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AN INVESTIGATION ON THE EFFECTS OF ACCOUNTING INFORMATION SYSTEMS (AIS) ON THE FINANCIAL PERFORMANCE OF SMEs IN ZIMBABWE. THE CASE OF MAJOR FAMILY SAVINGS (MFS) IN MUTARE.

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APPROVAL FORM

The undersigned confirm that they have supervised and recommended to the Bindura University of Science ducation for acceptance of a project entitled: An investigation on the effects of accounting information system (AIS) on the Financial perfomance of SMEs in Zimbabwe. The Case of Major Family Savings (MFS) in Mutare. submitted B190331A in fulfilment of the requirements for the Bachelor of Commerce in Accountancy Degree.

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DEDICATION

I want to dedicate this research to my parents for their unwavering encouragement of me to continue my education. I also want to dedicate this to my brother, who helped me through my whole course of study and provided encouragement and inspiration

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I want to convey my sincere gratitude to my supervisor, Mr Chiriseri, for his diligent work on this study project with me. His motivation, encouragement, and direction played a significant role in making this project a huge success that it is today. My mum also received my sincere gratitude for providing me with helpful research support in the form of concepts and resources. I'd want to thank my brother as well for providing me with research materials when I most needed them. I appreciate the inspiration and support I have received from my family, friends, and the Accounting class of 2019–2022. I owe a special debt of gratitude to my parents for their emotional and financial assistance during the course of my studies. I will never be able to express enough gratitude to God for giving me the gift of life, his undeserved favour, and all the blessings of love, care, protection, direction, inspiration, and good health.

ABSTRACT

The study focused on an investigation on the effects of accounting information system (AIS) on the Financial perfomance of SMEs in Zimbabwe. The Case of Major Family Savings (MFS) in Mutare. The researcher aimed at analysing the relationship between AIS and performance of SMEs in Zimbabwe also a comparison of SMEs that have adopted AIS and the ones that have not. The type of accounting system that a firm has influences the nature of reporting and performance thus the main aim of the study will be to investigate the impact of accounting system on organisational performance focusing mainly on the case of Major Family Savings (MFS) in Mutare. In assessing the extent to which MFS have impacted on economy through recipients lives so as to ascertain with certainty whether standards of living improved by alleviating poverty and the financial services offered by MFS were also assessed. Additionally, the research also focused on determining the challenges faced by MFS and the relationship between the two. Suggestion by some scholars proposes that accounting information system has a positive on the Financial Performances of the SMEs and significant impact on economic development while other scholars observed that the accounting information System has no significant impact. The SME sector has been referred to as the "informal sector" in Zimbabwe because most of these are not registered. Most informal businesses in Zimbabwe have aim of fulfilling narrow goals or objectives. A number of informal businesses in Zimbabwe arose during the hyper-inflationary era (2007 – 2008), and were aimed at ensuring survival, or pursuing maximum wealth within the shortest possible time. Informal businesses are key players in the Zimbabwean economy. According to Kachembere (2011) “the informal businesses sector in Zimbabwe now accounts for about 90% of the country's employable population. Official statistics show that the SME sector in Zimbabwe contributes over 60 percent to the Gross Domestic Product (GDP)”

KEYWORDS: accounting information system, financial performance, Small to medium enterprises

Contents

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.0 Introduction

The goal of this study is to examine the connection between AIS and SME performance in Zimbabwe and to compare SME performance between those that have embraced AIS and those that have not. The primary goal of the study was to examine the effect of accounting system on organizational performance because the type of accounting system a firm uses affects the nature of reporting and performance. The context of the study, the problem statement, the aim of the study, the research objectives, the research questions, the significance of the study, the assumptions of the study, the delimitations and scope, the limitations of the study, and the definition of words are all covered in this chapter.

1.1 Background of the study

In Zimbabwe, the SME sector has been referred to as the "informal sector" because the majority of businesses are unregistered. In Zimbabwe, the majority of unauthorized firms don't have lofty ambitions or purposes in mind. In Zimbabwe, a number of unofficial enterprises were established between 2007 and 2008 during the hyperinflationary period with the intention of surviving the difficult economic times. In Zimbabwe, informal companies are important economic players. Kachembere (2011) estimates that 90% of Zimbabwe's employable population currently works in the informal business sector. According to official data, Zimbabwe's SME sector provides more than 60% of the country's GDP.

Too much emphasis has been placed in recent years on addressing issues confronting informal enterprises in the areas of finance, marketing, business development services, capacity building, infrastructure, and institutional support framework. As a result, the number of informal companies has increased. In Zimbabwe, there is a growing realization that informal companies play an essential part in the current situation. As a result, the government is implementing a variety of steps and activities to provide a safe and suitable business climate for informal firms. The significance of informal companies for future economic growth has recently been recognized at many levels and reiterated in each budget speech.

According to Ademola et al. (2012), maintaining records is vital to an organization and is not just necessary for people. Accounting data is used by SME owners in every sector to assess their financial performance. According to Mwangi (2011), research on the informal economy's small and medium-sized business sector has received little to no attention. As a result, little is known about their activities, particularly the make-up of the accounting systems that these businesses employ. Therefore, it is challenging to estimate the monetary worth of their economic contribution.

Many advantages are to be enjoyed by the organization after implementing the system, even though they are not immediately apparent; as a result, they can be enjoyed after using it for a certain period of time, leading to the belief that the adoption of an accounting system will bring about many benefits to the organization. Since many businesses have achieved better performance after adopting AIS as compared to the performance that they had when they were using the manual accounting system, studies conducted by other researchers have demonstrated that there is a strong and positive relationship between AIS and the performance of the business. However, not every organization has benefited from using AIS, and some have even had difficulties in doing so.

1.2 Problem statement

By generating jobs, small and medium-sized businesses (SMEs) are crucial to the expansion of the national economy. Many SMEs are of the opinion that AIS deployment enhances financial reporting, performance, and business choices. Many SMEs in Zimbabwe downplay the significance of accounting data and recordkeeping. They neglect the part AIS plays in effective corporate management and decision-making. As a result, this study will aim to evaluate the potential influence of AIS on organizational performance within the setting of SMEs in Mutare. It is based on an empirical examination.

1.3 Significance of the study

It is hoped that the study will be consulted by other academics in their research on the relationship between management expertise and the adoption of an accounting system by SMEs. Investigating the impact of manual accounting systems on SMEs' performance is the study's main contribution. If there are any gaps in the study on how accounting systems affect organizational performance, it will also help the institution hide them. This study will dispel any misconceptions about the usage of computerized accounting systems, which is crucial for forward-thinking organizations that haven't completely embraced their use.

