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75

Transforming accounting practices in small and medium-scale enterprises (SMEs): the roles and challenges of information and communication technology

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Abstract

Purpose – Despite the vital role that SMEs play in a country's economy, they face numerous challenges, particularly in generating accurate and quality financial reports for decision-making. This study examines the use of accounting software, its influence on accounting and financial reporting, and the issues that come with using accounting software among Ghanaian SMEs.

Design/methodology/approach – Data were collected using a self-administered paper-based questionnaire from 160 SME owners and managers in Ho Municipality, Volta Region – Ghana. The analysis involved descriptive statistics and regression analysis.

Findings – The study found an increasing use of accounting software among Ghanaian SMEs. The majority of SMEs leverage accounting software to efficiently track inventory, manage cash flow and produce accurate financial reports to support strategic decision-making. However, challenges such as high ICT infrastructure costs, irregular power supply and cybersecurity risks hinder their effective use.

Research limitations/implications – The research relied on self-reported data, which may increase the risk of common method variance. However, appropriate measures were taken to minimise these limitations.

Practical implications – The research makes practical contributions to ICT adoption in accounting literature. The findings suggest the need for government, business owners and technology providers to collaborate on developing cybersecurity guidelines for SMEs as well as invest in digital infrastructure to protect financial data and enhance the effective use of digital accounting tools.

Originality/value – Existing research on SMEs accounting transformation in Ghana is limited, making this study an original contribution to understanding how accounting software can address financial reporting challenges of Ghanaian SMEs.

Keywords Accounting practices, Accounting software, Information and communication technology, Financial reporting, Small and medium-scale enterprises

Paper type Research paper

1. Introduction

Over the years, studies have affirmed that small and medium-scale enterprises (SMEs) play a vital role in supporting worldwide economies (Ussif and Salifu, 2020; Runde *et al.*, 2021; Pulka and Gawuna, 2022). According to Runde *et al.* (2021), SMEs constitute the majority of

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businesses on a global scale and serve as pivotal drivers of both job generation and worldwide economic advancement. The World Bank (2022) reported that SMEs represent approximately 90% of all businesses and contribute to over 50% of global employment. In emerging economies, SMEs contribute up to 40% of the Gross Domestic Product (GDP). In Africa, SMEs constitute about 90% of business entities and contribute between 52% and 57% to GDP (Amaradiwakara and Gunatilake, 2016). In Ghana, SMEs constitute about 92% of all businesses, contributing almost 70% to GDP (Evans *et al.*, 2015) and providing employment for over 80% of the Ghanaian population (Amoah, 2018).

Despite their economic significance, SMEs often face challenges with inadequate accounting practices (Mohammad, 2018; Prempeh *et al.*, 2022). These challenges affect their ability to produce accurate financial information, which is crucial for managing operations and making informed decisions on resource allocation and funding to achieve sustainable growth (Indriani *et al.*, 2021; Jayawardane and Gamlath, 2020). The primary reasons for the majority of SMEs' inadequate accounting and financial reporting practices include a lack of sufficient financial management knowledge among owners and managers, a lack of resources, and the significant cost associated with employing skilled accountants (Ferdiana and Sulistyo, 2019; Okeniyi *et al.*, 2020). In particular, some studies (Musah, 2017; Ambad *et al.*, 2020) have demonstrated that approximately 60% of existing SMEs, particularly in developing countries, fail within their first five years of operation due to a lack of proper accounting and financial reporting practices, which limits their ability to assess performance effectively.

While a well-established accounting system is fundamental to deliver precise and timely financial information to support decision-making of owners and managers of every business establishment (Fernando *et al.*, 2022), most SMEs employ traditional manual accounting method for financial reporting (Musah, 2017). This involves employees executing the complete accounting cycle manually at regular intervals, which encompasses tasks such as recording transactions in journals and ledgers, creating trial balances and generating financial statements without the use of automated systems or software (Amahalu *et al.*, 2017). However, the manual accounting is not only paper-intensive and time-consuming but also often results in defective financial data, leading to inapt financial decision-making by all users of accounting information (Jayawardane and Gamlath, 2020). Furthermore, the manual accounting falls short in efficiently delivering essential information required by businesses to thrive (Fernando *et al.*, 2022).

Recent studies (Ganyam and Ivungu, 2019; Sasadeeong, 2023; Nalini, 2024) have indicated that digital transformation enhances productivity by automating processes, improving data management, and enabling informed decision-making. Consequently, businesses have transitioned from paper-based to computer-based accounting using advanced information and communication technology (ICT) tools like accounting software, cloud computing, and data analytics for efficient financial tracking and reporting (Xicang *et al.*, 2024). Abdullah *et al.* (2023) further observed that ICT-enabled accounting systems enhance data processing speed and accuracy, providing managers with timely, reliable financial insights for informed decision-making. Additionally, ICT enhances security by preventing unauthorised access to programs and files, reducing the risk of intentional record manipulation and ensuring the integrity of accounting data for decision-making (Olufemi *et al.*, 2021).

