

Accounting Information Systems on Financial Performance Among The Small and Medium Enterprises in Bungoma County

Wilson k. Ayabei

*(Department of Accounting, Kibabii University, Kenya

Email: wilsonayabei@gmail.com

Abstract:

Abstract— AIS is an important device in the hands of today managers striving to remain in an aggressive business environment amidst the rapid accounting information systems, improved cognizance and tough needs from the esteem clients and business enterprise owners. Therefore, enhancing the business enterprises in terms of AIS for SMEs is a chief catalyst to leveraging absolutely at the ability of SMEs Financial performance. The study aims to carry out a research on AIS on SMEs financial performance in Bungoma. The study specific set objectives; to find out effects of QuickBooks accounting, sage accounting, pastel accounting, tally accounting and Excel accounting on financial performance among SMEs in Bungoma County. The study adopted descriptive research design. The target population was 10,673 SMEs in Bungoma County Revenue Licensing Department (2019). A sample of 99 SMEs was involved in the study, calculated using Taro Yamane sample formula with 10% level of sampling error. The study used purposive as well as simple random sampling in respondent selection. The data was collected using questionnaires and document review. The data analyzed using multiple regression analysis through SPSS and inferential statistics thereof interpreted. The data presented in form of tables, and prose forms. The research findings benefits significantly the SMEs in their enterprise financial performance. In addition, benefit the Government of Kenya, County Government of Bungoma, regulatory bodies, academicians, other researchers and stakeholders for the betterment of SME, growth and advancement in usage of AIS. The findings showed that QuickBooks ($r = 0.828, p = 0.000$); Sage ($r = 0.732, p = 0.000$); Pastel ($r = 0.659, p = 0.000$); Tally ($r = 0.738, p = 0.000$) and Excel ($r = 0.874, p = 0.000$). Therefore, the study noted that Excel accounting explains 76.3% of variations in financial performance as compared with other accounting systems among the SMEs. The study concluded that Excel accounting is the most accounting system influencing financial performance among the SMEs in Bungoma County.

Keywords —AIS, SMEs

Introduction

Accounting plays an important role in the successes or failure of a contemporary business firms. Accounting information system are very important for recording, analyzing, monitoring and evaluating the financial status of the firm, preparations of financial documents necessary for tax purposes, providing valuable information to the firm functions. Accounting information systems provides a key source of valuable information to the SMEs enterprise owners and managers in gauging firm's financial performance. (Maseko & Manyani, 2011). Globally, SMEs are considered as the driving force of economic growth for promoting equitable development. Today, many businesses have started to switch to AIS systems. The accounting system softwares allows business owners to keep track of financial transactions and also instantly generate various financial reports for financial performance analysis. Therefore, AIS system play a very critical role in success of a business enterprise. It provides invaluable information, which

supports the efforts of the enterprise in attaining the expected goals on financial performance (Uddin, 2017).

The rest of the paper is organized as follows. Chapter one covering. The literature review in chapter two and research methodology in chapter three. Study results are presented in chapter four. Concluding remarks are given in chapter five.

Study Background Information.

The ever-changing and rapidly growing need for successful business ventures, expansion and growth in contemporary business performance today, has necessitated managers of business enterprises reconsider more advanced management-oriented strategies. These strategies targeted in financial performance improvement. In majority situations, lot of these targeted-strategies are suited geared in retaining and stabilizing as well as sustaining businesses in the wake of speedy and rapid accounting information systems innovations, greater improved cognizance and challenging demands received from the esteem customers. Thus, one of such management-oriented

strategies is the usage of AIS by business enterprises for better financial performance (Davoren, 2019).

The typical problems faced by SMEs especially in young and developing countries for instance in Kenya in the usage of AIS are lack of capital, lack of accounting knowledge and information systems obsolescence, limited financial resources, little management-support, limited resources and management IT-oriented attitude as well as insufficient funds to improve and equipped skills (Yetton&Francalanci 2011).

In Bangladesh, Mohammad (2014), carried out an assessment of AIS software practices in SMEs in Dhaka City. The findings noted that SMEs uses accounting software systems to cut down on operating cost and increase its profitability. The findings further showed that accounting information systems such as Tally, Troyee, QuickBooks, Sage, and Excel are widely used accounting softwares among the SMEs. The results further showed that most of the SMEs use Excel based accounting systems whereas 16% preferred the usage of Tally based accounting and 10% preferred to use Troyee while 6% used Quick Books.

