



EXPLORING THE LEVEL OF AWARENESS AND USAGE OF ACCOUNTING SOFTWARE AMONG SMALL BUSINESSES IN NIGERIA

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ABSTRACT: *The advent of accounting software has the potential to help small businesses keep accurate financial records, streamline accounting processes, provide real-time financial data, and enable them to have good financial management practices. However, despite the benefits of accounting software, most small businesses seem unaware of accounting software and its importance to their financial management practices. This study, therefore, explored the level of awareness and usage of accounting software among small businesses in Nigeria. 54 respondents were selected from small business owners in the South West of Nigeria. The study used primary data collected through questionnaire administration on the respondents. The study used descriptive analysis. The findings of the study showed that there is a low awareness of accounting software among small business owners. Also, most small business owners are not currently using accounting software in their businesses, as they are still using manual methods of recording. Additionally, those using accounting software cited improvement in their financial management practices. The study recommended that there should be awareness about the availability of accounting software for small businesses and software developers should consider creating cost-effective, localized software to reduce the dependency on foreign solutions with high subscription fees, especially for Nigerian small businesses.*

KEYWORDS: Accounting Software, Financial Management, Nigeria, Small Businesses.



INTRODUCTION

Background to the Study

The evolution of technology has led to the development of various software, web and mobile applications, and devices, which are changing the processes of carrying out tasks. A significant change brought about by technology is the introduction of accounting software. The development of accounting software is to help businesses streamline and enhance their accounting processes. Accounting processes involve recording, classifying, summarizing, and reporting financial transactions which are performed at different stages in a company. Thus, it is necessary to document each stage of the processes to ensure the accurate compilation of financial records, which will subsequently be a tool for efficient financial management practices. The traditional pen-and-paper method has been primarily used to perform accounting processes. However, in using the traditional method for accounting processes, there are tendencies to miss out on certain financial records as a result of the different stages involved, a situation accounting software has been developed to prevent.

Accounting software is a program designed to collect, store, and process financial data into usable information that can be retrieved to make informed decisions. Ibrahim, Ali, and Besar (2020) asserted that accounting software helps to record accounting transactions, analyze, monitor, and prepare financial statements for organizations. Also, according to Mohammed (2021) accounting software allows organizations to acquire and implement daily accounting operations. Likewise, Xu (2020) stated that accounting software enhances the daily functioning of accounting tasks promptly and accurately. However, evidence from the literature revealed that large corporations are more involved in using accounting software than small businesses (Mohammed, 2021). This is due to various cumulative factors which include the cost involved in acquiring accounting software, employing a professional accountant to use it, and upgrading the software when necessary.

Small businesses across the world dominate the business sphere. Globally, the impact of small businesses can be felt across different sectors of the economy of a nation, as they are the basis for future industrial spread. Likewise, in Nigeria, under the umbrella of Micro, Small, and Medium Enterprises (MSMEs), small businesses are the largest employers of labour. They constitute over 90% of the businesses in Nigeria and contribute immensely to the growth of the country's economy. MSMEs are businesses with employees between 1 and 199 and assets between #100,000 and #500 million, excluding land and buildings. Put differently, a micro business is an enterprise with less than 10 employees and total assets that is less than 5 million Naira, a small business is an enterprise that has between 10 and 49 employees and total assets that are less than 100 million Naira, while a medium business is an enterprise that has between 51 and 199 and total assets that are less than 500 million Naira.

Nigeria has over 41 million MSMEs, according to the 2017 report of the SMEDAN (Small and Medium Enterprises Development Agency of Nigeria) and NBS (Nigeria Bureau of Statistics) MSMEs Survey. They are responsible for creating new jobs, alleviating poverty, and reducing unemployment in the country. However, due to the size and nature of their business, coupled with the fact that they are not regulated and not publicly accountable, MSMEs are known for not keeping proper records of their financial activities, thus making it difficult for them to access finance. This is because one of the requirements for accessing credit facilities is the financial statements, which most small businesses do not have. This has



also subsequently led to wrong financial management practices which is another factor militating against MSMEs' sustainability and growth.

The advent of accounting software has the potential to help MSMEs keep accurate financial records, streamline accounting processes, provide real-time financial data, and provide an avenue for correct financial management practices. However, despite the benefits offered by accounting software, most small business owners seem not to be aware of the accounting software and its importance to accounting functions and their financial management practices. Thus, creating the need to explore the level of awareness and usage of accounting software, factors influencing its usage, and its impact on financial management practices among small businesses in Nigeria.

Statement of the Problem

Despite the importance of MSMEs to the economic growth of the country, they are faced with various challenges militating against their survival, most times leading to their eventual fold-up. Reports have it that most small businesses in Nigeria folded up within the first five years of start-up (Umanhonlen, Umanhonlen & Enofe, 2023). Lack of finance has always been one of the major reasons small businesses fail in Nigeria, and as a result of this assertion, there have been various interventions from governments and organizations to make loans and grants available for small businesses. However, a large percentage of small businesses are still faced with the challenges of being under-financed due to their inability to access the funds.

However, the obvious truth and the underlying cause is that most small businesses have been unable to access the funds because of their lack of proper financial records which is one of the required documents for the small businesses to access loans and grants. This assertion is also supported by Capuşneanu, Topor, Constantin, and Marin-Pantelescu (2020) and Chhabra and Pattanayak, (2014) that most MSMEs face the challenges of incomplete records and lack of finance. Furthermore, this lack of complete financial records has resulted in wrong financial management practices thus, impeding their sustainability and growth. The inconsistencies in record keeping for small businesses are borne out of the fact that they are not responsible to the public or are being regulated by any governmental agencies.

The advent of technology has led to the development of accounting software to help businesses streamline their accounting processes, manage their finances, improve accuracy and provide real-time financial data to gain insights and make informed decisions. However, not all of the MSMEs owners are aware of accounting software or can use accounting software which could have been of help. Additionally, accounting software like QuickBooks, Sage, FreshBooks, Zero, and others that are available in Nigeria are sophisticated and are undoubtedly beyond the financial reach of the MSMEs because of their high subscription fees which are always paid in dollars.

Furthermore, existing studies such as Umar (2019), and Siyanbola, Maduemem, Ogbebor, and Sanyaolu (2019) on accounting software in Nigeria had not explored its level of awareness and usage among small businesses, their concentrations were on the large corporations. The other studies (Mohammed, 2021; Mohammed, Inuwa, and Enemali, 2024; Nwekwo, Anisiuba, Sylvia, Orjiakor, Chukwuani and Ugwu, 2024) that focused on small businesses excluded the micro-enterprises while others focused on a particular state and other regions, neglecting the southwest of Nigeria, thus, creating gaps for this study to fill.



Objectives of the Study

The primary objective of this study is to explore the level of awareness and usage of accounting software among small businesses in Nigeria. The specific objectives are to;

- i. determine the extent to which small businesses are currently aware of accounting software
- ii. to evaluate the extent to which small businesses are currently using accounting software and the factors influencing its usage,
- iii. to examine the impact of using accounting software on key financial management practices of small businesses.

Significance and Scope of the Study

The study explored the level of awareness and usage of accounting software among small businesses in Nigeria as previous studies have neglected this area. The findings of the study would help to provide insights into the current level of awareness and usage of accounting among the MSMEs in Nigeria. It would also help to identify barriers to awareness and usage of accounting software. This will help government, private stakeholders, organizations, and financial institutions in creating awareness and facilitating programs that will help MSMEs on how to use accounting software in their businesses and develop programs that support small businesses to improve their financial management practices.

