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ASSESSMENT OF FINANCIAL INVESTMENT FACTORS INFLUENCING THE ADOPTION OF COMPUTERIZED ACCOUNTING SYSTEM (CAS) FOR ENHANCED PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN ANAMBRA STATE, NIGERIA

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ABSTRACT

The need to enhance the performance of SMEs necessitated this study. The study assessed the financial investment factors that influence the adoption of Computerized Accounting System (CAS) for enhanced performance of small and medium scale enterprises (SMEs) in Anambra State, Nigeria. Two research questions and two null hypotheses guided the study. The study adopted survey research design, and 5,396 (3,137 managers and 2,259 accounting officers) of SMEs in Anambra State were used as the study population. Three hundred and sixty one (361) 361 managers and accounting officers of SMEs drawn using Krejcie and Morgan (1970) table for determining sample size was used as the sample size. A-12 item structured questionnaire containing 12 items on a Likert scale was face validated using three experts in the field of business education and measurement and evaluation. The reliability of the instrument was established using a trial testing and scores obtained were subjected to Cronbach Alpha formula which yielded correlation coefficients of. 87 and .87 for clusters B1 to B2 respectively with an overall reliability value of .87 obtained. The researcher administered copies of the questionnaire to the respondents with the help of three researcher assistants. Statistical mean and t-test were used to analyze data collected. Findings of the study showed that managers and accounting officers agreed that investments-in-fixed and current assets factors influenced the adoption of CAS for i enhanced performance of SMEs. It was also found that position in the company was not a significant factor in the mean ratings of managers and accounting officers regarding the influence of investments-in-fixed and current assets factors on the adoption of CAS for enhanced performance of SMEs. Based on the findings of the study, the researchers conclude that investment in fixed and current assets factors influence the adoption of CAS for enhanced performance of SMEs. It was recommended among others that; owners of SMEs in Nigeria should invest in both fixed and current assets so as to be able to fund the overall cost of implementing CAS for enhanced performance of SMEs.

Keywords*:* Fixed Asset, Current Asset, Computerized Accounting System (CAS), SMEs

Introduction

Small and medium enterprises (SMEs) are considered the backbone of economic growth in all countries including Nigeria. They play an important role in Nigerian's economic growth. SMEs also contribute to national development by positively influencing the distribution of income in both functional and nominal terms. At the community level and by extension the whole economy, the contribution of SMEs to gross economic productivity and employment and other economic development parameters in both developed and developing countries is succinctly summarized by Panth (2013) as follows: greater utilization of raw materials, employment generation, encouragement of rural development, and development of entrepreneurship. Similarly, SMEs mobilize local savings, acts as linkages with bigger industries, provide regional balance by spreading investments more evenly, and provide an avenue for self-employment. Thus, the role of SMEs in Nigeria cannot be over-emphasized.

Small scale business enterprises are organized, operated, managed, and controlled by small business owners. SMEs are defined according to the capital of the enterprise, size, the number of people employed by the enterprises, the ownership and management of the enterprises, and sales volume. All these definitions agree on the common views that SMEs employ few people and are characterized by a relatively small amount of capital and turnover. The Central Bank of Nigeria (2010) defined SME in Nigeria as any business outfit with an asset base between N4million and ₦500 million and staff strength between 10 and 100. SMEs are found in a wide array of business activities, ranging from the single artisan producing agricultural implements for the village market, the coffee shop at the corner, the internet café in a small town to a small sophisticated engineering or software firm selling in overseas markets and a medium-sized automotive parts manufacturer selling to multinational automakers in the domestic and foreign markets. The owners may or may not be poor; the firms operate in very different markets (urban, rural, local, national, regional, and international); embody different levels of skills, capital, sophistication, and growth orientation, and may be in the formal or the informal economy. For effective operation, SMEs requires proper accounting systems and administrative networks.

