Information Technology and Financial Reporting Quality of Small and Medium Enterprises in Nigeria

BY

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A RESEARCH PROJECT SUBMITTED TO DEPARTMENT OF ACCOUNTING FACULTY OF MANAGEMENT SCIENCES UNIVERSITY OF BENIN, BENIN CITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc) DEGREE IN ACCOUNTING

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DECLARATION

OMOJIADE ESE PATIENCE declare that,

i. This study is based on a study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **DR. ALBERT OSAZEVBARU** of the Department of Accounting, Management Sciences, University of Benin, Benin City, Nigeria.

ii. This work has not been submitted for the award of degree elsewhere.

iii. Ideas and views are product of my personal research and where the view of ot hers has been expressed, they have been duly acknowledged.

iv. Any liability arising from this work is to be wholly borne by me

_____ _____

OMOJIADE ESE **DATE**
MGS2104643

CERTIFICATION

We, certify that this research project was carried out by **OMOJIADE ESE PATIENCE** the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria. It is adequate in scope and quality in partial fulfillment of the requirements for the award of Bachelor of Science (BSc.) degree in Accounting.

Dr. Albert Osazevbaru (Project Supervisor)	**Date**
Dr. Godstime O. Ikhu-Omoregbe (Project Coordinator)	**Date**
Prof. Osasu Obaretin (Head of Department)	**Date**

DEDICATION

This research project is dedicated first to God Almighty, whose unfailing love, grace, and guidance made this work possible.

I also dedicate it to my family, the Omojiade family, for their constant prayers, encouragement, and unwavering support throughout this academic journey.

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ABSTRACT

This study investigates the effect of Information Technology (IT) adoption on the financial reporting quality (FRQ) of Small and Medium-sized Enterprises (SMEs) in Benin City, Edo State, Nigeria. Although SMEs contribute significantly to economic growth and employment, many face challenges in maintaining high-quality financial reports due to poor record-keeping and limited IT usage. A quantitative research design was adopted, and 383 structured questionnaires were distributed to SME owners, managers, accountants, and bookkeepers. A total of 360 were duly completed and analyzed using SPSS and SmartPLS, employing descriptive statistics, Pearson correlation, and multiple regression analysis. Findings indicate that IT adoption—measured through perceived usefulness, perceived ease of use, attitude toward use, behavioral intention, and actual use—significantly improves the accuracy, reliability, relevance, and timeliness of financial reporting. However, high software costs, inadequate infrastructure, and low IT literacy hinder optimal adoption. The study recommends enhanced IT training, capacity building, and affordable technological solutions to improve financial reporting quality and promote transparency and sustainability among SMEs.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Since the 1960s, small and medium-sized enterprises (SMEs) have gained significant recognition, particularly in developed nations, for their crucial roles in promoting accelerated economic growth, development, and stability across various economies. Numerous studies conducted over the years, including those by, Onugu (2005), and Aremu (2010), underscored the vital contributions that SMEs make in fostering a robust economic environment. SMEs constitute the largest segment of the business landscape globally and are instrumental in various essential aspects of economic activity. Their contributions extend beyond mere business transactions; Throughout the years, small and medium-sized enterprises (SMEs) have been recognised for their critical role in the dynamics of job creation and employment within various countries. Bandari (2019) emphasised this notion by asserting that SMEs hold considerable significance in the economy, as they contribute remarkably to the generation of employment, foster innovation, and facilitate comprehensive economic growth. These enterprises often act as key drivers of economic development within their communities, providing employment opportunities and enabling local residents to pursue economic progress. Furthermore, they function as catalysts for innovation and creativity across numerous economies, demonstrating a greater adaptability to shifts in their environments (Bandari, 2019).