The study covered MSMEs that are located in the six states of the South West, Nigeria. The study was limited to only the businesses that have been operating for at least three years. It also included both the businesses that are already using accounting software and those that are not using it, allowing for a comprehensive analysis of awareness, usage, and barriers to adoption. The respondents were owners of small businesses and they were selected across the five major sectors of whole/retail trade, agriculture, manufacturing, other services, accommodation, and food services.

The first section of the study comprises the introduction which was categorized into the background of the study, statement of the problem, objectives, significance, and scope of the study. The second section of the work includes the literature review which contains a review of concepts, theories, related studies, and the conceptual framework. The third section entails the methodology used in determining the research design, population, sample size, source of data, and data analysis techniques. The fourth section is on results while the remaining sections are on discussions of findings, recommendations, implications, and suggestions for further studies.



LITERATURE REVIEW

Conceptual Review

Concept of Small Businesses

Small businesses comprise the Micro, Small and Medium Enterprises (MSMEs). They constitute the largest percentage of businesses across the world. The definition of MSMEs varies according to countries. Most definitions of MSMEs are premised on the turnover, assets, and employees. In Nigeria, according to SMEDAN (2017), MSMEs are defined in terms of their number of employees and assets while the Bank of Industry (BOI) included the criteria of annual turnover in their definition. Micro businesses are businesses with employees between 1 and 9, assets of less than #5 million, and an annual turnover of less than #20 million, small businesses have employees between 10 and 49, and assets base that is above #5 million but less than #50 million and an annual turnover that is less than 100 million while medium businesses have employees between 50 and 199 with an asset base that is above #50 million but less than #500 million, and an annual turnover that is less than 500 million, excluding lands and buildings respectively (BOI, 2017; SMEDAN, 2017).

The MSMEs are the stimulus of accelerated economic growth and development and are regarded as the production wheels for large-scale enterprises (Awe, 2012; Mohammed, 2012). The existence and sustainability of small businesses are crucial to the job creation, poverty alleviation, industrial spread, and economic growth of a country. In Nigeria, MSMEs contributed close to 90% of the manufacturing sector and 50% of industrial jobs (SMEDAN, 2017). It is also opined by DellAnno and Adu (2020) that the MSMEs account for most of the trade business that occurs in the country. According to Stefan, Mihai, Alexandra, and Liliana (2020) small businesses are noteworthy drivers of economic development and have significantly contributed to gross domestic product, incremental output, and production capacity.

Benefits of Small Businesses in Nigeria

Small businesses in Nigeria are important to the growth and sustenance of the economy of the country. They contribute various benefits in different forms. Small businesses help to reduce unemployment through job creation, as unemployed individuals venture into various one-man businesses or a group of individuals partnering to start a business, thus providing jobs for millions of individuals. Furthermore, through its job creation benefits, small businesses have been able to generate income for lots of people, thus helping to reduce the poverty rate.

Likewise, the establishment of small businesses helps to encourage local production of some products that are used as raw materials by large corporations. This subsequently leads to more demands for local products thus assisting in enhancing local industries. Additionally, small businesses help to get goods and services to markets that are abandoned or inaccessible by large corporation which helps to reach more people. Small businesses often act as suppliers or service providers to large corporations, profiting the local productions and helping to redistribute income.



Challenges of Small Businesses in Nigeria

Despite the many benefits of small businesses in Nigeria, they are confronted with various challenges that have led to their stunted growth, and in some cases eventual fold-up. The inability to access funds has been at the forefront of the challenges militating the sustainability and growth of small businesses in Nigeria. According to reports, most MSMEs are financed by the personal savings of the owners which when exhausted could lead to the collapse of the business if there are no more funds (PWC Survey, 2020). A large number of MSMEs are unable to access credit facilities as requirements or collateral needed are most times beyond small business owners.

Another challenge against small businesses is that most small business owners do not have the requisite knowledge to handle the business. Reports showed that most of the owners, particularly those in the Micro enterprises have secondary school leaving certificates without formal managerial skills and experience of running a business (PWC Survey, 2020). This has led to wrong decisions being made, causing the collapse of their business. Furthermore, stringent government policies could lead to the demise of businesses. All businesses need an enabling environment to survive and thrive. As the backbone of the economy of every nation, small businesses need a conducive environment to build and grow, thus necessitating it for the government of a nation to create such an environment by giving the small businesses tax holidays, banning or reducing the importation of certain goods, training programs, and creating access to credit facilities.

A highly competitive market is another challenge that affects small businesses as they have to struggle with large corporations and foreign companies for customers in the same market. Also, the high cost of production in terms of the high price of raw materials and machinery could lead to the production of substandard goods by the small businesses which could reduce the purchase of them by the consumers. In the same vein, limited access to resources such as manpower, raw materials, and machinery reduces the growth of small businesses while their inability to finance the adoption of new technologies also constitutes a ban on their growth and sustainability.

Concept of Accounting Software and Its Benefits

Accounting software is a program designed to collect data, process them, and generate information that is usable for decision-making. Accounting software is an application that records and processes business transactions within functional modules such as sales and purchases recording, accounts payable, accounts receivable, payroll, trial balance, financial statement, banking, and reports. It is a program that makes accounting work processes easier and faster and makes it possible to meet the information needs of management and other users (Amidu, 2011 as cited in Ojua, 2016). It is used to track transactions and provides internal reporting data, external reporting data, financial statements, and trend analysis in a very fast manner (Adebayo, Yusuf & Bolarinwa, 2013; Lim, 2013).

The accounting software is a part of the accounting information system while the other part is the hardware. The functionalities of accounting software provide businesses the opportunities to automate and streamline accounting processes, get insights into the financial performance of the business, promote good financial management practices, reduce human errors, prevent and detect fraud, and provide real-time data as needed. The use of appropriate accounting



software by firms promotes improved business efficiency with several transaction processes simplified hence creating efficient operations (Lim, 2013).

Challenges of Adopting Accounting Software by Small Businesses

Accounting software offers various benefits for organizations – large, medium, and small. Lots of organizations are adopting the use of accounting software to help them with their financial activities. However, the adoption of accounting software by small businesses has not been on the high side despite its many benefits. There are challenges associated with the adoption of accounting software by small businesses in Nigeria, especially. A major challenge is the cost of acquiring and maintaining the accounting software. The advent of technology came with a high cost. This high cost is the reason why small businesses find it difficult to adopt the use of accounting software. This includes the cost of acquiring the right computer system to house the software, designing and developing the software, as well as the cost of maintaining and backing up the software to ensure that data and information are not lost.

Also, the cost of employing staff or training staff that can work with the accounting software discourages most small businesses as hiring professionals to handle the software could deeply affect their profit and financing. Other challenges include the availability of an Internet network, the task of finding the appropriate accounting software that suits the operations of the business, migrating data from one accounting software to another, security of the information on the accounting software, complexity of the software which may be difficult to understand and navigate, and the cost of updating and upgrading the software when needed.

Financial Management of Small Businesses

Financial management is the process of making investment and financing decisions within the financial objectives of an organization. It is an aspect of management which involves planning and controlling the financial affairs of organizations, to ensure that the organization achieves its objectives (ICAN, 2021). The primary objective of both small businesses is to maximize profit; however, their financial management practices play a huge role in determining if the business will be operated profitably or not. Wrong financial management practices have been the bane of most small businesses as most of the owners do not have the requisite financial skills to run the businesses, while another large percentage do not separate their personal accounts from the business accounts. It is predominant among small businesses not to keep proper financial records which subsequently leads to wrong financial management practices. It is also a norm that most small business owners spend both their capital and profit, leaving the business with little or nothing to finance it.

Accounting Software and Small Businesses in Nigeria

Accounting software is designed to streamline accounting functions such as recording various financial transactions, inventory management, payroll, tax returns, receivables, and payables. Accounting software has been created to enhance business efficiency and effectiveness. The traditional method, which usually involves the use of paper to record financial activities and transactions, is prevalent among small businesses in Nigeria. This has resulted in small businesses having distorted financial records. Furthermore, the traditional method has been discovered to be laced with many disadvantages ranging from inaccurate records, human



errors, wrong account entry, fraud, omission of transactions, and delay in generating financial reports for decision-making.