1.4 Research objectives

Main objective

To investigate the impact of accounting data on the SMEs in Mutare's financial performance.

Specific Objectives

i. To investigate the different kinds of financial records held by SMEs in Mutare.

ii. To identify the problems SMEs, have with bookkeeping and accounting data.

iii. To examine the utilization of accounting information in decision-making for SMEs in Mutare.

1.5 Research Questions

What impact does the accounting information system have on the organizational performance of Mutare's small and medium-sized businesses?

Specific Research questions

I. What kinds of financial records do SMEs in Mutare maintain?

II. What problems with bookkeeping and accounting information do SMEs face?

III. Are SMEs in Mutare using accounting data while making decisions?

1.6 Assumptions

- Accounting information System has an effect on small and medium size enterprises performance
- There is a relationship between AIS and SMEs financial performance
- Some SME's will not implement the accounting information system as they are not aware of the benefits of using the system.

1.7 Delimitations of the study

The research is only finite to Mutare with the major importance emphasized at SMEs operating in the central business district. The research focused on AIS implementation by SMEs in order to examine the reason why lenders and financial institutions complain about the quality of SMEs accounting reports. The researcher will give more importance to periods from 2018 to 2021. The accounting system is affecting many organisations but this research only looks at SMEs.

1.8 Limitation of the Study

Limitations may occur when study participants find it unpleasant to share real information; as a result, the reliability and accuracy of the information gathered through interviews will suffer.

1.9 Chapter summary

This section introduces the subject of the study and provides background information. Additionally, it outlines the issue description, research purpose, study objectives, study questions, and suppositions to be taken into account. It has also reflected on the significance of the study in the past. It also lists the scope and constraints of the study. The literature review of empirical investigations is covered in the next chapter.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

Theoretical underpinnings and empirical research on financial accounting methods in informal firms are covered in this chapter. The following topics are covered: accounting ideas and principles, record-keeping procedures, and financial reporting procedures used by informal firms. A summary will follow the chapter's conclusion

2.1 Literature Gap

Prior research has demonstrated that AIS adoption enhances organizational performance, profitability, and effectiveness (Kouser et al., 2011). In Zimbabwe, the usage of ICTs in businesses has improved how AIS is used to make decisions about clients and suppliers. Because AIS makes organizations more effective, this research aims to shed light on the relationship between AIS design, organizational strategy, and performance in terms of management and financial performance.

Numerous studies on the influence of AIS on the effectiveness, efficiency, and performance of accounting tasks in various nations have been undertaken, according to the evaluated studies. On the effect of AIS on the operational efficiency of SMEs in Mutare, however, not many researches have been conducted. Therefore, the goal of this study is to fill the knowledge gap.

2.2 Theoretical Framework

To get the desired findings, research depends on its methods, or the approach, plan of action, and technique followed (Odero, 2014). According to Grant and Osanloo (2014), a theoretical framework is one of the most crucial elements of the research process since it clarifies how a theory is applied in a dissertation and offers compelling proof of academic standards and scholastic purposes.

2.2.1 Agency Theory

This hypothesis is centred on the potential conflict that may arise between various parties, the chief and the representative or manager, as a result of informational differences (Ezzamel & Watson, 1993). When the management's decisions do not have a substantial financial impact on them due to a small financial investment or interest, conflicts between the leadership and management might continue. Conflict may result from shareholders' exclusion from management and oversight because managers' and shareholders' interests differ (Odero, 2014).

Agency problems typically occur when line management is driven to act in their own best interests rather than the owners' (Agrawal & Knoeber, 1996). Odero (2014) asserts that line managers who own stock in a firm are less likely to stray from the principal interests of shareholders by making extravagant purchases. Since the majority of SMEs are owned and run by the same people, agency issues are less frequent. Since it may incorporate conflicts of interest, concerns with motivation, and strategies for overcoming such obstacles in one model, the agency theory is pertinent to accounting research.

2.2.2 Behavioural Theory

The organizational structure and the control system layout related to the organizational environment serve as the foundation for behavioural theory. According to Kren and Liao (1988), background factors that have an impact on the person and the organization dictate how control system features behave. As a result, certain control system features must be matched to the background variables that define the operational environment of the company. A better fit is typically seen to be favourably correlated with organizational success (Kren and Liao 1988). Thus, organizational characteristics and the operational environment serve as the foundation for understanding control system design and efficacy. This is the foundation on which the study's premise was based.

2.3 Conceptual Framework

Definition of SMEs

According to Storey (1994), there is no one definition of a small business that is universally recognized. This is thus because, for example, a "little" company in the petrochemical business is likely to have far larger levels of capitalization, sales, and maybe employment than a "small" company in the auto repair trades. Meanings of SMEs were intended to demonstrate the parallels and discrepancies in definitions across national boundaries. A few of the factors used to describe SMEs globally and variances in the economic models of other nations account for the majority of the discrepancies in these classifications. Due to the significance of SME sector globally, there are significant parallels in the meanings of SMEs.

International Definitions

According to the EC (2008: 7), small and medium-sized businesses are defined as independent micro, small, and medium-sized businesses with fewer than 250 workers and annual sales of less than €50 million. SMEs in South Africa were classified by Mpofu, Milne, and Watkins-Mathys (2008) as small, medium, and micro businesses with a cap of 250 employees. According to Zindiye (2008: 71), SMEs are formal businesses with a cut-off range of 0-250 workers. Small businesses in developing nations typically have 5–9 employees, whereas medium-sized businesses have 20–90 employees (Quartey, 2001:5). An SME is an organization that is independently owned and controlled and that is not the market leader in its industry, according to the USA Small Business Administration (2004).

Zimbabwean Definitions

Micro-enterprises are those businesses that are not formalized through a legal framework, such as registration under the Corporations Act, according to the SMME policy (2002: 6). According to Mugwara (2000), tiny and micro-enterprises are companies run by lone entrepreneurs that hire one to twenty workers as they expand. Small businesses may have up to 10 employees or family members who are employees (Hussain 2000:2). The criteria provided by Hussain (2000) and the SMME policy (2002:6) will serve as the foundation for this inquiry since the targeted organizations might well be categorized as micro-enterprises given because they are not licensed and only have a maximum of 10 workers, including the owner.