Studies (Olufemi *et al.*, 2021; Thottoli and Ahmed, 2022; Alharasis, 2024) have shown that the application of accounting software enhances accounting and financial reporting practices of businesses. For instance, Alharasis (2024) demonstrated that the use of advanced accounting software improved the accuracy, timeliness, and transparency of financial reports in Jordanian family SMEs post-COVID-19, despite challenges like unstable internet connections and inadequate specialists. Nonetheless, while recent papers (Ganyam and Ivungu, 2019; Asmamaw, 2021; Sasadeeong, 2023) have shown that some owners of SMEs have not capitalised on the use of advanced accounting software, resulting in inappropriate financial decision-making, most of these papers focussed on developed countries such as the

United States, United Kingdom, and Canada with limited studies on the impacts of ICT on SMEs' accounting practices in Africa (Amanamah *et al.*, 2016; Abdulle *et al.*, 2019; Gofwan, 2022).

In Ghana, there is evidence of SMEs adopting accounting software for accounting and financial reporting (Prempeh *et al.*, 2022; Mahama and Dahlan, 2022; Osei-Tutu *et al.*, 2024). However, the findings from these papers remain inconsistent. For instance, while Mahama and Dahlan (2022) found that few SMEs in Ghana use accounting software to produce and deliver financial statements, with lack of government support and organisational readiness being key barriers to adoption, Osei-Tutu *et al.* (2024) found that SMEs in Ghana widely adopted accounting software, yet its application to accounting practices is moderate, suggesting that SMEs might face limitations in expertise or resources to fully integrate accounting software into comprehensive accounting practices. Moreover, despite the importance of accounting software for financial information recording and processing in Ghana, SME owners have been unable to implement it due to financial constraints, system maintenance issues, and a lack of skilled personnel (Prempeh *et al.*, 2022). According to Afolayan and De la Harpe (2020), previous studies may not have fully captured the impact of accounting software on accounting practices, making it challenging for Ghanaian SMEs to evaluate its benefits, justify costs, and make informed adoption decisions.

SMEs play a crucial role in economic development, yet they often struggle with inefficient accounting practices, which can hinder their growth and competitiveness. The adoption of accounting software is often touted as a solution to improve financial management in SMEs. However, the effective implementation of ICT in accounting practices is fraught with challenges, including high ICT infrastructure costs, irregular power supply, and cybersecurity risks. Furthermore, factors such as regional economic disparities, geographical locations, the diverse nature of SME activities, and differences in research methodologies may have also contributed to the inconsistent findings on accounting software adoption in Ghana (Coffie *et al.*, 2021). Therefore, there is the need to further explore the roles and challenges of ICT in transforming accounting practices in Ghanaian SMEs, with a view to identifying strategies for effective implementation.

The purpose of this study generally is to investigates the extent of the use of accounting software for recording and reporting financial transactions among Ghanaian SMEs, to explore the impact of accounting software on the accounting and financial reporting practices of SMEs in Ghana, and to identify the challenges faced by Ghanaian SMEs in adopting and using of accounting software for accounting and financial reporting. The study aims to provide insights into the effective implementation of ICT in SMEs, with a view to enhancing the use of using of accounting software for accounting and financial reporting and promoting growth in SMEs.

Specifically, the research aims to address the following questions:

(1) To what extent do Ghanaian SMEs use accounting software to record and report financial transactions?

(2) How does the use of accounting software impact the accounting and financial reporting practices of SMEs in Ghana?

(3) What challenges do SMEs in Ghana face in adopting and using accounting software for accounting and financial reporting?

The significance of the paper is varied. To start with, this study will contribute to the existing body of knowledge about accounting practices in SMEs and the role of ICT in accounting and financial reporting. The findings will additionally provide insights into the challenges faced by SMEs in adopting ICT and identify strategies for effective implementation. Furthermore, the study will highlight the potential benefits of ICT adoption in transforming accounting practices, which can inform policy decisions and support the growth and development of SMEs.

Section 1 of the study introduces the paper. Section 2 reviews the theoretical and empirical literature. Section 3 discusses the methodology. Section 4 presents an interpretation of the paper's results. Section 5 covers the discussion. Finally, section 6 concludes the paper.

2. Literature review

This section of the paper covers the literature review, which are in two parts. The first part looks at the theoretical while second part considers the empirical reviews.

2.1 Theoretical review

Davis (1989) developed the Technology Acceptance Model (TAM), which is one of the most extensively used theories in accounting information systems research for assessing how people adapt and accept technology (Khan and Siddiqui, 2019). TAM's goal is to provide a generic explanation of the elements that influence technology adoption, so it can be applied to a wide range of end-user computing systems and user groups. TAM proposes that two major aspects drive technology adoption: perceived usefulness (PU) and perceived ease of use (PEOU). When a system is implemented well, an individual's conviction that adopting it would improve their performance and contribute positively to the company is referred to as their PU. This research examines how SMEs' owners see IT-based accounting solutions (such as QuickBooks, Tally, and cloud accounting) as advantageous for financial reporting, compliance, and efficiency. If SME owners feel that utilising accounting software would save time, enhance accuracy, and increase productivity, they are more inclined to use it. PEOU is defined as an individual's belief that utilising technology would be effortless (Chen *et al.*, 2011). In the context of this research, it relates to how easy and user-friendly accounting software is for small business owners. If the software is complicated or needs substantial training, SMEs owners may reject adoption owing to a lack of technical skills or financial resources to engage ICT professionals (Sasadeeong, 2023).