Small businesses' inability to keep an accurate record of their financial transactions has been hinged on the fact that many small businesses operate on tight budgets, making it challenging to invest in accounting software, and training programs, or hire skilled accounting professionals (Joshi, 2021). The adoption of accounting software would have otherwise solved most of the problems encountered by small businesses with their financial records. According to Thottoli, Thomas, and Ahmed (2019), efficient and effective utilization of accounting software would help small businesses to increase accuracy, overall functionality, quick processing, and generation of fair financial statements and other reporting.

Theoretical Framework

Theoretically, the research is premised on contingency theory and the Technology Acceptance Model (TAM). The contingency theory was propounded by Otley in 1980. The theory advocates that each business have its management styles and organizational resources which are contingent on the internal and external variables of the environment where it operates. This is related to accounting software as the features of the accounting software to be used by each business depend on their modes of operations, for example, the features of accounting software needed by a large corporation are different from the features needed by the small businesses. Additionally, among small businesses, the features of the accounting software of a supermarket are different from that of a hospital which is also different from that of a school, even though the contents of the financial statements may be the same.

The technology acceptance model was propounded by Fred in 1986 and updated in 1989. The theory emphasized two major reasons for accepting a new technology which are perceived ease of use and perceived usefulness. Perceived ease of use is the extent to which a user can use the technology without putting much effort while perceived usefulness is the extent to which a user thinks using a technology will help to perform his job better or enhance his performance. This is related to the adoption of accounting software by small businesses as owners will only use the accounting software if it will make their tasks simpler with limited human involvement and enhance accounting processes.

Empirical Framework

Different studies have been carried out on small businesses and accounting software both in Nigeria and other countries across the world. Some of the related studies are reviewed. Mohammed (2021) examined the knowledge and use of accounting software among small and medium enterprises in Oman. The study made use of a purposive sampling technique to select six accountants as respondents for the study while semi-structured interviews were used to extract information from them. The findings of the study revealed that the knowledge of how to use accounting software has a significant effect on its practical use. Additionally, similar to the situation in Nigeria, the study claimed that *"a vast majority of SMEs in Oman is using only books for recording their day-to-day accounting transactions. Only a small number of SMEs in Oman know the benefits of available accounting software and ICT adoption."*

Mohammed, Inuwa, and Enemali (2024) worked on the influence of digital accounting systems on small and medium-scale enterprises' performance in Plateau State, Nigeria.



Employing a survey research design, 500 SMEs were randomly selected across the state and were administered structured questionnaires. The data were analyzed via simple linear regression. The findings showed that there is a positive and significant influence of digital accounting systems on SMEs' performance such as cost reduction, improve quality, and effective decision-making. However, the study is limited to a particular state as it didn't cover a geo-political zone or the entire country.

Nwekwo, *et al.*, (2024) examined the effect of accounting software on the financial reporting of corporate organizations in Southeast Nigeria. The study adopted a research survey design and primary data used were collected through the administration of questionnaire on 173 respondents. The Mann-Whitney test was used to evaluate the data. The result revealed that enterprise resource planning software and commercially available software have significant effects on the financial reporting of corporate organizations in southeast Nigeria. The study covered a region but did not extend to the southwest which is the focus of this study.

Ojua (2016) worked on the relationship between the use of accounting software and the quality of the accounting information system among service firms in Nigeria. The study used a sample of one hundred and fifty experienced chartered accountants in service firms and adopted questionnaires to gather primary data while Kolmogorove-Smirnov (KS) test and simple statistical tools were used for analysis. The results showed that there is a relationship between accounting software and the outputs of accounting information systems and hindrances are militating against the full utilization of accounting software which affect the quality of outputs of accounting information systems. However, the study did not consider small businesses in Nigeria.

Mohammed (2020) examined the impact of accounting software on SME accountants in Oman. Twenty accountants of small businesses were used as the sample size for the study. The study discovered theoretically that the use of accounting software has a significant impact on the practice of accountants. Fagnemi and Olaoye (2016) evaluated the impact of accounting information systems on the performance of small-scale enterprises in Kwara State, Nigeria. 153 respondents were used for the study from whom primary data was collected through the administration of questionnaire. The findings from the study revealed that accounting information system significantly influences the performance of small and medium-scale enterprises and the adoption of a computerized accounting information system improves the ability of small-scale enterprises to secure funds from financial institutions.

METHODOLOGY

The study area is the southwest geo-political zone of Nigeria. The zone has six states which are Osun, Oyo, Ogun, Ondo, Ekiti, and Lagos States. The southwest zone was chosen for the study because most of the existing studies had not worked on most of the states in the zone or on the entire zone. Besides, most of the MSMEs are situated in the southwest geo-political zone of Nigeria. The study will employ the use of a cross-sectional research design. This is because data needed for the study will be collected from different locations at a particular period. The study made use of 54 MSME owners who were purposively selected as respondents for the study. Three respondents were selected for each category of micro, small, and medium businesses from each of the six southwest states. That made it 18 respondents from each state.



The source of data was primary. Open-ended questionnaire were employed to extract information from the respondents. The questionnaire collected data on the level of awareness of accounting software, usage patterns, factors influencing adoption, its impact on their financial management practices, and demographic information about the businesses. The level of awareness refers to the extent to which small business owners know of the existence, availability, functionality, and benefits of accounting software. It is proxied by knowledge of different types of accounting software, exposure to information about accounting software, and familiarity with its features. The usage of accounting software is proxied by the extent to which small business owners are using the software for accounting functions in their businesses. This was to gain deeper insights into their experiences with accounting software, the challenges they face, and their perceptions of its benefits. The study used percentage frequency to show the characteristics of the dataset and to gain insights into the level of awareness and usage of accounting software among small businesses in Nigeria. (Cronbach Alpha Test)

RESULT

This section is on the result of the analysis of the study. Descriptive statistics was employed for both the demographics and the objectives of the study. The respondents were 54 owners of MSMEs selected from across the six states of the southwest.

Demographic Information of Businesses

Table 1 gave an insight into the demographic details of the businesses used for this study. The results revealed that from the 54 business owners selected 21 (38.9%) of the businesses are in the retail sector, six (11.1%) businesses are in the manufacturing sector, nine (16.6%) businesses are in the services sector, 5 (9.3%) businesses are in the agriculture sector, while 13 (24.1%) businesses are in the accommodation and food services sector. This indicates that a larger percentage of the business owners are in the retail and accommodation food services sector.

Table 1: Demographic Information of Businesses

Categories of Business	Frequency	Percentage
Micro	18	100
Small	18	100
Medium	18	100
Total	54	100
Type of Industry		
Retail	21	38.9%
Manufacturing	6	11.1%
Services	9	16.6%
Agriculture	5	9.3%
Accommodation and Food services	13	24.1
Total	54	100

Source: *Author's Compilation, 2024*

Results on Objectives

Objective One: The Extent to which MSMEs are Currently Aware of Accounting Software

This section presents the responses on the current level of awareness of accounting software among small businesses.

i. Are you aware of any accounting software?

The result (Figure 1) showed that 57% (31) of the respondents are not aware and 43% (23 respondents) are aware of accounting software. This result revealed an average level of awareness among the MSME owners. This means that MSME owners need to be enlightened on the availability of accounting software.

