

# ACCOUNTING SERVICES AND THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN IKOT EKPENE METROPOLIS

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## ABSTRACT:

The study examined the accounting services and the financial performance of small and medium enterprises in Ikot Ekpene metropolis. In order to carry out this study, specified research objectives were drawn from which null hypotheses were formulated and used for the study. The research design for this study is survey method design. The population of the study consisted of SMEs operators in Ikot Ekpene local government area. Simple random sampling technique was used to select 383 respondents out of the population. The instrument used for data collection was questionnaire. Data from completed questionnaires was subjected to regression analysis. The findings showed that findings showed that the current accounting practice has a significantly positive effect on SMEs performance. The positive correlation indicates that the higher the soundness of accounting practices deployed on the operations, the higher the performance of the business and vice versa. This is based on the premise that sound accounting practice will lead the firm to account accurately for all its incomes and expenditures as well as assets and liabilities from one period to the other.

**Keywords:** Accounting Services; Finance; Financial Performance; SMEs

## INTRODUCTION:

Accounting services are very pertinent in ascertaining the profitability, financial position and tax liability of business organizations. It utilizes contemporary techniques, for example, monetary explanations and bookkeeping programming or by utilization of customary strategy which is fundamentally stewardship bookkeeping. Bookkeeping forms are implanted in each business, that is, each business needs bookkeeping administrations since they profit and it has regularly been alluded to as 'the dialect of organizations'. Experts in Accounting are frequently observed as obvious makers of significant worth in associations. This is vital for extraordinary execution. The bookkeeping bureau of an association can gauge the productivity, effectiveness and budgetary position of the organization by handling the money related records of the organization. They additionally help detail money related techniques for the business associations as a result of the information of the budgetary drivers and they likewise look for open doors for long haul achievement (Association of Certified Chartered Accountants, 2013).

Be that as it may, most examinations have been done on enormous organizations and ventures and they neglect to investigate the activities of Small and Medium Scale Enterprises (SMEs). SMEs' level of execution and viability should be examined. It is accepted, some of the time that the

bookkeeping needs of Small and Medium Enterprises are only to record purposes yet it is more than that. The Accounting administrations are foremost a direct result of the apropos needs of the partners and the business.

When SMEs begin their tasks, their money related capacities are worked to ensure that there is consistence with the significant bookkeeping guidelines and standards. As the business develops, the bookkeeping capacities windup institutionalized and the business procedure ends up less demanding to screen then from that point the bookkeeping capacity starts to achieve its potential. It is likewise essential to observe the issuance of new guidelines known as International Financial Reporting Standards and it is additionally fundamental for organizations to report their money related position as per the norms. In any case, this isn't the situation as the information of these guidelines isn't controlled by a great deal of people.

This study primarily centers on the roles of accounting services and how it affects the performance of SMEs in Nigeria as it is shown that SMEs are very important to the economy.

#### **STATEMENT OF PROBLEM:**

The research problem is that the scope is limited. This is as a result of limited time for the research. Hence, accessibility to more SMEs is not possible. The problem areas that stimulated interest in this research topic are the low performance, inefficiency and the convergence to IFRS that is associated with SMEs. These issues are discussed more concisely below:

SMEs are crucial to the development of the market economy. SMEs are sometimes referred to as essential participants in the development of local and regional areas.

Despite government institutional and policies support to enhancing the capacity of small and medium scale enterprises, small and medium scale enterprises has fallen short of expectations (Fatai, 2015).

They also have an important role to play in the economy of our countries and even the world. This is a major reason why accounting information is necessary. It provides necessary information to monitor the development of the SMEs. They are the backbone of economies in countries all around the world. SMEs are an important drive for economic development and empowerment of local communities (Tambunan, 2014). They cut across a variety of fields such as trade, agriculture and processing, mining, service, among others.

SMEs usually employ bookkeepers instead of accountants which gives room for ineffectiveness (Mutua, 2015). This is the foundational problem because bookkeepers do not have as much knowledge as the accountant and the basis for judging performance is already marred.

There is also the challenge if the issuance of standards. Lately, at the international level, the accounting has been submitted to a comprehensive process of convergence and reconfiguration, which aims to eliminate the disagreements between different accounting systems (Sava, 2013). Most accountants do not have the knowledge of it and this affects the financial reports. This is because without the knowledge of it, the financial reports would not be up to standard and the objective of the issuance of IFRS is defeated. According to International Accounting Standards Board (2009), small and medium- sized entities are characterized as not having open responsibility and by distributing broadly useful money related articulations for outside clients.