2.4 Accounting Records and Report Management

Financial records, for example the sales day book (sales journal), purchases day book (purchases journal), cash receipt book, cheques books, petty cash book, general journal, nominal ledger, debtors‟ ledger and creditors‟ ledger must be kept and maintained in a sound accounting system (McMahon, 1999). However, not all SMEs may need to keep and maintain all the previous mentioned financial records but an entity has to decide this on the basis of its needs. When the entity makes the judgment of what financial records to maintain, it also needs to take into account whether some financial records are compulsory to be kept by a regulator. On 9 July 2009, the IASB published an international financial reporting standard (IFRS) designed for use by small and medium sized entities (IFRS for SMEs). This is the first set of international financial reporting requirements developed specifically for SMEs. SMEs are estimated to represent more than 95 per cent of all entities, according to the IFRS foundation (2010).

Since the early 1970s, IFRSs have been designed to meet the needs of entities whose securities trade in public capital markets. This has affected the scope of issues covered in IFRSs, the amount of implementation guidance and the volume of disclosures. SMEs generally have fewer resources, limited access to capital markets, less business complexity and fewer external users of its financial statements, compared to larger listed entities. Users of financial statements of SMEs will be more interested in current liquidity and short-term cash flows than long-term forecasts of cash flows and earnings (Sian & Roberts, 2006). The complexities posed by full IFRSs in financial reporting by SMEs led countries like the UK to develop a standard of its own that was used by SMEs in financial reporting; the financial reporting standard for smaller entities (FRSSE), with extant local accounting standards applicable to all non-listed entities.

In Kenya, IFRS was adopted in full and these have been applicable to all listed and non- listed entities since 1999 (Sian and Roberts, 2006). In Hong Kong the small and medium-sized entity financial reporting framework and financial reporting standard (SME-FRF and SME-FRS) was issued in August 2005 (HKICPA, 2008). The introduction of an IFRS specifically for SMEs was necessitated by many challenges faced by these entities in adopting full IFRSs in financial reporting, the main of which was the excessive disclosure requirements, based on a cost-benefit analysis for SMEs (Nazri, 2010). One major interest of SMEs that adopted full IFRSs was to reduce the cost of preparing financial statements according to the Institute of Chartered Accountant in England and Wales (ICAEW, 2008).

Full IFRSs were designed for financial reporting that meets the needs of equity investors in large entities with shares trading on public capital markets. The full IFRSs cover a wide range of issues, including a sizeable number of disclosures for easy understanding by a wide range of users in these large public companies. Users of the financial statements of SMEs do not usually have similar needs, but rather are more interested in assessing shorter term cash flows, liquidity and solvency (McMahon, 1999). Also, many SMEs complained that full IFRSs impose a burden on them - a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them (IFRS foundation, 2010).

2.5 Effects of accounting information system on organisational performance

Hunton (2002) conducted research on the relationship between accounting information system and organisational efficiency, and the research reviewed that there was a relationship between the two. To operate a business there is the need to use data, records, reports analysis and accurate information thus accounting is vital for organisations activities. Accounting information is significant of managers or those who make decisions for the business, because managers cannot decide without any necessary information as the basis of the decision. To make decision it should be based on reliable and efficient information thus AIS is vital.

AIS provides managers with information like profit and loss, costs and earning that is why AIS is important in SMEs or even the other big organisations, so make the right decision managers depends on this accounting information. AIS is used to record accounting transactions systematically in the computer to give out the profit or loss and financial position of a business. AIS may help management to understand their tasks more clearly and reduce uncertainty. AIS plays an essential role in business by assisting managers to appreciate their responsibilities more evidently and thus limits uncertainty in the decision-making process (Shuhidan et al., 2015).

According to Heidhues, (2008), uncertainty is when managers or shareholders do not have the requisite information needed to make appropriate informed decisions and hence there are less likely to be able to forecast the probable outcomes. Burchell et al. (1980) states that the various functions of AIS in decision-making relies on the stage of uncertainty i.e. ambiguity of the objectives and ambiguity of cause and effect. AIS are used in the learning process so as to evaluate how objectives can be realized by quantifying the financial impact of each alternative available to the decision.

According to Sajady, Dastgir and Hashem (2008) the use of AIS in stock exchange listed resulted in improvement in decision-making, internal controls, and financial reports. This enhanced the organisations transactions process. AIS is requisite throughout the planning, controlling and decision making i.e., short-term (fixed and variable costs) and long-term decisions. Accounting information system enhances quality analysis and decision-making in SMEs; thus, it reduces cost allocation (Gordon & Fischer, 2011). Salehi (2011) outlines that AIS enables an organization to undertake its operations and functions whilst providing information to shareholders and stakeholders. AIS is a combination of technology and human interaction that helps SMEs to achieve an efficient and excellent operation, and thus it contributes to the accuracy of information and time efficiency which in turn, leads to cost efficiency.

2.6 Challenges in use of accounting information by SMEs

SME owner or manager is a crucial player in keeping information of the business. As such, it is important for them to understand and get involved in the accounting figures. produced Senik, et al., (2012:721). In concurrence, Maseko & Manyani, (2011) add that "the better use of accounting information obviously takes place in situations where the SMEs have a certain level of accounting knowledge and technical qualifications, which does not tend to prevail in small companies. Lack of business knowledge could be the reason why most micro entities are not using accounting information to the maximum".

Mutambanengwe (2012) says that, “a critical weakness with the "informal" setup of SMEs is the fact that they do not keep proper accounting records of their activities”. He adds that “keeping accounts is seen as a waste of time, money and effort, and is also avoided as a means of ensuring that there is no track record of what the proprietor would have done, in the event that any government agency comes to visit. Bank accounts are also shunned for the same reason; with transactions occurring on a cash basis”. According to Mutambanengwe (2012) “the perception of owners/managers of small entities seem to be a major limiting factor in the use of accounting information.

Accounting skills are the totality of skills ranging from record keeping, attention directing, financial management and reporting skills that are expected to promote effective decision, performance evaluation and business reporting of any business enterprise. Although studies could not find record keeping skill as positive factor, financial management skill has been found to be contributory to business development”. Akande (2011:374) says that “Attention directing skill enables the owner- manager to make vital decision on production and pricing issues while reporting skill describes the method and technique by which business information are reported to the stakeholders of the business.

Therefore, small business should start small but while starting small the aim of becoming big should not be jettison. Those important procedures that would be duly followed when the activities of such becomes big must be imbibed when the enterprise is operating as small enterprise”. For instance, Oladejo (2008:371) argued that “accounting skill and procedure are necessary for successful entrepreneurial and small business development in Nigeria. This is because the in ability to install a proper accounting system would disallow business monitoring, reporting, and performance evaluation that are germane to the business survival. Small business has failed in the past for ignoring this vital measurement apparatus”.