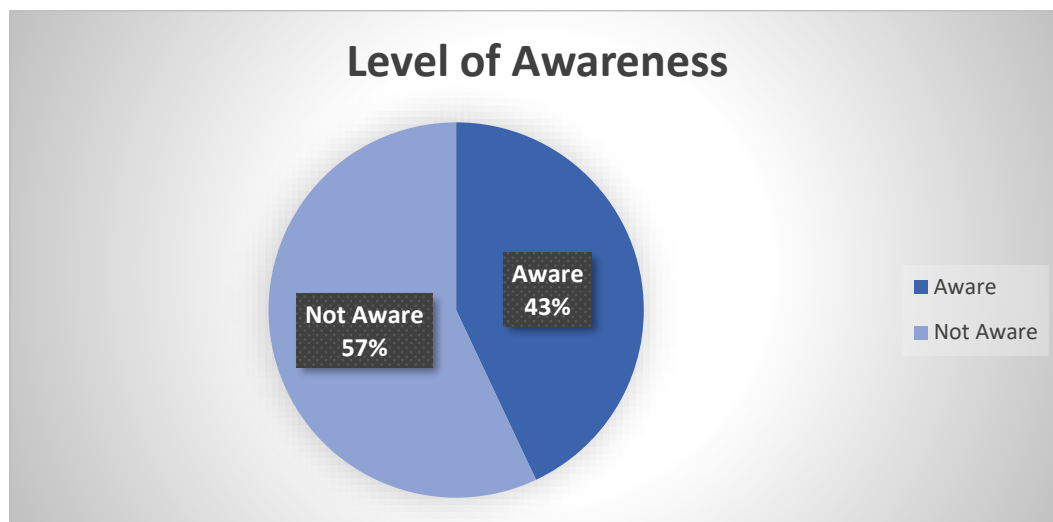


Figure 1: Level of Awareness

Source: Author's Compilation, 2024

ii. How did you first hear about accounting software?

The result here is based only on the 23 respondents who are aware of accounting software. It showed that of the 23 respondents who are aware of accounting software, six (26.0%) respondents claimed they first heard about it through word of mouth from their friends, family, and business partners, four (17.4%) respondents said they first know about it through online advertisements of different accounting software, eight (34.8%) respondents said they first came across accounting software on social media platforms like Facebook, Instagram, and X while the five (21.8%) respondents claimed they first heard about the accounting software because of their information technology knowledge. The result is shown in Figure 2.

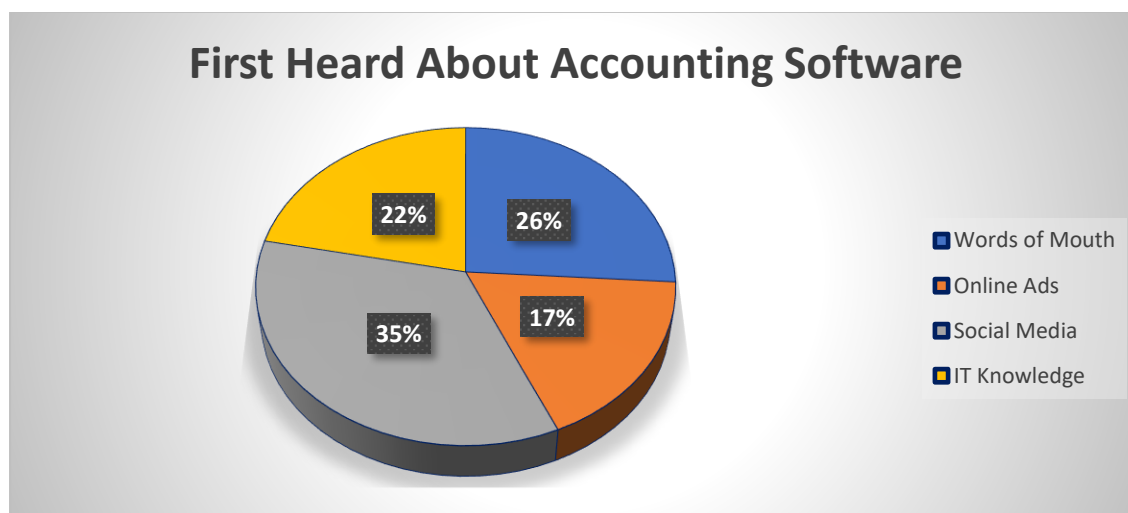


Figure 2: First Heard About Accounting Software

Source: *Author's Compilation, 2024*

iii. How knowledgeable are you about the various types of accounting software available?

Furthermore, on how knowledgeable are they about the various types of accounting software available, only the 23 respondents who are aware could answer this as well. The results as presented in Figure 3, showed that eight (34.8%) respondents claimed they are very knowledgeable; nine respondents are knowledgeable (39.1%) while six respondents (26.1%) said they have little knowledge about the various types of accounting software.

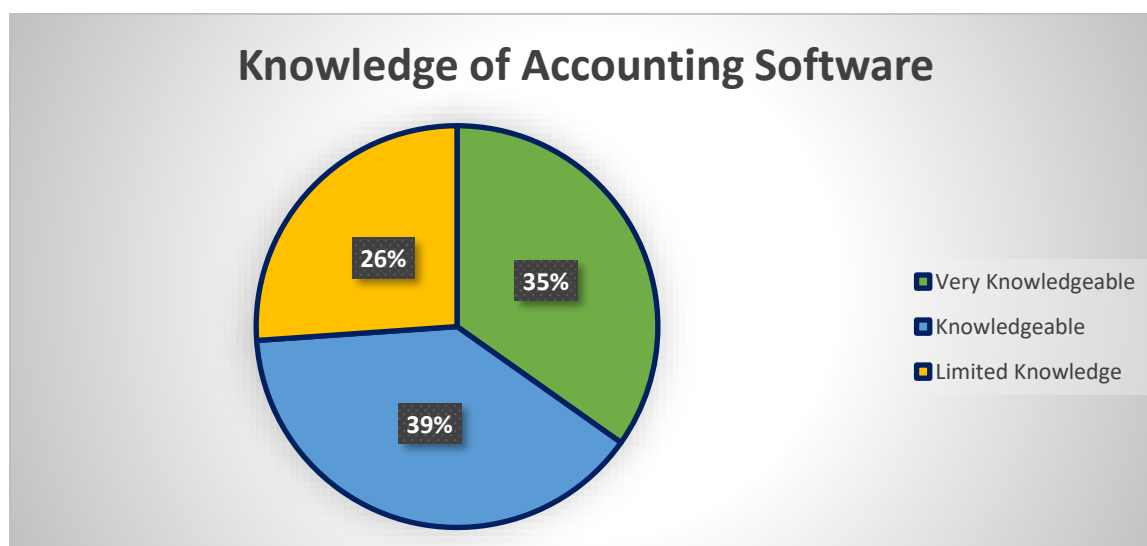


Figure 3: Knowledge of Types of Accounting Software

Source: *Author's Compilation, 2024*

iv. Which of the accounting software solutions are you aware of?

Additionally, on the type of accounting software they are aware of, Figure 4 showed that all 23 respondents claimed they are aware of QuickBooks, 17 respondents said they know about Sage, 10 respondents also claimed they are aware of Xero while eight respondents claimed they are aware of other accounting software such as FreshBooks, Tally Book, Wave Accounting, and Zoho Books.