SMEs business in developing country as Nigeria dominates construction, trade, commerce, agriculture and manufacturing services Generating as highlighted by Adelekan et al. (2021) to have GDP and employment, with more than 55 percent and 65 percent respectively in developed economies and a significant role in developing economies, where they contribute 60 percent to GDP and more than 70 percent of total employment (SMEDAN, 2012; National Bureau of Statistics, 2022). In recent times NBS/SMEDAN SMEs 2021 survey report, MSMEs contributed 46.32% to GDP, accounted for 6.21% of exports, 96.9% of businesses and 87.9% of employment, this result is in no way different from other African countries as shown in the research by Kongolo (2010), in which he stated that small and medium-sized enterprises (SMEs) make up approximately 91% of formal business entities in South Africa. They contribute around 51% to 57% of the country's GDP and generate nearly 60% of employment

The undoubtable role of SMEs in the past has been widely recognised in fostering creativity and generating employment across the nation., despite these significant contributions, they continue to face numerous challenges. Common obstacles include lack of capital, inadequate product packaging, limited adoption of information technology, insufficient human resources, and more (Okpara, 2011). Financial record-keeping and related issues are prevalent among many SMEs, largely because they tend to overlook the importance of proper financial reporting. Instead, they focus more on daily operational activities (Vikrie et al., 2018).

Many firms often overlook financial reports, yet these documents contain reliable and relevant information utilized by a range of stakeholders—such as management, employees, directors, creditors, government agencies, shareholders, investors, and financial advisers. They offer essential insights into an organization's financial position, performance, and cash flows (Amah & Amauwa, 2019). Additionally, financial reporting involves a comprehensive process that includes accounting policies, professional judgments, and managerial behavior, all of which help to minimize information asymmetry among stakeholders (Ahannaya, 2022). It places therefore a fact that quality financial reporting cannot be over cannot be overemphasised irrespective of its scale, (Ezeagba,2017)

Moving forward in the quest to improve the quality of financial reporting for SMEs, the adoption of Information Technology plays a vital role (Wiralestari et al., 2020). One of its significant benefits is the enhancement of the accuracy, reliability, relevance, and timeliness of both financial and non-financial data (Ghobakhloo et al.,2012).It also helps in decision-making (Okpara, 2011), which aligns with the core characteristics of financial reporting: relevance and faithful representation (Silalah & Sinambela, 2017). Despite these benefits, only a few SMEs actively use information technology for strategic decision-making.

This is as a result of several factors of which this study aims to reveal alongside other key areas of information technology for enhancing quality financial reporting

1.2 Statement of the Research problem

Small and Medium Enterprises are critical to Nigeria's economic development, contributing over 46% to the Gross Domestic Product (GDP) and employing nearly 88% of the labor force (National Bureau of Statistics [NBS] & Small and Medium Enterprises Development Agency of Nigeria [SMEDAN], 2021). However, many SMEs face persistent challenges with the quality of their financial reporting. Inadequate recordkeeping, poor data accuracy, and untimely reporting limit their ability to make informed decisions, access funding, and achieve sustainable growth (Okpara, 2011; Amah & Amauwa, 2019).

Information Technology (IT) has the potential to significantly improve financial reporting quality by enhancing accuracy, transparency, and timeliness (Ghobakhloo et al., 2012; Wiralestari et al., 2020). Yet, despite these advantages, IT adoption among Nigerian SMEs remains low. Many still rely on manual processes, leading to frequent errors and inconsistent reporting (Ezeagba, 2017; Vikrie et al., 2018).

Numerous barriers hinder IT integration in SME financial reporting. These include the high cost of accounting software, lack of infrastructure, digital illiteracy, and limited access to skilled financial professionals (Ahannaya, 2022;Joshi, 2021). Additionally, many SME owners lack basic accounting knowledge, making it difficult to maintain

accurate financial records or interpret reports effectively (Hendrawan et al., 2023; Roslan, 2022) . Moneva and Leukfeldt (2023) also noted that low financial literacy, negligence, and the inability to separate business from personal expenses further compromise financial transparency and creditworthiness.

Given these issues, this research seeks to explore the relationship between Information Technology and financial reporting quality in Nigerian SMEs. It aims to examine the current scope of IT usage, the extent of its adoption, the challenges faced in implementation, and the role the educational system can play in promoting better financial reporting through IT. The findings are expected to provide practical recommendations for improving SME financial practices through targeted interventions and capacity building.