TAM investigates user behaviour while adopting an accounting information system, offering insights into how people perceive, accept, and apply technology (Qader *et al.*, 2022). According to empirical research, SMEs gain from technology adoption in a variety of ways, including increased productivity, lower production costs, and more accurate financial data, which immediately enhances the quality of financial reporting. However, difficulties such as limited access to quality infrastructure, insufficient technical literacy, and data security concerns prevent these SMEs from fully adopting technology (Nazir and Khan, 2022; Miaoquan *et al.*, 2023). While previous theories have focussed on technology acceptance in wider company contexts, TAM blends digital transformation with accounting processes, offering a theoretical platform for researching financial technology adoption in SMEs.

2.2 Empirical review and hypothesis development

2.2.1 SMEs in the Ghanaian context. Various definitions of SMEs exist across countries, institutions, and among individuals. These definitions commonly hinge on specific criteria such as the number of employees, sales figures, volume of operations, financial strength, initial capital investment, and ownership (Pula and Berisha, 2015). Consequently, accurate comparisons of these entities across countries regarding employment, contribution to GDP, income generated, and similar factors within the SME sector, might not be feasible. The Ghana Statistical Service (GSS) (2023) categorises SMEs in Ghana based on their workforce size. Micro-scale enterprises are those with one to five employees, small-scale enterprises have six to 30 employees, and medium-scale enterprises have six to thirty employees (GSS, 2023). This study defines SMEs as micro enterprises (those with one–five employees and fixed assets less than $10,000.00, without land and buildings); small enterprises (those employing six to twenty-nine people, with fixed assets not exceeding $10,000.00, excluding land and

buildings); medium enterprises (those employing thirty to ninety-nine people and having fixed assets up to $100,000.00) (Sidek *et al.*, 2020).

2.2.2 Accounting and financial reporting practices within SMEs. Accounting holds significant importance for organisations, regardless of their size, as it equips entrepreneurs with financial information crucial for making well-informed business decisions. Accounting and financial reporting practices are the methods and systems designed to collect, organise, and communicate financial information concerning an organisation's operations (Beg, 2018). According to Pavtar (2017), accounting and financial reporting practices include consistent implementation and adherence to accounting policies, usually overseen by accountants and auditors as part of the organisation's routine operations. The intention was to enhance the reliability of the records and reports, thereby fostering user confidence.

However, the recent prevalence of financial scandals has significantly questioned the competence and quality of these professionals' work. According to Nsoke *et al.* (2021), the implementation of accounting and financial reporting practices can significantly impact the performance and growth of businesses. Hence, SME owners and managers should prioritise acquiring accounting knowledge, and implementing sound accounting and financial reporting practices to foster the growth of SMEs consistently. According to Jayawardane and Gamlath (2020), strong accounting and financial reporting practices enable SMEs to access capital from domestic and international sources. This facilitates their ability to support initiatives such as investment, promotion, diversification, and informed decision-making based on financial performance.

Literature revealed that important accounting and financial reporting practices of SMEs include the keeping of records pertaining to sales, purchases, income, and expenditure, issuing invoices to customers promptly upon the delivery of goods, recording all categories of non-current assets and depreciating them using appropriate methods over time, calculating wages and salaries of employees, and producing the company's annual and legally required financial statements. These statements include the statement of financial position, statement of comprehensive income, statement of cash flow, statement of changes in equity, and accompanying notes for financial explanations (Jayawardane and Gamlath, 2020; Qubbaja and Talahmeh, 2020).

Financial information must consistently exhibit distinct qualitative characteristics to effectively assist investors, managers, and other users in making informed decisions, considering the objectives of financial reporting. The International Accounting Standards Board IASB (2018) identifies the following qualitative characteristics of accounting information:

(1) Relevance: Information should provide insights into past events and help forecast future occurrences to support decision-making.

(2) Faithful Representation: Financial data must accurately reflect a company's assets, liabilities, and transactions.

(3) Verifiability: Information should be capable of being reproduced using consistent data and assumptions.

(4) Timeliness: Financial information must be available promptly to maintain its usefulness for decision-making.

(5) Comparability: Financial data should be easy to compare across entities and with prior periods of the same entity.

(6) Understandability: Information should be presented clearly and concisely for easy comprehension.

According to Qubbaja and Talahmeh (2020), an accounting system's effectiveness is not solely based on its record-keeping capabilities, but also on its ability to meet the information needs of

both internal and external decision-makers. Consequently, many scholars (Olufemi *et al.*, 2021; Gofwan, 2022; Abdullah *et al.*, 2023; Sasadeeong, 2023) argue that as accounting transitions into the digital era, SMEs would benefit from adopting IT-based accounting systems.