SMEs in Nigeria have always relied on the manual accounting system where they only accept cash discounts when it is available Obamuyi (2017) and Ohachosim (2018). Manual accounting systems although can provide a useful way of recording business transactions and can deliver an accounting information system for SMEs owners, Tavakolian (2013) emphasized that the manual accounting systems consisted of book ledgers and calculators, and with this system, errors could be introduced into the data since they could go undetected for quite some time. An alternate evident challenge is the likelihood of harm to the records themselves. It may appear an undeniable drawback, yet the records in a paper-based accounting system are susceptible to harm by water, fire, and different hazards. What's more, where there exists numerous transactions to record in a business, the sheer volume of transactions can be a disadvantage

of a manual accounting system. This has led to the development and introduction of computerized accounting systems (CAS).

In a computerized Accounting System (CAS), the framework of storage and processing of data is called an operating environment that consists of hardware as well as software in which the accounting system, works. The type of accounting system used determines the operating environment. Both hardware and software are interdependent. The type of software determines the structure of the hardware. Further, the selection of hardware is dependent upon various factors such as the number of users, level of secrecy, and the nature of various activities of functional departments in an organization. CAS is defined by Wood and Sangster (2015) as a total suit of components that together comprise all inputs, storage, transactions, processing, collecting, and reporting of financial transaction data. It is a system that uses computers to input, process, store, and output accounting information for financial reports (Meigs, Meigs & Meigs, 2014).

As pronounced by Indira (2018), the improvement in business performance is a result of CAS as it is a highly integrated application that transforms the business processes with performance-enhancing features which encompass accounting, inventory control, reporting, and statutory processes. Indira then stated that this helps the company access information faster and takes quick decisions as it also enhances communication. McBride (2020) stated that managers cannot easily satisfy statutory and donor reporting requirements such as profit and loss account, balance sheet, and customized reporting without using CAS. With the system in place, this can be done quickly and with less effort. CAS also eases auditing and has better access to required information such as cheque numbers, payments, and other transactions which help to reduce the time needed to provide this type of information and documentation during auditing. However, in spite of the obvious importance of CAS to SMEs performance, In Nigeria especially Anambra State, the adoption of CAS is at a transitional stage (Nkwor-Azarich and Nkwor, 2015) as the accounting system in most SMEs is in-between the manual system and CAS. This implies that most of the accounting systems are not fully computerized, and at the same time, they are not purely manual. Additionally, Personal observation of the researcher indicated that some SMEs in Anambra State have computers for account processing tasks and at the same time rely much on hard copies of accounting records. This indicates that there could be factors influencing the adoption of CAS among SMEs in Anambra State such as financial investment factors.

Financial investment factors such as high-quality accounting information, investment in current and fixed assets, and installation and maintenance costs, could influence the adoption of CAS by SMEs. Fixed assets are long-term assets that an SME has purchased and is using for the production of its goods and services (Nickolas, 2022). Fixed assets are noncurrent assets that are expected to provide economic benefits for more than one accounting year and are held by SMEs for carrying out business operations. Fixed assets can be tangible, intangible, capital work in progress, and intangible assets under development. They include land and building, plant and machinery, computer, vehicles, leasehold property, furniture and fixtures, software,

copyright, patent, and goodwill among others. Current assets on the other hand are cash and other assets expected to be converted to cash or consumed either in a year or in the operating cycle (whichever is longer), without disturbing the normal operations of a business. These assets are continually turned over in the course of a business during normal business activity. Current assets are acquired to be traded, and include current investments, inventory, short-term loans and advances, trade receivables, cash, and cash equivalents, marketable securities, and prepaid expenses among others.

The willingness of SMEs in Nigeria to invest in fixed and current assets could influence the adoption of CAS. According to ALshbiel and Al-Awaqleh (2017), the decision of the management of an organization to invest in accounting software, personal computers, and plant and machinery influenced the adoption of CAS for efficient financial reporting. Levy, Powel and Yetton (2014) posited that typical problems faced by SMEs particularly in developing countries in the adoption of the computerized accounting system are lack of funds to invest in fixed and current assets. In agreement, Manchilot (2019) pointed out that investment in computer hardware and software is necessary for the effective adoption of CAS by SMEs. Additionally, Edison (2014) regretted that what seems unfortunate is that most SMEs engage in improper investment in both current and fixed assets. SMEs sometimes tie huge capital where it is simply not needed and invest in assets that do not yield returns commensurate to the invested capital thus, hampering the performance of SMEs.