1.3 Research Questions

The following research questions were raised to guide the study:

1. What is the scope and role of Information Technology (IT) in enhancing the quality of financial reporting in Nigeria?
2. How does the adoption of IT affect the quality of financial reporting among SMEs in Nigeria?
3. What are the challenges faced in implementing IT for financial reporting of SMEs in Nigeria?

4. How does the educational system supports in the adoption of IT for improved financial reporting of SMEs in Nigeria?

1.4 Objectives to the study

The main aim of this study is to investigate information technology and financial reporting quality of SMEs in Nigeria. While the specific objectives are to:

1. Examine the scope and role of Information Technology in improving financial reporting quality among Nigerian SMEs in Nigeria;
2. Evaluate the extent of IT adoption in enhancing financial reporting quality of SMEs in Nigeria;
3. Identify the key challenges faced by SMEs in implementing IT for improving financial reporting quality of SMEs in Nigeria; and
4. Recommend strategies that the educational system can adopt to support in leveraging IT for improved financial reporting quality of SMEs in Nigeria. .

1.5 Research Hypotheses

Based on the objectives of the study and the outlined research questions, the following hypotheses, stated in their null form:

1. Scopes and role of IT do not significantly enhance the financial reporting quality of (SMEs) in Nigeria.

2. The adoption of IT does not have a significant impact on the financial reporting quality among SMEs in Nigeria.
3. Challenges faced do not significant affect the implementing of IT for financial reporting of SMEs in Nigeria.
4. The educational system does not play a significant role in supporting the adoption of IT for improved financial reporting quality among SMEs in Nigeria

1.5 Scope of the Study

This study is focused on exploring Information Technology (IT), its roles, methods of adoption, and the challenges associated with its use in enhancing the quality of financial reporting among Small and Medium-sized Enterprises (SMEs). The research is geographically limited to SMEs operating in Benin City, Edo State, Nigeria.

The scope includes examining key IT components, their contributions to financial reporting quality, methods of adoption, and the challenges encountered in the process. Furthermore, the study will provide recommendations on IT strategies that could also benefit the educational system in promoting effective financial reporting practices.

The study is limited to SMEs within Benin City and does not extend to large enterprises or other regions. It also excludes broader or unrelated variables of Information Technology not directly tied to financial reporting.

1.6 Significance of the Study

This study will explore various aspects of Information Technology (IT) and its significance in enhancing the quality of financial reporting among Small and Medium-sized Enterprises (SMEs). It aims to provide insights into the critical role IT plays in ensuring proper data management, which in turn contributes to the accuracy, transparency, and reliability of financial reports.

Additionally, the research will examine the different methods employed in the implementation of IT systems, highlight the challenges faced during adoption, and offer practical recommendations. These findings will be valuable not only to SMEs but also to educators and policymakers seeking to promote the effective integration of IT in financial reporting practices. The study's outcomes will support improved teaching and learning

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Reporting Quality of Small and Medium Enterprises (SMEs)

Financial reports are essential documents that present a clear summary of a company's performance and financial position, usually prepared at the end of each accounting cycle. They play a vital role in providing stakeholders with accurate information about the organization's financial health and activities (Ning & Yi, 2019). These reports give comprehensive details on cash flows, operational performance, and overall financial status, serving the needs of creditors, investors, regulators, and internal users alike (Chen et al., 2018).

The conceptual framework of 2018 clearly explains that the objectives of financial reporting are to provide financial information that is useful to users in making decisions. Alexander et al. (2017) defines financial reporting the process of presenting financial data and information about a business's financial performance, financial position, and cash flows over a definite period of time. It is considered as an essential resource for any market participation as it reduces the mystery and conflict in opinion between all interested users (Gaynor et al., 2016). Information in the financial report must be accurately represented, pertinent, comprehensible, comparable, timely, and verifiable in

order for decisions to be considered valid.(Twaha et al,. 2021).Financial report also known as financial statement is often as result of processes, these processes described by Budai et al. (2021) are as follows: The initial stage identified is the bookkeeping process, which underpins the preparation of financial reports. This stage is undertaken after the conclusion of the current fiscal year, concurrently with the bookkeeping activities for the subsequent year. Alongside these, an auditing stage is also conducted, encompassing both internal and external audit procedures. However further stating, in comparison with financial report of SMEs the main difference is that there are no audit process (internal or external audit), he also stating that the managers of the majority of SMEs are made up ofone or two individuals who serve as both the company's owner and CEO. (Budai et al., 2021)