In India, Aradhana (2013), studied on the E-Accounting Practices on SMEs and noted that SMEs used accounting softwares such as Pastel, Sun business System, Tally, Sage, Excel and QuickBooks to facilitate generation of their financial data. Additionally, the findings revealed that most SMEs used Excel accounting system in their business operations. This is in congruence with study done by Velankar (2013), explored AIS systems among SMEs in Madhya Pradesh, India. The study found that most SMEs use AIS softwares satisfactorily such as Tally, sage, Excel and QuickBooks. They adopted and used to reduce paperwork, clerical works and manual recording as well as bookkeeping records at ease. In addition, maintaining accounts receivables, accounts payables, inventory management, payroll accounting, and fixed assets register management, bank reconciliation statements and cash management functions done effectively and efficiently. This is also in agreement, as expounded by Saeidi (2014), that looked at AIS and financial performance in India. The research findings showed that AIS positively influence financial performance among the SMEs.

In Ghana, Amidu M. et.al. (2011) explored e-accounting practices on SMEs. The findings showed that SMEs use accounting softwares such as Pastel accounting, Sun business System, Tally system, Sage accounting, Excel accounting and QuickBooks accounting in generating their financial data. However, they pointed out that majority of the SMEs used Excel based accounting system, which accounted for 25% while 9% of the SMEs preferred to use Sage accounting software. In another study by Amoah (2014), studied on accounting practices among SMEs in Sunyani, Ghana. The researcher noted that the most SMEs do not keep business records and also maintain complete set of financial records due to poor understanding of AIS systems.

In Kenya, Ng'eno et.al., (2019) carried out a research on effects of Computerized Accounting System on performance of SMEs in Bomet County. It was noted that most of the SMEs were very much aware of the accounting systems such as QuickBooks, sage, tally and excel. The researcher concluded that QuickBooks, Sage, Pastel and Tally accounting systems

strongly affect SMEs financial performance in Bomet. The findings further revealed that commonly used accounting system among SMEs was Tally accounting system. Therefore, accounting information systems plays a very crucial role in financial performance of SMEs. Hence, accounting information systems significantly help to assist management at various cadres with timely and reliable financial information. This aid for decision-making on financial performance of their business enterprises (Birasnav 2014).

Problem Statement

Nowadays, accounting information systems softwares has renowned as vital and key component resource to any business enterprise success. The business owners and managers of business enterprises recounted that managing enterprise's finances manually would not help them attain and achieve the expected results on financial performance (Maurice, 2017). In most cases, financial management, has become one of the reasons for financial losses leading to negative financial performance reporting among the SMEs. Therefore, the appearance of globalization has brought about expanded and stiff competition among industry players. This has compelled business owners and managers alike to increasingly seek alternative ways and practicable approaches to achieve, improve, and sustain financial performance (Maurice, 2017; Kim & Mauborgne, 2014; Benn, Dunphy& Griffiths, 2014). This intense competition brought by the use of AIS to improve financial performance among SMEs in order to keep up their business operations scaling up. In spite of the way that a good number of studies have been conducted in line with AIS systems and financial performance, none specifically focused on AIS systems softwares on financial performance among SMEs in Bungoma County. However, those studies that have focus on accounting information systems, lack accounting information softwares on financial performance on SMEs. This has consequentially led to many serious problems concerning financial performances (Beal, 2000). This coupled with the insufficiency of knowledge as many SMEs fail to utilize accounting information system softwares to help them scaled up productivity of the enterprise (Fauster, 2014). Therefore, little is known about AIS systems and financial performance among SMEs in Bungoma County. As such, there is the need to evaluate AIS systems on SMEs' financial performance in Bungoma County. Hence, the current study covered the gap by carrying out a research on evaluation of AIS systems on financial performance among SMEs in Bungoma County.

Study General Objective.

The study general objective, to evaluate accounting information systems on financial performance among small and medium enterprises (SMEs) in Bungoma County.

The Specific Objectives

- i. To find out the effect of QuickBooks AIS on SMEs financial performance in Bungoma County
- ii. To assess the effects of sage AIS on SMEs financial performance in Bungoma County.
- iii. To assess the effect of pastel AIS on SMEs financial performance in Bungoma County.

- iv. To establish the effect of tally AIS on SMEs financial performance in Bungoma County
- v. To determine the effects of Excel AIS on SMEs financial performance in Bungoma County

Research Questions

- i. What is the effect of QuickBooks AIS on SMEs financial performance in Bungoma County?
- ii. What is the impact of sage AIS on SMEs financial performance in Bungoma County?
- iii. What are the effects of pastel AIS on SMEs financial performance in Bungoma County?
- iv. What the effects is of tally AIS on SMEs financial performance in Bungoma County?
- v. What are the effects of Excel AIS on SMEs financial performance in Bungoma County?

The Scope of the Study.