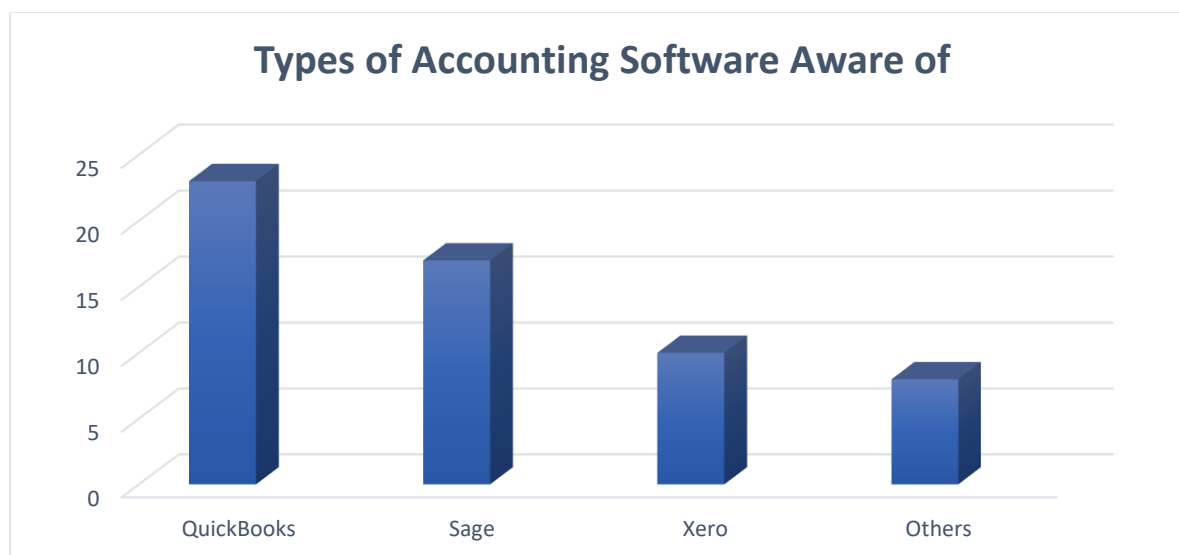


Figure 4: Types of Accounting Software Aware of

Source: *Author's Compilation, 2024*

Objective Two: The Extent to Which Small Businesses Are Currently Using Accounting Software and Factors Influencing Its Usage.

This section is divided into two; the first part is on the extent to which small businesses are currently using accounting software and the second part is on factors that influence its usage.

The Extent to Which Small Businesses Are Currently Using Accounting Software

This section presents the responses to the extent to which small businesses are presently using accounting software. The results gave insights into the level of usage of accounting software.

i. Are you using accounting software in your business?

The result is based on the 23 respondents who are aware of accounting software. 18 of the (78.2%) respondents are using it in their businesses while 5 respondents (21.8%) are not using it. The result is presented in Figure 5.

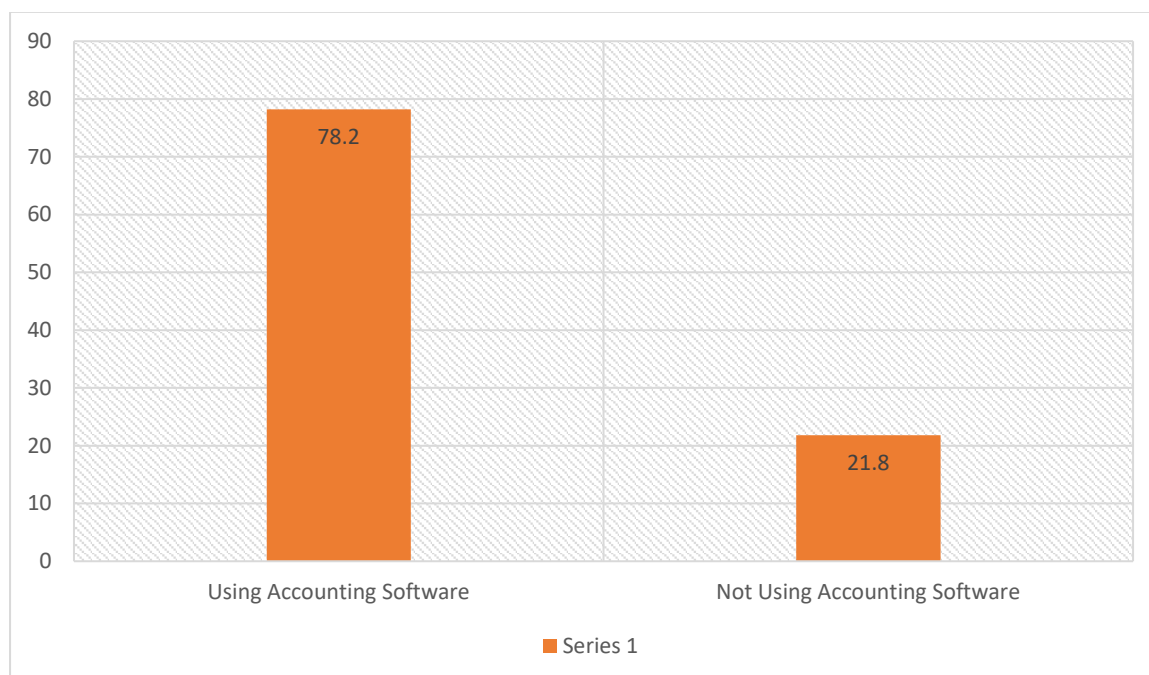


Figure 5: Using Accounting Software in Business

Source: Author's Compilation, 2024

ii. If yes, which accounting software are you using?

This result is based on 18 respondents who are using accounting software. 10 respondents claimed they are using QuickBooks accounting software while the other eight respondents are using Xero accounting software in their businesses. This is as shown in Figure 6. This gave us an insight into the type of accounting software most likely to be common among small businesses which is QuickBooks accounting software.

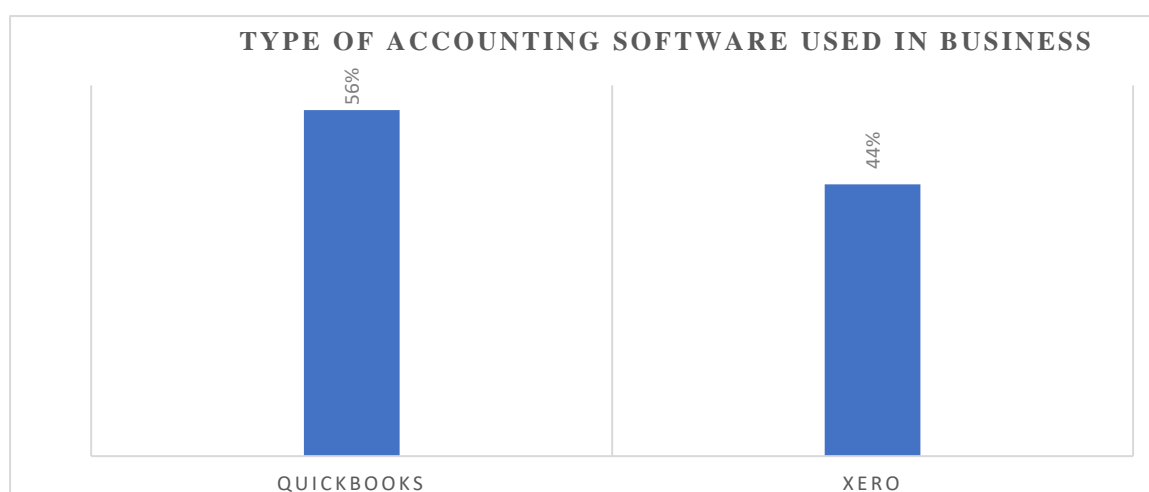


Figure 6: Type of Accounting Software Used in Business

Source: Author's Compilation, 2024

iii. How long have you been using accounting software in your business?

Figure 7 showed the responses to this question. Seven (38.9%) of the 18 respondents said they have been using accounting software for four years, six (33.3%) respondents said they have been using it for three years while five (27.8) other respondents said they have been using it for two years. This shows that the use of accounting software among small businesses is still new to some extent.