2.2.3 Benefits of accounting software in accounting and financial reporting practices. Regardless of the enterprise's size, technology has a significant impact on its accounting practices. An IT-based accounting system can automatically journalise all financial activities as soon as the order transaction begins and accept payment until the transaction is complete (Sasadeeong, 2023). The study by Fernandez and Aman (2018) on the influence of technology on global accounting practices demonstrates a shift from manual execution of various accounting tasks, such as bank reconciliations, sales ordering, invoicing, inventory management, and handling payables or receivables, to rapid and cost-effective software-based operations, substantially reducing material misstatements.

The application of software packages, including Sage 50 Accounting and QuickBooks, enables SMEs to gather, store, process, and communicate accurate financial and accounting data via financial statements on time, ultimately supporting their decision-making process (Ganyam and Ivungu, 2019). Accounting software, when used to streamline accounting practices, can enhance the financial reporting of SMEs. This is achieved by presenting financial data in a visually clear format, which enhances understanding and facilitates analysis (Ferdiana and Sulistyo, 2019).

According to Mitrović (2016), the advancement of ICTs has significantly enhanced the efficiency and effectiveness of accounting processes, particularly in terms of reporting, by reducing the time accountants need to prepare and share reports. This, in turn, has improved the quality of business decisions made by various interest groups. Using a systematic literature review and bibliometric analysis, Odonkor *et al.* (2024) examined artificial intelligence (AI)'s impact on accounting practices, focussing on its role in transforming traditional methods and financial reporting. The study emphasised AI's potential to improve efficiency, accuracy, and financial data insights while also addressing the challenges and risks linked with its adoption.

Koundal *et al.* (2024) examine how accounting information systems (AIS) enhance SME operations. The study found that AIS streamlines financial management, automates tasks, ensures accurate reporting, and strengthens security, boosting SMEs competitiveness and sustainability. According to the authors, successful implementation requires considering cost, system compatibility, training, and data security. Bangerter and Alfaro-Almagro (2024) examined the link between accounting software adoption and financial reporting quality in UK small businesses, identifying key implementation challenges. Using inferential statistical analyses, the study found a positive relationship between accounting software and financial reporting quality, while implementation challenges, such as inadequate training for personnel had a negative impact. The study recommends careful software selection, employee training, and clear reporting procedures to enhance financial management.

In summary, accounting software automates financial management tasks, including transaction recording and financial report generation, enhancing efficiency and accuracy (Amanamah *et al.*, 2016).This adoption can improve accounting practices and provide valuable information for informed decision-making. From the reviewed literature, we formulated the following hypothesis:

H1. Accounting software utilisation has a significant positive impact on SMEs' accounting and financial reporting practices.

2.2.4 Challenges in using accounting software in accounting and financial reporting practices. Technology does not only benefit businesses; it also exposes them to challenges, particularly the SMEs. Investing in a sound computer-based accounting system can cost thousands or millions of dollars, contingent upon the scale and complexity of the organisation (Thottoli, 2020). Technology entails considerable costs, including the initial acquisition costs, installation of internet software, ongoing maintenance, updates, and training expenditures, all

of which necessitate the involvement of skilled experts for effective management. Furthermore, in the event of a system failure, revenue loss can result from service interruptions or production stoppages, leading to customer dissatisfaction and attrition (Afenya *et al.*, 2019).

Businesses that use technology run the risk of cybercrime and fraud, which are crimes committed over the internet using computers. Hackers exploit computer networks to commit these crimes (Miaoquan *et al.*, 2023). Nurwanah (2024) highlighted the importance of aligning cybersecurity with business goals to protect digital assets, build trust, and enhance resilience. The author also emphasised the need for strong security measures, such as two-factor authentication and encryption, to prevent unauthorised access and malware threats.

The research by Rizos *et al.* (2016) identified insufficient internal capabilities, inadequate infrastructure, financial constraints, and limited awareness about suitable ICT solutions as the major obstacles hindering the adoption of IT. Similarly, Mujalli *et al.* (2024) explored the key factors driving cloud accounting adoption among SMEs in Saudi Arabia, using the TAM framework as a foundation. The study revealed that resource limitations, concerns about cloud services, employee skills, top management support, and perceived ease of use play a significant role in shaping SMEs' willingness to adopt cloud accounting.

Loo *et al.* (2023) conducted a systematic review of technology adoption challenges in Malaysian SMEs, highlighting resistance to change, lack of technical skills, and concerns over risks. The study emphasised the need for managers to motivate employees and create a supportive environment for successful technology integration. Using the mixed methods design, Jackson and Allen (2024) examined the perspectives of accounting managers in Australia and South-East Asia on technology adoption. The findings highlighted that security and privacy concerns were central to decision-making, whereas environmental factors, such as regulatory support, played a lesser role. The study recommends organisational support and management involvement as key strategies to help staff embrace technology, particularly in larger firms.