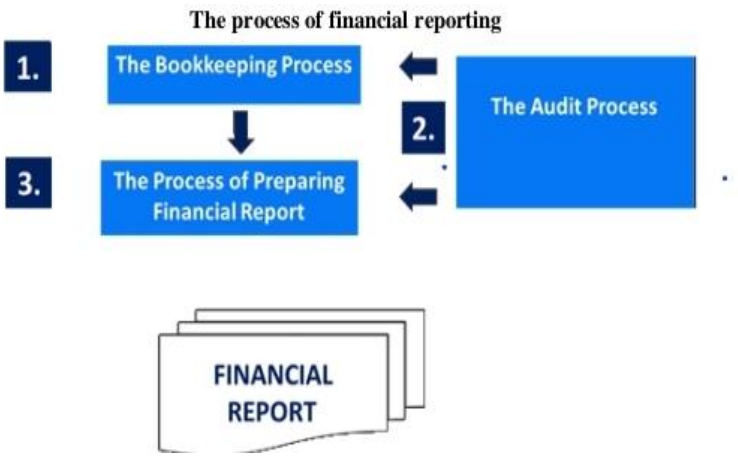

Fig 1 : Source: Budai et al (2021)

To obtain a comprehensive assessment of financial reporting quality, it is essential to examine the qualitative characteristics outlined in the 2018 Conceptual Framework. The fundamental qualitative characteristics includes relevance and faithful representation. According to the IASB Conceptual Framework (2018), Relevance refers to the extent to which financial information influences decision-making. Financial information is considered relevant if it can make a difference in the decisions of users. This occurs when the information possesses predictive value, confirmatory value, or both. Predictive value enables users to employ the information as an input in forecasting future outcomes, while confirmatory value provides feedback that either confirms or alters previous evaluations. Therefore, accounting information is relevant if it can help provide useful information about past events and help in predicting future events or in acting to address potential future occurrences.(Budai et al., 2021).Within the IASB Conceptual Framework (2018), Faithful Representation is identified as a fundamental qualitative characteristic of useful financial information, alongside relevance. It entails that financial statements must accurately reflect the underlying economic events they purport to represent, using both narrative disclosures and numerical measures. For information to be considered faithfully represented, it must possess three essential attributes: completeness, which ensures all necessary information is included; neutrality, which requires freedom from bias; and freedom from error, which denotes that the information is produced with maximum accuracy possible given the constraints of accounting processes. When these attributes

are present, financial information attains a high level of reliability, thereby enhancing users' trust and supporting informed economic decision-making.

There are also secondary qualitative characteristics which enhances the fundamental qualitative characteristics includes which are verifiability, timeliness, understandability and comparability.(IASB Conceptual Framework, 2018);

Verifiability is the degree to which information can be replicated using identical data and presumptions. Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus on the financial reporting(IASB Conceptual Framework, 2018).The conceptual framework states that users are much more in need of updated information than outdated information defining timeliness as having information available to decision-makers in time to be capable of influencing their decisions. It is therefore the speed at which users of accounting information can access information. Users must be able to understand the contents of the financial reporting thus helping them to make appropriate economic decisions, this therefore means Understandability is classifying and presenting information clearly and concisely makes it understandable (IASB 2018). In addition to the IASB (2018) It is degree of ease with which information can be understood by its users, meaning how well can users comprehend revealed financial information. Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences

among, items (IASB, Conceptual Framework, 2018).Users must be able to compare the financial reporting of a firm over a certain period as well as discover trends in its financial performance and position. It therefore means that financial information should be presented in such a way that users can compare one business with another. After looking at financial reporting, we consider financial report quality.