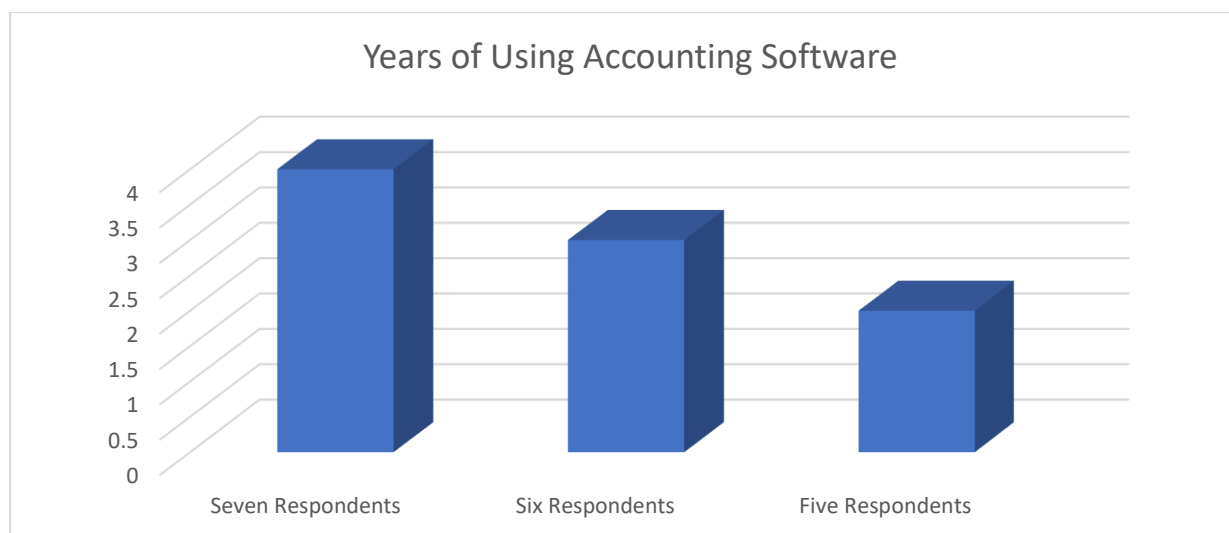


Figure 7: Years of Using Accounting Software

Source: *Author's Compilation, 2024*

iv. Which of the following tasks do you use accounting software for and how often for each task?

The response to this is presented in Figure 8 and it showed that all the 18 respondents already using accounting software said they use it “very often” to record their purchases, sales, manage inventory, and track debtors and creditors. 12 of the 18 respondents stated that they “often” use accounting software to prepare financial statements while six respondents said they “seldom” use it to prepare financial statements. Also, nine respondents of the 18 said they “often” use the accounting software to prepare tax obligations, five respondents said they “seldom” use it, and four respondents claimed they “very seldom” use it for tax obligations.

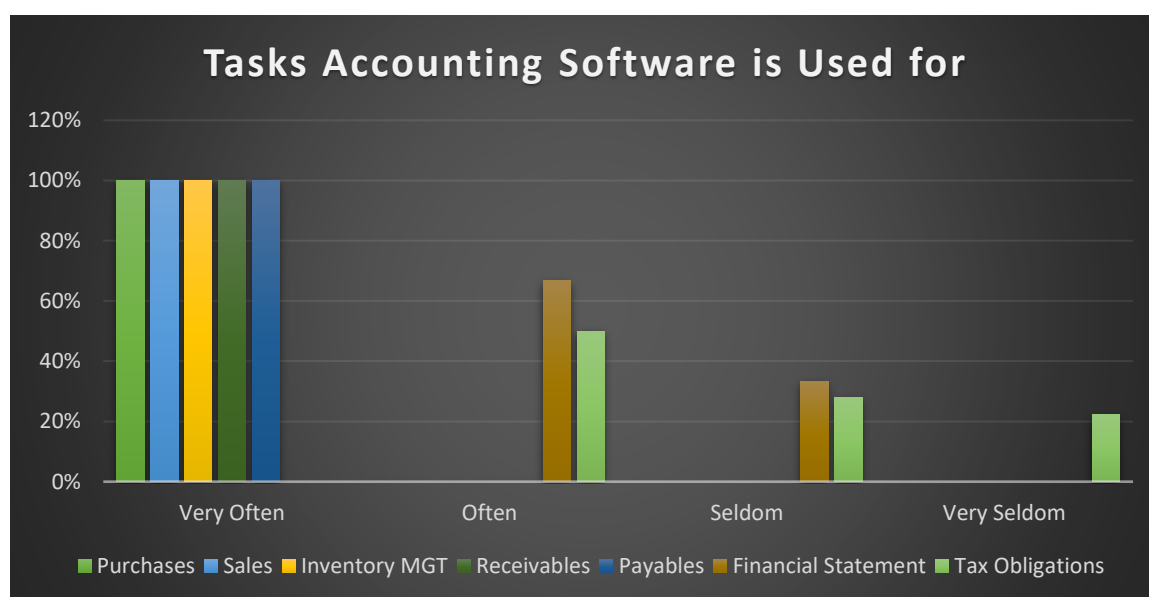


Figure 8: Tasks Accounting Software is Used for

Source: *Author's Compilation, 2024.*

v. If you are not using accounting software, how do you record and prepare financial statements?

Also, responding to this, most (24, 66.6%) of the 36 respondents (31 who are not aware and 5 who are aware but not using accounting software) said they do manual recording of their financial transactions and do not prepare financial statements, others said (7, 19.4%) they do manual recording and prepare an informal profit and loss account while the rest (5, 14.0%) said they use Microsoft Excel and Spreadsheet to record their financial transactions and prepare a mini income and expenses account. The result is shown in Figure 9.

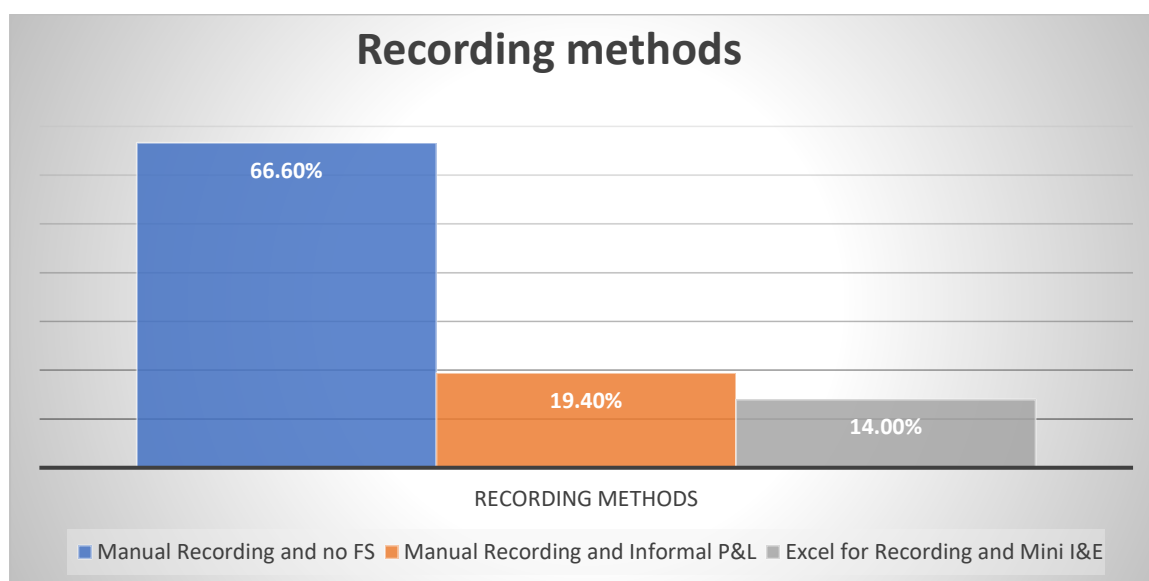


Figure 9: Methods of Recording Financial Transactions and Preparing Financial Statements

Source: *Author's Compilation, 2024*

vi. Are you willing to adopt the use of accounting software?

