

## RESEARCH ARTICLE

## Adoption of digitalization tools for accounting purposes by SMEs in Tubah Sub Division

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The purpose of the study was to access the adoption of digitalization tools for accounting purposes by SMEs in Tubah Sub Division. Research questions were answered by formulating a set of hypotheses. A quantitative approach was used. Relevant data was collected through structured questionnaire. Subjects for the study consisted of 60 business men selected from the villages that make Tubah Sub Division. The questionnaire was distributed to business men of the locality. SPSS version 26 and Microsoft Excel 2019 has been used to for data analysis. Both descriptive and inferential statistics were used for data analysis. The statistical tools were aligned with the objective of the research. For this purpose, cluster bar charts and percentages were computed and substantively interpreted. Inferential statistics like Pearson product correlation coefficient ( $r$ ) and linear regression were used to determine if there is a significant positive relationship existed between the independent variables (basic accounting software, invoicing software and business bank account) and dependent variables (accounting purposes). Analysis and interpretations were made at 0.05 level of significance. The hypotheses were tested using linear regression which gave a coefficient of determinant (adjusted  $R^2$  of 0.946) indicating that 94.6% Change in accounting purposes is cause by digitalization tools. Given the fact that the probability corresponding to the  $F$ -value is 0.001, it means that we would be taking a 0.01% risk in assuming that the null hypothesis (digitalization tools does not have a significant effect on the accounting purposes of SMEs in Tubah Sub Division) is wrong. The study concluded that digitalization tools has important effect on accounting purposes. Therefore, it was recommended that SMEs should try to improve on their information technology since it is capable of contributing positively to the accounting information system.

**Keywords:** Basic Accounting Software, invoicing software, business bank account digitalization

### Introduction and problem

The business world is growing rapidly and technological advances seem to be fueling the need for continuous improvements. Apparently, there is evidence suggesting that global trends are necessitating business digitalization. For example, González (1) highlights that changing clients

behavior preferencing online services forced many businesses to move into the digital system of operations. For sure, technological advances are resulting in several digital tools that may be easily adopted for accounting purposes and used by SMEs being introduced.

Accordingly, the vision 2035 emergence drive of Cameroon provides for digitalization of the economy

including the SME sector. Such a digitalization will imply the adoption of modern accounting tools to ease both inventory and financial record keeping of business transactions. Unfortunately, in Cameroon, many enterprises are still engaged in manual accounting systems for record keeping and as observed by Tavakolian (2) manual accounting systems consist of book ledgers and calculators.

Generally, digitalization simply is about transforming analogue knowledge and information to digital storage form, with the aim of easing access, usage and exchanges. According to Kane et al. (3), matured companies make use of sophisticated digital tools cloud, while less matured companies are always struggling with the problems of non-standardized digital technologies, hence experiencing high challenges relating to effectiveness. It therefore implies that the extent of digitalization and the type of tools adopted should be based on the level of maturity of the enterprise.

As per Weber (4), accounting activity falls in two groupings – manual accounting and computerized accounting systems. As highlighted by (5), recent developments in accounting with software which involve the use of computers have been designed building from the traditional accounting system which was manual, making use of calculators and books. For sure, the concept of accounting has evolved from the art of book keeping to involve a whole concept concerning communicating financial information about a business (6, 7). Due to this, the adoption of digitalization tools for accounting purposes is getting more and more important as the reporting needs for financial information both internally and externally is increasing. There is no doubt that even in sole proprietorships, proper record keeping is at the center of business success, for as explained by McBride (8), computer based systems can generate at short notice as needed all types of reports relating to the functioning of the accounting and finance services of an organization.

In Cameroon, the period before 2010 may be assumed the time when the digitalization of the SME sectors notably the small enterprises that are mostly sole proprietorships was still low keyed. With the announcement of the emergence 2035 vision, it may be assumed that the period commencing in the year 2010 can be viewed as the digitalization embracement period by all sectors in the economy including SMEs. With these two fundamental assumptions, this study attempts to establish if there are any effects on SMEs associated with adoption of digitalization tools for accounting purposes, drawing evidence from Tubah Sub Division.

There is no thought that in Tubah Sub Division area as is common in other areas in Cameroon, SMEs seem to be lacking behind as concerns digitalization. This for sure has had significant negative consequences notably poor inventory and financial management resulting in poor performance of the enterprises. Understanding that in Tubah Sub Division, SMEs in terms of size and financial worth are still basically small enterprises, majority of which fall

on sole proprietorship form of business, this study seeks to examine effect basic accounting software, invoicing software and business bank account on accounting purposes of SMEs. As a motivation, this study argues that, if SMEs adopt digitalization, its management of inventory and finances will be better-off and thus the study focuses on investigating the situation at SMES that have already adopted some identified digital tools to ease accounting purposes.