In general, SMEs in Nigeria and Anambra State are underperforming. This, according to Olisa et al. is due to the slow/non-adoption of CAS in their day-to-day operations. In view of this, there is urgent need to carry out an assessment of the influencing factors to the adoption of CAS by SMEs. Assessment involves judging or creating an opinion on something or someone using available information or data. It is the systematic collection of information from individuals to make informed judgments about how to improve quality of judgment. Managers' and accountants' opinions on the financial investment factors that influence SMEs' adoption of CAS could vary. Managers who might not have the requisite CAS skills in accounting may differ with the accountants who possess the electronic accounting skills to adopt CAS. As a result, managers and accounting officers may feel that majority of these factors do not influence the adoption of CAS by SMEs. Additionally, accountants may have been taught during their school course programmes on how to employ various electronic accounting tools, as well as attend regular in-service digital accounting skills trainings to up-date their digital accounting skills. This may not be the case for SMEs' managers whose training programmes may concentrate explicitly on the managerial and administrative skills required for effective supervision. For enhanced performance of SMEs in Nigeria especially Anambra State, adoption of CAS is imperative. Based on this backdrop, this study sought to assess the financial investment factors influencing the adoption of CAS for enhanced performance of SMEs in Anambra State, Nigeria.

Statement of the Problem

A computerized accounting system (CAS) is vital to the economic growth and

development of business (SMEs) in any economy globally. Its adoption in developed countries of the world has greatly improved the performance of SMEs. However, SMEs in Nigeria and Anambra State, in particular, appears not to be harnessing the potentials of CAS by adopting it as most of them appear to depend heavily on the traditional accounting systems. Many of them although have computers for carrying out accounting tasks but, they still depend on hard copies of accounting records and this may have contributed to their under-performance. Several factors such as inadequate/lack of digital accounting skills of managers and accountants, poor technical knowledge, unavailability of digital accounting technologies, and reluctance of SMEs in embracing digitalization in their operations have been implicated for low adoption of CAS by SMEs. However, financial investment factors could also be influencing factors on the adoption of CAS by SMEs in Nigeria, especially Anambra State. The assumption is that as a result of these factors, SMEs in Anambra State, Nigeria are not performing as expected. However, this assumption has not been empirical ascertained due to paucity of studies in this topic in Anambra State. Thus the need for this study to specifically assess the, (1) investments-in-fixed assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria, (2) investments in current-assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria e.

Research Questions

The following research questions guided the study:

1. What are the investments-in-fixed assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria?
2. What are the investments in current-assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria?

Null Hypotheses

The following null hypotheses were tested at a 0.05 level of significance.

1. There is no significant difference in the mean ratings of managers and accounting officers on fixed assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria.
2. Managers and accounting officers do not differ significantly in their mean ratings on investment in current factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria.

Research Method

This study adopted the descriptive survey research design. It was carried out in Anambra State, Nigeria. The population of this study consisted of 5,396 (3,137 managers and 2,259 accounting officers) of SMEs registered with Ministry of Commerce and Industry Anambra State as at June 28th, 2022. The sample size of 361 (216 managers and 145 accounting officers) of SMEs was drawn using Krejcie and Morgan (1970) table for

determining sample size. The instrument for data collection was a structured questionnaire titled *"Financial Investment Factors Influencing Adoption of Computerized Accounting System for Improved Performance (FTFI-ACASIP)*''. The questionnaire consisted of two parts: A and B. Part A elicits demographic information of the respondents on position in the company while Part B of the instrument was divided into 2 clusters of B1 to B12 with a total of 11 items. The instrument was structured on a five point Likert scale of Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) and Strongly Disagree (SD). The instrument was face validated by three experts in Business Education and measurement and evaluation

The reliability of the instrument was established using trial testing and scores gathered were subjected to Cronbach Alpha formula which yielded reliability coefficient of .87 and .87 for clusters B1 and B2 with overall reliability of the instrument was .87 obtained. The researcher personally administered copies of the questionnaire to the respondents with the help of three research assistants adequately briefed on the modalities for administration and collection of copies of the questionnaire. Out of 361 copies of questionnaire administered, 352(98%) copies were correctly filled and returned which was used for data analysis. Statistical mean, standard deviation and t-test were used for data analysis. A null hypothesis was accepted where the p-value is greater than the level of significance ($p > 0.05$) and rejected when the p-value is less than or equal to the level of significance ($p < 0.05$). All analysis was carried out with Statistical Package for Social Science (SPSS) version 23.

