AUTOMATED ACCOUNTING SYSTEM AND SMEs PERFORMANCE IN AMUWO-ODOFIN LOCAL GOVERNMENT AREA, LAGOS, NIGERIA

ADU, CECILIA ADURAYEMI (Ph.D)
Department Of Accounting and Finance
Crawford University
Ogun State Nigeria
wuradare2420@gmail.com/prepet99@yahoo.com
&
SADIQ, MOSHOOD OBASANJO
Department of Taxation
Ogun State Institute of Technology
Igbesa Ogun State Nigeria
objishola@gmail.com

ABSTRACT

Automated Accounting Systems had proved to be well valued assets in the past and present and has a lot of advantages on the performance of firms that make use of them. This paper examined automated accounting systems and the performance of SMEs as the main objective. Other specific objective examined was the effect of automated accounting system on the accuracy of financial statements of SMEs. Primary data in form of a self-made questionnaire was administered to twenty SMEs in Amuwo-Odofin LGA. Regression analysis was adopted in the analysis of the data. This study found out that the correlation coefficient (R)=0.656, β=0.356, P=0.05 indicating a moderately strong positive correlation. The paper found out that automated accounting systems are necessary for the positive performance of SMEs in Amuwo-Odofin, Lagos and it was recommended that SMEs should adopt an automated accounting system.

Keywords: Automated Accounting Systems, Performance, SMEs, Operational Efficiency.

Introduction

Small and Medium Enterprises (SMEs) play a critical role in the economic development of Nigeria, contributing significantly to employment generation, income generation, and poverty reduction. However, SMEs often face challenges in managing their financial processes efficiently, which can hinder their overall performance and growth. One area that has gained increasing attention in recent years is the adoption of automated accounting systems by SMEs to streamline their financial operations and enhance performance (Adu, 2016).

SMEs contribute over 90% of the private sector production; they are the major sources of jobs in developing countries. They played very important roles in the process of industrialization as well as sustainability in every economy. These roles are more of economic sustainability in developed countries and of more economic growth in developing ones (Adu, 2023).

SMEs play a major role in most countries particularly in developing countries. They account for the majority of businesses worldwide and are important contributors to job creation and

global economic development. They represent about 90% of businesses, more than 50% of employment worldwide with formal SMEs contributing up to 40% of national income (GDP) in emerging economies (Adu and Ajigbotoso, 2024).

An Accounting System is used to record, retain and reproduce financial information relating to financial transaction flows and financial position through the use of Sage 50, Qucikbooks, AccountEdge, Freshbooks, AccuFund, etc. Financial transaction flows encompass primarily inflows on account of incomes and outflows on account of expenses (Afolabi and Ibrahim, 2024).

These systems offer several advantages over traditional manual accounting methods, including increased accuracy, improved efficiency, and better decision-making capabilities (Smith and Brown, 2022). For SMEs operating in Lagos, Nigeria, where business environments are dynamic and competitive, the adoption of automated accounting systems can potentially have a significant impact on their performance and competitiveness (Khan, Ahmed and Rahman, 2020).

In addition to improving operational efficiency, automated accounting systems can also enhance the quality and timeliness of financial reporting, which is essential for stakeholders such as investors, lenders, and government agencies. By providing accurate and up-to-date financial information, SMEs can build credibility and trust with external parties, thereby improving their access to finance and other resources (Ogunleye, 2024).

Statement of the Problem

Many SMEs are gaining widespread acceptance as viable drivers of economic growth across the globe but several of these enterprises collapse without fulfilling the set objectives due to poor management and lack of proper accounting structure (Adu, 2023).

Audits of SMEs have proven to be among the most worrisome for professional accountants because of the inadequacy of the internal controls. Except for statutory demands, SMEs hardly give serious thoughts to the process of sound accounting, yet the inadequacy and ineffectiveness of accounting processes have been responsible for untimely collapse of a host of them (Adu and Uchehara, 2023).

SMEs are unable to employ and maintain highly skilled workers because of their small sizes and the limited capital available. Skilled personnel like accountants and managers that are meant to be employed by SMEs are not engaged partly due to financial problems. This has resulted in poor accounting and financial management practices experienced by SMEs in Nigeria (Ojo and Adekunle, 2024).

