



IMPACT OF ACCOUNTING SOFTWARE ON MICRO, SMALL AND MEDIUM ENTERPRISES: A STUDY WITH SPECIAL REFERENCE TO OTTAPALAM MUNICIPALITY

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ABSTRACT

The study discusses the effects of using software on MSMEs' performance. The main objectives of the study are: to establish the effect of quick books accounting systems on financial performance, to assess the effects of software accounting systems on decision-making, to establish the effect of software accounting systems on financial reporting, and to establish the effects of tally accounting systems on MSMEs'. A descriptive survey research design was used in this study to allow researchers to gather information, summarize, present, and interpret for clarification. The study populations were all the 1000 MSMEs' in ottapalam municipality. To find out the required strata in the geographical locations a stratified random sampling technique was used for the study. The Primary data was collected through questionnaires and selected a sample of 100 respondents by using the drop-and-pick-later method personally by the researcher. Grounded on the findings the study recommends that the operation should have a strategic master plan from which the account systems are phased in line with the organizational fiscal capability and enforced in line with the strategic plan for the successful performance of the MSMEs. Further, the operation to increase further staff to ground the insufficiency of the accounting staff. The study established that the planning of account processes was in MSMEs. Still, this process was substantially done by the operation and advisers with the discussion of some elderly staff which left out other staff and stakeholders. The study recommends that the operation of the SMEs make this process inclusive by wide slices both perpendicular and vertical of their staff and all crucial stakeholders. Further, the study established that even though the MSMEs implemented computerized accounting systems; the inter-departments never had their strategic plans except for some departments only. The study recommends that all the MSMEs should develop and implement their accounting systems in line with the organization's strategic plans which will enhance the achievement of the organizational goals. The study also revealed that repliers describe the perpetration process as poor because the systems are in no way reviewed. The study recommends that the MSMEs should review their level and departments' level to ensure the success of the implementation process.

Keywords: Accounting software, Book-keeping, MSMEs, Accounting Information Systems, and Business Performance.

INTRODUCTION

Business Accounting is the language of business. Accounting language is used to communicate business information on various business activities, viz. financing, investing, and operating activities; etc. to the users of this information. In the past, accounting was limited to the preparation of financial statements only but now its scope has been widened to include other activities, such as tax accounting, cost accounting, management accounting, social accounting, green accounting, forensic accounting, etc. Accounting has also an influence on business planning and forecasting through the analysis of the financial statement. Proper accounting practices lead to the progress and prosperity of business. But most of the small business firms, engaged in trading activities, do not give proper attention to accounting for their business transactions. They usually concentrate more on selling and buying activities of their products and are not serious about maintaining proper books and accounts. In Sole proprietorships and Partnership firms, a substantial portion of the goods is sold generally on credit, which leads to an increase in the volume of investment in stocks and debtors.

For every business, the financial information of the business activities must be kept up-to-date and monitored by the organization. Companies need to keep pace with constant changes in information technology to maintain highly accurate and up-to-date accounting, statutory records, and inventory. Due to the complexity of the accounting system's increasing vulnerability to errors and the swelling volume of accounting transactions, a system that could process and store accounting data with increased speed, and vast storage and processing capacity was necessitated. To satisfy the increasing demand for up-to-date and accurate information, accounting software, integration of accounting, and information technology was introduced to the world. An accounting information system (AIS) is a tool that was incorporated into the field of Information and Technology systems as it is essential for business entities. This has created a competitive market. Thus, entities need to improve their systems to match their information needs for better decision-making. Therefore, a proper and accurate record of these activities effectively generates the required accounting information. Computerization of financial accounting systems has posed challenges to the accounting profession as accountants now face several problems, especially when doing accounting and Accounting of companies in the electronic environment.

STATEMENT OF THE PROBLEM

From the literature reviewed, many studies have been conducted on the impact of computerized accounting systems on the efficiency, effectiveness, and performance of accounting functions. However, there is little research conducted on the impact of computerized accounting systems on the business performance of micro, small and medium enterprises in ottapalam. Therefore, this study aims to fill in that knowledge gap.

OBJECTIVES OF THE STUDY

The major purpose of this study is to assess the impact of using accounting software systems on the business performance of small and medium-scale business concerns. The specific objectives therefore are:

- (1) To establish the effect of quick books accounting systems on financial performance.