This research study was limited only to the SMEs in Bungoma County. The study included all the registered small and medium business enterprises in the Ministry of Trade and Industrialization, Bungoma County Revenue Licensing Department as of 2019.

Conceptual Framework

The researcher used the following conceptual framework as described below.

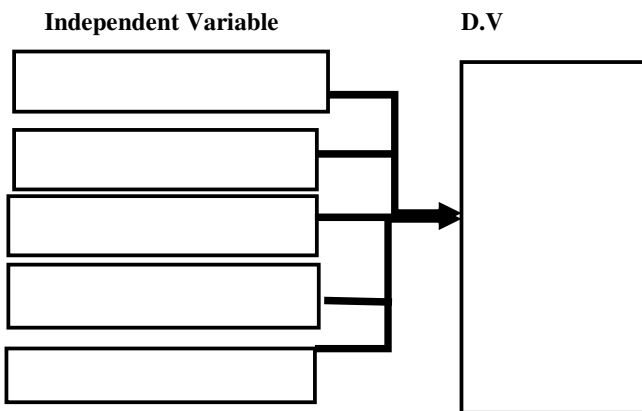


Figure 1. 1: Study Conceptual Framework

II.Literature review

Introduction

This chapter contains the theories formulated in order to explain, predict and to enable understanding of the phenomena under the study. The study used Contingency Theory, Theory of Reasoned Action and lastly Decomposed Theory of Planned Behaviour in understanding the research problem identified.

Contingency Theory

According to Fiedler (1964), the Contingency Theory suggests that no such one best ideal way of

leading. He further explained that any leadership style that is very effective in one situation may not be the same and successful in another situation. However, Gordon and Miller (1976), laid out the basic framework for considering AIS in a contingency perspective. They asserted, that the accounting information systems need to be adaptive to the specific set of decisions being considered within an adopted framework. Therefore, Contingency Theory recommended, that AIS need to be adapting to the precise favored-tailored decisions and simultaneously taking concerns into the surroundings and the organizational structure confronting the organization (Dandago&Rufai, 2014).

The Decomposed Theory of Planned Behavior.

It was formulated through combination of both Technology Acceptance Model and Theory of Planned Behavior. These two theories formulated to provide a better understanding of the behavioral intentions exhibited by the accounting information system users by concentrating on the factors that are likely to impact accounting information systems use among the firms.

Theory of Reasoned Action

The proponents of this theory were Fishbein and Ajzen in 1975. According to Ajzen & Fishbein (1980), the theory majorly focuses on an individual's intentions to behave in a certain way. Thus, TRA suggests individuals' behaviour are set on by their intentions to perform the behavior. These intentions, which are in turn, an element of their attitudes toward the behavior as well as the subject norms (Fishbein & Ajzen, 1975). The behaviour is majorly pointed out by the intention or instrumentality. This is the belief that the behaviour will lead to the expected outcome. The three key things that determine instrumentality aspect. These includes: One, the attitude towards the specific behaviour. Two, subjective norms. Three, perceived behavioral control.

QuickBooks on financial performance.

Quick-Books is an online based accounting software which come with simple to utilize interface and tools.

According to Intuit (2008), as per June 19, 2008 press release issued by Intuit Incorporation, showed that more than 3.7 million businesses use QuickBooks accounting. It further held

that 94.2% market share for retail units in the business accounting. In Kenya, Ng'eno et.al., (2019), noted that 65% of the SMEs in Bomet Business Community were aware of the QuickBooks accounting systems while 35% indicated that they had partial awareness of QuickBooks accounting.

According to Jeremy Slaughter (2017), QuickBooks accounting software provides an easy to use interface that allows one to use easily the accountings form such as deposit slips, invoices and checks. This make accounting process more comfortable for the average business owner or manager. Ng'eno et.al. (2019), who found that the most commonly used accounting information system among the SMEs in Bomet town is QuickBooks supports this. This is also in tandem with Matt McGew (2017), who noted that QuickBooks enables business enterprises to prepare cash flow statements, print checks, track profits and loses, input debits and credits, track sales tax receipts and payments, create balance sheets and sales invoices with reports. Therefore, by using the built-in functions that pertain to the business enterprise, the business enterprises are enabled to perform the company accounting services more efficiently by simply recording its vendor activities, customer activities, bank transactions, payroll checks and taxes with simplicity, high accuracy, amazing ease and swift speed.