Unravelling the complexity of financial records may take a lot of time since it also takes time to produce accounting of financial reports, Human errors also play a role in producing inaccurate financial records, bookkeeping is tedious thus leading bookkeepers into making mistakes and also record are kept on paper which can cause problems if the papers are misplaced, stolen or damaged (Winston, 2020). According to DeWitt (2017) bookkeepers take long to update their books which can be done automatically when using AIS, this can lead to accounting problems, if books are not regularly updated the businesses financial records cannot be clear since the information might not be up to date.

Unreliable data, bookkeeping is slow and unreliable thus it is difficult to know whether the managers can rely on that data, inefficient accounting processes with information that is inaccurate an does not provide reliable results to help make decisions. When bookkeeping it is likely that small transactions may be omitted but with accounting system every transaction no matter how small it is, it is always recorded if these small transactions are omitted the books over after a long period may out balance as more money will be missing due to the omission of the small transactions thus it is important to record everything so as to know the business is doing financially.

According to Kart (2018) there are also challenges faced when using accounting information system which are as follows. Heavy costs of implementation, to adopt an AIS, the organisations need to have the computers before installing the system therefore it is costly to buy the machines and also these machines need to be serviced and replaced after being used and the system need to be upgraded from time to time due to the speedy advancement in technology. Since the accounting system may be difficult to understand, it is important to train the users of the system on how the system functions and each time the system is upgrade there is need for training also as the version of the system will have changed thus there are training costs to be incurred also when using AIS.

Unexpected errors may occur when using the AIS and the computer may fail to detect the unexpected errors that may occur in the system, there is also risks of breach of security such as computer viruses and someone from the outside may hack the system so strong security is needed (Trigo, 2014). The use of computers may also prove to be costly as medical expenses will increase since computers may cause health issues such as eye strain, muscular complaints backache and other diseases thus reducing the work efficiency.

However, there are also may benefits of using AIS, which are Due to the rapid advancement in technology, many organisations are investing more in AIS so that they stay competitive and can make their work easier and more accurate. Accounting information system is a complete tool in the hands of managers who are determined to remain in a competitive advantage amongst the quick technological advancement. Although the adoption of AIS can prove to be costly many companies are willing to adopt it because of its benefits which are mentioned below.

Balisbis (2020) supports the idea that AIS is beneficial to SMEs by stating the following benefits:

- **Computerization**

The preparation of accounting reports can be done automatically by the system, it also helps to produce meaningful information and financial reports by taking away the manual processing of information. AIS helps to keep electronic books of accounts which can be done manually and it can solve difficult transaction which can prove to be complex if they are to be done manually.

- **Accuracy**

When using manual accounting system many human errors are likely to occurs errors such as posting a transaction in the wrong account or forgetting to record a transaction (error of omission) or making calculation errors but when using the AIS these errors are automatically corrected thus it produces accurate and reliable information.

- **Data Security**

When using AIS information is protected as there is no risk of unauthorised access to information unlike when using manual accounting anyone can access the accounting records and information can be stolen by your competitors or can be misplaced. Users who are authorised to access the information can access it at any given time and place AIS eliminates all the risks that are associated by the use of manual accounting.

- **Speed**

Reports are generated on time as the information will readily available in the system for the owner of the business to use to in making decisions unlike when using the manual accounting.

- **Cost-Effective**

The implementation of AIS helps companies to reduce costs by reducing employees; it also reduces the time spent when doing a task for example when preparing financial reports. It also helps SMEs not to over spend their money or use it unnecessarily since AIS will be helping them in preparing reports unlike were there are no books to record transactions, money can be spent inappropriately. Manual accounting can be summarised as less costs of implementation and maintenance as there are no system experts are needed, there is no risk of computer theft, information cannot be lost through hacks and viruses and also there is no risk of power cuts as backup is always available.

Even though some author suggest that companies can only achieve a high performance when they can manage to pay for the adoption of certain technological developments (Damanpour & Gopalakrishnan, 2001). Others point out that a firm can performance reduce just after the adoption of AIS, taking quite a few years to recognize the benefits from IT adoptions (Wah, 2000). There are several research works, which have studied relationships between indicators of performance and AIS, and how AIS affects a firm performance in achieving uncertain results.

2.7 Empirical Literature

Arkoh, et al. (2012) carried out a study to examine the bookkeeping practices among small business in the Kumasi metropolis. Both primary and secondary data were used. The instrument used to gather data were questionnaires, interview and observation. The questionnaires were administered to the various small business owners in the metropolis. Interview was used to obtain from the respondent on how their accounting records are kept. The findings revealed that, due to lack of knowledge in keeping books of account, improper records were kept by most small and medium enterprises in the metropolis. Again, many business owners showed reluctance to be trained or attend further studies due to the cost involved in training and education. The study recommended that financial statements of small enterprises should be requested for approval of loans by banks.

In addition, laws should be enacted in order to improve the record keeping practices of micro entities so that they have access to credit facilities from any financial institutions. In a Kenyan survey, Okwena, et al. (2011:22) assessed “the effect of proper bookkeeping practices on financial performance of SMEs in Kisii municipality to ascertain the cause of such failures. The study employed a cross-sectional survey research design. Both stratified and simple random sampling techniques were used in the study. The respondents were 97 owner-managers/managers of the sampled SMEs. Structured questionnaire was used to collect quantitative data from primary sources. Descriptive statistics and Pearson correlation coefficient and simple linear regression was used to analyse quantitative data.

The study showed that book keeping practice was a challenge among SMEs in Kisii Municipality, the greatest challenge being little knowledge in book keeping. They concluded that records prepared are therefore inaccurate and therefore the decisions made would not be appropriate for effective operations of the SMEs. The study recommended the government in conjunction with national accountancy bodies to carry out sensitization programmes so as to equip the owners and managers of the SMEs with proper knowledge in book keeping. This could be done through the means of exposure drafts, discussion papers, symposiums, conferences, and open forum.

Yström (2010:96) carried out a study to sort out areas of financial reporting information that are likely to be of significance to managers of entrepreneurial SMEs in their provision of information to users. In order to fulfil this purpose data was collected through interviews with accounting experts. The major findings were that, financial reports make up an important tool mainly for informing external capital providers, among which bankers hold a prominent position. Managers were found to make use of financial reporting information not only in informing external users but in the internal management of their businesses as well. In addition to cash flow and intangible assets, financial ratios in general, and financial ratios measuring various aspects of growth in specific, i.e. growth ratios, has been sorted out as likely to be of specific importance to include in the financial reports of entrepreneurial SMEs.