## **OBJECTIVE OF THE STUDY:**

### **Specifically, the study sought to:**

Assess the effect of accounting practices on SMEs performance in Ikot metropolis.

Evaluate the mode of accounting on efficiency of SMEs performance in Ikot metropolis.

### **Hypotheses:**

The following hypotheses for the study have been stated in null form:

There is no significant relationship between accounting practices and SMEs performance in Ikot metropolis

There is no significant relationship between mode of accounting and SMEs performance in Ikot metropolis

## **Overview of Small and Medium Scale Enterprises:**

Historically, small and medium scale enterprises had its origin in the Eastern, Mediterranean Siropolis in 2007. Although it is argued by authors that small and medium scale enterprises all over the world are divergent array of business concerns involved in economic activities (from micro and rural enterprises to contemporary enterprises organization) that uses sophisticated technologies.

Nigeria as a country constitutes an important part of the world-economy considering its abundant human and non-human resources. In Nigeria, the history of small and medium scale businesses is as old as the empowerment of the nation itself. Prior to the advent of Colonial administration, Nigeria has self employed agrarian economy in which business that were small or medium was established (especially in the areas of agricultural production).

However, with time; business operations extended to other areas such as extractive, cottage and handcraft. The farmers

realized that excess stock could be sold with a bumper harvest and this usually fetched them some money. This led to the production of domestic items as palm oil, clothes and other professional jobs at which specialization are introduced. This local production economy thus have the blacksmith that produces hoes, and cutlasses, pots from potters, the soap makers for black soaps, etc. However, the idea of retailing and wholesaling were actually prompted by the advent of colonialism and missionaries through the bringing into Nigeria finished goods from companies abroad.

Consequently, only a few uneducated Nigerians benefited from government gesture of promoting small and medium business enterprises, because the educated Nigerians were busy and contented with administration, where they occupied sits vacated by the European personnel. Remarkable increase in small business enterprises emerge towards the end of the last decade of 20<sup>th</sup> Century. The reawakening came through the enactment of the Nigerian indigenization Decree (government's empowerment to developing SMEs in Nigeria) which was later known as the Nigerian Enterprises. Promotion Decree (NEPD). This was an attempt by Federal Government to ensure that Nigerians play an important and active role in the development of the country and economy.

During the second National Development plan 1970-75, the Federal Government gave priority attention to the development of small and medium scale enterprises most especially in the rural areas. This was in recognition of the role small and medium scale industries as the foundation and training grounds for the growth and development of entrepreneurship activities in Nigeria. Between 1980- 1989, the Nigerian government's enterprises policy focused her attention mainly on local resources utilization through various forms of incentives provided.

The government policy measures were to encourage technological aspects of enterprises development of small and medium business in Nigeria.

### **Important of Small and Medium Enterprises on Economic Development in Nigeria:**

Importance of small and medium enterprises (SMEs) to the economy is acknowledged in numerous African countries such as Togo, Uganda, Ghana, Cote d'voire, Nigeria, Kenya, Malawi, Burkina Faso, as well as others. According to Rwigema and Karungu (2009), SMEs are dominant in numbers in most economies. In First World countries like the United States of America, United Kingdom etc., small enterprises play an important role in the economy, accounting for an estimated one third of industrial employment and a lower percentage of output. In Third World countries where SMEs dominate economically active enterprises, the SMEs propensity is considered far more important than in First World countries (Rwigema and Karungu, 2016). The activities of SME enterprises in Africa are of vital importance for the promotion of economic growth, job creation and the mitigation of poverty. In a research conducted by Mead and Liedholm (2008) confirmed that there are more SME closures than expansions. A fundamental element that has a positive impact on an organization's growth is the depth of "human capital" or "brain power" (McGrath and King, 2006; Rogerson, 2017). The importance of human capital as a critical success factor was also confirmed in a study conducted on African enterprises where it was determined that successful entrepreneurs more likely have education and training beyond the primary school level (Rogerson, 20017). The merit of this finding is based on the argument that entrepreneurs with a greater level of education and training are more able to adapt their business to the ever changing business

environment. In a study conducted on enterprise success factors in SMEs Gauteng, South Africa, it was concluded that a lack of technical and managerial skills impedes on business development. Research on SMEs in South Africa showed inadequacy of management skills and training as a major cause of SME failures. This was confirmed (Rogerson, 2015) 90% of a sample of 1000 entrepreneurs who believed that SME failure is due to a lack of managerial skills. However, taking the importance of training and skill into account, it is cautioned by Rogerson (20015) that skills are not the only or even primary answer to the challenges facing SME development.