Financial Reporting Quality (FRQ) is of extensive importance to all potential and existing investor and therefore it cannot be over emphasized (Akeju & Babatunde, 2017). It refers to the characteristics of a firm's financial statements, Financial reporting quality means the degree of accuracy of financial reporting information to reflect the reality of the company's operations, its economic position, and the outcomes of its operations (Abraheem et al., 2021). CFA (2019) noted that the primary benchmark for assessing financial reporting quality (FRQ) is adherence to the generally accepted accounting principles (GAAP) applicable within the jurisdiction in which an enterprise operates. However, given that GAAP often allows for alternative methods and varying treatments of certain items, mere compliance with GAAP does not automatically ensure the highest quality of financial reporting. For financial reporting to be of high quality, it must be decision-useful, which is underpinned by two key characteristics: relevance and faithful representation. The two qualitative chracteristics as earlier stated is designed to meet the requirements of effective information for decision making for different users.

Small and medium-sized enterprises (SMEs) play a pivotal role in economic development globally, serving as drivers of growth, employment, innovation, and entrepreneurship. In Nigeria, they constitute approximately 95% of business enterprises (Aremu & Adeyemi, 2011) and contribute significantly to the production of goods and services, employment, and entrepreneurial capacity-building. SMEs employ over 84% of Nigeria's workforce, account for about 96% of registered businesses, and contributed nearly 48% to GDP in 2017 (National Bureau of Statistics [NBS], 2018, 2020).

In a country where unemployment remains a major socio-economic challenge, SMEs are instrumental in job creation and poverty alleviation, making them a cornerstone of the national economy (USSBA, 2018). High-quality financial reporting in this sector is crucial, even in the absence of statutory audits. As Hadiyano et al. (2018) emphasis, the credibility of financial report data largely determines overall reporting quality, influencing business performance and sustainability. Reliable reporting safeguards transparency and accountability in resource management, enhances decision-making efficiency, and builds the trust of both existing and potential investors.

It can be concluded from the previous article above that the quality of financial reporting in SMEs is important as it: enhances decision making, promotes transparency and accountability, support business growth and sustainability, builds shareholders confidence both potential and existing and also facilitates access to finance.

2.2 Information Technology (IT)

Research has shown that information technology (IT) has become a major enabler in the growth and performance of small and medium enterprises (SMEs). IT has transformed the nature of business operations and accounting practices, playing a significant role in improving efficiency, productivity, and decision-making. According to Chandler et al. (2011), products and services associated with IT include computer hardware, software, electronics, semiconductors, internet, telecommunications equipment, and e-commerce.

The modern term information technology first appeared in a 1958 Harvard Business Review article. The Forbes Technology Council (2023) defines an IT system as a type of information or communications system—specifically a computer system—comprising hardware, software, and peripheral devices operated by a defined group of users. Such systems are crucial for efficient data management (Hindarto & Djarot, 2023).

Xue et al. (2022) and Yunarsih et al. (2020) describe IT as any technology used to generate, manipulate, store, communicate, and transmit information. This includes mainframes, mini and microcomputers, databases, networks (internet and intranet), and other related technologies. In financial management, IT applications include procuring hardware (e.g., computers and printers), acquiring software, and leveraging websites for financial operations (Pratolo et al., 2019).

In essence, IT forms part of the broader field of information and communications technology (ICT), encompassing computer systems, programming languages, data processing, and storage. Butler and Jeremy (2012) identify four phases of IT development: pre-mechanical (3000 BC–1450 AD), mechanical (1450–1840), electromechanical (1840–1940), and electronic (1940–present).

Historically, pioneers such as Alan Turing, J. Presper Eckert, and John Mauchly were instrumental in the creation of early digital computers in the mid-20th century. Their work laid the foundation for modern computing, and during this period, discussions on artificial intelligence began to emerge, particularly through Turing's inquiries into the potential of technology (Henderson, 2017).

