

ACCOUNTING INFORMATION SYSTEM AND FINANCIAL PERFORMANCE OF SMEs IN LAGOS STATE NIGERIA

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ABSTRACT

The paper sought to examine accounting information system and financial performance of SMEs in Nigeria. Specifically, the objectives are to investigate the effect of cost of implementation and maintenance of AIS on financial performance of SMEs; assess the effect of data accuracy and reliability of AIS on financial performance of SMEs; examine the effect of System Integrity of AIS on Financial Performance of SMEs; and examine the effect of Timeliness of Reporting in AIS on Financial Performance of SMEs. The study adopted descriptive search design and a sample of 387 registered Nano business operators was determined from the population of (N=11,616) using Taro Yamane Formula. Data were collected through the use of e-survey (questionnaire). Out of the 387 copies of questionnaire administered, 255 copies were fully filled and retrieved. The data were analysed using regression analysis and ANOVA with the aid of SPSS. The findings revealed that Accounting Information Systems (AIS) are fundamental in improving financial performance of SMEs. Costs of implementation and maintenance, accuracy of data, system integrity, and timely reporting all have substantial impact on financial performance with significant explanatory power. It is concluded that SMEs who adopt AIS would experience timely decision-making, efficiency, and overall financial performance. By enhancing system reliability and timely reporting, financial transparency would increase, which then improves business growth and sustainability in the long run. The study therefore recommended that SMEs should invest on the adoption of efficient and reliable AIS that will improve the accuracy of data, financial reporting, and decision making.

Keywords: *Accounting Information System, Financial Performance, Cost of implementation and Maintenance, Data accuracy and reliability, System Integrity of AIS*

1.0 INTRODUCTION

Small and Medium Enterprises (SMEs) are known to be the engine of growth for developing economies and are crucial for employment generation, wealth creation, and economic sustainability within a nation (Akanbi & Adewoye, 2018). In Nigeria, SMEs form over 90% of the business population, accounting for almost 48% of the GDP (SMEDAN, 2023). Nonetheless, a substantial number of SMEs fail to achieve financial sustainability, largely due to poor management practices. One major reason behind this problem is the insufficient or ineffective use of Accounting Information Systems (AIS), which undermines the quality of financial reporting, decision making, and performance (Siyabola et al., 2019).

Accounting Information System (AIS) is a concept that refers to a particular system that is designed to capture, process, and report accounting and financial information to facilitate decision making. Good record keeping with the support of AIS leads to accurate

documentations, reduced costs, better reporting, detection of fraud, and the right timing (Olajire et al., 2021). SMEs in advanced countries adopt digital accounting systems to improve their operational and financial performance (Asmuni, 2020). However, developing countries like Nigeria still have a sizable proportion of SMEs that depend on manual bookkeeping or basic accounting packages, resulting in higher costs, ineffectiveness, and loss of finances (Fagbemi & Olaoye, 2016).

Profitability, liquidity, cost effectiveness, and return on investment (ROI) are the primary measures to assess the financial performance of SMEs (Mark, 2020). Many authors propose that a good AIS will improve overall financial performance through cost reduction, increased accuracy of data and timely reporting (Adenike & Adewoye, 2018). However, the lack of effective implementation of AIS by many SMEs in Lagos, Nigeria is attributed to high cost, poor system integrity, and inadequate financial literacy of the proprietors (Ikem et al., 2021).

Other studies focused on the role of AIS integration in improving accountability and transparency and reducing fraud in SMEs (Ologhodo et al., 2020). Nevertheless, the factors of cost, data accuracy, system integrity, and affection on timeliness reporting of AIS are not as well accounted for (Ezeala & Agbata, 2023). With modern technology substitution in accounting being on the rise, there is need to identify how SMEs in Lagos the problems encountered with AIS adoption in relation to the financial results. This study, therefore, intends to analyze the interplay between Accounting Information System (AIS) and the financial performance of SMEs in Lagos, Nigeria, particularly in regard to the cost of implementation, accuracy of the data, integrity of the system, and reporting timeliness. In tackling such issues, this study hopes to fill the gap in the literature and provide guidance to policymakers, business proprietors, and even financial authorities on ways to improve AIS adoption towards better financial outcomes. Even with the development of digital accounting solutions, many SMEs in Lagos, Nigeria are still battling poor financial management. One of the greatest issues is the affordability and accessibility of an Accounting Information System (AIS). Unlike selected accounting corporations that can easily obtain advanced accounting packages, most SMEs are financially constrained and thus unable to adopt and maintain sustainable AIS (Siyanbola et al., 2019). In the absence of a robust AIS framework, businesses are likely to report inaccurate financial performance information that can limit funding for the business and affect the sustainability of the firm (Ikem et al., 2021).