On the basis of the literature reviewed, the study guesses that though adoption of digitalization tools for accounting purposes might have been noted to have a positive effect on business performance in other areas, the situational characteristics and specificities of Tubah may make ownership/use of Basic Accounting Software, Invoicing Software and Business Bank Account to have no significant effect on accounting purposes and hence performance of SMEs. This study thus seeks to examine this guess in the context of Tubah Sub Division.

## Methodology

In this study, the survey research design methodological approach was employed. Given the characteristics of Tubah, multi-staging was used, with stage one concerned with stratification which resulted in 4 strata namely Bambili, Bambui, KedjomKeku and KedjomKetingoh. These were the main business operational hubs in Tubah Sub Division. The second stage involved determining the number of SME to be studied in each community. Using observational techniques and resident based informants, 60 SMEs that had operated for at least 5 years were identified and these formed the study sample. Thus, 30 SMEs were sampled in Bambili, 20 in Bambui, 5 in KedjomKeku and 5 in KedjomKetingoh. Using questionnaires, observations and interviews, primary data was collected relating to the operational use of Basic Accounting Software, Invoicing Software and Business Bank Account for organizational accounting purposes at the sampled SMEs. Qualitative data collected was analyzed

**TABLE 1 |** Key demographic data of the studied units.

S/N	Variables	Attributes	Count	percent%
1	Level of education	O/L	10	17%
		A/L	34	57%
		BSc	13	22%
		Masters	3	5%
		Total	60	100%
4	Longevity (Duration of business)	5 years	17	28%
		6–10 years	29	48%
		above 10 years	14	23%
		Total	60	100%

Source: Author.

**TABLE 2** | Goodness of fit statistics.

Observations	Sum of Weights	DF	R	Adjusted R <sup>2</sup>	R <sup>2</sup>	MSE	RMSE	DW
60.000	60.000	536.000	536.000	0.974	0.949	0.123	0.351	2.462

Source: Author.

**TABLE 3** | Analysis of variance.

Source	DF	Sum of squares	Mean squares	F	Prob > F
Model	3	57.263	19.088	348.134	0.0001
Error	56	3.07	0.055		
Corrected total	59	60.333			

Computed against model  $Y = \text{Mean}(Y)$ . Source: Author.

using charts while regression analysis was employed for quantitative data. The model specification employed for analysis of quantitative data utilized Accounting Purposes as a dependent variable against independent variables use of Basic Accounting Software, Invoicing Software and Business Bank Account. The model specification in its linear form was expressed thus:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + U$$

Where:  $\beta_0$  = is the intercept,  $\beta_i$  = parameter estimators;  $Y$  = Accounting Purposes observed in terms of information provision for varied uses by stakeholders;  $X_1$  = Basic Accounting Software captured in terms of the fact that it helps simplify the establishment of charts of accounts, reconciliation as well following up of issues as provided for by the finance law;

$X_2$  = Invoicing Software captured in terms of its contribution to reducing lateness in payments, monitoring commitments relating to billing, easing billing and payment as well as invoice customization;  $X_3$  = Business Bank Account viewed in terms of its contribution to easing business accounting, bank reconciliation as well as possibility of making the approval of business loans possible.

## Results

Data was collected on the key demographic variables assumed to be likely influential as regards adoption of digitalization tools by SMEs in Tubah. These variables were level of education of the business owner/and or manager and the duration viewed in terms of number of years the business has existed. The collected data can be seen as presented in **Table 1**.

As observed from **Table 1**, (10) 17% of the respondents were holders of O/L, (34) 57% A/L holders, (13) 22% BSc holders and (3) 5% Masters Degree holders. By implication, the educational level of the respondents was sufficient

for them to know the importance of the digitalization adoption notably operating a business with Basic Accounting Software, Invoicing Software and Business Bank Account. Further, relating the number of years the business had been operational, (17) 28% of the businesses had been operational for 5 years, (29) 48% 6 to 10 years and (14) 23% had been operational for over 10 years. Evidently, the ages of the businesses studied provides a justifiable ground for the subject matter studied as these businesses with their experience and challenges faced might have seen the importance of digital accounting tools.

To test the stated hypothesis that ownership/use of Basic Accounting Software, Invoicing Software and Business Bank Account have no significant effect on Accounting Purposes and hence performance of SMEs in Tubah Sub Division, the goodness of fit statistics was done.

Based on the goodness of fit results gotten, the analysis of variance was done and results can be seen below.

The level at which the independent variables (Basic Accounting Software; Invoicing Software and Business Bank Account) variations explain Accounting Purposes (the dependent variable) is based on the R square value of indicates how the variation of the independent varies on the dependent variable. This coefficient shows a relative moderate degree of explanation of the dependent variable by the independent variables. Thus, accounting software, invoicing software, business bank account has a positive effect on accounting purposes thus the null hypothesis is rejected.