In recent time in Nigeria the growing rate of small businesses is characterized with high rate of unemployment and the increasing rate of graduates from different institutions without correspondent employment opportunities and consequently, the society is gradually getting to the stage where the average graduate is willing and ready to go into business (Ahmed, 2014). Small scale enterprise is usually managed by the owners or relatives of the business. Most of the ownership structure being sole proprietorship and partnership. The sources of fund are majorly from the owners' savings, borrowing from friends, relatives and banks (Ekpenyong and Nyong, 2012).

In Nigeria, government also provides soft loans to the small scale businesses. However, the definition of small scale business in Nigeria by the central bank does not reflect the typical characteristics of Nigerian small-scale enterprises in terms of their capital base and number of employees (Ekpenyong and Nyong, 2012). Whereas the Central Bank of Nigeria defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira but many small businesses in Nigeria had a capital base of less than 100,000

naira. This was contained in its Monetary Policy Circular No. 22 of 1988, but a typical small business in Nigeria has less capital investment. There is, therefore, the need to redefine small business in Nigeria. The originator of the business according to Adeyemi (2014) often plays the double role of owner as well as responsibility for planning, directing, coordinating the activities that lead to the creation or production of business value. Another major characteristic of small-scale enterprises in Nigeria is the difficulty they experience in raising adequate capital for their businesses (Adeyemi, 2014). External sources are difficult to be assessed from finance houses and banks. Even where the banks agree to provide fund for these businesses, the conditions or collateral for these loans are always difficult to be met by the business owners. Small enterprises with a small capital base tend to use the informal financial institutions.

According to Chukwuemeka (2006) who pointed out that about 80% of small enterprises are not thriving as a result of poor financing and other problems associated with it. Therefore, small businesses are often found in certain areas of the sector particularly due to their financial ability, and human resource capabilities and opportunities presented by the economy and not necessarily because of their passion or expertise (Adeyemi, 2014). Most of the businesses were engaged in service-related activities. According to the survey carried out by Ekpenyong, and Nyong (2012), few of the small business owners had tertiary education (16 per cent) while the majority had primary and secondary education (84 per cent). Many of them had no previous experience in business before embarking on their current business activity. Many of the small businesses in Nigeria find it difficult to survive because the death of the owner might lead to the death of the business.

According to Scholes, Westhead and Burrows (2018) transfer of ownership is very important to the continuity and success of small business. The inability of small business owners to transfer the business successfully to another person may lead to the closure of the business. Moreover, small businesses are affected by limited financing, poor management skills, infrastructure and regulatory issues. These factors affecting small business owners may have negative impact on the small business growth.

SME contributes significantly to the economic growth of the country. The contribution performance of the SMEs in the country is considered as the spinal column. According to Aremu and Lawal; (2012) SMEs have provided growth potential and contributed critical roles in the manufacturing and value chains just as their multiplier effects have impacted on the rest of the Nigerian economy, a development that have enabled them to be the engine of economic progress. It is also noted that the SME sector is the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities in the country. SME sector also formed the vanguard of the modern enterprise sector and presents the propelling force of economic modernization and growth in Nigeria. They are an important sector that needs to be adequately factored into policy making and programme implementation in Nigeria.

These classes of enterprises comprise about 70% to 90% of the business establishment in the manufacturing sector in Nigeria (Eniola, Ektebang & Sakariyau, 2015). Moreover, the potential of SMEs is to serve as an engine for wealth creation, employment generation, entrepreneurial skills development, and sustainable economic development. SMEs is the creativity and ingenuity of entrepreneurs in the utilization of

the abundant non-oil, natural resources of this nation which will provide a sustainable platform or springboard for industrial development and economic growth as is the case in the industrialized and economically developed societies (Eniola & Ektebang, 2014). SME in Nigeria provides over 90% of employment opportunities available in the manufacturing sector and accounts for about 70 % of aggregate employment created per annum (Eniola, Ektebang & Sakariyau, 2015).

Nigeria has the biggest economy in Africa. According to the National Planning Commission of Nigeria, (Siti, Norfaridatul, Juhaini & Zaidin, 2014), the contribution performance of the SMEs is considered as the country's backbone (Nwachukwu 2012). It is therefore clear that promotion of such enterprises in developing economies like Nigeria is of paramount importance since (among other benefits), it brings about a great distribution of income and wealth, economic self dependence, entrepreneurial development, employment and a host of other positive, economic uplifting factors (Aremu & Lawal, 2012).