Sage Accounting on Financial Performance

According to Robert & Precious, (2017) and SPASM (2016), Sage Pastel Accounting software provides the users with easy to use valuable features. These features include but not limited to journal entries, cashbook, bank reconciliation statements, overdue customers interests, suppliers, customers, inventories journals, manufacture, count inventory, match open item, time and billing and also receipts. Therefore, most of the reports from sage system are automatically converted into standardized and formatted spreadsheets reports for specific financial reporting. This used for financial decision making to ensure improvement in financial performance of the business. In Kenya, Ng'eno et.al, (2019), noted that 43% of the SMEs in Bomet Business Community were aware of sage accounting software in running their business enterprises. This indicates that SMEs embrace the use of sage accounting systems in managing their business enterprises.

Amidu M. et.al., (2011) and Aradhana (2013), revealed that SMEs implement accounting information systems to cut costs, enhanced clerical works and provide sufficient data storage space and processing information. This helped management decision-making towards financial performance. This is also in tandem as noted by Rehab (2018), that accounting softwares usage results in cost reduction and increased effective decision making in financial performance.

Pastel Accounting on Financial Performance

According to Gerry Ramsey (2017), Pastel software is a robustious program software mostly utilized in an online

domain. According to Festus Megie (2016), Pastel accounting software is an enterprise software package that help manage a business enterprise from small to large in terms of inventory management, financial accounting, sales and purchasing all the way to human resource management and payroll accounting.

Andy Walton (2019), asserted that there are immeasurable benefits as a result from the blazing speed and high efficiency output of AIS softwares closely relates to the overall reduced expenditure of business enterprise operations. This is supported by Ng'eno et.al., (2019), who also noted that the use of pastel accounting system helps business enterprises improved their productivity, quality of goods and services as well as saves time and costs.

Moreover, Andy (2019), further noted that the accounting software greatly aided many businesses to supply staff management with timely and most accurate accounting data. This is because most accounting systems have already in-built reporting modules. This enable system users to create and generate accounting reports through filling a form or at a click of a tab button.

Tally Accounting and Financial Performance

AndraPicincu (2018), Tally accounting system software is a powerful software yet simple to use accounting information system in any business enterprises either small or large.

According to Rahul (2019), Tally accounting is an accounting software popularly used in India.

Tally accounting software systems easily appeals to any category of business whether small or large. The simplicity of use is very hard to beat. This is supported by EduPristine (2015) who noted that Tally accounting system is advisable any SME and the businesses start-ups which has a limited budget for acquisition accounting system software and where data volumes is not very large in entire business operations and that management is closely controlled. Tally accounting is mostly preferred due to ease to operate, less costly involved in the implementation and maintenance of the system. This is also concurred with Ng'eno et.al., (2019), acknowledged that commonly used accounting software in Bomet Business Community is tally accounting system where 88% of the SMEs indicated that they are aware of tally accounting software and its significance in running their business operations.

Excel Accounting System on Financial Performance

Sun Chumlin (2011) defines Excel as a kind of data processing software from Microsoft's office necessary tool for financial accounting analysis, forecasting and improvement. It involves a lot of knowledge. Excel has a powerful table with many processing functions, graphics processing functions, rich mathematical functions and strong compatibility (Fan 2005).

According to Guo (2012), Excel is a kind of modern handled electronic abacus for accounting and financial staffs. It is the commonly used data analysis tools in daily accounting work. Excel is an indispensable system in an enterprise accounting and financial work with its special tools, functions and features. Additionally, Excel accounting system automatically calculates the data and quickly sorting out data. It also filter and automatically summarizes large amount of data and relatively completing complex data set. Simultaneously, Excel accounting system is used to analyze accounting data into meaningful line chart, scatter chart, bar chart, and other charts (Guo, 2015). This facilitate and make available information needed easily accessible for making the right decisions towards sound financial performance of the business enterprise and ensuring solid continued going concern.

In a study by Xu (2015), noted that financial staffs need to use Excel system to analyze financial data to predict the performance of the enterprise in financial status. The commonly used method of "calculator and manual tabulation" to make financial reports with large business volume of transactions, complicate calculation and laborious modification with time consuming made simpler and easier (Junda et.al., 2006). Thus, Excel accounting system helps in eliminating such constraints and increase efficiency and speed of processing financial information.

Amidu M. et.al. (2011), noted that most SMEs in Ghana use computers in their business operations. The researcher further noted that the most SMEs used Excel based accounting system than Pastel, Sun business System, Tally, Sage and QuickBooks accounting systems. This explains its ease of use among the SMEs in Ghana. Wenying A.Y. (2013) also supports this, showed that Excel system simplifies work and increases data accuracy. With Excel accounting system, SMEs can process large amounts of complex data into charts, graphs and models that are easy for managers to gauge financial performance of the business enterprise. Hence, Excel simplify workload and improve work efficiency.