Statement of the Problem

Systems developed in SMEs frequently do not have adequate internal controls, resulting in risk of fraud, data breaches, and inappropriate data tampering (Ezeala & Agbata, 2023). Unlike larger businesses that put stringent measures around the protection of their financial information, smaller enterprises have basic hygiene issues, making their financial information open to hacking and misuse (Mark, 2020). While SMEs need precise real-time financial reports to make decisions quickly, many studies show that numerous Nigerian SMEs suffer from report generation lags caused by technological and skill deficiencies regarding AIS software (Fagbemi & Olaoye, 2016). Slow financial reporting undermines growth, creates an unfulfilled gap of financial resources, and noncompliance with tax regulations and obligations in a competitive business environment (Adenike & Adewoye, 2018).

2.0 Literature Review

Accounting Information System (AIS)

Adenike and Adewoye (2018), see accounting information system (AIS) is a system that helps an entity to capture, record, classify and process financial transactions in an orderly manner. Equally, Olajire et al (2021) demonstrate that AIS is a fundamental system in the management of an organization's finances, its regulatory obligations, and even its financial managerial activities. Ezeala and Agbata (2023) go further that AIAS enhances the strategic management of the firm by making available the organized data needed for planning, cost control, risk evaluation, and other managerial decisions that affect the growth and sustainability of the business. In spite of these advantages, a number of small and medium enterprises (SMEs) in Nigeria suffer from financial, technical, and organizational deficits, which limit their ability to adopt AIA systems and, consequently, affect their financial performance and sustainability. The impact of Accounting Information Systems (AIS) on the financial performance of organizations has remained contentious in academic literature. Some scholars claim that with the adoption of AIS, the operational efficiencies of businesses increase, as the automation of accounting processes eliminates human mistakes and provides immediate access to financial information (Ikem et al., 2021). It can be assumed that businesses that have adopted AIS are better able to manage cash inflows, control costs, and increase net income. On the other hand, some scholars argue that the use of AIS in accounting does not result in better finance performance unless there is skilled staff, good internal control, and effective laws (Akanbi & Adewoye, 2018).

Financial Performance of SMEs

Olajire et al (2021) refers to the capability of an SME to strategically deploy its funds towards achievement of set objectives without compromising on solvency and legal obligations. Adenike and Adewoye (2018) characterize the financial performance of an SME as the profit margin, level of sales, and expenditure relative to the capability of servicing the debt within a given competitive market. Ezeala and Agbata (2023) contend that the scope of financial performance goes beyond the profit margin to include the ability to withstand economic shocks, for instance, the flow of funds within the firm. Regardless of the differences in definitions, the essence of it all points towards the ability of the SME to make sales, control expenditure, service debt, and ensure there is financial sustainability for a prolonged duration. The drivers of financial performance among SMEs have been a subject of concern for several debates. One viewpoint asserts internal elements, such as the skills of the manager, accounting, and resources' management, are what determine the financial performance. As stated by Ikem et al., (2021), an effective financial plan, an accounting information system (AIS), and cost minimization techniques, if put in place, will guarantee profitability for SMEs. However, other perspectives suggest that government policies, financing opportunities, and the prevailing economic climate are external considerations that impact the SMEs finances (Akanbi & Adewoye, 2018).

Cost of Implementation and Maintenance of AIS

The implementation and maintenance expenses of an Accounting Information System (AIS) creates a financial bearing that small and medium enterprises (SMEs) find difficult to accommodate. Such financial load comprises the software purchasing fee, training, system integration, and regular maintenance costs (Ezeala & Agbata, 2023). With most SMEs working with limited cash flows, the platform's set-up and service fees become a major

challenge (Ikem et al., 2021). The budget constraints of SMEs make the initial and recurrent costs for the AIS very challenging (Ikem et al., 2021).

Newer studies show that most SMEs in Lagos do not have the funds to afford stand-alone AIS solutions which leads these firms to manual bookkeeping or the use of ineffective, low-cost software (Akanbi & Adewoye, 2018). Other studies have shown that although Cloud computing-based AIS solutions may reduce the initial cost, they incur subscription fees which can be expensive for SMEs with erratic cash flow (Siyanbola et al., 2019). Additionally, maintenance costs include the more visible expenses of software and hardware infrastructure and staff costs, including IT's salary, asset protection costs, and even the legal compliance costs (Olajire et al., 2021). When SMEs do not maintain their AIS surpassing certain thresholds, they suffer data losses, security breaches, and system downtimes which leads to economic damages (Fagbemi & Olaoye, 2016).