Further, adjusted R<sup>2</sup> shows the degree of variation in accounting purposes that can be explained by variations in digitalization tools. Assuming from the adjusted R<sup>2</sup>, 94.6% of variations in the accounting purposes is accounted for or explained by variations digitalization tools implying that other non-digitalization related variables account for 6.4% of variations.

Building on the  $F$ -value, it would suggest a 0.01% risk of rejecting the null hypothesis that digitalization tools do not have a significant effect on the accounting purposes at SMEs in Tubah Sub Division. Thus it may be concluded that the ownership/use of accounting software; invoicing software and business bank account results in sufficient information that help in predicting purposes as concerns accounting issues in the studied enterprises. Hence the hypothesis is retained.

Again, a significant positive effect is observed at 95% confidence interval, with the independent variable accounting software effecting on accounting purposes

**TABLE 4 |** Model parameters.

Source	Value	Beta	Standard error	t	P> t	Lower bound (95.0%)	Upper bound
(Constant)	0.122		0.072	1.686	0.097	0.023	0.266
X <sub>1</sub>	0.467	0.492	0.096	4.878	0.000	0.275	0.659
X <sub>2</sub>	0.261	0.257	0.103	2.524	0.014	0.054	0.467
X <sub>3</sub>	0.227	0.247	0.073	3.1	0.003	0.08	0.373

Source: Author.

holding other variables constant. Inferring the t statistic of 4.87 will imply a 0.001% risk in assuming that accounting software have a significant effect on accounting purposes which is lower than the level of significance of 5%. Thus it may be concluded that accounting software has a significant positive effect on the accounting purposes in SMEs in Tubah Sub Division. Similarly, invoicing software and business bank account also have significant positive effects on accounting purposes at SMEs in Tubah Sub Division. From the afore mentioned, the general equation of the regression model can thus be written as

$$Y = 0.122 + 0.467X_1 + 0.261X_2 + 0.227X_3$$

## Conclusion and recommendations

### Summary of major findings

The main objective of this study was to examine how the adoption of digitalization tools influence accounting purposes of SMEs in Tubah Sub Division, the study set out To examine effect of basic accounting software on accounting purposes by SMEs in Tubah Sub Division. To investigate the effect of invoicing software on accounting purposes by SMEs in Tubah Sub Division. To explore the effect of business bank account on accounting purposes of SMEs in Tubah Sub Division. The researcher administered questionnaires which were distributed to SMEs in Tubah Sub Division. Three digitalization tools were studied such as basic accounting software, invoicing software and business bank account. From the questionnaires administered, the respondents had four options. The above mention objective was achieved with the use of cluster bar charts, percent- ages, and regression analysis.

Using data from selected SMEs and applying the regression method of analysis, the following results were obtained:

The relationship between digitalization tools and accounting purposes is very strong as indicated by the test of hypothesis which gives a *P*-Value of 0.0001.

From the results shown on the model parameters tables for each unit increase in software on accounting, accounting purposes will increase by 46.7%. Inferring from the significance of the t statistic of 4.87 we will be taking a 0.001% risk in assuming that software on accounting have a

significant effect on accounting purposes which is lower than the level of significance of 5%. We therefore conclude that software on accounting has a positive and significant effect on the accounting purposes.

For each unit increase in invoicing software, accounting purposes increases by 26.1%. Inferring from the significance of the t statistic of 2.52 we will be taking a 1.4% risk in assuming that invoicing software have a significant effect on the accounting purposes which is lower than the level of significance of 5%. We therefore conclude that invoicing software has a positive and Significant effect on the accounting purposes.

For each unit increase in business bank account, accounting purposes increases by 22.7%. Inferring from the significance of the t statistic of 3.1 we will be taking a 0.3% risk in assuming that business bank account has a significant effect on the accounting purposes which is lower than the level of significance of 5%. We therefore conclude that business bank account has a positive and Significant effect on the accounting purposes.

### Conclusion

It is obvious that digitalization of accounting information has come to stay to solve accounting problems and improve performance of businesses. However, from the results of this study shows that both digitalization has a significant effect on the accounting system of SMEs. So it can positively contribute to the improvement of accounting system.

### Recommendations

On the basis of the findings of this study, the researcher recommends that;

SMEEs should try to improve on their information technology since it is capable of contributing positively to the accounting information system.

The level of usage of digitalization tools can reduce to some extent so as to cut cost of operation.

Human resources till date remain the most vital resource in SMEs, replacing them with robotics could have devastating effect on the SMEs. SMEs should therefore avoid using artificial intelligence to perform all its accounting activities.

## Suggested area for further study

This study adopted a survey research design to only study some selected SMEs in Tubah Sub Division of which only the data collected from these SMEs were used to make generalization. This could affect the outcome of the study. It is therefore suggested that future studies of this nature should adopt a different research design approach to have a wider scope study to reduce or cancel possibility of bias in the research outcome.

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