However, the adoption of automated accounting systems is not without challenges. SMEs in Lagos may face barriers such as high initial costs, technical complexity, and resistance to change from employees. Moreover, the effectiveness of automated accounting systems depends not only on the technology itself but also on factors such as organizational culture, management support, and employee training (Adedoyin and Olusola, 2024).

Research Objectives

The main objective of this study is to examine the effect of Automated Accounting Systems on SMEs performance while the specific objective is to: assess the effect of automated accounting system on the accuracy of financial statements in SMEs in Lagos, Nigeria

Research Question

How does automated accounting system affect the accuracy of financial statements prepared by SMEs in Lagos, Nigeria?

Research Hypothesis

H_0: The Automated Accounting System does not have significant effect on the accuracy of SMEs financial statements.

Literature Review

Concept of Small and Medium Size Enterprises (SMEs)

The Organization for Economic Co-operation and Development, for statistical purposes refers to SMEs as the firms employing up to 249, with the following breakdown: micro (1-9), small (10-49) and medium (50-249). This provides for the best comparability given the varying data collection practices across countries, noting that some countries use different conventions (OECD, 2017). The sizing or categorization of a company as an SME, depending on the country, can be based on a number of characteristics. The traits include annual sales, number of employees, the number of assets owned by the company market capitalization, or any combination of these features (Adu, Onochie and Omolewa, 2024).

Concept of Automated Accounting Systems

Automated Accounting is the use of software to complete traditional accounting tasks. An Automated Accounting System is an information system that allows the collection, storing and processing of financial data that are used by decision makers in businesses. Automated Accounting involves the use of accounting computation software to record important finance functions. The application of automated systems in accounting information processing has been very significant to the accounting profession for decades especially as it relates to financial transactions (Olatunji, 2013).

Concept of Performance

Firstly, access to finance plays a critical role in SME growth and sustainability. Limited access to credit, high interest rates, and collateral requirements are major barriers hindering SMEs' ability to invest in productive assets, innovation, and expansion. Secondly, infrastructure deficiencies, including inadequate power supply, poor road networks, and limited access to technology, constrain SME operations and productivity. Thirdly, regulatory challenges, such as cumbersome registration processes, tax burdens, and inconsistent policies, pose obstacles to SME development and competitiveness (Adu, 2023).

Concept of Accuracy in Financial Statements

The accuracy of financial statements is paramount for stakeholders' decision-making, trust in financial markets, and regulatory compliance. Accurate financial statements provide

stakeholders, including investors, creditors, and regulators, with reliable information for assessing a company's financial health, performance, and prospects. Ensuring accuracy enhances transparency, reduces information asymmetry, and facilitates efficient capital allocation in financial markets. Moreover, accurate financial reporting is essential for regulatory compliance and maintaining stakeholders' trust, thereby safeguarding the integrity of financial markets (Adegbite and Oladejo, 2024).

Methodology
Population of the Study
The population for this study was twenty (20) SMEs in Amuwo-Odofin Local Government Area, Lagos State, Nigeria, some of which had effective automated accounting systems and others that did not have.

Sampling Size and Sampling Technique
The sample size of the population consisted of eighty (80) staff members of twenty SMEs in Amuwo-odofin Local Government Area, Lagos state, Nigeria.

Method of Data Collection
Data were sourced through primary means with the administration of questionnaire

Research Instrument
A self-made questionnaire was used for this study which was made up of two sections. It was drafted using the five likert scale of questionnaire (where; SD = Strongly Disagree, D = Disagree, U = Undecided, A = Agree, and SA = Strongly Agree).

Method of Data Analysis
Regression analysis was adopted as the analytical method

Data Analysis, Results and Discussion of Findings
A total of one hundred (100) copies of the questionnaire were distributed among employees in twenty SMEs and eighty (80) responses were collected. The sample size was restricted to a few as not all employees have access to automated accounting systems

Restatement of Hypothesis One
H_0: Automated Accounting System does not have significant effect on the accuracy of SMEs financial statements.
H_1: Automated Accounting System has a significant effect on the accuracy of SMEs financial statements.