Junda et.al., (2018), pinpoint that Excel system assist business owners and managers to find out problems in the enterprise's financial data. It also provides invaluable information for the business enterprises to improve their financial performance. Therefore, it significantly simplifies complicated financial and accounting work as well as improves efficiency of firm's work. It also enables the business firm's personnel to reasonably schedule funds in improving the enterprise's financial performance.

SMEs Financial Performance.

In general view, financial overall performance, is a blended and mixture of a commercial enterprise's monetary health soundness, its willingness and capacity to satisfy long-term

monetary responsibilities and its dedication to always offer services in a foreseeable future (Weber, 2008).

Thrikawala (2011), defines financial performance as a measurement of how well the business enterprise use its assets resources from its primary role of the business and in generating revenues to the enterprise. Hence, in the wider perspective, financial performance refers to the capacity to which the financial objectives of the enterprise business being undertaken or the accomplishment of specified set business goals measured against the known standards, completeness and the cost set by the business enterprise (Ozer, 2012; Thrikawala, 2011). Therefore, financial performance is the process of measuring the outcomes of the enterprise's resources and the operations on monetary terms. Additionally, financial performance refers back to the enterprise's monetary status over a positive time period that consists of the gathering and use of monetary resources measured via numerous signs inclusive of capital adequacy ratio, sale boom, liquidity, leverage, solvency, profitability boom and ROE.

Dess, Brews &Tucci (2014), posit that the objective criteria in measuring the financial performance of a business enterprise should consists of sales growth.

Accounting play a significant pivotal role towards the success or failure of any business enterprise. AIS systems significantly aid in recording financial entries, analyzing, monitoring and evaluation of business entity's financial performance. In addition, preparing financial documents required for taxation purposes as well as providing important information which supports business. Accounting information systems provides invaluable sources of critical information to the SMEs business owner and the managers operating in any financial industry in measuring financial performance (Maseko N. &Manyani O., 2011; Uddin R. et.al, 2017).

According to Elena et.al, (2011), noted that proper use of AIS systems results to increased business enterprises' productivity on financial performance. Thus, AIS positively influence wealth creation and asset growth of the SMEs. However, on the other side, firms which do not adopt, may suffer from productivity growth. This decreases due to the intense and stiff competition from their AIS-adopting counterparts. Therefore, AIS usage among the business enterprises help to reduce labor time, hence saves on costs. According to Badescu&Garcés-Ayerbe, (2009), analyzed the impacts of investments on AIS and productivity growth among business firms in Spain. The study found out that firms experienced little improvement on productivity. However, noted that the improvement established was not attributed to IT investment (Tally Solutions FZ-LLC, 1988-2006).

With the usage of computers, accountants can perform numerous statistical accountings or forecasting analyses with greater speed and high efficiencies (Kruglinski, 2009). Thus,

investment in AIS such as Tally system will significantly improve business performance. Tally accounting system is highly integrated with sophisticated functional features and applications that transform the business enterprise financial processes with high performance output. This helps the business entity easily access accounting information faster and take quicker decisions in financial performance. Therefore, Tally accounting system guarantees real-time optimization of the business operations and enhanced efficient communications leading to improved financial performance.

RESEARCH METHODOLOGY

Research Design

According to Burns & Grove, (2003) defined research design as a blueprint plan which guides the researcher in accomplishing the desired research outcome by giving basic direction. The researcher adopted descriptive research design in guiding the research. The design provide possible answers to the research problem under consideration. The research design was adopted because manipulation of research variables was limited (Burns & Groves, 2003).

The Study Location

The research study conducted in Bungoma County, Western Kenya. The Bungoma has an approximate population of about 1.7 million with land area of 2,069 Km² (KNBS Census, 2019). The county borders Trans Nzoia to the North, Busia on the West and Kakamega on the South. The geographical coordinates lies between latitude 00 28’ and latitude 10 30’ North of Equator and the longitude 340 20’ East and 350 15’ East of the GMT.

Population

Kothari (2006), asserted that population connotes as a whole set of events, objects, or individuals with common noticeable features. The term population can be explained as the totality or aggregate of events, individuals or objects conforming to the set specifications (Polit & Beck, 2004). In scrutinizing AIS on financial performance among the SMEs enterprises in Bungoma County, a population of 10,673 registered SMEs in Bungoma County Revenue Licensing Department as of 2019.

Sampling Techniques

According to Kothari (2006), stated that sample is a collection of some parts of the population to be a

true representative of the population. According to Ngumi, (2014) posits that studies which collects excessive data is also wasteful. The researcher similarly cited that that before collecting research data, it is paramount and imperative to determine sample size necessities of the study.