Presentation of Results

Table 1: Respondents' Mean Ratings and Standard Deviation on Investments-in-Fixed Assets Factors that Influence Adoption of CAS for Enhanced Performance of SMEs

S/N	Items on Investments-in-Fixed Assets	$\bar{X}$	SD	Remarks
1	Investing on building as a fixed assets	4.07	.83	Agree
2	Investing in vehicles as a fixed assets	3.93	.78	Agree
3	Buying of furniture and fixtures by a company	3.90	.76	Agree
4	Buying of machines or inventory	3.97	.81	Agree
5	Buying of personal computer as fixed assets	4.57	.76	Strongly Agree
6	Buying of accounting softwares as fixed asset	4.00	.79	Agree
	Cluster Mean	**4.07**		**Agee**

Table 1 shows that out of the 6 investment-in-fixed assets listed, respondents rated item 5 strongly agree with mean score of 4.57 while the remaining five items (items 1,2, 3, 4 and 6) are rated agree with mean scores ranging from 3.90 to 4.07. The cluster mean score of 4.07 indicates that on the whole, managers and accounting officers agree that investments-in-fixed assets are factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria. The standard deviations for all the items are within the same range showing that the

respondents are not wide apart in their ratings.

Table 2: Respondents' Mean Ratings and Standard Deviation on Investments-in-Current Assets Factors that Influence Adoption of CAS for Enhanced Performance of SMEs

S/N	Items on Investments-in-Current Assets	$\overline{X}$	SD	Remarks
7	Investing in bonds	3.87	.68	Agree
8	Investing in stock	3.90	.71	Agree
9	Investing in insurance	3.90	.80	Agree
10	Amount of money customers owes the company	3.93	.69	Agree
11	Investment in treasury bills	4.07	.69	Agree
12	Amount of money in company's bank accounts	4.20	.66	Agree
	Cluster Mean	**3.98**		**Agree**

Data in Table 2 reveal that the respondents rated all the six items on investment-in-current assets agree with mean scores ranging from 3.87 to 4.20. The cluster mean score of 3.98 generally indicates that managers and accounting officers agree that investments in current-assets are factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria. The standard deviations for all the items are within the same range showing that the respondents are not wide apart in their ratings.

Table 3: Summary of t-test analysis of significant difference in the mean ratings of managers and accounting officers on fixed asset factors that influence the adoption of CAS for enhanced performance of SMEs

Position in Company	N	$\bar{X}$	SD	df	t-value	P-value	Decision
Accounting Officers	140	44.31	4.19				
				350	.57	. 58	Not Significant
Managers	212	43.47	3.87				

Data analysis in Table 3 shows that t - value of.57 at 350 degree of freedom with p-value of .58 is greater than the significant value of .05 (P-value =.58 > .05). The null hypothesis is therefore accepted. This means that there is no significant difference in the mean ratings of managers and accounting officers on fixed assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria.

Table 4: Summary of t-test analysis of significant difference in the mean ratings of managers and accounting officers on current asset factors that influence the adoption of CAS for enhanced performance of SMEs

Position in Company	N	$\bar{X}$	SD	df	t-value	P-value	Decision
Accounting Officers	140	44.78	2.95	350	1.32	1.96	Not Significant
Managers	212	43.18	3.49				

Analysis of data in Table 4 reveals that t - value is 1.32 with 350 degree of freedom and corresponding p-value of 1.96 which is greater than the alpha value of .05. Since the p-value is greater than the alpha value (P-value = 1.96 > .05), the null hypothesis is therefore accepted. This means that managers and accounting officers do not differ significantly in their mean ratings on investment in current factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria.