Yström's (2010:96) study focused on interviews with accounting experts. However, accounting experts were not a true representative of the population, since they were not involved in the preparation of micro entities' accounting information and were also not the ultimate decision makers. The present research proposes to go beyond Yström's work through focusing on questionnaires in addition to the interview and use owners/managers who do the actual recording and use of accounting information rather than accounting experts".

2.8 Chapter summary

This chapter sought to provide a review of the existing literature related to this study. Despite having defined some of the key concepts for this study in the first chapter, they were also further articulated in this chapter to shade more light. The literature was reviewed in such a way that it corresponds with the research objectives. An empirical review was also provided in this chapter. The next chapter which is chapter three will be looking at the methodology that will be applied in order to assist in collecting relevant information for this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In conducting research studies various methods are used in the collection of information and numerous sets of stages will be done in a certain procedure to execute the study so as to align it with the objectives. The purpose of this chapter is to outline the research framework and highlight how the research will be conducted taking consideration of the procedures to be followed. It also gives data collection methods to be used in the study that include interviews (both key informant and indepth), questionnaires and desk review. The details pertaining to the target population, sample size and techniques, description of study area and ethical considerations will also be highlighted in this chapter.

3.2 Research Design

Denzin and Lincoln (2008) conceptualise a research design in a qualitative framework as the entire process of research from conceptualising a problem to writing the narrative. Basing on Denzin and Lincoln (2008) argument, a research design is the delineated plan of action that research uses to collect and use data, so that desired information can be gained from intended sources. The main resolution of a research design is to let the study to envision the suitable research decisions to be made to capitalise on the trustworthiness and reliability of the eventual upshot. The researcher will make use of the descriptive research design recommended by Mugenda and Mugenda (2003) as a good way to know the facts.

3.3 Study population and sampling procedure

The population targets employees of various SMEs in Mutare. The population consisted of all the SMEs in Mutare. Due to the size of the population, a sample were chosen using purposive sampling technique. To carry out a scientific study, the sample of 30 participants is desirable for this study. This will consist of 25 key staff members and 5 managers from SMEs in Mutare, Zimbabwe.

The researcher will ask the company's authorities for permission to conduct the investigation and book the company at a convenient date and time. The questionnaire will be presented individually by researcher who could respond to the explanations requested by the respondents. Before conducting the research, a pilot study will be done. The purpose of this is to make sure that the research methods are appropriate, and they are able to produce results that are consistency and reliable. This pilot study will be conducted with three participants.

3.4 Data collection instruments

The researcher will make use of questionnaires, semi-structured interviews, and desktop review to collect both primary and secondary data. The questionnaire will have two parts: part one consisting of the participants demographic information such as gender, age, academic qualification, work experience and many others. Part two then will concentrate on information that is required to achieve the study objectives. Interviews will be used to cover the loopholes of questionnaires.

3.4.1 Semi-structured interviews

The researcher will conduct semi-structured interviews to enrich the research process by way of minimizing biases. Generally, qualitative interviewing is defined as a guided conversation in which the researcher carefully listens to the respondent 'to hear the meaning' of what is being conveyed. According to (Patton, 2002), the process allows the researcher to produce a rich, in-depth, and varied data set in an informal setting. It allows for a thorough examination of experiences, feelings or opinions that closed questions could never hope to capture.

The researcher will ensure that those selected are well-informed about the issues being researched, to enable them to provide relevant information. Using semi-structured interviews will make the task of comparing accounts of learning experiences and developing concepts during data analysis easier. The choice of this method also since they have the advantage of giving more valid information and they allow flexibility where the interviewer can adjust questions.

3.2.2 Questionnaire

A questionnaire can be viewed as a research tool consisting of a series of questions, for the purpose of gathering information from respondents (Creswell, 2013). Questionnaires could be used to gather both quantitative and qualitative data. As a data collecting instrument, a questionnaire could be structured or unstructured. Creswell (2013) further asserts that a questionnaire could be a set of questions designed to acquire detailed material to meet a specific need for the research information.

Thus, the researcher will administer questionnaires to the participants. This method will ensure that data are gathered within a short space of time. Retrieval of instruments will be done in an orderly and justified manner.

3.2.3 Desktop Review

The researcher will also make use of secondary sources of information which include internet, journals, textbooks, scholarly articles, newspapers. These secondary sources are important to the researcher because the topic of organizational performance is sometimes found in secondary sources and because of the area of study it helped the researcher to acquire some information which the researcher failed to get from the participants. Secondary sources will be also of greater advantage to the researcher because they will provide a wide database of information which is vital to the research of the study.

The researcher will consider document review as a vital data collection instrument for this research. Although use of secondary sources provides relevant information, some of the sources such as newspapers may contain unverified and unauthentic information hence the researcher will practice maximum rigor in using information form secondary sources. Documentary search will also be used to extract information on the foregoing topical issues. This will contribute to a balanced view of information concerning the performance of SMEs.

3.3 Analysis and organizing data

Data will be captured using a computer and analyzed both qualitatively and quantitatively. Raw data will be analyzed and interpreted in order to respond to the research questions and research objectives. Data will be presented in the form of tables, bar graphs and pie charts. Analysis will be conducted which led to the subsequent interpretations leading to research conclusions.

3.4 Ethical considerations

Ethics refer to a set of moral principles or values (Merriam, 1983). In undertaking this research, the information collected will be used for use in this research only and may not be used for any other purposes. The researcher will seek permission and respect the confidentiality guidelines of the company.

- **Informed consent**

Due to profound nature of this study topic, the researcher will observe the ethical standards by seeking permission from the responsible authorities to allow the researcher to undertake this study and to seek informed consent and assent from participants. Consent will be sought verbally from all the respondents in this study and no form of coercion was used to gain access to information. The participants will participate voluntarily, and they will be informed that they can withdraw anytime without any penalties.

- **Potential benefits**

The study will enrich those in the retail sector with the information pertaining to the need to have Accounting Information systems in their companies. They will be able to identify gaps where they are lacking.

- **Potential risks**

Some confidential information may be unraveled in the research process; however, the researcher will ensure that he surf the obtained information and take only the necessary.

- **Confidentiality/privacy**

To maintain confidentiality, the researcher will ensure that no mentioning of participant names will be mentioned in the study. Coding therefore will be used to avoid mentioning of their real names.

3.5 Dissemination of results

For the purpose of this study, data collected from the field will be analysed and presented using both thematic analysis of data and transcription of data. The information obtained from interview surveys will be in both Shona and English and will be then transcribed into English to enhance effective data presentation and analysis. Participation will be a key analytical concept in this study. Issues that will be emerging from the interviews will be analysed and presented.