Purposive Sampling

According to Creswell (2002), said that during purposive sampling, researchers deliberately pick individuals and sites to acquire data, analyze or recognize the phenomenon beneath studies consideration. Purposive sampling was used in selecting the respondents for the study. The study purposively chose accountants, finance assistants and finance officers as well as business owners and managers with knowledge in AIS. This was on the basis of their judgment and typicality in giving accurate and credible information for the study.

Simple Random Sampling

Mlyuka (2011), explained that simple random sampling as a sampling type which gives equal chance to every respondent to be selected for the research study. The research study adopted simple random sampling after which purposive sampling was done. Hence, each and every SME in Bungoma County had equal opportunity to be selected and consequently included in the research.

Sample Size

Polit et.al., (2001), noted sample size as a proportion of a population. Taro Yamane formula (1967:886) adopted in determining the sample size using with 90% confidence level. The formula stated as shown below:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = the required sample size

N = Total population.

e = sampling error

1 = constant

The researcher assumed 10% level of sampling error. Hence, the sample was computed as follows;

$$n = \frac{10,673}{1+10,673(0.1)^2} = \frac{10,673}{1+106.73} = \frac{10,673}{107.73} = 99$$

Therefore, a total of 99 SMEs were sampled for the research.

Validity of Research Instruments

Kothari (2004), alluded that validity is the notch to which research study precisely measures or replicates the definite thoughts, which the researcher is endeavoring to measure. According to Macmillan & Schumacher (2010), noted validity as degree of consonance between explanations of phenomena and the reality. Saunders et.al. (2009) stated that construct validity connotes the level to which research questionnaires actually measure the presence of those constructs the researcher purpose to determine. The research questions for the study were categorized into several sections for purposes of construct validity. This was to ensure and facilitate that each evaluated information to each study specific objectives were made.

Reliability of the Research Instruments

Joppe (2000), stated that reliability is the level to which the findings or results remain unchanged and consistent and over time with accurate representations of the population under consideration. The study considered a Cronbach alpha of 0.7 and above as acceptable for the study to proceed. This is in line with Nunnally (1978), who noted that a Cronbach alpha be 0.7 and above. At the same time, Gliem&Gliem, (2003) recommend that a Cronbach alpha exceeding 0.7 as acceptable for the study.

Data Analysis

Hair et.al.,(2010), expounded that analysis of data as a process, which involves making explanations of research findings and drawing conclusions. Therefore, data analysis in this research was involved in assembling or reconstructing the data in a meaningful or comprehensive interpretation.

The summary of the data findings were processed by using SPSS. The research findings were orderly arranged, sequentially organized and presented nicely in numbers, percentages, tables' formats, pie charts, and bar graphs where required.

Regression Model

The research questionnaires developed by the researcher on a one-five rated Linkert scale system. The SMEs involved in the study were requested to rate each research question from 1 (strongly disagree) to 5 (strongly agree). Therefore, from this basis, a multiple regression model used where QuickBooks,

Sage, Pastel, Tally and Excel explained financial performance among SMEs.

The model derived below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where;

Y-Financial Performance

Bo -constant,

X1 -QuickBooks

X2 -Sage

X3 -Pastel

X4 -Tally

X5-Excel

ε -Standard error term

CHAPTER FOUR

AIS and Financial Performance

The outcome tabulated in table 4.28 shows the fitness of model using Multiple Regression Model. The AIS was a satisfactory variable in explaining variations on financial performance among SMEs. The R square of 0.840 supports the study. This means that Accounting Information System explains about 84.0% variations on financial performance among the SMEs.

Table 4.40: Model Fitness

Model Summary

| Model | R | R Square | Adjusted R Square | | | |
|-------|----------------------------|----------|-------------------|-----------------|---------------|--------|
| | Std. Error of the Estimate | Change | Statistic | | | |
| | F Change | Df1 | Df2 | R Square Change | Sig. F Change | |
| 1 | .917a | .840 | .831 | .306 | .840 | 88.484 |
| | 5 | 84 | .000 | | | |

a. Predictors: (Constant) X1, X2, X3, X4, X5.

Table 4.41: ANOVA

ANOVA

| Model | Sum of Squares | Df | Mean Square | Sig. | |
|-------|----------------|--------|-------------|-------|--------|
| 1 | Regression | 41.312 | 5 | 8.262 | 88.484 |
| | .000b | | | | |
| | Residual | 7.844 | 84 | .093 | |
| | Total | 49.156 | 89 | | |

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), X1, X2, X3, X4, X5

The findings tabulated in table 4.41. It gives the results on analysis of variance. The findings showed overall model was statistically significant ($r=0.917$, $p .000$). Additionally, the findings suggested that independent variables were good predictor of financial performance among the SMEs. F statistics 88.484, and p_value , $0.000 < 0.05$ supports conclusion.