The reviewed literature reveals disagreements on the challenges SMEs encounter when implementing technology for accounting and financial reporting. This is due to previous studies focussed on a broader perspective on technology, regional economic disparities, the diverse nature of SME activities, or differences in research methodologies. This underscores the need to identify the main challenges SMEs face, especially in adopting accounting software. Hence the current paper examines the use of accounting software, its influence on accounting and financial reporting, and the issues that come with using accounting software among Ghanaian SMEs. Ghanaian SMEs' digital transformation is crucial for enhancing efficiency, competitiveness, and financial transparency. Focusing on Ghana helps to identify country-specific challenges and solutions, offering a model for other emerging economies with similar characteristics. Additionally, the study's findings may reveal the true extent of accounting software adoption among Ghanaian SMEs, which has been inconsistently reported in previous research.

3. Methodology

The study adopted a survey approach, which is particularly beneficial for efficiently collecting data from a large and diverse sample, facilitating generalisable insights, and enabling statistical analysis of trends and relationships (Nardi, 2018). Although the survey approach has the potential for response bias, where participants may provide inaccurate or socially desirable answers (Bergen and Labonté, 2020), we ensured anonymity, and used clear and neutral wording in the questions (Nardi, 2018; Bergen and Labonté, 2020). The study targeted owners and managers of registered SMEs in Ho Municipality, Ghana, as they play a key role in technology adoption and implementation within their businesses. Data was collected through a structured paper-based questionnaire. Purposive sampling method was employed to select the

participant for the study. Unlike random sampling, which selects participants purely by chance, and may include participants lacking relevant knowledge or experience for the study (McDonald, 2003), the use of purposive sampling ensured that relevant accounting and financial reporting experience to ensure meaningful and accurate responses (Bazen *et al.*, 2021). In total, 200 questionnaires were personally administered to respondents. However, we collected 150 questionnaires and found them useful for the analysis, resulting in a response rate of 75%.

The developed questionnaire was structured into three primary sections. Section one of the questionnaire focussed on the respondents' backgrounds, capturing key demographic variables such as age, gender, and educational background. Section two addressed the general backgrounds of the businesses, including their legal status, industry type, and number of permanent employees. These demographics were important in examining their relationship to the study's research objectives. Section three looked at the extent of accounting software usage among SMEs. Sections four and five assessed respondents' views about the impact of accounting software on accounting and financial reporting practices and the challenges associated with using accounting software, respectively. Items in sections four and five were rated on a scale from 1 (strongly disagree) to 4 (strongly agree) to ensure clarity and consistency in coding and analysing the responses. In addition, a four-point scale effectively captures clear attitudes and perceptions relating to the use of accounting software in accounting and financial reporting practices without allowing for neutral or non-committal responses.

Pretesting and consultations with experienced accountants and accounting academics were employed to test the content validity of the instrument items. Furthermore, a pilot test was conducted to assess external reliability. The collected data was sorted, coded, and entered into Excel for cleaning before being transferred to the SPSS software (version 25) for analysis. The questionnaire responses were analysed using descriptive statistics. Additionally, regression analysis was conducted to assess the impact of accounting software on SMEs' accounting and financial reporting practices.

3.1 Test of normality of data

Following Mishra *et al.* (2019), the Kolmogorov-Smirnov (K-S) test was chosen to assess the normality of the data due to its suitability for sample sizes exceeding 50. Table 1 displays the results of the K-S test for normality.

From Table 1, the K-S statistic for accounting software (AS) is 0.072, and the *p*-value is 0.054. Also, the K-S statistic for accounting and financial reporting practices (AFRP) is 0.038, and the *p*-value is 0.200. Since the *p*-values for both variables are greater than 0.05, we fail to reject the null hypothesis that the data is normally distributed. Based on the K-S test, both variables, accounting software and accounting practices, meet the assumption of normality, which makes them suitable for linear regression analysis.

Table 1. Kolmogorov-Smirnov test results

Tests of normality			
Variables	Kolmogorov-Smirnov Statistic	Df	*p*-value
AS	0.072	150	0.054
AFRP	0.038	150	0.200

Source(s): Field Data, 2024

4. Results

4.1 Demographic profile of the respondents

From Table 2, the results reveal that out of 150 respondents, 53.3% were male and 46.7% were female. In terms of education, the majority of respondents (52.0%) had completed tertiary education, while 34.7% had completed secondary education, and 11.3% had only completed basic education. Only 2% of the respondents had no formal education. The age distribution shows the highest representation from the 50 and above years (52.7%) group, followed by 40–49 (22.0%), 30–39 years (18.0%), and the least from 20–29 years (7.3%). This demographic data is crucial in understanding the role of IT adoption in transforming accounting practices in SMEs, as the age group and education level could influence the responses.