3.6 Chapter summary

This chapter has explored the research methodology that was used in this study. The research methodology mainly entails processes which could be adopted by researchers when undertaking research. In this chapter, the researcher has discussed the study methods that were adopted. Population, sample size and sampling technique and data analysis procedures were discussed as well. The chapter has also highlighted some ethical considerations that were adhered to during the research.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter focuses on the analysis of data obtained by the researcher on the effects of accounting system on organisational performance. The results of the research were based on the data which was collected from the questionnaire and interview. The data will be presented in form of tables and charts. In this chapter data will be presented and analysed in the same order as the objectives.

4.1 Response rate

Of the 25 questionnaire that were distributed to the targeted population, 25 questionnaires were answered and collected.

4.2 Demographic Profile of the research Sample

This section of the chapter is made up of the demographic profile and background of the data collected from the people who replied to the questionnaire. This is significant because the study was done on small enterprises and it will help in identifying if SMEs are truly small.

This will be shown in the table below:

Table 1: Response rate

	Frequency	Population
Distributed	25	100%
Answered	20	80%

From the table above, it is evident that of the 25 questionnaires that were distributed 25 (100%) were returned after being answered.

4.2.1 Age

Table 2: Ages of respondents

AGE			
Acceptable		Number	Percentage
	18-29	11	44%
	20-40	10	40%
	40 and above	4	16%
Total		25	100%

The table shows that 44% of the people who responded are between the age of 18 and 29 years and 10 (40%) are between 20-40 years, and the rest of the respondents are above 40 years (16%) the reason why most of the respondents are between 18 and 29 years is because the organisation is yet grow and are still at its early stages.

4.2.2 Level of education

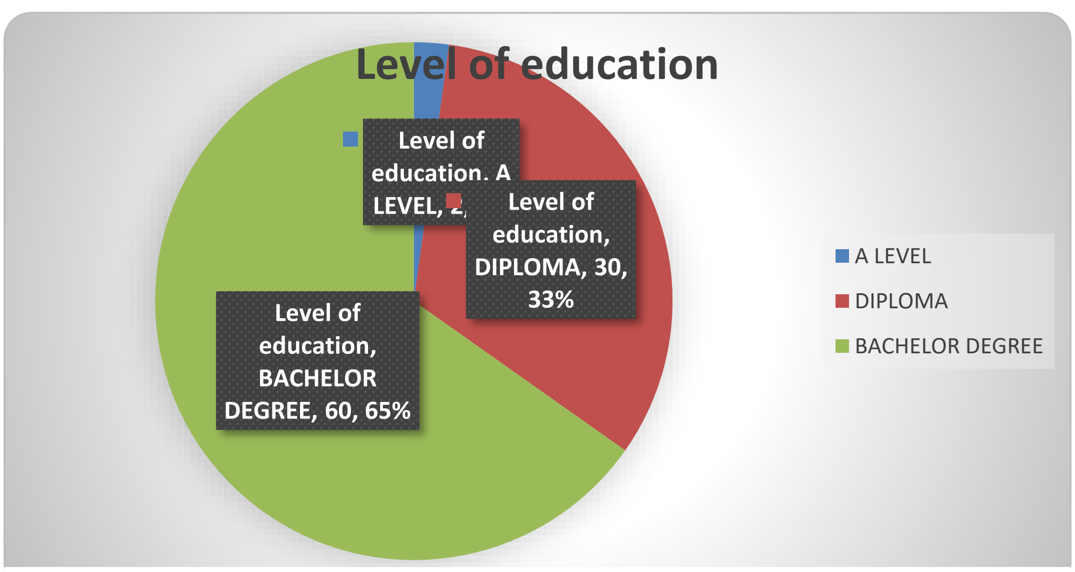

Table 3: Level of education

The diagram a shown in fig 4.3 shows the level of qualifications of the respondents. Sixty percent (60%) of the respondents are holders of the bachelor's degree and thirty percent of them have diplomas, from the diagram above it is evident that 10% of the respondents have master's degree and A level these results show that most of the employers and employees of SMEs have the necessary or essential knowledge for the industry.

4.2.2 Respondents Occupation

Table 4: Occupations of respondents

Position held	**Number**	**Percentage**
Accountants	13	52%
Managers	8	32%
Other employees	4	16%
Total	25	100

Research source 2022

The table above shows the three occupations that are held by our respondents. Most of the respondents are accountants who have a respondent rate of 13 (52%), followed by managers 8 (32%) and lastly the other workers from other department with a total percent of 16% which then gives us a total of 100%.

4.3 Research findings

4.3.1 Effects of ais on organisational performance

Table 5: Effects of AIS on organizational performance

QUESTION	**RESPONSE**	**PERCENTAGE**
Does your company use AIS?	Yes 18 No 7	Yes 70% No 30%
Does AIS affect your performance?	Yes 16 No 9	Yes 62% No 28%
Is there a relationship between AIS and organisational performance and decision making?	Yes 20 No 5	Yes 78% No 22%

The main objective was to examine the effects of AIS on organisational performance of SMEs. From the results given on the table, it shows that 70% of the SMEs have adopted AIS and they have the necessary knowledge about it and it also shows that 30% of the SMEs have not adopted the use of AIS and they are still using the manual accounting system. For those of the SMEs that have adopted the use of AIS they agree that there is a relationship between AIS and decision making but others they assume that there is no connection between the two as they are also making quality decision without adopting AIS.

4.3.2 Factors that affect Organisational performance

Table 6: Factors affecting organizational performance

Response	Frequency	Percentage
Accounting information system	25	100%
Employees qualifications	7	27%
Accounting standards	8	32%

Financial Reporting	10	41%

From the table above the researcher noted that of the 37 respondents, all of them agree that AIS is a major reason which affects organisational performance as it makes it easier for them to prepare financial information which can therefore be used for decision making. Financial reporting was also mentioned as one of the major determinants of Organisational performance since if the financial records are not accurate it also affects the organisation, accounting standards, Employee qualifications was also mentioned because many of the SMEs are many owned businesses and they do not employ qualified workers so it affects their performance as well as accounting standards.

4.3.3 To what extend does AIS affect organisational performance

Table 7: AIS on organizational performance

Response	Frequency	Percentage
Agree	16	63%
Neutral	6	25%
Disagree	3	12%

The researcher intended to find out the how important is AIS to their financial performance. Most respondents have a positive response towards the adoption of AIS, they confirmed that their financial performance as improved since the adoption of the system and they are now producing better financial reports as compared to the ones they used to produce before the implementation of the system.