- (2) To assess the effects of software accounting systems on decision-making.
- (3) To establish the effect of software accounting systems on financial reporting and to establish the effects of tally accounting systems on MSMEs’.

HYPOTHESES OF THE STUDY

H0: There is no significant positive impact of Software Efficiency on Business Performance

H1: There is a significant positive impact of Software Efficiency on Business Performance

RESEARCH METHODOLOGY

Research Design: The study uses a Descriptive research design.

Source of Data: The study is based on primary data collected from MSMEs.

Sampling Unit: The sampling units are MSMEs from Ottapalam Municipality.

Sampling Technique: Stratified random sampling technique.

Sample Size: 100 respondents.

Data Collection Technique: A questionnaire was developed with the help of a literature review.

REVIEW OF LITERATURE

Ali, Omar, and Baker (2016) investigated the effect of an Accounting Information System (AIS) on organizational performance and the moderating effect of organizational culture in the relationship between AIS success factors and organizational performance in the Jordanian banking sector. The study used four types of AIS success factors as the determinants of performance namely service quality; information quality, data quality, and system quality. Data were collected with a structured questionnaire survey and analyzed with the PLS-SEM technique. The findings revealed that service quality, information quality, and system quality are the significant AIS success factors for increasing organizational performance. This study also evidenced that organizational culture helps increase performance by interacting with information quality, data quality, and system quality. It can be inferred from this study that organizations involved in banking sectors can increase their performance by adopting and implementing AIS success factors along with practicing favorable organizational culture. Therefore, firms should cultivate a favorable environment so that employees feel happy which motivates them to work more devotedly with the organizations.

Ismail and King (2005) focused on measuring the alignment of accounting information systems (AIS) requirements with AIS capacity and then investigating whether this AIS alignment is linked to firm performance. The study was conducted using a mail questionnaire on nineteen accounting information characteristics, data from 310 Small and Medium Sized Enterprises (MSMEs) firms in Malaysia were collected and analyzed using principal component analysis and varimax rotation with Kaiser normalization. The results indicated that a significant proportion of Malaysian MSMEs had achieved high AIS alignment.

Ismail and King (2014) researched the factors that affect the use of accounting information systems in factories and small and medium-sized Malaysian manufacturing firms with a sample consisting of 214 companies that have accounting systems. The study also found out that the information systems of accounting work smoothly as they connect information from the top and bottom that help workers in companies to achieve their goals, in addition using these systems will enable companies to give accurate information to the relevant government agencies.

Davis, Bagozzi, and Warshaw, (1989) Decomposed Theory of Planned Behavior (DTPB) was

formulated through a combination of both the Technology Acceptance Model (TAM) and the Theory of Planned Behavior (TPB) (Ajzen, 1988) which was intended for providing a better understanding of behavioral intention by concentrating on the factors that are likely to impact systems use. TAM is an information systems theory that models how users come to accept and use technology. The model suggests that when users are presented with a new technology, several factors influence their decision about how and when they will use it, notably including Perceived Usefulness (PU) and Perceived Ease-Of-Use (PEOU). Davis (1989) asserted that PEOU and PU influence in a significant way the attitude of an individual through two main mechanisms namely self-efficacy and instrumentality/facilitating.

LIMITATIONS OF THE STUDY

1. Sample size used for the study is small.
2. Changes from time to time with the advancement in technology.

ANALYSIS AND INTERPRETATION

An appropriately designed questionnaire was used to collect the primary data for the study. The data for 100 respondents was organized systematically in tables and graphs and then subjected to analysis using appropriate statistical tools.