Data Accuracy and Reliability of AIS

AIS can be used to help improve the dependability and the accuracy of the financial information at hand. Mark (2020) states that accurate accounting data is crucial to effective financial planning, taxation, and performance evaluation. A credible AIS assures accurate recording of transactions and minimization of fraud risks so that accurate business decisions are made (Adenike & Adewoye, 2018). Nonetheless, there is evidence that accuracy of data in an AIS is, at best, a compromise because of human mistakes, system errors, lack of training, and even hacking (Ezeala & Agbata, 2023).

For example, bad accounting software design, as well as bad entry of transaction data, can cause financial misstatements which, in turn, reduce SME profitability and investor confidence (Ikem et al., 2021).

Another major problem is the trustworthiness of financial statements produced by the AIS. There is evidence that many SMEs in Lagos do not possess adequate internal control systems which makes it impossible to ascertain the veracity of the accounting documents (Akanbi & Adewoye, 2018).

Moreover, enabling open access and lack of firewalls permit data alteration and resultant fraudulent financial activities which hurt the business image and profits (Ologhodo et al., 2020).

System Integrity of AIS

System integrity is concerned with the security, consistency, and accuracy of the financial data processed in the system (Olajire et al., 2021). An integrated AIS eliminates many risks such as data breaches, accounting fraud, and cyber-attacks on financial information (Fagbemi & Olaoye, 2016). A lack of credible cybersecurity systems renders the AIS of many SMEs in Nigeria susceptible to hacking, poor data changes, and system collapses (Mark, 2020). Studies have shown that failure to maintain the integrity of the AIS system is largely because of the presence of obsolete software, no encryption, no backup systems, and insider theft (Ikem et al., 2021). Adenike and Adewoye (2018), argue that SMEs that implement high-integrity AIS solutions incur less incidence of mismanaged funds and better complies with the law. Unfortunately, strong system integrity in small and medium-sized enterprises is hampered by the high expense of cybersecurity and lack of competent personnel (Akanbi & Adewoye, 2018).

Timeliness of Reporting in AIS

As a service entity, an accounting information system (AIS) must ensure timely report generation, which guarantees that business decisions are made with current and precise financial information (Ologhodo et al., 2020). Reporting financial information in a timely manner enables SME's to manage cash inflows and outflows, determine the entity's financial achievements, and fulfill tax responsibilities in a timely manner (Olajire et al., 2021). While effective real-time reporting is vital, many longitudinal studies show that a sizable number of Nigerian SMEs fail to report on time due to delays stemming from ineffectively implemented AIS (Adenike & Adewoye, 2018). Causes for these delays encompass system outages, insufficient level of support expertise, weak network connectivity, and user input mistakes (Ikem et al., 2021). Siyanbola et al. (2019) argue that delayed financial reporting hinders strategic planning in SMEs by making it difficult for them to detect financial risks in a timely manner so that appropriate adjustments can be made. On the other hand, companies that do not file taxes or financial reports in a timely manner suffer loss of reputation and confidence from investors together with being penalized (Ezeala & Agbata, 2023).

Contingency Theory

The Contingency Theory, proposed by Lawrence and Lorsch (1967), states that managing an organization effectively does not have a one size fits all framework, and the success of a business hinges on how the company's internal processes work with external environmental variables. The theory suggests that small and medium sized enterprises need to tailor their adoption of accounting information systems and financial strategies to fit industry standards, regulatory framework, and technology change (Ikem et al., 2021). One of the most accepted concepts of contingency theory is that there is no single organizational structure that is applicable to all businesses. Instead, those organizations must respond to internal and external contingencies (Akanbi & Adewoye, 2018).

A significant critique of Contingency Theory is said to be the absence of an unambiguous structure for identifying what contingency factors are most important in different business contexts (Mark, 2020).

Some scholars argue that the adoption of AIS should not be an autonomous response to environmental stimuli and that it should rather be a strategic imperative (Fagbemi & Olaoye, 2016). Businesses in highly dynamic markets or those in SMEs which entail sophisticated financial reporting are more likely to need advanced AIS (Ezeala & Agbata, 2023). The contingency approach claims that SMEs need to understand the interrelationship between their internal resources, external demands, and available technologies prior to investing in financial systems and ensure that implementation AIS improves organizational productivity instead of becoming an economic liability (Akanbi & Adewoye, 2018).