Table 4.42: Regression Coefficient

| Model | Unstandardized | | | t | Coefficient | Sig. |
|-------|----------------|-------|------------|-------|-------------|------|
| | Standardized | B | Std. Error | | | |
| 1 | (Constant) | 1.629 | .162 | .162 | 10.083 | .000 |
| | X1 | .338 | .086 | .472 | 3.920 | .000 |
| | X2 | -.261 | .071 | -.432 | -3.705 | .000 |
| | X3 | -.320 | .097 | -.388 | -3.293 | .001 |
| | X4 | .382 | .071 | .596 | 5.395 | .000 |
| | X5 | .438 | .072 | .665 | 6.086 | .000 |

a. Dependent Variable: FP

The outcomes in table 4.42 showed that QuickBooks positively relates with financial performance among SMEs ($\beta=0.338$, $p=0.000$). The findings revealed negative association between sage accounting and financial performance ($\beta=-0.261$, $p=0.000$). This implied a unit change, in sage accounting leads to significant change in financial performance by 0.261. Hence, an increase in one unit in sage accounting, financial performance increases by 0.261. Conversely, decrease in sage accounting by a unit would result to increase in financial performance by 0.261. Therefore, the study concluded that sage accounting positively influence financial performance among the SMEs in Bungoma County.

The results also revealed that pastel accounting has a negative β -value ($\beta = -0.320$, $p= 0.001$). The unstandardized coefficient of pastel ($B=-.0.320$, $p=.001$). This implied that change in one unit in pastel accounting, result to significant change of 0.320 in financial performance. Hence, an increase in one unit of pastel accounting, financial performance increase by 0.320. Conversely, a unit decrease in Pastel accounting by would result to 0.320 increase in financial performance. Therefore, the study concluded that pastel accounting positively influence financial performance among the SMEs in Bungoma County.

The results in table 4.42 showed that tally have a positively relates with financial performance ($\beta=0.382$, $p=0.000$). This implied that a change in one unit in tally accounting, leads to significant change in SMEs financial performance by 0.382. Therefore, the study concluded that tally accounting positively influence financial performance among the SMEs in Bungoma County.

The results also revealed positive and significant relationship existing between excel accounting and financial performance ($\beta = 0.438$, $p = 0.000$). Hence, researcher concluded excel accounting as significantly influencing financial performance among SMEs.

$$\text{Financial performance} = 1.629 + 0.338X1 - 0.261X2 - 0.320X3 + 0.382X4 + 0.438X5$$

Where;

X1= QuickBooks accounting system

X2= Sage accounting system

X3= pastel accounting system

X4=tally accounting system

X5= Excel accounting system

Discussions of Research Findings

The study findings revealed QuickBooks accounting and SMEs financial performance significantly and positively relate with each other. The findings additionally indicated that sage significantly and positively associate with financial performance ($r=0.828$, $p= 0.000$). These results are consistent with that of Ng'eno et.al., (2019), who noted that QuickBooks accounting has a strong effect on SMEs financial performance. Therefore, researcher concluded QuickBooks accounting as positively influencing SMEs financial performance in Bungoma County.

The study also found that sage accounting and SMEs financial performance positively and significantly relate. The findings agreed with that of Ng'eno et.al (2019), who concluded that sage accounting has a strong and positive impact on financial performance. The outcomes additionally indicated that pastel accounting positively and significantly relate with financial performance. The findings consistent with those of Ng'eno et.al., (2019), who concluded that pastel accounting has a strong impact on SMEs financial performance.

Furthermore, the outcomes revealed that tally accounting has a negative relationship with financial performance. Hence, increase in one unit in tally accounting, financial performance increase by 0.349. Conversely, a unit decrease in tally accounting would result to 0.349 increase in financial performance. Therefore, the study concluded that pastel accounting positively influence financial performance among the SMEs in Bungoma County.

The findings further indicated that excel accounting influence financial performance. The results further revealed that statistically excel accounting influence financial performance. The results are consistent with those of Saedi (2014), who concurred that accounting information systems such as excel accounting significantly influence financial performance.

IV.CONCLUSION

Quick Books and financial performance.

The Regression Analysis results that QuickBooks is a satisfactory variable in explaining financial performance. R-square of 0.686 support this. Thus, suggests that QuickBooks systems explains 68.6% variations in SMEs financial performance. The overall model was statistically significant as noted by the findings. Therefore, the study concluded that

QuickBooks accounting positively and significantly impact financial performance among the SMEs.

Sage accounting and financial performance.

