ADOPTION OF COMPUTERIZED ACCOUNTING SYSTEMS USAGE BY SMALL AND MEDIUM SCALE ENTERPRISES IN SALEM DISTRICT

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Abstract

The study focused on establishing the level of usage, benefits and challenges of computerized accounting systems by small and medium scale enterprises operating in Salem District. Systematic sampling technique was used to select 367 SMEs for the study. Descriptive statistics and inferential statistics were used to analyze the data. The results of the study revealed that only a few SMEs are using computerized accounting software. The low level of usage is attributed to cost, personnel and lack of education on the benefits of using CAS. Those using CAS indicated that the systems play an important role in the achievement of their business objectives including timely information management, large data storage capacity, reduction of clerical works and enhanced customer satisfaction. In conclusion, usage of CAS by SMEs has the potential to improve their performance; however, cost, lack of education on the benefits of the usage and knowledgeable personnel are negatively affecting the usage of the software. It is therefore recommended that SMEs be educated on the benefits of using CAS and accounting training institutions should do well to incorporate a segment on computerized accounting systems into their training modules.

Keywords: Small and medium scale enterprises, computerized accounting system, computerization, accounting information system, etc.

1. Introduction

Accounting assumes an important role in the success or failure of contemporary business organizations. Every business must keep track of the financial data that identifies with its business exercises. It likewise has various procedures; some basic, others cumbersome and confusing. Modern accounting is founded on the system developed by an Italian monk *Luca Pacioli* over 500 years ago. This great scientific system was so well executed that even current accounting principles are based on it. In keeping track of financial information businesses are concerned primarily with methods for recording transactions, keeping records, performing audits, reporting and analyzing financial to the management, and receiving advice on tax matters. As a result, organizations puts in place a systematic process that identifies, records, measures, classifies, verifies, summarizes, interprets and communicates financial information. This reveals the profit or loss for a given period, and the value and nature of the organization's assets, liabilities and equity.

Accounting provides information on the resources available to a firm, the means employed to finance those resources, and the results achieved through their use.

Manual accounting systems provide a useful way of recording business transactions and can deliver an accounting information system for the small and medium enterprise business owner. Even though the manual accounting system requires a greater understanding of how to book keep, it can be easier to manage once the key concepts of double entry bookkeeping have been learnt. The manual accounting systems consisted of book ledgers and calculators. However, with this system it was possible for errors to be introduced into the data since they could go undetected for quite some time. This has led to the development and introduction of computerized accounting systems. These days, when an organization needs information, it is accessible at the click of a button. It additionally permits businesses to obtain data about competitors, suppliers, clients, and so forth, which clearly helps in the better running of any business organization.

2. Computerized accounting systems

Computerized accounting tends to involve dedicated accounting software and digital spreadsheets to keep track of a business or client's financial transactions. It is a beneficial use of current technological advances. Organizations now employ full accounting software that can coordinate all business operations, including outside suppliers and sellers. Computerized accounting systems have replaced manual-based accounting in virtually all businesses and organizations, providing accountants, managers, employees and shareholder’s access to vital accounting information at the touch of a button. Computerized accounting systems automate the accounting process, enhancing productivity and cutting down expenses. In today's automated, interconnected, worldwide business environment, CASs has become the 'engine of growth' in small and medium scale enterprises. It therefore involves the computerization of accounting information systems, which is established in order to facilitate decision making. Computerized accounting is defined by Wood & Sangster as a total suit of components that together comprises all inputs, storage, transactions, processing, collecting and reporting of financial transaction data.

3. Factors that influence computerized accounting systems

Studying the factors that influence computer adoption, internet adoption and accounting software adoption. The probability of computer adoption is significantly influenced by business size, importance of creativity and innovation, education level and computer training of the firm manager and the partner. However, internet adoption is positively related to computer training of the firm manager, creativity and innovation,

growth, stabilization and negatively related to intrinsic objectives. Nevertheless, the intention to adopt accounting software is positively related to a favourable attitude towards accountancy and 'intrinsic objectives'.

4. Methodology

The available data from the Registrar General's Department suggests that about 92 per cent of all establishments are SMEs and Salem District, Tamilnadu has an estimated figure of over 4500 registered SMEs. There are an estimated 4500 SMEs in the Salem district. A sample size of 367 SMEs was selected for the study. Questionnaire was the main instrument used to collect data and information from the respondents. Data collected were analyzed using descriptive statistics.

5. Accounting Skill of Business Owners/CEOs

The study sought to understand respondent's own rating of their level of accounting skills. From the findings (Table 3) the skills included ability to record business expenses and sales. It turned out that close to 41 per cent rated their ability to record business expenses and sales as good. 36 per cent, 13 per cent and 9 per cent rated their ability to record business expenses and sales to be fair, excellent and poor respectively. From Table 3, 41 per cent rated their ability to calculate profits as good; and 31 per cent, 13 per cent and 12 per cent rated their ability to calculate profits to be fair, poor and excellent respectively.