### **Factors Militating against Effective Operation of Small Medium Scale Enterprises in Nigeria:**

Despite the catalytic role of SMEs in the economic emancipation of countries, some of their major operational challenges in Nigeria include:

#### **Financial Problems:**

About 80% of Small and medium enterprises are stifled because of poor financing and other associated problems. The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and

credit information and cost of accessing funds, Zack (2003). Harper, (2001) believes that the capital shortage problem in the small firm sector is partly one, which stems for the uneconomic deployment of available resources by the owner-managers. This view was shared by Ihyembe, (2005) who claimed to have seen businessmen take loan for expansion projects only to turnaround to marry new wives, acquire chieftaincy titles or buy houses abroad. In a study of SMEs in Asia observed that financing working capital needs was the most frequently mentioned problem. Binks and Ennew, (2007) expressed the view that the funding problem of SMEs is primarily due to the behavior of banks and imperfection of the capital markets.

#### **Management Problems:**

Lack of trained manpower and management skills also constitute a major challenge to the survival of SMEs in Nigeria. According to West and Wood (2012), "...90% of all these business failures result from lack of experience and competence." Rogers (2013), also added that inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.

#### **Inadequate Basic Infrastructure:**

Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a

binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives.

#### **Socio-Cultural Problems:**

Most Nigerian Entrepreneurs do not have the investment culture of ploughing back profits. Bala, (2013) stressed that the attitude of a typical Nigerian entrepreneur is to invest today and reap tomorrow. Also, the socio-political ambitions of some entrepreneurs may lead to the diversion of valuable funds and energy from business to social waste. The problem of bias against made in Nigeria goods is significant. Most Nigerians have developed a high propensity for the consumption of foreign goods as against their locally made substitutes.

#### **Strategic Planning Problems:**

SMEs often do not carry out proper strategic planning in their operations. Ojiako (2015) stated that one problem of SMEs is lack of strategic planning. Sound planning is a necessary input to a sound decision-making.

#### **Location/Economic Problems:**

Market stores are dominated by absentee landlords who charge exorbitant rates. The ownership of market stores by politicians is crowding real small-scale operators out of the market. The high rents charged by store owners on good locations have forced real small-scale operators into the streets or at best into accessible places. Also, domestic economic problems of deregulation and removal of protection as well as the global financial crisis have been detrimental to SMEs.

#### **Poor Accounting System:**

The accounting system of most SMEs lack standards hence, no proper assessment of their performances. This creates opportunity for mismanagement and eventually leads to the

downfall of the establishment.

#### **Multiple Taxation:**

This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household incomes and employment.

#### **Unstable policy Environment:**

Instability in government policies have caused some SMEs to collapse. One of such policies is that of the 1980s when government specified that cocoa should not be exported in raw or unprocessed form after a specified deadline. Many SMEs had to import machineries only for government to reverse this policy. This negatively affected so many SMEs in the cocoa industry. The present high mortality rate of SMEs in Nigeria is awful to contemplate and constitute danger to the entire economic system. It represents serious financial pressure on the nation's economy as well as a waste of valuable resources. The business owner should always consider challenging situations and be prepared to meet them with preplanned strategies. The survival of SMEs is only possible through a systematic analysis of the problems they are facing and mapping out appropriate strategies of overcoming them, through a proper understanding of the business environment. For a business to survive in unfriendly environmental conditions it should adopt a strategy that utilizes its strengths to exploit opportunities while avoiding its weaknesses Nwoye (2008), argued that strategic changes might take place in a firm without initial formulations, such decision could be informed

by expansion strategy, preference to cash sales policy, innovation strategy, change in production techniques, local sourcing or use of alternative materials, backward integration and merger. Thus, any entrepreneur who wants to succeed must identify business opportunities, be creative, visionary, daring, risk taking, courageous and sensitive to changes in the business environment.

### **Performance Indicators of Small and Medium Scale Enterprise:**

According to Frolick, Thilini and Ariyachandra (2012) business performance entails the combination of management and analytical processes that allows managers of an organisation to achieve pre-determined goals. Business performance of organisations is all about focusing on investigating all organisational functions at high and low levels of activity to ensure they are adequately performing as expected (Mann and Kehoe, 2009).