Discussion of Findings

Findings of the study showed that managers and accounting officers agree that investments-in-fixed assets are factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria. The findings of this study concurs with that of Dirie and Ramli (2022) which reported that lack of fixed investment-in -fixed assets such as computers, furniture, and modern technologies affect the use of CAS in enhancing business performance of SMEs. This corroborates the earlier claim by Fagbemi and Olaoye (2016) that fixing asset management in SMEs influenced the adoption of CAS in achieving organizational goals. Olatunji and Adegbite (2014) added that no SME can sustain adoption of modern technologies (CAS inclusive) without some investment in fixed assets. Olatunji and Adegbite posited that Investment in fixed assets such as buildings, plant and machinery, fixtures, fittings and computers enhances the capacity of SMEs to adopt innovative technologies to enhance performance. Similarly, the findings affirms the position of the researcher that managers and accounting officers should be aware of the influence of investment-in-fixed assets on the adoption of CAS for enhanced performance of SMEs. According to ALshbiel and Al-Awaqleh (2017), the decision of the management of SMEs to invest in accounting software, personal computers, and plant and machinery influence the adoption of CAS for efficient financial reporting. Additionally, findings of the study revealed that there was no significant difference in the mean ratings of managers and accounting officers on fixed assets factors that influence the adoption of computerized accounting system for enhanced performance of SMEs in Anambra State, Nigeria. This means that both managers and accounting officers covered in this study recognize the role of investment-in fixed asset in the adoption of CAS for improving the performance of SMEs.

Findings of the study showed that managers and accounting officers agree that investments in current-assets are factors that influence the adoption of computerized accounting system for improved performance

of SMEs in Anambra State, Nigeria e. The finding of this study agrees with the earlier viewpoint by the researcher that SMEs' adoption of computerized accounting systems seems to depend greatly on their investment in current assets. This is because, according to the researcher, current assets play a crucial role in SMEs' financial viability which impacts on the decisions of the firm to fund acquisition of accounting hardware and software. In agreement, Nobanee and Abraham (2015) reported that investments in current assets influenced the adoption of ICTs by SMEs as they ensure that the firms continue in operation and have sufficient cash flow to meet maturing short-term debt obligations and future operational expenses. In addition, investment-current-assets can also allow SMEs to train and re-train employees in electronic accounting skills and competencies needed to adopt CAC for improved performance of SMEs. Findings of the study further revealed that there was no significant difference in the mean ratings of managers and accounting officers on investment-in-current assets factors that influence the adoption of computerized accounting system for State, Nigeria performance of SMEs in Anambra State, Nigeria. This implies that both managers and accounting officers are aware of the importance of investment-in-current assets to the adoption of CAS for enhanced performance of SMEs. This could have influenced their homogeneity in mean responses.

Conclusion

In this digital age, the traditional method of accounting preparation is no longer effective to present quality and reliable financial information to the management and stakeholders of companies to enable them make informed decisions. The advent of ICT has revolutionized the manner accountants prepare accounts of firms with different electronic accounting tools now available for adoption for professional accounting practices. The Computerized accounting system (CAS) is a new innovation in accounting field that plays an important role in helping SMEs to provide timely information management, large data storage capacity, and enhanced customer satisfaction. Undoubtedly, the adoption of CAS is influenced by a number of inherent factors which the present study sought to ascertain. Based on the findings of this study, the researchers conclude that investment in fixed and current assets factors influence the adoption of CAS for enhanced performance of SMEs.

Recommendations

Based on the findings of this study, the following recommendations were made:

1. Owners of SMEs in Nigeria should invest in both fixed and current assets so as to be able to fund the overall cost of implementing CAS for enhanced performance of SMEs.
2. Managers and accounting officers of SMEs in Nigeria should constantly assess the risks involved in the adoption of CAS for improved performance of their businesses. This will enable them reduce or eliminate the potential risks that are likely to hinder investment in fixed and current assets which will in turn limit the adoption of CAS in their organization.

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