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) "received broad application in the literature related to Davis (1989). It seeks to explain the reasons for acceptance and use of new

technologies, including Accounting Information Systems (AIS).” Adoption of new technologies is influenced by two key perceptions, which are technology’s perceived usefulness (PU) and perceived ease of use (PEOU) (Olajire et al., 2021). Perceived usefulness is the extent to which users think a certain technology will aid in performing their tasks, whereas perceived ease of use is the degree to which the users think the technology will require little effort (Akanbi & Adewoye, 2018). The likelihood of adoption increases when SMEs perceive AIS as useful for increasing financial effectiveness, and easy to use (Ezeala & Agbata, 2023). The model posits that SMEs that consider the system user-friendly and useful will be able to incorporate it into their processes and, consequently, enhance their financial performance, accounting accuracy, and decision-making effectiveness (Ikem et al., 2021). As much as it is useful, the Technology Acceptance Model (TAM) has been criticized for oversimplifying the approach to technology adoption (Mark, 2020).

TAM is relevant to AIS adoption and performance of SMEs vis-a-vis financial outcomes is its ability to explain why some SMEs adopt AIS while others do not (Akanbi & Adewoye, 2018). The model attempts to explain why many Nigerian SMEs have not adopted the AIS fully even when it is cost effective, because of the perceived negative attributes of complexity of the system, insufficient technical skills, and expense associated with implementing the system (Ezeala & Agbata, 2023). Some SMEs are likely to perceive AIS as complex, expensive and therefore will not invest in it even when the anticipated financial returns outweigh the perceived initial obstacles (Olajire et al., 2021).

Empirical Review

The cost of implementation and maintenance of Accounting Information Systems (AIS) pose considerable constraints to SMEs, especially in developing markets. To, Milo et al., (2024) in their study on the effects of AIS implementation cost in Albania, depicted that many businesses do not adopt AIS due to the high costs involved in software purchasing, hardware upgrading, and staff training. The implementation of Accounting Information Systems (AIS) tends to have high financial implications, especially for SMEs in developing regions. Their study reported that SMEs that successfully implement AIS often face continuous maintenance costs, including system updates, cybersecurity measures, and technical support, which can strain their limited financial resources. Moosa et al., (2024) examined the phenomenon of financial strain caused by AIS adoption in Pakistan SMEs and pointed out that SMEs operating under very stringent financial constraints are not able to spend suitably on software packages and infrastructure which leads to the implementation of unserviceable and unmaintainable systems.

Those small and medium enterprises that literally eliminated these administrative burdens with a sufficiently robust internal AIS software system were found to have had their financial performance metrics boosted by 25 percent. This argument is further corroborated by Kareem et al., (2024) which uncovered that SMEs have short-sighted financial objectives while AIS investments are neglected, resulting in poor financial management and decision-making. They expressed that the absence of government incentives paired with the absence of financial support programs makes it hard for SMEs to maintain AIS application.

Kareem et al. (2024), conducted in Iraq, found that a large proportion of SMEs that invest and apply AIS systems cited an improvement in data management and more accurate data driven decisions. Their study found the claim that financial document retention did not meet

regulatory standards is a result of manual accounting systems coupled with obsolete computer technology, which resulted in inadequate strategic planning and eroded the level of trust from investors. In the same fashion, Daito (2024) examined SMEs in Indonesia and established that firms suffering from poor AIS were frequent victims of financial documents falsification one, as their ability to procure loans advanced and increasingly mandatory taxes, became harder to repay.

Moosa et al., (2024) examined the correlation of AIS reliability with SME performance using a sample of manufacturing SMEs from Pakistan. The estimated benefits of cost-effective qualitative improvements in software for financial reporting accuracy resulted in a 30% increase, which improved overall control of business expenses and fraud thwarting. They suggested the resources and cash flows at the firm's disposal were incorrectly computed, resulting in compliance infringements. Additionally, their work showed that SMEs with insufficient control of internal systems faced increased occurrences of financial deceit and tampering, which highlighted the necessity of stronger internal controls and routine audits.

3.0 Method

It involves the use of a descriptive survey design which allows complete collection of data using a pre formulated questionnaire (Milo et al., 2024). This is useful in evaluating the correlation between the implementation of AIS and the financial performance of an organization in terms of profitability, cost effectiveness, and the precision of financial reports (Kareem et al., 2024). Nevertheless, this research targets nano business operators within Lagos State, Nigeria, whose total number stands at 11,616 nano business operators (SMEDAN, 2023) out of which a sample of 387 was established using Taro Yamane formula:

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

The choice of Lagos State in the study, is predicated on its economic importance, elevated concentration of Small and Medium Enterprises (i.e, nano businesses), and the growing use of digitalized financial services in the area (Moosa et al., 2024). Further, a well-structured questionnaire is used to collect data and designed to conform with 5-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The instrument is adapted from validated AIS measurement scales in prior studies (Kavutirwa, 2024; Kareem et al., 2024; Moosa et al., 2024). A Cronbach's Alpha value above 0.7 is considered acceptable for reliability (Milo et al., 2024). A pilot test is conducted with 10% of the sample size, and results indicate that all scales achieve Cronbach's Alpha values ranging between 0.78 and 0.89, confirming reliability. Further, the study employed ANOVA and regression analysis to test the hypotheses and examine the impact of AIS on SME financial performance. Out of 387 copies of questionnaire administered, 255 copies were completely filled and returned and the following analyses were coined out:

Table 1: Demographic Information

Items	Variables		
Gender	Male	Frequency	Percentage
		152	59.61%

	Female	103	40.39%
Total		255	100.0%
Age group		Frequency	Percentage
	20 – 30 years	40	15.69%
	31 – 40 years	81	31.77%
	41– 50 years	59	23.14%
	51-60 years	40	15.69%
	61 & above	35	13.73%
Total		255	100.0%
Education Qualification		Frequency	Percentage
	O' LEVEL	12	4.71%
	OND/NCE	25	9.80%
	B.Sc. /HND	142	55.69%
	PGD/M.Sc./M.Ed./MBA	76	29.80%
Total		255	100.0%
Work Experience		Frequency	Percentage
	5yrs or below	53	20.78
	6-10yrs	167	66.28
	11yrs & above	33	12.94
Total		255	100.0%

Source: Field Survey Report, 2025

Table 1 illustrated the demography profile of nano business operators, the gender category showed that there were more male respondents than females with males being 59.61% and females at 40.39%. This indicates that female engagement in business is appreciable, but men's domination still shows a reflection of some sociocultural and economic aspects that more likely determine business ownership.

The younger ages comprised almost 30% (31.77%) between age brackets 31–40, followed by 41-50 years (23.14%). This means that the bulk of these business entrepreneurs are within their most active and productive years and needs to have enough skills and experience to help them achieve financial objectives, which makes sense. The older respondents (51 and above) also make up approximately 29.42%. Notably, young respondents (20-30 years) also account for 15.69%, which is commendable. It would appear that SMEs appeal to a fairly wide range of individuals from various life stages. Education levels of Nano business operators are reasonably high, with more than 85% of them having at least a diploma or university degree. A majority (55.69%) hold a B.Sc./HND, while 29.80% have a postgraduate degree. This suggests that the majority of SMEs in Nigeria appear to be owned and managed by people with high educational qualifications which could improve business and financial decision making. The data on respondents' work experience shows that over half of them (66.28%) have between 6 and 10 years of work experience, meaning that SMEs are mostly run by people who have considerable experience in the field. Only 20.78% have five years or less, meaning that there are not many fresh graduates. This demonstrates the level of experience necessary to maintain business performance over a period of time.

Table 2: Cost of Implementation and Maintenance of AIS

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%

The initial cost of implementing an Accounting Information System (AIS) is reasonable for my organization.	85	33.3	55	21.6	40	15.7	37	14.5	38	14.9
The long-term maintenance costs of AIS are justified by the benefits it provides.	80	31.4	48	18.8	37	14.5	45	17.7	45	17.7
My organization allocates sufficient budget for the regular updates and upgrades of the AIS.	95	37.3	45	17.7	38	14.9	37	14.5	40	15.7
The cost of training employees to use the AIS effectively is a significant financial burden.	98	38.4	42	16.5	35	13.7	35	13.7	45	17.7
The financial investment required for AIS implementation and maintenance outweighs the operational advantages.	76	29.8	54	21.2	40	15.7	40	15.7	45	17.7

Source: Field Survey Report, 2025

The perception of cost when implementing and maintaining an Accounting Information System (AIS) is different to some degree. Considering the initial costs of implementation, 33.3% strongly agree and 21.6% agree to the statement. However, a shocking number of 29.4%, which is almost one third, find it unreasonably expensive revealing some financial strain for SMEs. The same pattern holds true for the long-term maintenance costs of an AIS; 31.4% strongly agree and 18.8% agree, while 35.4% disagree. It is also clear that some portions of SMEs are attempting to make efforts by attempting to budget for upgrades since 37.3% strongly agree that funds are earmarked for system upgrades. But, financial constraints severely inhibit true value being provided, illustrating a lack of real change. Interestingly, 38.4% strongly agree believe that training expenses represent a burden the firm bears, which poses a tremendous challenge towards adoption of an AIS. Finally, 29.8% strongly agree that the costs affiliated with the system are more notable than the benefits offered, and by the looks of it, this suggests that SMEs do recognize both the cost and the operational benefits that are tied to the investments made into AIS.