Organisations in market economy affirm frequent and numerous changes in almost each business area, which brings radical changes in internal and external business environment and it contributes towards their poor performance in their business transactions (Kaplan and Norton, 2010). The environmental changes require a turn in business management philosophy which is focused on re-directing the strategies of traditional instruments in order to achieve better performance using some business performance measurements (Slater, Olson and Reddy, 2012). Business performance measurement is seen to have three main activities such as: selection of goals, consolidation of measurement information relevant to the organisation's achievement of these goals, and interventions made by managers in light of this information. The business performance management looks beyond different divisions that the business

possesses but focuses on aligning the strategic and operational objectives of the company in order to achieve better performance by ensuring the set organisational goals and objectives are met timely. In most unstable business environment, successful businesses have to continually adapt their competitive strategy, which, among other things, means to develop such systems of controlling and performance evaluation that will enable faster and adequate clue to the business function to attract more business success for the organisation (Maskell, 2012).

Considering the economic situation of the present economy in Nigeria presently, requirements for improving methods and instruments of business performance measurement have become more expressive. Namely, business performance measurement has been affirmed as a dominant control activity of enterprise which identifies the key market and structural factors of its business success (Maskell, 2012). The implication is that adequate performance measurement has to satisfy different information requirements as well as to reflect success in using material and non-material resources of enterprise. Improving performance means redefining the traditional methods of their measurement (Maskell, 2012). To develop and affirm strategic approach to performance measurement, which, more or less, includes some different integral strategic performance measurement (Slater, Olson and Reddy, 2012).

The essence of strategic business performance measurement is to handle the following things: (1) evaluate value that the enterprise expects from its stakeholders and value that each group of stakeholders expect from the organisation which can be done, (2) monitoring process efficiency, defining the standards of minimal level of performance and level of target performance, (4) focusing on performance drivers and the factors of current



profitability, (5) and suggesting measures for improving financial performance (Atkinson, Waterhouse and Wells, 2009). The major concern of strategic performance measurement system is in defining the primary measures focused on results and the secondary measures directed towards primary result drivers.

The business managers are always responsible for developing rational process that is responsible to determine the key performance measures of the company. The use of system analysis provides such a rational process to be integrated into the performance system. Some of the notable indicators used in measuring business performance are profit, return on investment (ROI), turnover or number of customers (Wood, 2006), design quality and product improvement (Laura, Shawnee and Cornelia, 2009). The measuring of business performance could be through the business performance measurement (BPM) system, as it is an important tool within many research areas, particularly in business and social science studies. This system analyses and investigates each quality that affects a firm's business performance, categorizing business performance into two broad areas: operational business performance and strategic business performance (Mann and Kehoe 2009). Some of the sub-variables mostly identified as indicators of business performance in line with the study objectives were sales growth, market share, profitability, and working capital.

#### **Accounting Information Systems Concept:**

As accounting information plays an important role in making administrative decisions, there is a need for accounting information systems to ensure the functioning of the administrative system. Accounting is one of the oldest information systems known to organizations, since the accounting information is of obvious importance in identifying the economic and financial reality of the organization and the

organization's financial relations with the surrounding environment (Kassem, 2004). Information systems can be considered as a set of interrelated elements that work together to collect, retrieve, process, store, and disseminate information to support decision-making, coordination, control, analysis, and observation in the organization. However, it can also refer to a group of individuals, equipment, procedures, software, communications and databases working manually, mechanically or automatically, to collect, store, process, and transmit information to the beneficiary (Loudon & Loudon, 2008).

It is defined as a set of components bound together regularly to produce useful information and to communicate this information to users in a timely and appropriate manner in order to help them perform the functions assigned to them. The main components of the information system are explain thus:

- I. **Inputs:** These are the vocabulary and data describing events and assets that enter the system.
- II. **Processing:** This refers to the technical side of the system, which is a set of calculations and logic that take place on the inputs in order to reach the outputs.
- III. **Outputs:** This represents the results that the system is working on.
- IV. **Controlling:** This is a set of procedures and rules designed to verify that the final results achieved are in line with the goals and plans set in advance.
- V. **Feedback:** It aims to provide a guiding tool for the activities of the system, and it works to evaluate the results of the work of the system and correct targets if there are flaws in the system's goals.