Some of the small retail shops were not sure if they supported the adoption of AIS they weren't sure about the system then lastly the other respondents that were asked were the small retailers such as the farmers who come and sell their produces here in Mutare and they disagreed with the idea of an accounting system as they strongly believe that it does not affect their type of the business.

4.3.4 Advantages and disadvantages of accounting information system

Table 8: Advantages and disadvantages of AIS

Advantage /disadvantage	Frequency	Percentage
Accuracy	25	100%
Speed	20	81%
Reliable	16	65%
Technical issues	6	24%
Expensive	20	78%

All of the respondents agreed that AIS produces accurate informationWhen using manual accounting system many human errors are likely to occurs errors such as posting a transaction in the wrong account or forgetting to record a transaction (error of omission) or making calculation errors but when using the AIS these errors are automatically corrected thus it produces accurate and reliable information. The other benefits that the respondents mentioned are speed and reliability. The manufacturing's agreed that AIS has improved their financial performance and reporting as they can now produce reports on time and also it no longer takes them a lot of time to produce those reports.

Although most of the respondents agree that there are many benefits associated with the implementation of AIS they also raised their concerns with the adoption of AIS which are that the adoption of the system is really expensive to implement and it is also expensive as it needs to be maintained and also upgraded, the other challenge was that AIS has other cost such as training the users how to use it one cannot just start using the AIS without being trained how to use it thus it is not user friendly .

4.4 Interview response rate

To enhance the deficiency of the questionnaire, the researcher conducted 5 interviews although 10 interviews were supposed to be done. The researcher chose to interview the accountants and managers as they are the ones that work directly with the AIS and they are the ones to make decisions. The interviews were unsuccessful because most of the managers were busy and had no time although the researcher had booked for the interview before hand so that the accountants and managers would be available for the interviews and also interview guides were sent to the interviewers before the interview date so that they had an idea about what the interview was going to be about.

4.5 Findings from interviews

4.5.1 Has AIS been of any help in producing better financial reports and to what extent has it helped your organisation?

This question was asked the interview participant, and they had an opportunity to answer this question freely and give an opinion about the effect of AIS on the production of financial reports to their organisation since it was an open question. There were different opinions on the effects of AIS. The first participant was from the owner of tuck-shop which is the smallest enterprise one can think of starting and that participant he had not adopted an AIS as his business was small and he could not afford to adopt one, even though he had not yet adopted the system, he had mixed views about it.

The second participant was from the manufacturing industry, he had a positive option about the system, and he mentioned that the system had a lot of benefits to be enjoyed if adopted and one of the benefits was quality financial reports. The respondent also mentioned that the financial reports of his organisation could now easily compared by those of which were in the same industry as his. Kimberlee (2019) also supported this view by mentioning that the adoption of AIS has improved the financial reports of many SMEs.

The other participant was from the retail industry, he had many complains about the adoption of AIS according to this respondent AIS proved to be expensive to the business as the workers had to be trained to use the system and also the accounting records did not improve rather, they worsened as no one could use the system properly. Latridis and Rouvolis (2010) also support this view as there was a comparable complains in Greece when they concluded that IFRS for SMEs did not yield any value relevance of accounting information. The other participants could not give a definite response as they had not experienced any benefits or challenges of adopting AIS as they had just started using the system.

4.5.2 How and which financial records are being kept by SMEs?

This was the second question that was asked to the participants and like with the first question all the participants reviewed that they kept different financial records as they were from different industries. One of the participants mentioned they had no specific type of accounting records that they were keeping all as they were still small and had no one to keep track of the books so they just recorded the money they had spent and received. This is supported by the researcher who once mentioned that SMEs in Zimbabwe undermined the use of AIS and the importance of keeping financial records.

One of the respondents who is an owner of a retail shop mentioned that they kept the income statement which would show them the money the sales that they would have made and also the expenditures that they would have incurred during the financial year of the organisation. The other respondent from the retail sector approved to the use of the accounting conservatism method when measuring the quality of accounting data.

The respondent supported the method by explaining that the retail shops wanted to avoid overstating income and understating expenses. In support with the second respondent, Sanaa (2016) pointed out that accounting conservatism is used by accountants when dealing with uncertain condition and avoiding overstating income and understating expenses and obligations.

The other respondent from the manufacturing sector said that that his organisation recorded its transactions using the timely loss recognition when measuring accounting data. The reason was to overlay way for recognising loses when they occur with respect to provision for bad debts. In literature, Uyar (2013) concluded that Turkish financial companies were increasingly applying timely loss recognition when measuring accounting data. It was also illustrated that all the participants appreciated the use of the conceptual framework when measuring accounting data. In summary, the information collected through the interview made it clear that small firms are familiar with definite methods when measuring accounting data and methods like the credit relevance approach are rarely used when measuring accounting data.

4.5.3 How and which financial records are being kept by SMEs?

This question is somehow linked to the question asked in the questionnaire and in the interview. The researcher had a chance to get information without limiting the participants on what they had to say. All the five respondents mentioned the significance of the legal framework as a main factor in accounting reporting. The respondents all agreed that having to meet the terms with the regulatory authorities like ZIMRA made them to practice proper accounting reporting. This view is supported by Soderstrom and Sun (2007) who concluded that the political and legal system of a country affects accounting reporting quality.

According to Abedana and Gayomey (2016) taxation enables preparers of financial statements to provide users with excellent information in order to comply with the authorities, bearing in mind as a factor, one participant from the retail sector mentioned the use of value accounting standards to be significant in quality accounting reporting. Khanagha (2011) agrees with the researcher by mentioning that the quality of accounting standards has effects on the user's perception of the financial information presented in the financial statements. This suggests that the legal framework and the quality of accounting standards do play a vital role in producing quality accounting reporting.

4.5.4 Are there any benefits and challenges that your business has experienced since Adopting AIS?

The question was aimed to evaluate the benefits and challenges of adopting AIS to SMEs, the participants in a few words explained some of the challenges and benefits they were facing. All the five respondents mentioned having challenges in obtaining sufficient resources that will be needed to completely adopt the AIS, the AIS was seen as to be too expensive to implement as it involved necessary adjustments of the overall business accounting system.

The other problem that the five respondents mentioned was the lack of training and skilled workers. Mazhindu and Mafuba (2013) concluded that SMEs in Zimbabwe lacked adequate knowledge and the resources needed to adopt AIS. One respondent from whole sector complained about the difficulty of the AIS language and mentioned that his business was having problems in understanding the theory and practically use the system when preparing financial statements.

Turning the understanding to possible benefits of adopting AIS for SMEs, all the five participants pointed out that the due to the use of AIS the preparation of accounting reports can be done automatically by the system, it also helps to produce meaningful information and financial reports by taking away the manual processing of information. AIS helps to keep electronic books of accounts which can be done manually and it can solve difficult transaction which can prove to be complex if they are to be done manually.

