, we post two key institutional logics in the field of business: business logic and communal logic. Business logic represents the profit maximisation goals of business. Communal logic refers to the process of sharing and caring for kinship and community and prioritising family, community and church over business goals. We show in the paper the competing logics of business and communal which creates tensions for indigenous Tongan business. Indigenous Tongan businesses seem to prioritise communal logic over business logic of profit maximisation. Wealth for the indigenous community could mean resources other than money which may entail social capital such as communal bonding. Giving back to the community and church is also part of the wealth for the indigenous Tongan people.

Norris et al., (2022) note the need for more culturally responsive accounting, particularly those that capture the needs to the First Nations entities. Accounting is seen as a tool for dominating indigenous peoples (Bujaki et al., 2023; Vidwans and De Silva, 2023). Profit maximisation was not the main business goal of indigenous Tongan in comparison to Chinese Tongan. The Chinese Tongan considered profit maximisation as the core goal. Communal logics persist for the indigenous Tongan. For the indigenous Tongan, wealth is normally accumulated in the Tongan society in the form of pigs, food crops and social wellbeing (Hauriasi and Davey, 2009). Accounting were implemented in the unmodified form, and therefore are inappropriate to the society's needs (Mirghani, 1982).

In contrast to the Chinese Tongan businesses, the indigenous Tongans do not appear to be adequately trained in the Western business practices. Similarly, the Tongan society does not seem to value the importance of generating a profit as critical for the long-term success of a business activity.

The Chinese-Tongan people, on the other hand, are successfully working with each other within a network of Chinese-Tongan business. Networking allows the Chinese-Tongan businesses to share information with respect to the market, finance, cost and other related business issues. The Chinese dominance in the wholesale and retail business left very little space for the local indigenous Tongan to conduct business.

## 7. Conclusion

This study demonstrated that tensions between dominant western accounting concepts and indigenous values persist (Fukofuka and Ali, 2022; Sharma and Lawrence, 2005, 2009). Little is known about how accounting is studied in the context in which it operates, particularly in developing countries (Hopwood, 1983). We extend the literature by considering the use of accounting challenges for ethnically marginalised individuals in Tonga's small businesses.

The paper aimed to fill the gap in the literature in the way accounting was used by the ethnically marginalised groups in small businesses. There is a dearth of cultural studies in accounting in countries within the developing world, particularly in the Oceania region. Studies cited so far relate to Fiji and Papua New Guinea (Chand, 2001). This is a weakness as most countries in these regions are economically poor and studies to explore how accounting could be used to effectively manage their scarce resources are needed (Chand, 2001). This paper filled this gap in the literature.

While western accounting aims to provide a structured representation of financial realities, the enforcement of accounting tools with a disciplinary intent in a non-western indigenous context may not necessarily yield the intended outcomes. The moral tensions between the western and non-western cultural perspectives that limits the functioning of accounting and accountability needs to be resolved.

Forward-looking efforts with several initiatives from the relevant stakeholders are required to facilitate creating a business environment that is inclusive for the development and growth of the indigenous business in Tonga. Firstly, the government should take the lead in improving the current business environment by facilitating the public-private dialogue and an inclusive approach in policy formulation to better understand the changes and challenges faced by the indigenous Tongan entrepreneurs in the market. There are many accounting challenges faced by the indigenous Tongan businesspeople in the market, which indicate specific areas where the attention of the policy makers should be directed. A better accountability from the government is needed on their efforts to encourage inclusion of indigenous businesses. This could include business networks such as the Tonga Chinese Business Association and the Tonga Chamber of Commerce. Positive discrimination could be

exercised with indigenous Tongans in order to promote their inclusiveness in small businesses. The government could preserve certain percentage of businesses for indigenous people. The positive discrimination policy has worked well in Malaysia and Fiji which could be emulated by the Tongan government (Verebalavu, 2006).

The government could also encourage indigenous partnership of businesses with Chinese Tongan. This would make diverse ethnicities more inclusive in small business operations. The research findings suggest a gap in knowledge in the current business environment with respect to the Western accounting practices in the indigenous society. It would be interesting to have further studies in other developing countries to understand the impact of the western accounting practices in the operating environment. Future comparative studies could also focus on the challenges faced by the different business sectors and different ethnic groups, given the socio-cultural component of the operating environment.

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