Consequently, the component of the information system is also known as hardware, software, remote communication,

database management, and other information processing techniques used in a computer-based information systems (Hilmi, 2005). Through the previous definitions, the researchers stated that information systems are a comprehensive set of components, whether physical or human components, which contain a set of elements and procedures that work in a sequential and coherent way through the operation of the system procedures from entering and activating the information, devising the results, and providing them to the categories used and beneficiaries to take decisions necessary to perform their functions in a timely manner.

#### **Characteristics of Good Accounting Information Systems:**

Good accounting information systems have the following characteristics (Hilmi, 2005)

1. **Relevance:** Relevance refers to when information is used to reduce uncertainty, improve decision-making, and confirm or correct previous expectations.
2. **Reliability:** This means that the information is free from errors and bias, and it accurately represents the events and activities of the entity and that the figures in the accounting information systems reflect fairly the operations of the bank.
3. **Comparability:** The information that is measured and reported similarly in different institutions is comparable. The comparability feature enables users to identify aspects of agreement and fundamental differences in economic phenomena, as long as these aspects are not concealed using similar accounting methods (KISO, 2005).
4. **Consistency:** The principle of consistency means that the enterprise applies the same methods to the same accounting events from one accounting period to another (Al-

Fadagh,

5. **Completion:** Completion means that information is inclusive of important elements related to events and activities.
6. **Timely:** It provides timely information to decision makers for the purpose of decision-making. To be useful, information must be prepared on time before the decision is made (Ahmed, 2013). The periodicity of financial reports published by the bank, which is usually three months, will continuously provide the necessary information for decision-making (Al-Ja'di & Al-Haj, 2010).
7. **Understandable:** This means to display information clearly and effectively.
8. **Verifiable:** This means to obtain the same information by independent individuals.
9. **Accessible:** This refers to the provision of information to users when they need it and in an appropriate manner.

#### **Accounting Information System and Knowledge Management:**

Accounting information system refers to a collection of data and processing procedures that generates the required information of the user (Hall, 2012). According to Hall (2012), the basic aim behind accounting information system is to generate accounting information to external individuals and groups like management and operational personnel. Other studies like Zager et al. (2006) relayed that authentic accounting information are obtained from the quality accounting information system while Susanto (2008) stated that the basic role of the accounting information system is to generate qualified accounting information. Moreover, accounting information system was described by Widjajanto (2001) as a collection of human and equipment resources set to transform data obtained into information that is relayed to different

decision makers. Also, Mujilan and Madiun (2012) contended that accounting information systems generates the change either manually or through the computer. The researcher was encouraged to conduct the present study by the high technology performance of disciplines, particularly the accounting information system that supports global companies' information, where the situation is such that majority of software are not effectively utilized for human resource operations, owing to the different knowledge levels – this holds true for both developing and developed nations. Nevertheless, the accounting information system performs with accuracy and reliability on the basis of the level of knowledge management it uses to support the planning and implementation of strategic management. This works towards the development of the company system and its goals indicating that knowledge management works towards the daily management of firms. Moreover, knowledge management in firms enables it to produce long-term competitive advantages that lead to successful business in the ever-changing market environment. Knowledge management is described as the capability of the firm to guide its employees to cooperate in the generation, capture, sharing and leveraging of collective knowledge for improved performance (Lakshman, 2007). Other studies (Wang & Huynh, 2013) also defined it as the level to which firms adopt their knowledge management, which results in varying knowledge sharing levels and knowledge application levels. In the context of Malaysia, Sori (2009) examined accounting information system (AIS) in the context of ZBMS Sdn. Bhd and the way it contributes to knowledge management. Meanwhile, Khodadi et al. (2014) found a significant relationship between AIS and

knowledge management.

### **Accounting Information Systems and Organizational Performance:**

Majority of authors in prior literature conducted an assessment of the influence of KM elements on organizational performance where some of them stressed on the challenge of its measurement (Vuksic et al., 2012). According to other studies (e.g., Chang & Chuang, 2011; Mills & Smith, 2011; Hussein et al., 2012) indicated that knowledge elements positively influenced organizational performance while Asli et al. (2013) showed that knowledge management practices directly influenced SMEs performance. Along a similar line of findings, Dalfard et al. (2013) examined the influence of KM on organizational performance of 106 firms and found that KM positively influenced organizational performance of the firms. In a related study, Llorens-Montes et al. (2008) revealed that strategic variables of knowledge including knowledge slack, absorptive capacity and tacitness, had a positive mediating role on the relationship between transformational leadership and organizational performance. Moreover, McKeen et al. (2009) and Väyrynen, H., (2014) found that KM practices positively and indirectly influenced financial performance and Richey et al. (2009), and McKeen et al. (2009) related the KM positively affected organization outcomes like the innovation of the firm, product improvement and employee improvement. Meanwhile, Asli et al. (2013) revealed the positive and direct influence of KM on the organizational performance among SMEs. The review of the above discussed studies leads to the following hypothesis;