4.2 Business characteristics of SMEs

This section examines the business characteristics of SMEs in the municipality, focussing on legal status, nature of business, and number of employees. According to Table 3, the majority (56.7%) of SMEs are sole proprietorships, followed by 25.3% that operate as partnerships. The remaining SMEs (18.0) are limited liability companies. Furthermore, Table 3 indicates that the

Table 2. Demographic profile of the respondents

Variables	Category	Frequency	Percentage
Gender	Male	80	53.3
	Female	70	46.7
	Total	*150*	*100*
Education	Tertiary education	78	52.0
	Secondary education	52	34.7
	Primary education	17	11.3
	No formal education	3	2.0
	Total	*150*	*100*
Age (in years)	50 or above	79	52.7
	40–49	33	22.0
	30–39	27	18.0
	20–29	11	7.3
	Total	*150*	*100*

Source(s): Field Data, 2024

Table 3. Business characteristics of SMEs

Variables	Category	Frequency	Percentage
Legal ownership	Sole Proprietorship	85	56.7
	Partnership	38	25.3
	Limited Liability Company	27	18.0
	Total	*150*	*100*
Types of business	Trading	79	52.7
	Service	38	25.3
	Manufacturing	33	22.0
	Total	*150*	*100*
Number of employees	1–5	86	57.3
	6–29	52	34.7
	30–99	12	8.0
	Total	*150*	*100*

Source(s): Field Data, 2024

majority of SMEs (52.7%) engage in trading activities, 25.3% offer services, and 22.0% work in manufacturing. In terms of the number of employees, Table 3 shows that the majority of the SMEs (57.3%) employed 1–5 workers, 34.7% had 6–29 employees, and only 8.0% had 30–99 employees. According to their employment size, the majority of businesses are primarily micro and small enterprises.

4.3 Extent of accounting software use among Ghanaian SMEs

The study aimed to determine which SMEs use accounting software to record and report financial transactions for decision-making. According to Table 4, 82% of SMEs currently use accounting software for recording and reporting financial transactions, while 18% do not use accounting software. This suggests an increasing trend in Ghanaian SMEs' current use of accounting software.

4.4 Software use in accounting and financial reporting practices

Having established the extent of accounting software usage among the SMEs, we probed further from the majority of respondents who use accounting software on the specific types of accounting software they use to record and report financial transactions. Table 5 displays the results of this investigation.

According to Table 5, point-of-sale (POS) software emerged as the most popular accounting software used by 36.6% of SMEs. Most SMEs in the study traded, which may explain why. Sage is the second most popular accounting software used by SMEs, followed by Oracle with 20.3% and 16.3%, respectively. Table 5 further reveals that the majority of the SMEs (65.0%) are within 10 years of using accounting software to record and report business transactions, while 35.0% of them have been using accounting software for more than 10 years. This result suggests that accounting software adoption for accounting and financial reporting practices is still in its early stages among SMEs.

Table 4. The extent of accounting software use among Ghanaian SMEs

Variable		Frequency	Percentage
Usage	No	27	18.0
	Yes	123	82.0
	Total	150	100

Source(s): Field Data, 2024

Table 5. Software use in accounting and financial reporting practices

Variable		Frequency	Percentage
Software type	Point-of-Sale (POS)	45	36.6
	Sage	25	20.3
	Oracle	20	16.3
	Tally	10	8.1
	QuickBooks	18	14.6
	ERP system	5	4.1
	Total	*123*	*100*
Years of software implementation	Less than 10 years	80	65.0
	More than 10 years	43	35.0
	Total	*123*	*100*

Source(s): Field Data, 2024

4.5 Benefits of software in accounting and financial reporting practices

As illustrated in Table 6, the majority of the items identified as benefits of accounting software in accounting and financial reporting practices have average scores of approximately 2.5 or higher (around 3). The respondents identify four key areas where SMEs use accounting software in their accounting and financial reporting practices: "recording and tracking financial transactions" (mean = 2.64), "generating comprehensive financial reports in a timely manner" (mean = 2.58), "managing inventory" (mean = 2.57), and "managing cash flow" (mean = 2.57). These results suggest that, overall, SMEs in Ghana use accounting software to produce accurate financial information and reports in a timely manner for decision-making, along with inventory and cash management. This finding aligns with the literature that ICT significantly influences firms' ability to efficiently track, record, and generate financial and accounting reports for decision-making (Gofwan, 2022; Abdulle *et al.*, 2019), while most SMEs, especially those involved in manufacturing extensively, use inventory management. However, the use of accounting software for analysing financial statements for decision-making ranks lowest, with a mean score of 1.46. This could be due to the fact that financial statement analysis demands a lot of critical thinking skills, which software cannot have.

4.6 Test of the hypothesis

We conducted a simple linear regression analysis to assess the impact of accounting software on the accounting and financial reporting practices of SMEs. Table 7 below presents the results.

Table 7 shows that the accounting software (AS) coefficient is 0.308. This means that for every unit increase in AS (the average use of accounting software), we can expect an increase of 0.308 units in AFRP (the average accounting and financial reporting practices) of SMEs. The t-statistic for AS is 3.162, and the *p*-value is 0.002. This *p*-value is less than the common significance level (0.05), which indicates that the average use of accounting software has a significant positive impact on SMEs' average accounting and financial reporting practices.

ANOVA: The F-statistic is 9.998, with a *p*-value of 0.002 less than the significance level of 0.05, indicating that the overall model is statistically significant. This means that there is a significant relationship between AS and AFRP.