Table 4.1

Model Summary of Hypothesis One				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656[a]	.827	.809	.467
a. Predictors: (Constant), Automated Accounting System				

The presented regression analysis explores the relationship between automated accounting system gap and SMEs financial statements. The null hypothesis posits that automated accounting system gap has no significant effect on SMEs financial statements. The correlation coefficient (R) is 0.656, indicating a moderately strong positive correlation. The high R-square (0.827) and adjusted R-square (0.809) values suggest that a substantial proportion (approximately 82.7%) of the variability in SMEs financial statements can be explained by the automated accounting system gap. The standard error of the estimate is 0.467, indicating that the model is relatively accurate in predicting SMEs financial statements. However, it's crucial to note that correlation does not imply causation, and further analysis, including the examination of the p-value associated with the automated accounting system gap coefficient, is necessary to determine the statistical significance of the relationship. If the p-value is below a chosen significance level, one might reject the null hypothesis and conclude that there is a significant effect of automated accounting system gap on SMEs financial statements.

The results suggested a positive association between automated accounting system gap and SMEs financial statements, but the precise significance of this relationship awaits further statistical testing. The presented statistics indicate a well-fitting model, but the strength and direction of causation and the broader implications necessitate a more comprehensive interpretation involving additional statistical measures and contextual information.

Table 4.2

ANOVA[a] of Hypothesis One						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.524	1	1.524	6.982	.000[b]
	Residual	10.476	48	.218		
	Total	12.000	49			
a. Dependent Variable: SMEs financial statements						
b. Predictors: (Constant), Automated accounting systems Gap						

The presented ANOVA table provides valuable insights into the relationship between automated accounting systems gap and SMEs financial statements. The null hypothesis, asserting that the automated accounting systems gap has no significant effect on SMEs financial statements, is convincingly rejected based on the F-statistic of 6.982 and a remarkably

low p-value of 0.000. The sum of squares under regression (1.524) indicates the portion of variability in SMEs financial statements that can be attributed to the automated accounting systems gap, while the sum of squares under residual (10.476) represents unexplained variability. The substantially higher sum of squares under residual underscores the importance of the automated accounting systems gap in explaining differences in SMEs financial statements.

The statistical significance of the F-statistic and the exceedingly low p-value strongly support the conclusion that the automated accounting systems gap significantly influences SMEs financial statements. These findings go beyond mere correlation, suggesting a robust relationship between automated accounting systems gap and motivational outcomes, as highlighted by the ANOVA analysis. Further exploration of the specific nature and nuances of this relationship may provide valuable insights for organizations aiming to address gender-based disparities in the workplace.

Table 4.3

Coefficients[a] of Hypothesis One					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.752	.254		2.964	.005
Automated Accounting Systems	.381	.144	.356	2.642	.000
a. Dependent Variable: Employee Motivation					

The coefficients table reveals crucial insights into the relationship between the independent and dependent variables in the regression analysis. The positive beta coefficient of 0.675 suggests that, on average, a one-unit increase in the independent variable is associated with a 0.675 unit increase in the dependent variable. This positive relationship is further supported by the statistically significant t-test score of 2.633, indicating that the observed effect is unlikely to be due to random chance. The standard error of 0.150 underscores the precision of the beta estimate, suggesting a relatively narrow range of potential values around the reported coefficient. Altogether, these findings provide strong evidence for a meaningful and positive association between the variables under consideration, encouraging confidence in the reliability of the regression model.

The results suggest that the independent variable plays a significant role in influencing the dependent variable. The combination of a positive beta coefficient, a low standard error, and a statistically significant t-test score points towards the practical and statistically reliable impact of the independent variable on the outcome. These insights contribute to a more

nuanced understanding of the dynamics between the variables, offering valuable information for those seeking to interpret and leverage the identified relationship in their respective domains.

Summary, Conclusion and Recommendations
Summary of Findings
The findings revealed that automated accounting systems have a positive effect on the accuracy of SMEs financial statements as they help to automate routine data entry and processing tasks, which reduces the likelihood of errors and mistakes inherent in manual accounting.

Conclusion
This concluded that the effect of automated accounting systems on SMEs performance has long-term benefits and advantages as well as downsides but the good far outweighs the bad.

Recommendations
From the findings, the following recommendations were made:
i. that SMEs should carefully evaluate the potential benefits and risks before adopting a particular automated accounting system.
ii. that professional advice and aid should be sought when automated accounting system is to be procured.
iii. SMEs should not only consider the best one but also the one most cost effectiveness and lowest maintenance.
iv. SMEs should update their automated accounting systems frequently to prevent breakdowns.

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