### **RESEARCH METHODOLOGY:**

#### **Research Design:**

The survey method was utilized for this study. This approach was considered most

appropriate because it helped the researcher to describe, examine, record, analyze and interpret the variables that were found in the study. It is also useful because of the relatively large population from which the information was collected. Ezejulue and Ogwo (1990: 69) insist that the purpose of a survey research is not the collection of data per se but the discovery of meaning in the data collection, so that facts and events can be better understood, interpreted and explained. They emphasized that the terms “descriptive’ and ‘survey’ are after used inter-changeable to denote a type of research explained above.

**Area of study:**

Ikot Ekpene metropolis was chosen as a study area for this study. Ikot Ekpene LGA is located on latitude 0532°North and longitude 07 56°East.

**Source of Data:**

The data of the research are of two kinds; primary and secondary data. Graham (2009: 141) agrees that the primary data contains a direct or original account of event or phenomena given by someone who actually observed the event or phenomena. These are relevant information obtained from the works of others. The following sources provided the information which are: Textbooks, journals, magazine and unpublished articles; Research and project reports in a related field; Manuals containing policy statement of the selected companies.

**Population of the Study:**

The population of the study consisted of all the registered operating businesses in Ikot Ekepene Metroplis.

**Sampling and Sample Size**

The Sample sizes of 383 respondents were in the study area. The sample size was statistically determined using the sample

fraction

**Data Collection Instrument and Validation:**

The research instrument used for the study was the questionnaire. The questionnaire was used to obtain data on the independent and dependent variables presented in both sections A and B of the questionnaire. While section A measured the demographic data of the respondents such as name, gender, age, educational qualification and marital status, section B measured the independent variables. Likert (1932) scale was used in the study.

**Techniques of Data Analysis:**

The data obtained were analyzed using regression analysis.

**DATA PRESENTATION AND ANALYSES:**

**Data Analyses and Results:**

Table 1: Distribution of Respondents by sex:

Sex	No. of Respondents	% of Respondents
MALE	194	50.65
FEMALE	183	47.78
<b>Total</b>	<b>383</b>	<b>100</b>

Table 1 show that one hundred ninety four (194) respondents representing 50.65% of the sample population were male while one hundred and eighty three (183) respondents representing 47.78% of the population were female.

Table 2: Age Distribution

Age	No. of respondents	% of Percentage
20 - 25	106	27.67
26 - 30	77	20.10
31 - 35	56	14.62
36 - 40	88	22.97
41 - Above	56	14.62
<b>Total</b>	<b>383</b>	<b>100</b>

Table 2 shows that hundred and six (106) respondents representing 27.67% of the sample were between the age bracket of 20 -

25 years, seventy seven (77) respondents each representing 20.10% were between the age bracket of 26 – 30 years, fifty six of the respondents representing 14.62% were 17% were 31 – 35 years respectively, also eighty eight (88) respondents representing 22.97% of the sample were between the age limit of 36 – 40 years and fifty six (56) respondents representing 14.62% were within the age limit of 41 and above years.

Table 3: Marital Status Distribution

Status	No. of Respondents	% of Respondents
Single	158	41.25
Married	134	34.98
Divorced	55	14.36
Widow/Widowers	36	9.39
<b>Total</b>	<b>383</b>	<b>100</b>

Table 3 above shows that one hundred and fifty eight (158) respondents representing 41.25% of the sample were single, one hundred thirty four (134) respondents representing 34.98% of the sample were married, only fifty five (55) respondents representing 14.36% of the sample were divorced as well as only thirty six (36) respondents representing 9.39%

Table 4: Educational Qualification Distribution

Qualification respondents	No. of Respondents	% of Respondents
WAEC/NECO	162	42.29
OND	101	26.37
HND/BSC	53	13.83
MSC	21	5.48
PHD	46	12.01
<b>Total</b>	<b>383</b>	<b>100</b>

Table 4 shows that one hundred and sixty two (162) respondents representing 42.29% of the sample were WAEC/NECO holders, one hundred and one (101) respondents representing 26.37% were OND/NCE certificate holders; fifty three (53) respondents representing 13.83% were

holders of HND/BSC certificates holders, while twenty one (21) respondents representing 5.48% were MSC certificate holders and only forty six (46) respondents representing 12.01% of the population were PHD holders.