2.2.1. Scope and Role of IT in Financial Reporting

Information technology (IT) in financial reporting extends beyond conventional definitions, encompassing a broad range of tools and systems that perform different yet complementary functions in the reporting process. The introduction and advancement of accounting software have significantly transformed the practice of financial reporting by automating record-keeping, analysis, and report generation. This shift from manual to automated systems has not only streamlined accounting processes but also enhanced the quality of financial reporting, thereby influencing the decision-making of stakeholders (Alagbe et al., 2025; Turner et al., 2020). Ibrahim et al. (2020) highlight that accounting software facilitates the recording and analysis of financial statements, improving their

accuracy, relevance, and reliability. In contrast, the pre-computer era relied heavily on manual processes, which, while functional, yielded only a moderate level of reporting accuracy (Bashorun et al., 2020). The adoption of modern software solutions has since improved timeliness, ensured compliance with standards, and enhanced the usefulness of accounting information for both internal and external users (Turner et al., 2020).

Businesses of all sizes are increasingly using accounting software (Maruschak, 2021). Such software streamlines various accounting tasks, including managing accounts payable and receivable as well as processing payroll. By automating these processes, companies can save time, reduce the likelihood of errors, and improve the precision of their financial data as well as financial reporting coman et al,.(2023). Cloud computing has also had a significant impact on accounting and financial reporting practices and it can be categorised into spreadsheet-based tools, enterprise resource planning (ERP) systems, commercial off-the-shelf software, custom accounting applications, and cloud-based platforms (Accounting Tools, 2020b). Within the Nigerian SME context, commonly used systems include Sage Business Cloud, QuickBooks, Wave, Zoho Books, Odoo, FreshBooks, Xero, Tally, and Tyms—a locally developed solution (Tyms, 2023, July 26; Umoru, 2020). Alongside software, robust hardware infrastructure, comprising computers, servers, networking devices, and printers, forms the backbone of digital financial operations. Adequate hardware capacity is essential for efficient data processing,

secure storage, and the timely generation of reliable reports (Okundaye et al., 2019; Pratolo et al., 2019).

The integration of IT into financial reporting processes offers multiple benefits as automation reduces human error and enforces standardised procedures aligned with accounting regulations, thus enhancing the credibility of financial reports (Astutie & Fanani 2016). Cloud-based and real-time systems improve the timeliness of reporting and make financial data accessible Presm remote locations, supporting swift and informed decision making (Shittu, 2024). IT systems also promote transparency by maintaining audit trails and digital records while ensuring automatic compliance with regulatory requirements (Astutie & Fanani 2016). Furthermore, the efficiency and cost-effectiveness of IT allow SMEs to manage reporting processes with smaller teams, optimizing both time and resources. For SMEs with limited accounting expertise, IT tools simplify complex reporting procedures, enabling accurate and comprehensive outputs. Emerging technologies such as artificial intelligence (AI) and block chain, though still in early adoption stages within SMEs, offer promising opportunities for improving data integrity, enhancing fraud detection, and enabling strategic business growth (Astutie & Fanani 2016).

Overall, the integration of IT into financial reporting has marked a paradigm shift from manual systems to automated, accurate, and accessible reporting frameworks. This transformation has not only improved the quality of financial reports but has also

equipped SMEs with the tools necessary to meet regulatory demands, strengthen stakeholder confidence, and adapt to the evolving dynamics of the business environment.

2.2.2 Effect of Adoption of IT in Financial Reporting

The adoption of Information Technology (IT) in financial reporting represents a major advancement in the evolution of accounting practices, particularly for Small and Medium-sized Enterprises (SMEs) in Nigeria. It plays a vital role in enhancing the quality, reliability, and accessibility of financial information by replacing manual processes with automated solutions such as accounting software, cloud computing platforms, and Enterprise Resource Planning (ERP) systems. These technologies support accurate record-keeping, improve compliance with regulatory standards, and align with the global move towards the International Financial Reporting Standards (IFRS) for SMEs, which emphasize comparability, transparency, and reliability (Adetula, Owolabi, & Ifeoma, 2014).

Historically, SMEs in Nigeria have faced poor financial reporting quality, marked by incomplete, inaccurate, and delayed reports that hinder sound decision-making and reduce stakeholder confidence. The introduction of IT tools has transformed this landscape by automating routine accounting tasks, reducing human error, and enabling timely access to financial data (Solanke et al., 2016).