FORMS OF BUSINESS

TABLE SHOWING FORMS OF BUSINESS

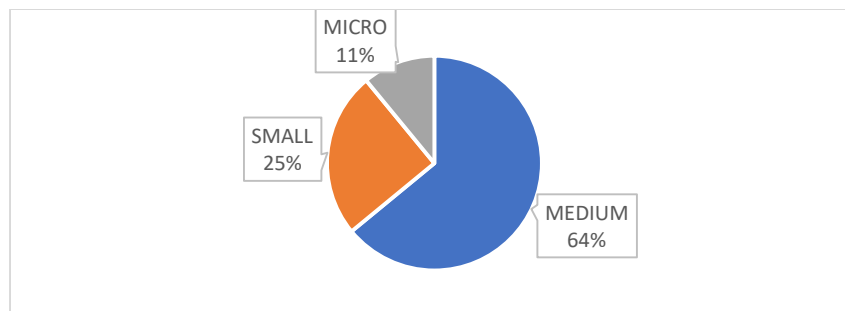
Form of Business	Frequency	Percentage
Sole proprietor	70	70
Partnership	22	22
Cooperative	3	3
Public Company	5	5
Total	100	100

Source: Primary Data

INTERPRETATION: Most of the business firms selected is sole proprietors i.e., 70, 22 Partnerships, 3 Cooperative, and 5 Public companies.

CLASSIFICATION OF BUSINESS

GRAPH SHOWING CLASSIFICATION OF BUSINESS

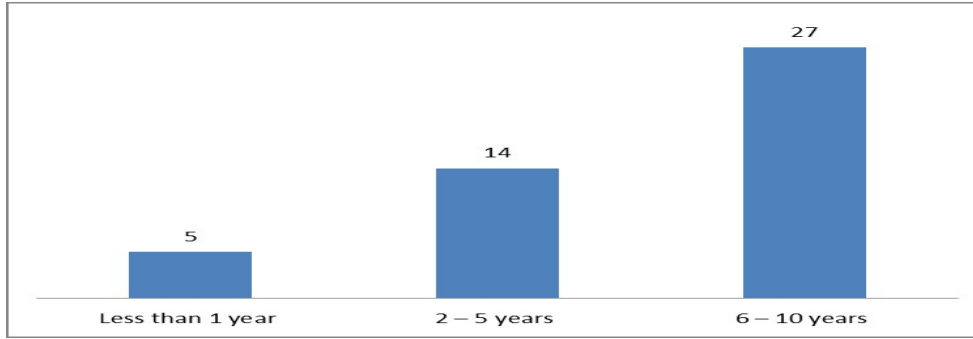


Source: Primary Data

INTERPRETATION: The results show that most of the businesses were a medium form of business at 64% while 25% were classified as small businesses and 11% were classified as micro business enterprises.

DURATION OF RUNNING THE BUSINESS

DIAGRAM SHOWING DURATION OF RUNNING BUSINESS



Source: Primary Data

Interpretation: The study found that most of the businesses had been running for 6-10 years at 57%, followed by the businesses which had been in operation for 2-5 years at 28% while the least were those who had been running their businesses for less than 1 years at 15%.

LEVEL OF AWARENESS ON COMPUTERIZED ACCOUNTING SYSTEM

The accounting systems are presented in the table where the respondents were asked to indicate their level of awareness of those accounting systems. The findings were presented as given below.

TABLE: LEVEL OF AWARENESS OF COMPUTERIZED ACCOUNTING SYSTEMS

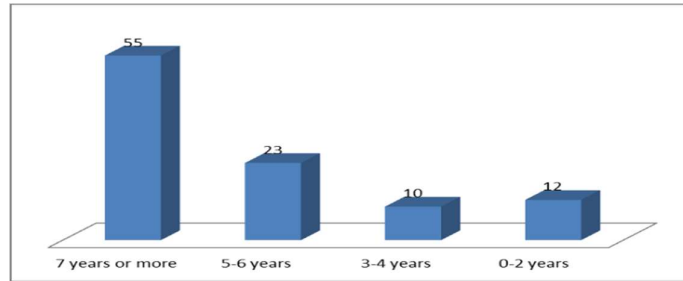
Accounting Systems	Aware	Partially aware	Not aware	Total
QuickBoo	122 (65%)	64 (35%)	0	187(100%)
Sage	80 (43%)	75 (40%)	17 (9%)	187(100%)
Paste	64 (34%)	95 (51%)	28 (15%)	187(100%)
Tally	165 (88%)	22 (12%)	0	187(100%)

Source: Primary Data

INTERPRETATION: The study found that most of the respondents were very much aware of the QuickBooks accounting systems at 65% while 35% indicated that they had partial awareness. For sage 43% of the respondents indicated that they were aware while 40% indicated that they were partially aware and another 9% were not aware at all. At the same time, 51% of the respondents indicated that they were partially aware of the pastel accounting system and another 34% were fully aware of it with 15% indicating that they were not aware. But the most common method of accounting was the tally system where 88% of the respondents indicated that they were very much aware of it while 12% said that they were partially aware of it.