Model Summary: "AS" can explain about 6.3% of the variation in AFR, according to the R-square value of 0.063. The adjusted R-square value is 0.057, which is adjusted based on the number of predictors in the model. The R-square values suggest that there are other factors not

Table 6. Benefits of software in accounting and financial reporting practices

Variables	Mean	Std. Deviation
Recording and tracking financial transactions	2.64	0.964
Generating comprehensive financial reports in timely manner	2.58	0.972
Managing inventory	2.57	0.971
Managing cash flow	2.57	0.930
Scheduling vendor and invoice payment remittances	2.56	0.863
Producing customers and suppliers' balances	2.53	1.008
Securing and accessing financial records	2.5	0.954
Preparing bank reconciliation	2.44	0.980
Communicating financial information via financial statements	2.41	0.957
Preparation of budgets and variance analysis	2.39	0.919
Managing staffing requirements	1.5	0.502
Computing payroll and regulated tax deductions	1.5	0.502
Analysing financial statements for decision making	1.46	0.500

Source(s): Field Data, 2024

Table 7. Results of simple linear regression analysis

Variables	Unstandardised coefficients		*t*-stat	*P*-value	
	B	Std. Error			
(Constant)	1.313	0.181	7.241	0.001	
AS	0.308	0.097	3.162	0.002	
ANOVA					
Model	Sum of Squares	Df	Mean Square	F	*P*-value
Regression	4.634	1	4.634	9.998	0.002
Residual	68.603	148	0.464		
Total	73.238	149			
Model Summary					
Model	R	R Square	Adj. R Square	Std. Error	Durbin-Watson
	0.252	0.063	0.057	0.68084	1.865

Source(s): Field Data, 2024

included in the model that also contribute to the variation in AFRP. The Durbin-Watson statistic is 1.865, which is close to 2, suggesting that there is no significant autocorrelation in the residuals, hence making the model a good fit.

Table 8 provides a summary of the residuals from the simple linear regression model. The AFRP's mean predicted value is 1.858, with a standard deviation of 0.176, indicating a small spread around the mean prediction on average. The residuals, which represent the difference between the actual and predicted values, have a mean of 0, suggesting that the model's predictions are, on average, accurate. The standard deviation of the residuals is 0.679, indicating that this difference is average in magnitude. Calculated to have a mean of 0 and a standard deviation of 1, the standardised predicted values and residuals meet these expectations, indicating a well-performing model. The distribution of the standardised residuals indicates that the errors follow a normal distribution, a fundamental assumption in regression analysis.

4.7 Challenges in using software for accounting and financial reporting practices

SMEs face numerous and varied challenges when using accounting software for their accounting and financial reporting practices. From Table 9, the three most significant challenges are the high cost of ICT infrastructure (23%), irregular power supply, which disrupts business operations (14.7%), and the risk of cybercrime and fraud (18%). The dependency on expensive consultants (14%), is another major issue affecting SMEs, indicating that SMEs often require costly professional assistance to handle the technical aspects of the software.

5. Discussion

Previous research findings suggest that SMEs in Ghana have yet to adopt ICT-enabled accounting systems for maintaining accounting records despite operating in a competitive business environment (Mahama and Dahlan, 2022; Prempeh *et al.*, 2022). This study examines

Table 8. Assessing model accuracy

Residuals statistics	Mean	Standard deviation
Predicted Value	1.858	0.176
Residual	0	0.679
Std. Predicted Value	0	1
Std. residual	0	0.997

Source(s): Field Data, 2024

Table 9. Challenges in software usage for accounting and financial reporting practices

Challenges	Frequency	Percentage
High cost of ICT infrastructure	35	23.3
Irregular power supply which disrupts operations of the business	27	18.0
Risk of cybercrime and fraud	22	14.7
Dependency on expensive consultant	21	14.0
Frequent training of personnel handling the software	18	12.0
System failure leading to loss of valuable data	15	10.0
The need for constant maintenance of the software package	12	8.0
Total	150	100

Source(s): Field Data, 2024

the use of accounting software by Ghanaian SMEs for financial recording and reporting based on survey data from 150 registered SME owners and managers in Ho Municipality, Volta Region.

Regarding research question one, the result shows that Ghanaian SMEs are using accounting software more and more. This result is different from previous research (Putra, 2019; Thottoli and Ahmed, 2022), which found that most SMEs, especially those in developing countries, still use old-fashioned bookkeeping methods for their daily accounting tasks, even though there is advanced accounting software and ICT solutions available. Typically, most of the SMEs involved in the current study have implemented the point-of-sale (POS), Sage and Oracle systems. This result contradicts the findings of Ismail's (2019) study, which found that SMEs in Ghana primarily utilise Excel, Tally, and QuickBooks to process accounting information for decision-making. The nature of the SMEs' business and the managers' computer knowledge could account for this. One could also argue that the constantly evolving landscape of ICT leads to the continuous release of new software and hardware. Consequently, SMEs need to stay updated with the latest software to maintain their competitiveness (Nalini, 2024).