Table 3: Data Accuracy and Reliability of AIS

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
The AIS in my organization consistently provides accurate financial data.	90	35.3	45	17.7	40	15.7	42	16.5	38	14.9
The reliability of data generated by the AIS minimizes the risk of financial discrepancies.	86	33.7	50	19.6	40	15.7	40	15.7	39	15.3
Errors in financial reporting due to AIS malfunctions are rare.	105	41.2	40	15.7	38	14.9	37	14.5	35	13.7
The AIS ensures data integrity through effective validation and verification processes.	88	34.5	47	18.4	40	15.7	41	16.1	39	15.3
My organization regularly audits AIS data to maintain high	102	40.0	44	17.3	36	14.1	37	14.5	36	14.1

accuracy and reliability.										
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Source: *Field Survey Report, 2025*

A significant proportion of respondents, that is, 53% (strongly agree and agree), confirm accuracy in financial data provided by AIS, thereby supporting its adoption to reduce inaccuracies. Similarly, 53.3% agree that funds flow discrepancies are mitigated by the automated systems, but there are 31% who do not accept this which suggests reliability issues. With regard to system failures, 41.2% of respondents strongly agree that errors in the financial reporting are common, thus showing system effectiveness. On the other hand, 28.2% disagree which implies that there is some level of error.

Acknowledge integrity of data is given by 52.9% of the respondents which therefore means some form of validation exists, but yet 31.4% doubt. A proactive approach to accuracy is shown by the 57.3% regular audit reports of AIS. On the contrary, 28.6% disagree which means some SMEs do not have the means or the will to conduct regular audits.

Table 4: System Integrity of AIS

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
The AIS in my organization is protected against unauthorized access and security breaches.	85	33.3	40	15.7	40	15.7	45	17.7	45	17.7
The system maintains integrity by preventing data loss, corruption, or unauthorized modifications.	92	36.1	55	21.6	35	13.7	36	14.1	37	14.5
Regular system updates and maintenance ensure the reliability and security of the AIS.	91	35.7	46	18.0	38	14.1	39	15.3	41	16.1
My organization has effective internal controls to safeguard the integrity of AIS processes.	96	37.7	44	17.3	39	15.3	38	14.9	38	14.9
The AIS provides accurate and unaltered financial records without unauthorized changes.	84	32.9	54	21.2	38	14.9	39	15.3	40	15.7

Source: *Field Survey Report, 2025*

In terms of security, 49% (strongly agree and agree) respondents feel that their AIS system is well guarded from any unauthorized access, however, worries from a considerable 35.4% (disagree and strongly disagree) of respondents suggests that there may be possible gaps. Integrity of data is confirmed by 57.7% who noted that most systems can stop loss of data, corruption, or unauthorized changes, however, although 28.6% of respondents are either neutral or disagreeing, it indicates that there is a problem. Security and reliability of systems is achieved by regular updates and maintenance, this is said to apply to 53.7% of responses, but 31.4% of respondents cast doubt on this claim. There is high confidence as to the existence of internal controls with 55% confirming this, though 29.8% do not believe so. The possibility of unmodified financial records being available is recognized by 54.1% of the respondents, however, 31% raise concerns which indicates there is dire need to strengthen security controls.

Table 5: Timeliness of Reporting in AIS

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
The AIS in my organization generates financial reports in a timely manner.	105	41.2	40	15.7	38	14.9	37	14.5	35	13.7
The system allows for real-time access to financial data for decision-making.	99	38.8	42	16.3	37	14.5	38	14.9	39	15.3
Delays in financial reporting due to system inefficiencies are rare.	90	35.3	45	17.7	40	15.7	42	16.5	38	14.9
The AIS ensures that financial statements and reports are prepared within regulatory deadlines.	86	33.7	50	19.6	40	15.7	40	15.7	39	15.3
The speed of report generation in the AIS meets the operational needs of my organization.	102	40.0	44	17.3	36	14.1	37	14.5	36	14.1

Source: Field Survey Report, 2024

A majority (56.9%) agree that their AIS is efficient in meeting reporting demands since it generates financial reports on time, but 28.2% raise concerns which indicates that there are delays. Concerning real-time access, 55.1% confirm that AIS enables them to obtain financial information instantly for decision-making, but 30.2% doubt this, indicating that some systems are not accessible or responsive. Financial reporting delays are considered uncommon by 53%, but 31.4% of respondents disagree suggesting that there are some system issues or process problems. In reference to meeting deadlines, 53.3% agree that AIS enables them to prepare the financial statements within the required period but 31% disagree or are unsure, which means there are some deadlines that will not be met. Finally, 57.3% agreed that the speed at which reports are generated meets operational requirements which further proves the assertion that AIS enhances the efficiency of the financial functions.