Responding to this, 28 (77.8%) of the 36 respondents who are not using accounting software said they are willing to adopt the use of accounting software, 5 (13.9%) respondents said they are not thinking of adopting the use of accounting software presently and that they may consider adoption in the future while 3 (8.3%) respondents said they are not sure if they would adopt the use of accounting software in their business.

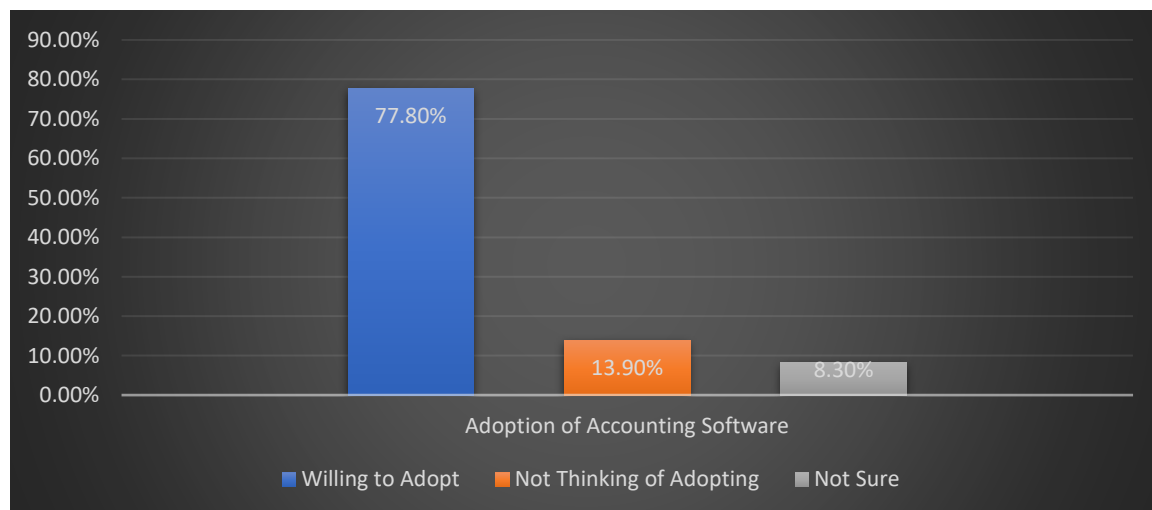


Figure 10: Willingness to Adopt Accounting Software

Source: Author's Compilation, 2024

Factors Influencing the Usage of Accounting Software

This section presents responses to factors influencing the usage of accounting software. It gave insights into the factors that could discourage small businesses from using it and factors that could influence their adoption and usage of accounting software.

i What are the possible factors that could stop you from adopting and using accounting software in your business?

30 of the 36 respondents claimed the high cost of subscribing to accounting software discouraged them from adopting it for their business, 10 respondents said the cost of employing an accountant to use the accounting software, 16 respondents said they do not have the skills to use accounting software and they don't know how or where to learn how to use it. Apart from this, 14 respondents said the cost of purchasing the computer system and other equipment for the use of accounting software made them not adopt its use. Also, eight respondents said they are concerned about the security of their business data if the software is hacked, to some (12 respondents), it is the unstable internet network in their areas that discouraged them from using it since the use of accounting software requires stable internet network collection.

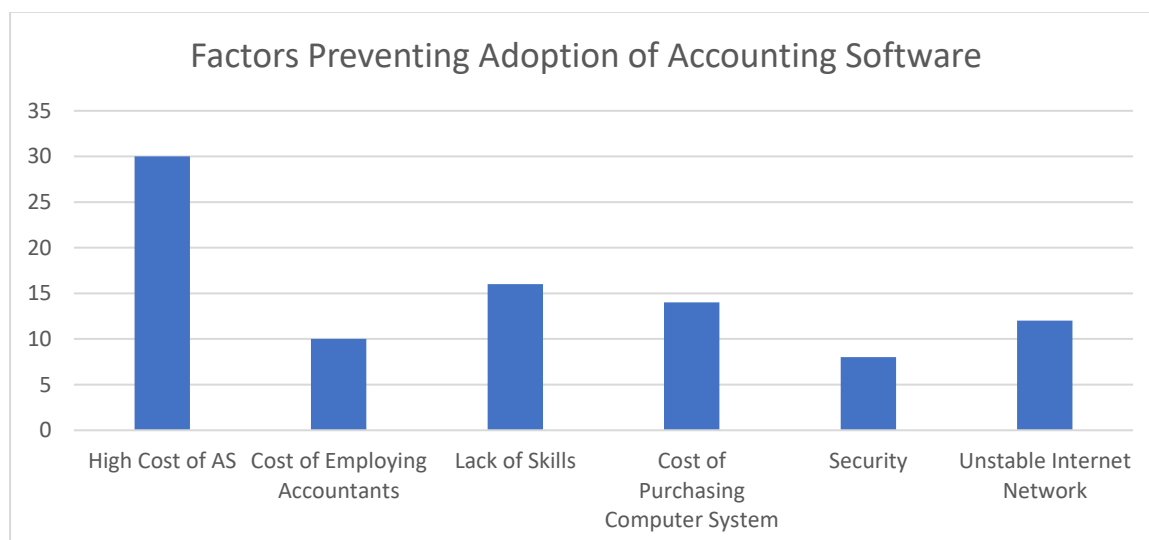


Figure 11: Factors Preventing Adoption of Accounting Software

Source: Author's Compilation, 2024

ii. What are the possible factors that could influence your adoption and usage of accounting software in your business?

Responses are from those who are not aware and not using accounting software (36 respondents). 23 respondents said they will adopt and use accounting software if it is easy to understand its features and functionalities, 15 respondents stated that they will adopt accounting software for their business if the cost of adopting it is not high, 17 respondents claimed they will adopt it if using it will help in improving their accounting processes while 14 respondents said they will consider using accounting software if it will lead to improved financial management practices. Eight respondents said recommendations from others could make them consider using the accounting software.

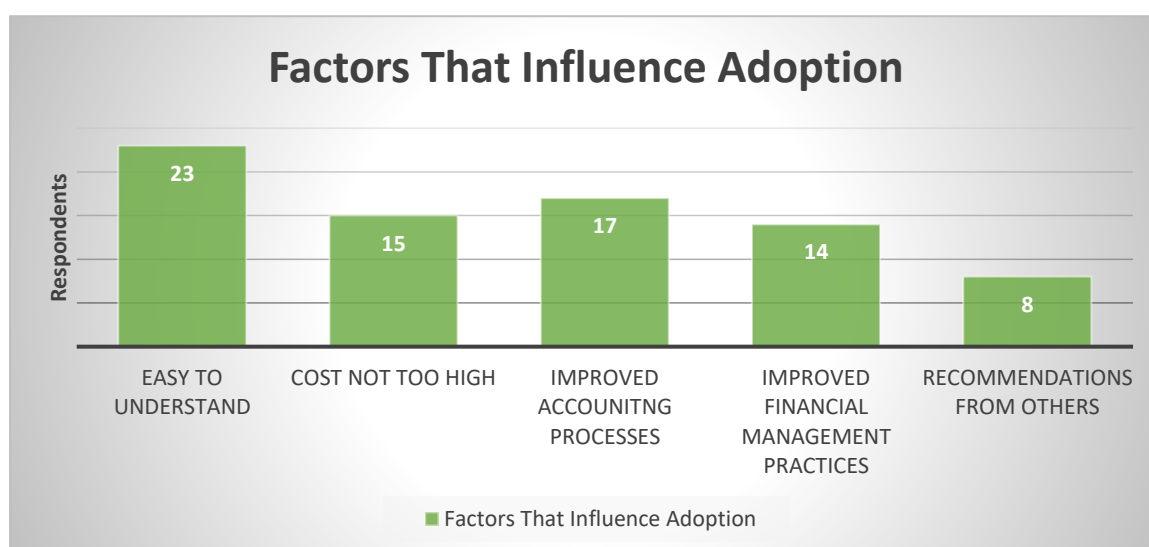


Figure 12: Factors that Influence Adoption of Accounting Software

Source: Author's Compilation, 2024

Objective Three: The Impact of Using Accounting Software on Key Financial Management Practices of Small Businesses

This section deals with responses on the impact of using accounting software on key financial management practices of small businesses.