WORK EXPERIENCE

DIAGRAM SHOWING WORK EXPERIENCE



Source: Primary Data

INTERPRETATION: Out of 100 respondents, the findings show that most of the respondents had over seven years of experience in their businesses 55% while 23% had between 5-6 years of experience followed by 12% who had between 0-2 years of experience while the least were those with 3-4 years of experience at 10%.

TESTING OF HYPOTHESES

Hypothesis testing for the five independent variables based on the significant value from regression analysis was conducted using the SPSS tool. A coefficient summarizes the parameters of the regression model. The standardized beta coefficients show the impact of each independent variable on the dependent variable (Business Performance).

TABLE: COEFFICIENT

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B Std.	Error	Beta			Tolerance	VIF
(Constant)	.405	.319		1.270	.208		
Accuracy	.055	.075	.066	.739	.462	.509	1.965
Reliability	.112	.102	.118	1.101	.275	.348	2.875
Efficiency	.428	.096	.460	4.441	.000	.373	2.677
Ease of use	.361	.102	.365	3.547	.001	.378	2.643
Data Quality	-.090	.091	-.087	-.983	.329	.516	1.937

The hypothesis of the study is there is a significant positive impact of Software Efficiency on Business Performance. The Beta Coefficient is .46. The significant calculated p-value is less than 0.05. So the hypothesis is accepted. The beta coefficient of 0.460 indicates that Software Efficiency has a 46.0% positive impact on business performance.

FINDINGS

The study found that most of the respondents were a medium form of business while were classified as small business enterprises. The study found that most of the businesses had been running for 6-10 years, followed by the businesses which had been in operation for 2-5 years while the least were those who had been running their businesses for less than 1 year. The study found that most of the respondents were very much aware of the QuickBooks accounting

systems while indicating that they had partial awareness. The Sage of the respondents indicated that they were aware while others indicated that they were partially aware and another 9% were not aware at all. At the same time, one respondent indicated that they were partially aware of the pastel accounting system and another was fully aware of it with others indicated that they were not aware. But the most common method of accounting was the tally system where most of the respondents indicated that they were very much aware of it while others said that they were partially aware of it. The findings show that most of the respondents had over seven years of experience in their businesses while having between 5-6 years of experience followed by those who had between 0-2 years of experience while the least were those with 3-4 years of experience. The study found that most of the accounting work was being done using accounting computer software while were of said that they don't use all the software.

SUGGESTIONS

Based on the findings the study recommends that the management should have a strategic master plan from which the accounting systems are phased in line with the organizational financial ability and implemented in line with the strategic plan for the successful performance of the MSMEs. Further, the management to increase more staff to bridge the deficiency of the accounting staff. The MSMEs should establish amicable ways to control political interference and put in more permanent governance structures to be sought with clear roles and authority among the management of the MSMEs. The study established that the planning of accounting processes existed in the MSMEs. However, this process was mainly done by the management and consultants with the consultation of some senior staff which left out other staff and stakeholders. The study recommends that the management of the MSMEs make this process inclusive by wide sampling both vertical and horizontal of their staff and all key stakeholders. Further, the study established that even though the MSMEs implemented computerized accounting systems; the inter-departments never had their strategic plans except for some departments only. The study recommends that all the MSMEs should develop and implement their accounting systems in line with the organization's strategic plans which will enhance the achievement of the organizational goals. The study also revealed that respondents describe the implementation process as poor because the systems are never reviewed. The study recommends that the MSMEs should review their level and departments' level to ensure the success of the implementation process.

CONCLUSION

From the value, the independent variables explain a significant of the variability of the dependent variable i.e., the performance of MSMEs. The table shows that the independent variables statistically significantly predict the dependent variable. The researcher, therefore, concluded that QuickBooks, sage, pastel, and tally accounting systems strongly affect the performance of MSMEs in ottapalam municipality. This means that Software accounting systems affect the performance of the MSMEs.

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