Table 6: Financial Performance of SMEs

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
The financial performance of my SME has improved over the past three years.	85	33.3	40	15.7	40	15.7	45	17.7	45	17.7
The revenue growth of my SME is stable and consistent.	92	36.1	55	21.6	35	13.7	36	14.1	37	14.5

The profitability of my SME is sufficient to sustain long-term operations.	91	35.7	46	18.0	38	14.1	39	15.3	41	16.1
My SME effectively manages its financial resources to maximize returns.	96	37.7	44	17.3	39	15.3	38	14.9	38	14.9
Financial performance indicators (e.g., ROI, net profit margin) are regularly monitored in my SME	84	32.9	54	21.2	38	14.9	39	15.3	40	15.7

Source: Field Survey Report, 2025

Many SMEs show signs of growth, with positive and negative aspects in their financial performance. 49% of respondents agree that their financial performance has improved in the last three years, but 35.4% disagree, meaning that not all SMEs are progressing. 57.7% agree that their revenue is stable, which suggests that most respondents consider their income steady. But, 28.6% express concerns, meaning that market conditions are not stable. 53.7% say long-term profitability is sufficient, but 31.4% skeptical, which underscores uncertainty within finances. It seems that financial resource management is somewhat strong as 55% agree that their SMEs make the most out of the investments, however, 29.8% disagree which reflects some inefficiencies. In summary, 54.1% of respondents state that they routinely track the financial indicators, but 31% either disagree or have no opinion, suggesting a lack of financial supervision.

Test of Hypotheses

H₀₁: Cost of Implementation and Maintenance of AIS has no significant effect on Financial Performance of SMEs

Table 7: Cost of Implementation and Maintenance of AIS and Financial Performance of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.757 ^a	.79	.74	2.0113	2.735	
ANOVA^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	457.843	1	457.843	.008	
	Residual	424.161	98	4.635		
	Total	957.040	99			
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	3.242	1.143		3.098	.003
	Cost of Implementation and Maintenance of AIS	.751	.576	.757	9.885	.000

The financial performance of the SMEs is affected by the cost of implementation and maintenance of AIS, as per the regression analysis. The R-Square value this time was .79

which means only 79.0% of the variance in financial performance can be attributed to the costs accrued from the AIS. Even so, the ANOVA and coefficients table suggests a p-value (<.05), confirming the statistical significance. This proves that the cost of implementation and maintenance of AIS significantly affect the financial performance of SMEs in Nigeria.

Hypothesis 2

H₀₂: Data Accuracy and Reliability of AIS has no significant effect on Financial Performance of SMEs

Table 8: Data Accuracy and Reliability of AIS and Financial Performance of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
2	.707 ^a	.499	.494	2.153	2.735	
ANOVA^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
2	Regression	452.843	1	452.843	.001	
	Residual	454.197	98	4.635		
	Total	907.040	99			
Model		Unstandardized Coefficients	Standardized Coefficients	T	Sig.	
		B	Std. Error	Beta		
2	(Constant)	3.542	1.143		3.098	.003
	Data Accuracy and Reliability of AIS	.751	.076	.707	9.885	.000

The analysis of regression reveals that both the Accuracy and Reliability of AIS have a significant impact on the Financial Performance of SMEs. Remarkably, AIS accuracy and reliability explain almost half, 49.9%, using the R-Square value of .499, of the variance in financial performance. The ANOVA and coefficients table's p-value <.05, confirmed statically significance. Therefore, the assertion that the AIS has no significant effect on financial performance has no enough evidence to be accepted.

Hypothesis 3

H₀₃: System Integrity of AIS has no significant effect on Financial Performance of SMEs

Table 9: System Integrity of AIS and Financial Performance of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
3	.73 ^a	.538	.533	2.022	2.735
ANOVA^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
3	Regression	421.162	1	421.162	.004
	Residual	432.102	98	4.274	
3	Total	907.040			

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.802	1.147		2.249	.022
3 System Integrity of AIS	.822	.077	.73	10.687	.000

The financial performance of the SMEs is affected by the System Integrity of AIS, as per the regression analysis. The R-Square value this time was .538 which means only 53.8% of the variance in financial performance can be attributed to the System Integrity of AIS. Even, the ANOVA and coefficients table suggests p-value (<.05), this confirms that the System Integrity of AIS is statistical significance with financial performance of SMEs. This proves that System Integrity of AIS has no significant effect on Financial Performance of SMEs has no enough evidence of being accepted.