**Hypotheses Testing:**

**Hypothesis One:** There is no significant relationship between accounting practices and SMEs performance in Ikot metropolis

Table 5: regression analysis relationship between accounting practices and SMEs performance in Ikot metropolis

Variable	F	R	R <sup>2</sup>	Adj R <sup>2</sup>	P	Remark
Accounting Practice	58.632	0.529	0.280	0.275	0.000	Sig

Hypothesis one which stated that there is no significant relationship between accounting practices and SMEs performance in Ikot metropolis was statistically significant. The results in table 5 shows that accounting practice has a significantly positive effect on SMEs performance as shown by the coefficient of accounting practices (0.541) and the significant p-value of 0.000 which is less than 0.05. Also, the magnitude of effect stands at 54.1%, that is, a 1% increase in accounting practices availability and use will influence the performance of SMEs by 54.1%. Furthermore, the relationship between accounting practices and SMEs performance is positive but weak with a correlation coefficient of 0.529, while the R<sup>2</sup> value of 0.280 shows that only about 28% changes in performance of SMEs is explained by accounting practices, while 72% explained by other factors. Furthermore, the entire model is significant in explaining the challenges faced in accounting practices on SMEs performance as depicted by the F-Statistic of 58.632 and with a p-value of 0.000 (<0.05). From the results therefore, we reject the null hypothesis and conclude that there is

significant relationship between accounting practices and SMEs performance in Ikot metropolis.

**Hypothesis Two:** There is no significant relationship between mode of accounting and SMEs performance in Ikot metropolis

Table 6: Regression Analysis of relationship between mode of accounting and SMEs performance in Ikot metropolis

Variable	F	R	R <sup>2</sup>	Adj R <sup>2</sup>	P	Remark
Mode of Accounting	84.107	0.598	0.358	0.353	0.000	Sig

Hypothesis two which state that there is no significant relationship between mode of accounting and SMEs performance in Ikot metropolis was statistically significant. The results in table 6 shows that mode of accounting has a significant positive effect on SMEs operations as shown by the coefficient of mode of accounting (0.660) and the significant p-value of 0.000 which is less than 0.05. Also, the magnitude of the effect stands at 66%, that is, a 1% increase in mode of accounting in use will influence the performance of SMEs by 66%. Furthermore, the relationship between mode of accounting and SMEs operations is positive but is mild with a correlation coefficient of 0.598, while the R<sup>2</sup> value of 0.358 shows that only about 35.8% changes in operations of SMEs is explained by their mode of accounting. Furthermore, the entire model is significant in explaining the mode of accounting on SMEs operations as depicted by the F-statistic of 84.107 and with a p-value of 0.000 (<0.05). From the results therefore, we reject the null hypothesis and conclude that there is significant relationship between mode of accounting and SMEs performance in Ikot metropolis.

## CONCLUSIONS AND RECOMMENDATIONS:

The study contributed to the body of research by investigating the effect of accounting information system on Small and Medium scale Enterprises' performance. Several authors regularly discussed accounting information system as it relates to manufacturing and banking industries. Findings showed that the current accounting practice has a significantly positive effect on SMEs performance. The positive correlation indicates that the higher the soundness of accounting practices deplored on the operations, the higher the performance of the business and vice versa. This is based on the premise that sound accounting practice will lead the firm to account accurately for all its incomes and expenditures as well as assets and liabilities from one period to the other. This result corroborates with the findings of Ankrah *et al* (2015) & Nwobu *et al* (2015);

The mode of accounting adopted, the accounting information system adopted and the use of accounting information were also found to have significant positive effects on SMEs performance. These positions were supported by the findings of Al Smirat (2013); Hla & Teru(2015); Khaled & Abdulqawi (2015); Muhindo *et al* (2014). However Naranjo (2004) found an indirect effect of sophisticated accounting information system on performance, acting through prospector strategy. Since most SMEs cannot afford to deplore sophisticated accounting information system on their operations, due to high cost of automation involved, there is every need for facility sharing by SMEs operating within the same locality. The study recommended that management of SMEs should deplore sound accounting practices to their operations. Since sophisticated accounting systems may be out of reach by SMEs operators, resource sharing approach could be adopted by SMEs operating within the same locality as a cost-reduction

device.

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