The results also indicated that Sage accounting positively and significantly associate with financial performance ($r= 0.732$, $p= 0.000$). The research findings agrees with that of Ng'eno et.al., (2019), sage accounting has a strong effects on SMEs financial performance. R_square 0.631, supported this concurrence. This means that sage accounting explains 63.10% of the variations in financial performance among SMEs.

Pastel accounting on financial performance.

The research findings revealed positive relationship between pastel accounting and financial performance. Hence, the study conclude that pastel accounting positively influence financial performance among the SMEs.

Tally accounting system and financial performance.

From the regression analysis, it showed positive relation between tally accounting system and SMEs financial performance. Therefore, the study concluded that tally accounting positively influence SMEs financial performance.

Excel accounting system and financial performance.

From the regression analysis, when excel accounting changes by 57.5%, financial performance changes by 209.8%. This indicates positive relation between excel accounting and financial performance. These findings are consistent with those of Saedi (2014), who found out that accounting information systems such as excel has a significant relationship with financial performance. The researcher summed up that excel accounting positively affect SMEs financial performance.

ACKNOWLEDGEMENT

First, all thanks be to God. Not all this could have been possible if it were not for His grace. I thank Him for the provision of good health and strength to get me through this enter process of my research study. Indeed, I can do all things through Christ who strengthens me. I'm highly indebted and very grateful to people assisted in this undertaking and completion of my research thesis possible. I'm in

particularly owing immense gratitude to my University supervisors; Dr. Abraham Malenya and Dr. Annerty Nangila for their dedicative contributions, support, and guidance unreservedly towards my research thesis.

V. REFERENCE

- [1] Akanbi, T. A., and Adewoye, J. (2018). Effects of Accounting Information System Adoption on the Financial Performance of Commercial Bank in Nigeria. *Journal of Accounting & Marketing*, 1(6), 1-6.
- [2] Akesinro, S., and Adetoso, J. (2016). The Effects of Computerized Accounting System on the Performance of Banks in Nigeria. *Journal of Economics and Sustainable Development*, 7(14), 76-82.
- [3] Amidu, M., John E, Joshua A (2011) E-Accounting Practices Among Small & Medium Enterprises in Ghana, *Journal of Management Policy and Practice*, 12 (4);146-155.
- [4] Amoah, et.al., (2014), "Accounting Practices of SMEs In Sunyani: An Investigative Study of Record Keeping for Performance Measurement", *International Journal of Research in Economics & Social Sciences*, Vol.4(7), pp. 21-35.
- [5] Aradhana R. (2013). E-Accounting Practices of SMEs in India. *International Journal of Technical Research (IJTR)* Vol. 2, Issue 1, Mar-Apr 2013.
- [6] Borhan, O., and Nafees, A., (2018). Effect of Accounting Information System on Financial Performance: A Study of Selected Real Estate Companies in Jordan. *India Technical Research Organization*, 5(1), 41-50.
- [7] Elena et.al., (2011). The impact of Accounting Information Systems (AIS) on performance measures: empirical evidence in Spanish SMEs! *The International Journal of Digital Accounting Research* Vol. 11, 2011 pp. 25 - 43 ISSN: 1577-8517.
- [8] Fan, Y.B. (2005). The Application of Excel in financial statements. *Journal of Liaoning Administration College*, (04):149-150.
- [9] Kashif B. (2018). Impact of Accounting Information System on the Financial Performance of Selected FMCG Companies. *Asian Journal of Applied Science and Technology*, 2(3), 8-17.
- [10] Mehdi S., Mahmoud L., Mostafa B., and Ebadollah T. (2015). The effect of implementation of accounting information system on efficiency, profitability and productivity of SMEs in Iran. *Banks and Bank Systems*, 10(3), 79-86.
- [11] Amidu J.E., and Abor J. (2011). E-Accounting Practices among Small and Medium Enterprises in Ghana. *Journal of Management Policy and Practice* vol. 12(4) 2011.
- [12] Ng'eno et.al., (2019). Studied on the Effects of Computerized Accounting System on the Performance of Small and Medium Enterprises: A Case of Business Community in Bomet County.
- [13] Nizar S., Ahmad F., and Mohamad, M. (2016). Evaluation of Accounting Information Systems in Meeting the Requirements of Financial and Managerial Performance: "Field Study in the United Arab Emirates Private Hospitals. *International Journal of Humanities and Social Science*, 6(4), 170-176.
- [14] Saeidi, H. (2014). The impact of accounting information systems on financial performance – a case study of TCS – India. *Indian Journal of Fundamental and Applied Life Sciences*, 4(4), 412-417.
- [15] Velankar N, Gupta R.C., and Garud U. (2013) E-accounting practices among SMEs: A study of M.P. Region. *Journal of Management Value and Ethics* 3: 94-106.