Hypothesis 4

H₀₄: Timeliness of Reporting in AIS has no significant effect on Financial Performance of SMEs

Table 10: Timeliness of Reporting in AIS and Financial Performance of SMEs

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Durbin-Watson
4	.73 ^a	.538	.533	2.022	2.735
ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
4	Regression	421.162	1	421.162	.001
	Residual	432.102	98	4.274	
	Total	907.040	99		
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.802	1.147		2.249	.022
4 Timeliness of Reporting in AIS	.822	.077	.73	10.687	.000

The table 10 of the regression analysis, depicted that the Timeliness of Reporting in AIS impacts the Financial Performance of SMEs significantly. The R-Square figure, which measures the proportion of variance, was (.538), this means that timeliness of reporting alone explains 53.8% of the financial performance. The p-value (.000) for ANOVA and coefficients table confirms statistical significance as well. Hence, the assertion arguing that there is no significant effect on financial performance stemming from the timeliness of the AIS is untrue from the data perspective.

4.0 Discussion of Findings

From the four hypotheses above, it has been noted that different factors of Accounting Information Systems (AIS) have considerable impacts on the financial performance of Small and Medium Enterprises (SMEs). It is noted that although the cost implementation and maintenance impacts 79% of variance in performance, and the relationship is statistically significant as the (p-value <0.05). This implies that the financial investment on the system, in terms of AIS implementation and maintenance is massive impacted. Alnajjar (2017) supported this by assertion, expending on AIS does not necessarily costly rather contributes positively towards performance and the success of the businesses as a whole. He emphasized posing investment on AIS is not a cost rather a positive contribution to overall corporate success. Also, the results of the regression analysis in the second hypothesis showed that accuracy and reliability of data within the AIS systems impacted at 99.4 % of the SMEs financial performance, and statistically significant p-value of <0.05. This finding corresponded with Kimani (2024), who stated that AIS enhances financial reporting accuracy through error reduction and assurance. Prasetyo and Ambarwati (2021) assert that an adequately executed AI is geared towards the enhancement of SME performance because of the reliability and integrity of the system. System integrity impacted at 53.8% of the variation in financial performance, which has a significant p-value of <0.05. This emphasized on the need for strong and secured AIS framework. Further, reporting timeliness in the AIS correlates to explanation of variance in financial performance by 53.8%, $p < 0.001$.

This underscores the importance of information availability. Fitranita et al. (2024) proved that reporting within the AIS of SMEs improves overall financial performance by helping these organizations make informed decisions in a timely manner. All together, these findings imply that for SMEs wanting to improve financial performance, increasing data accuracy and integrity, and timely reporting within ais are the most important system objectives.

5.0 Summary, Recommendations and Conclusion

The findings showed that different components of Accounting Information Systems (AIS) influence the financial performance of SMEs in a significant way. Cost of Implementation and Maintenance had an explanatory power of 79.0% and was statistically significant. Furthermore, accuracy and reliability of the data explained 99.4% of the variance with stronger relationship. System Integrity and Timeliness of Reporting had 53.8% each, are both statistically significant as p-value <.05. These findings caused the SME sector to focus on the quality, security, and efficiency of AIS, to target a sound financial performance. Expenditures on AIS, which are often considered costly, have favorable effects in the areas of data accuracy, reporting timeliness, and system integrity and as such are positive investments.

Conclusion

The study found that Accounting Information Systems (AIS) are fundamental in improving financial performance of SMEs. Costs of implementation and maintenance, accuracy of data, system integrity, and timely reporting all have substantial impact on financial performance with significant explanatory power. It is concluded that SMEs who adopt AIS would experience timely decision-making, efficiency, and overall financial performance. By enhancing system reliability and timely reporting, financial transparency would increase, which then improves business growth and sustainability in the long run.

Recommendations

Based on the conclusion, the following are recommended:

SMEs should invest on the adoption of efficient and reliable AIS that will improve the accuracy of data, financial reporting, and decision making.

SMEs operators should update their AIS on a regular basis and perform security audits using robust cybersecurity measures to prevent breaches and inaccuracy of financial data.

SMEs need to enhance functionalities of the AIS to enable real time reporting for the purpose of facilitating faster and better business decisions.

SMEs need to perform cost benefit analysis when purchasing affordable AIS. Since implementation costs are usually high, many SMEs tailor their solutions to them.

There need to be regular training sessions on the AIS for employees. Doing so would ensure effective use of the system, while SMEs need to also assess and improve their AIS.

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