With respect to research question two, the study provides evidence supporting the hypothesis that accounting software usage has a significant positive impact on SMEs' accounting and financial reporting practices (Bangerter and Alfaro-Almagro, 2024). It was found that SMEs use accounting software to improve their accounting and financial reporting practices, particularly in recording financial transactions and generating comprehensive financial reports, in addition to inventory and cashflow management. This finding aligns with the study by Sasadeeong (2023) that in Bangkok, Thailand SMEs have benefited mostly from using accounting software to enhance the management of accounting tasks, particularly by improving record accuracy, increasing efficiency, and ensuring accurate financial reports in timely manner for decision-making. This finding supports Olufemi *et al.* (2021), who demonstrate that accounting software systems are reliable in delivering timely and accurate financial information for informed decision-making of an organisation's management and other stakeholders.

In response to research question three, the current study identifies the high cost of ICT infrastructure, irregular power supply, and risk of cybercrime and fraud as the major challenges SMEs face in implementing accounting software. Afenya *et al.* (2019) found similar results, highlighting the high-cost software installation and security issues SMEs in Ghana encounter when implementing IT. However, the increasing use of accounting software by SMEs suggests that despite the high cost associated with the implementation of accounting software, SMEs are enthusiastic about investing in the latest software for accounting and financial reporting practices, possibly due to the numerous benefits associated with accounting software usage (Maruschak, 2021). However, the results of this study contradict other findings in the literature, which suggest that major challenges such as lack of funds, data security, and

limited digital skills of accounting personnel hinder SMEs' ability to implement accounting software systems (Rupeika-Apoga and Petrovska, 2022; Miaoquan *et al.*, 2023).

6. Conclusions

This study examines the extent of software usage among SMEs in Ghana through a questionnaire survey. The study also evaluates the influence of accounting software on accounting and financial reporting practices, taking into account the challenges they face. The study concludes that accounting software has a positive and significant impact on accounting and financial reporting practices among Ghana's SMEs. SMEs' adoption of accounting software for accounting and financial reporting introduces specific challenges and risks, including the high cost of ICT infrastructure, irregular power supply, and the risk of cybercrime and fraud. It is important to acknowledge these potential risks and develop strategies to mitigate them to survive in the competitive business environment.

6.1 Theoretical implications

The findings reveal that the use of accounting software has a significant positive impact on SMEs' accounting and financial reporting practices. This study reveals that a notable 82% of SMEs have utilised accounting software for accounting and financial reporting over the past decade. The need to improve accuracy, efficiency, and timeliness in accounting and financial reporting has greatly influenced SMEs' adoption of ICT. This finding confirms the TAM (Davis, 1989), that if business owners believe that implementing IT-enabled accounting systems will save time, improve accuracy, reduce produce costs, and improve productivity, they are more likely to adopt it. Improving ICT access in Ghana and other emerging economies is vital for optimising the use of accounting software by SMEs. This study expands knowledge on the benefits and challenges SMEs in developing nations face in implementing accounting software for accounting and financial reporting practices.

6.2 Managerial implications

The study highlights key managerial implications for SMEs, emphasising the need for IT-driven accounting systems to enhance financial accuracy, compliance, and decision-making. Managers of SMEs must invest in employee training to optimise software use while leveraging digital tools for competitive advantage and market expansion. However, this necessitates a thorough analysis of attitudes and behaviours toward ICT, along with the development of business relationships and trust (Omowole *et al.*, 2024). Additionally, the findings can guide SME owners and managers in advocating for better digital infrastructure, affordable ICT solutions, and supportive policies to ease adoption challenges and drive business growth.

The government, in corroboration with business owners and technology providers, should develop and promote cybersecurity guidelines tailored to SMEs and invest in ICT infrastructure to ensure reliable internet access and technological resources. This will protect financial data and enable effective use of digital accounting tools. The government should implement policies that enhance digital literacy among SMEs through subsidised training programmes. Additionally, the government can offer financial incentives such as tax breaks, grants, or low-interest loans to encourage SMEs to adopt accounting software and related technologies.

This study offers a unique managerial perspective by integrating ICT adoption, accounting transformation, and SME challenges in a developing economy like Ghana. Unlike previous studies that focus solely on IT adoption in medium and large-scale enterprises (Asmamaw, 2021), this research provides a tailored approach for SMEs, considering their technological barriers. These recommendations are timely due to the growing global shift toward digitalisation and the increasing reliance on technology-driven financial management. SMEs in Ghana and other developing economies need to modernise accounting and financial

practices to stay competitive, comply with regulatory requirements, and improve financial transparency. Unlike traditional studies that focus solely on ICT adoption, this research bridges accounting, technology, and SME development, offering a fresh perspective that aligns with the Journal of Money and Business' mission of exploring financial and business innovations.

6.3 Limitations and future research Directions

The conclusions of this study are presented with the following two limitations: The results may not be applicable to all SMEs because the sample consists of only SME owners and managers purposively chosen from the Ho Municipality in the Volta Region of Ghana. However, the results show how much SMEs in Ghana are using IT to change their accounting and financial reporting methods to become more competitive and sustainable in a business world that is becoming increasingly digital. To address this issue, future studies could employ a more representative and comprehensive sampling technique, selecting samples from the SMEs sector across Ghana. Furthermore, the study solely relies on quantitative analysis. We recommend incorporating qualitative analysis, specifically for each accounting software, in future research to uncover the various challenges faced by SME managers.

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