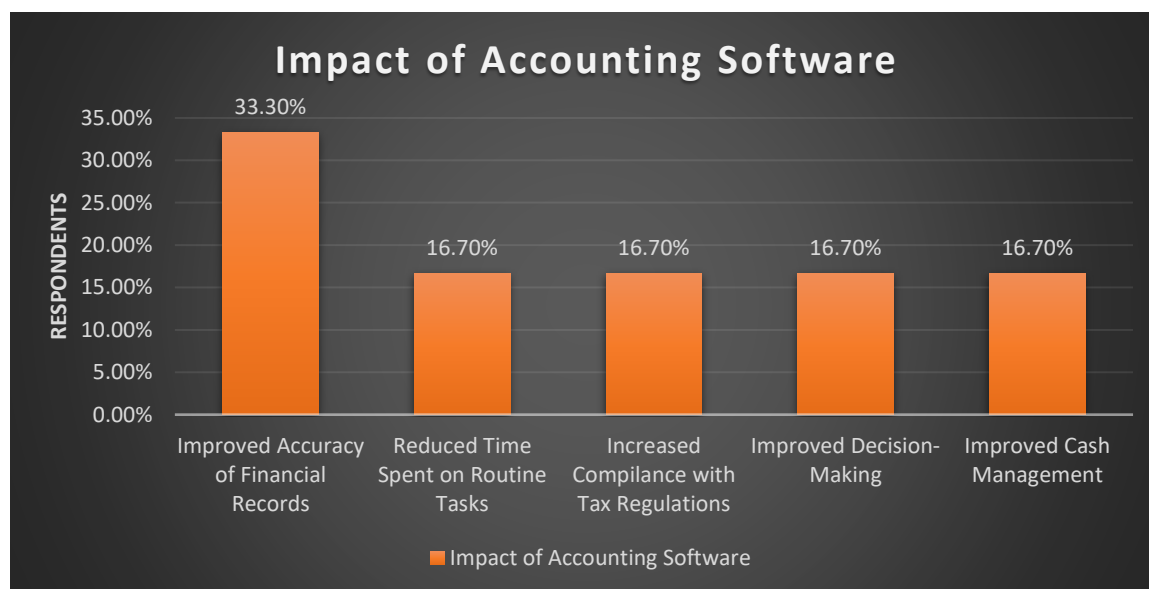


Figure 13: Impact of Accounting Software

Source: *Author's Compilation, 2024*

The responses are from those who are already using accounting software (18 respondents) in their businesses. 33.3% of the respondents claimed that using accounting software has helped to improve the accuracy of financial records, 16.7% said using accounting software has helped them to reduce time spent on routine accounting tasks, 16.7% affirmed that using accounting software has helped them to be more compliance with tax regulations, another 16.7% said their use of accounting software has helped to improve their decision-making while the rest (16.7%) claimed their method of cash management has improved by using accounting software.

DISCUSSION

There have been various studies on the lack of access to finance by small businesses in Nigeria, however, literature is scarce on the reason for this, especially in the direction this study was tailored. The study delved deep into why small businesses do not have financial records which is one of the requirements that they need to have access to finance. 18 business owners from each of Micro, Small, and Medium were used as respondents. The sectors used included the retail sector with the highest number of respondents (38.9%), followed by accommodation and services (24.1%), services (16.6%), manufacturing (11.1%), and agriculture (9.3%).

Results from the first objective which is on the extent to which small businesses are currently aware of accounting software showed that there is only a moderate level of awareness of



accounting software among small business owners in South-West Nigeria. This implies that awareness of the use of accounting software is not as high as expected despite the rate at which technology is revolutionizing different spheres of life and business. This suggests that the lack of enough awareness will result into low usage of accounting software since it is only those who are aware can think of using it in their businesses. Also, among those who are aware of accounting software, 39.1% were moderately knowledgeable while 26.1% had limited knowledge about the various types of accounting software, thus confirming the need to enlighten MSMEs about the use of accounting software.

Additionally, the result of the second objective of the study, which is on the extent to which small businesses are currently using accounting software and the factors influencing its usage, showed that the majority of respondents are not currently using accounting software in their businesses. This is because most small business owners are not aware of the existence of accounting software while those who claimed to be aware of the software cited financial constraints, lack of necessary skills, and concerns about data security as the main barriers to their using accounting software in their business. Respondents not using accounting software claimed that they do manual recording of their financial transactions and do not prepare financial statements, while some said they prepare an informal profit and loss account while the rest said they use Microsoft Excel and Spreadsheet to record their financial transactions and prepare a mini income and expenses account. This suggests that their use of manual recordings will put a constraint on them to access finance as they would not be able to provide accurate financial records where needed.

Furthermore, the result of objective three which is on the impact of using accounting software on key financial management practices of small businesses revealed that among those using accounting software, QuickBooks and Xero were the most popular choices, primarily used for managing inventory, tracking debtors and creditors, and recording purchases. These businesses reported positive impacts such as improved financial accuracy, better decision-making, well-documented financial transactions, and increased compliance with tax regulations. Despite these benefits, the adoption rate remains low, indicating that cost, usability, and access to technology infrastructure remain significant challenges.

CONCLUSION

Consequent to the findings of the study, it is concluded that there is a low awareness of accounting software among micro, small, and medium business owners. Most of the respondents are not knowledgeable about the types of accounting software available. Also, most small business owners are not currently using accounting software in their businesses, as they are still using manual methods of recording. However, those using accounting software cited improvement in their financial management practices.

IMPLICATIONS TO PRACTICE

This study explored the level of awareness and usage of accounting software among small businesses. Previous studies had concentrated on the lack of access to finance as one of the reasons for small business collapse in Nigeria, without digging deeper to find the cause for it.



The study did justice to this and discovered that lack of proper and accurate financial records is a major constraint to MSMEs having access to finance. This also affects the operational and strategic performance and financial management practices of small businesses. Thus, in practice, small businesses should embrace the adoption of accounting software in their businesses, and governments and policymakers should help enlighten the owners of small businesses on the benefits of using accounting software. There should be local developers of accounting software for small businesses in Nigeria where the businesses would subscribe to the software in local currency. It is the survival small businesses in Nigeria that can continuously boost its economy.

RECOMMENDATIONS

There is a need to create awareness about the availability of accounting software for micro, small, and medium business owners, enlighten them about the benefits of using and train them on how to use accounting software effectively. Furthermore, software developers should consider creating cost-effective, localized software to reduce the dependency on foreign solutions with high subscription fees, especially for Nigerian small businesses.

SUGGESTION FOR FURTHER RESEARCH

This study explored the level of awareness and usage of accounting software on the performance of small businesses in the southwest region of Nigeria. Future research could focus on other regions of the country. Also, future research could be done to monitor the effect of accounting software usage over time on the operational and strategic performance of small businesses in Nigeria. Furthermore, future research could also include how government policies and incentives influence the adoption of accounting software among small businesses.

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