As shown in Table 1, 39 per cent rated their ability to prepare salaries of staff as good; and 34 per cent, 14 per cent, 12 per cent and 1 per cent rated their ability to prepare salaries of staff to be fair, poor, excellent and not sure respectively. Illustrated in Table 3, 39 per cent rated their ability to keep track of inventory as good; and 31 per cent, 15 per cent, 14 per cent and 1per cent rated their ability to keep track of inventory to be fair, excellent, poor and not sure respectively. As shown in Table 3, 40 per cent rated their ability to write receipts, cheques and invoices as good; and 30 per cent, 15 per cent, 14 per cent and 1 per cent rated their ability to write receipts, cheques and invoices to be fair, poor, excellent and not sure respectively. From Table 3, 40 per cent rated their ability to calculate tax and file tax returns as good; and 28 per cent, 17 per cent, 14 per cent and 1 per cent rated their ability to calculate tax and file tax returns to be fair, poor, excellent and not sure respectively. As shown in Table 1, 35 per cent rated their ability to read and interpret bank statements as good; and 27 per cent, 22 per cent, 15 per cent and 1 per cent rated their ability to read and interpret bank statements to be fair, excellent, poor and not sure respectively. As illustrated in Table 1, 36 per cent rated their ability to ensure safe custody of business documents as good; 28 per cent, 21 per cent, 14 per cent and 1per

cent rated their ability to ensure safe custody of business documents to be fair, excellent, poor and not sure respectively.

TABLE 1

Accounting Skill of Business Owners/CEOs

	Particulars	Poor		Fair		Good		Excellent		Not Sure		Total
		Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq	&	
a.	The ability to record business expenses and sales	31	9%	123	36%	138	41%	45	13%		0%	337
b.	The ability to calculate Profits	43	13%	105	31%	147	44%	42	12%		0%	337
c.	The ability to prepare payroll (salaries of staff)	47	14%	116	34%	130	39%	41	12%	3	1%	337
d.	The ability to keep track/record inventory (stock)	48	14%	103	31%	132	39%	49	15%	5	1%	337
e.	The ability to write receipts, cheques and invoices	52	15%	102	30%	134	40%	46	14%	3	1%	337
f.	The ability to calculate tax and file tax returns	58	17%	94	28%	136	40%	47	14%	2	1%	337
g.	The ability to read and interpret bank statements	52	15%	92	27%	117	35%	73	22%	3	1%	337
h.	The ability to ensure safe custody of business documents and papers and books	47	14%	95	28%	122	36%	70	21%	3	1%	337

The study revealed that over 75 per cent of the entrepreneurs operating SMEs in the Salem District had skills in one or several accounting and bookkeeping task even though some of the respondents had no or minimal formal education. For those with minimal levels of formal education in accounting or business they undertook such tasks without consciously knowing that they were bookkeeping tasks. The results indicated that the respondents had a fair chance of appreciating a computerized accounting system. The study revealed that close to 50 per cent of respondents rated their accounting skills as below average, with only a little over 10 per cent of respondents ranking their accounting skill as average or above average. This may be due to the fact that the assessment of the respondents' skills employed a series of questions relating to bookkeeping to help them with the rating.

6. Status of computer and software usage

The study sought to assess the state of the art of computerized accounting systems use among SMEs in the Salem district. The results as indicated in Table 6 suggest that 74 per cent of the firms use computers in their operations 62% of SMEs contacted who used computers in its operations also indicated that they use CAS. Most of the SMEs who did not have CAS admitted that they do not use such systems because they believed it was expensive, stood the risk of corrupted data, complicated and that they did not have trained staff to handle a computerized accounting system. This implies

that the majority of SMEs operating in the Salem district have adopted CAS. The result showed that Excel, Tally, Sage, Pastel, and QuickBooks are the types of accounting software that the SMEs have adopted. The result revealed that 40 per cent of the SMEs sampled use an excel based accounting system; 21 per cent preferred the use of Sage accounting software; and 17 per cent, 15 per cent, and 6 per cent use Tally, Pastel and QuickBooks respectively. Majority of the SMEs sampled were using Excel based accounting systems. One likely reason why most SMEs in the Salem district adopted an Excel based accounting system is because it is the least expensive and most common spreadsheet application in Salem district. Excel is also a system, which can be easily understood and used, and can be easily modified to meet user needs.

TABLE 2

Status of Computer and Software Usage

Items	Sub-level	Frequency	Percentage
Use of computers in operations	Yes	249	74
	No	88	26
Use of accounting software in operations	Yes	155	62
	No	94	38
Kinds of accounting software	Excel	62	40
	Sage	33	21
	Tally	26	17
	Pastel	24	15
	QuickBooks	10	6

Source: Primary Data

7. Uses of computerized accounting systems

With regard to the use of accounting software, respondents indicated that they use the software for the following: entering of receipts and payments (20%); payroll management (8%); inventory management (6%); ledger entries (10%); bank reconciliation and cash management (4%); and generation of reports and analysis (10%). The majority of the respondents (representing 42%) indicated that they use their software for all of the above stated uses. These findings suggest that computerized accounting systems are basically no different from manual accounting systems and can be used for all the tasks performed manually.

8. Conclusion

Based on the results of the study, it can be concluded that computerized accounting systems play an important role in order for SMEs to achieve their objectives such as timely information management, large data storage capacity, reduction of clerical works and enhanced customer satisfaction. There are inherent problems and challenges in the adoption of CAS: frequent power failure; computer virus attack; computer failure; and computer fraud. However, the advantages from the use of a computerized accounting system far outweighs the problems and challenges as it has impacted positively on the performance and productivity of SMEs. Hence, there is the need for all SMEs to adopt CAS. It is recommended the adoption of CAS would ensure proper accounting practices, which will result in several benefits for entrepreneurs and SMEs. Computer software should be updated on a regular basis such that it is up-to-date with technological changes; and data or information should be backed up so that, in case of any breakdown, it can easily be recovered. Accounting training institutions should do well to incorporate the study of computerized accounting systems as part of their courses to ensure that accountants are equipped with both accounting knowledge and the required information technology skills.

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