When using manual accounting system many human errors are likely to occurs errors such as posting a transaction in the wrong account or forgetting to record a transaction (error of omission) or making calculation errors but when using the AIS these errors are automatically corrected thus it produces accurate and reliable information.

When using AIS information is protected as there is no risk of unauthorised access to information unlike when using manual accounting anyone can access the accounting records and information can be stolen by your competitors or can be misplaced. Users who are authorised to access the information can access it at any given time and place AIS eliminates all the risks that are associated by the use of manual accounting.

Reports are generated on time as the information will readily available in the system for the owner of the business to use to in making decisions unlike when using the manual accounting. Another benefit which was acknowledged by the respondents was improved comparability of financial statements. It was highlighted that AIS had enabled SMEs to make comparisons with other business who were conducting the same type of business.

International comparisons were also been experienced since adopting IFRS. Bunea-Bontas etal (2011) supported the use of IFRS for SMEs as it enhances confidence and comparability in the reports of SMEs. From the benefits and challenges that the three respondents were giving,it clearly shows that IFRS for SMEs has its pros and cons which are almost 50/50 in comparison. Bunea-

Bontas et al. (2011) supported the use of IFRS for SMEs as it enhances confidence and comparability in the reports of SMEs. From the benefits and challenges that the three respondents were giving, it clearly shows that IFRS for SMEs has its pros and cons which are almost 50/50 in comparison.

4.6 Chapter summary

This chapter looked at data collection, it was mainly concerned at presenting data that was collected on the effects of AIS on organisational performance of SMEs and from the presented data, it is evident that AIS there is a connection between AIS and performance and also the findings showed that AIS affects the performance of SMEs in Zimbabwe. In the next chapter, chapter 5, the research is going to look at the summary of the research, recommendations and conclusion

CHAPTER FIVE

DISCUSSION RESULTS, RECOMENDATIONS AND CONCLUSIONS

5.0 Introduction

Chapter five briefly describes the research results and also go on to emphasize the recommendations and conclusions of the research. The research questions shall also be analysed. Based on the data presented in chapter four it is clear that AIS has a major influence on the organisational performance of Small and Medium Enterprises in Mutare.

5.1 Discussion

The main aim of this research was to the find out the effects of accounting information system on organisation performance of SMEs in Mutare. The questionnaire response rate was a success since most of the questionnaires were answered positively. From the data that was collected and examined it was evident that there is a strong connection between accounting information system and organisational performance. It is also important to note that from the study, the advantages of using AIS such efficiency, reliability and accuracy has influenced many organisations to adopt AIS.

The researcher also referenced the literature that was there to re-examine the effects of AIS on performance, she also mentioned the advantages and disadvantages of adopting AIS in the literature review, and in addition the researcher explained the method that was used to collect data which was random sampling using the qualitative approach a population study of 30 respondents was used, research instruments were also identified and the ethical consideration. In chapter four data were collected through the use of questionnaires and interviews and also presented using tables and charts.

5.2 Implications

The research findings showed us the effects of accounting information system on small and medium size enterprise performance, the research noted that AIS may prove to be of great disadvantage as it is designed by humans and may be costly, but it is vital to management, because of that the research wanted to examine the importance of AIS on financial recording, decision making. With the rapid change of the world, organisations and business owners have to think of growing. This needs managers to make sacrifices thus they are encouraged to adopt this system paying attention to their functions and abilities.

Conclusively the most important result of the research is that there is a well-built and constructive relationship between accounting information system and organisational performance, the type of accounting record keeping and system that a firm has can be used to measure the performance of an organisation therefore the study concludes that the accounting information system that an organisation has certainly affects the financial performance of SMEs in Mutare.

5.3 Recommendations

According to the study, the adoption of computerised accounting information system is worthwhile for all organisations so as to ensure accuracy in reporting and recording of financial information of the business as compared to those using manual accounting system. It is essential to adopt AIS since there will be less people interfering in record and report production which then will reduce biases and thus ensures reliability and consistency on those reports. Operational efficiency will be achieved through timely processing of information, bulk processing and cost minimisation which in turn leads to increased performance.

With accounting information system, the organisation can be able to grow its scope of operations in wide geographical arena. This reduces expenses and makes the process easier which may prove to be difficult in a manual accounting. Interlinking of systems with other organizations has made several organizations produce speedy reporting on important aspects which can be done manually by the other firm. With this interface most companies can connect their banking records with the bank to their system on line and therefore perform most of their banking transactions without visiting the bank, most of the SMEs should be encourage to do the same.

After doing the study on the effect of accounting information system on small and medium size enterprise, the researcher recommends that the SMEs consider expanding. The following are the other recommendations:

- SMEs should implement cheaper AIS particularly because when interviewed, most of the SMEs owners considered AIS to have more disadvantages to their enterprise than the benefits to be enjoyed.
- Management of multiple stores to be more specific should either employ an accountant of degree level or below so as to permit them to practise effective recording. Most Small enterprises that were examined used of single entry and do not distinguish the company money from theirs, this could prove to be risky since profits may be overstated.

5.4 Suggestions for further research

Considering the above recommendations, it is highly evident that further research is required on the factors that influence the effectiveness of AIS. This will help in coming up with strategies that can be used to address these and make AIS more beneficial to companies.

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APPENDICES

Appendix A: Questionnaire

1. **Do not write your name on the questionnaire**
2. **Please attempt all the questions**

SECTION A: FACTORS AFFECTING FINANCIAL REPORTING

1. What are the challenges being faced in maintaining your accounting records?

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SECTION B: MEASUREMENT OF FINANCIAL PERFOMANCE

1. How do you measure your financial performance?

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   ....

SECTION C: HAS THE ADOPTION OF AIS ENHANCED YOUR ORGANISATIONAL PERFORMANCE

1. Has your business improved it performance since adopting AIS

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SECTION D: BENEFITS AND CHALLENGES OF ADOPTING AIS FOR SMEs

1. What are the benefits of adopting AIS to your business?

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2. Is your business facing any problems after adopting AIS?

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....APPENDIX B: INTERVIEW GUIDE

1. What is your position in the organisation?
2. How long have you worked for the organization?
3. Has AIS been of any help in producing better financial reports and to what extent has it helped your organisation**?**
4. How and which financial records are being kept by your organisation?
5. To what extent has AIS for SMEs helped in producing quality accounting reports within your business?
6. Are there any benefits and challenges that your business has experienced since Adopting AIS?