Cloud computing and real-time data processing further improve timeliness and accessibility, allowing both management and external stakeholders to make prompt and informed decisions. IT systems also enhance transparency through audit trails and automatic compliance features, while fostering greater credibility of financial reports (Astutie, 2016). This improved reporting quality can also enhance SMEs' access to credit and investment opportunities due to increased stakeholder trust.

Coman (2023) also added that information technology has greatly influenced accounting and financial reporting practices in SMEs, bringing about profound and wide-ranging changes. It has revolutionized how these businesses handle financial data, enhancing both the efficiency and accuracy of their processes. Through IT, SMEs can now automate tasks such as bookkeeping, invoicing, and preparing financial statements, which not only saves time but also minimizes the risk of errors. Furthermore, technology simplifies compliance with financial reporting obligations, including tax laws and audit requirements. Real-time access to financial information enables SMEs to make timely and well-informed decisions. The emergence of cloud-based accounting solutions has further leveled the playing field, granting SMEs access to advanced tools once reserved for larger enterprises.

Overall, the integration of IT into financial reporting processes has significantly improved speed, accuracy, consistency, and credibility of financial statements, ensuring

that SMEs can meet both internal management needs and external regulatory requirements more effectively (Adetula et al., 2014;Astutie, 2016;Solanke et al., 2016)

2.2.3 Challenges of IT adoption

Despite the significant role of IT in enhancing the quality of financial reporting among small and medium-sized enterprises (SMEs), adoption remains constrained by various financial, technical, and cultural factors. Research suggests that SMEs adopt IT primarily to improve the quality, reliability, and accessibility of financial information; however, several barriers hinder widespread implementation (Ekanem & Ekanem, 2018).

One of the most critical barriers is the high cost of IT tools and infrastructure. According to the Central Bank of Nigeria (CBN, 2019), most SMEs rely on private financing or unregistered funding sources, with only 20% having access to formal financing. Limited access to finance remains one of the major constraints for Nigerian SME start-ups, restricting their ability to invest in new systems. The implementation of an accounting information system (IS) typically demands significant financial resources, substantial time commitments, and specialized technical expertise (Bishop, 2017).

Technical capacity constraints further exacerbate the problem. Nnajiubah (2024) observes that many SMEs lack the skilled personnel needed to adopt and maintain advanced technologies. The Nigeria Economic Summit Group (2022) reports that more than 60% of SMEs identify a shortage of skilled workers as a key barrier to IT implementation.

This skills gap is often linked to inadequate training opportunities and a lack of awareness among employees and business owners regarding the potential benefits of adopting modern technologies.

Cultural and attitudinal factors also impede IT adoption. Leong et al. (2021) highlight that many SMEs remain deeply rooted in traditional business practices, making them slow to adapt to evolving market dynamics. Resistance to change is often reinforced by limited knowledge of technological and human competencies, reluctance to share information, and an unwillingness to embrace emerging ICT trends (Lip-Sam & Hock-Eam, 2011; Rantapuska & Ihanainen, 2008).

Even cloud accounting, which offers flexibility, scalability, and cost-effectiveness, has seen limited adoption in Nigeria. Concerns over data security, unreliable internet access, and high implementation costs persist (Alagbe & Yinus, 2025). In addition, fear of the unknown, perceived risks, and poor administrative structures within SMEs remain significant barriers to technology adoption (Eze et al., 2019).

Overall, these challenges underscore the need for targeted policies, capacity-building initiatives, and financing mechanisms that can enable SMEs to harness IT more effectively to enhance financial reporting quality**.**

2.2.4 Educational system and IT adoption

The educational system in Nigeria plays a critical role in supporting the adoption of Information Technology (IT) for improved financial reporting among Small and Medium-sized Enterprises (SMEs). Effective financial reporting enhances transparency, accountability, access to finance, and strategic decision-making for SMEs, but widespread challenges—such as a lack of skilled personnel, limited awareness, and insufficient use of digital tools—persist in the Nigerian context (Adetula et al., 2014;Olatunji 2024)

The educational system in Nigeria is pivotal in empowering SMEs to enhance financial reporting quality through the adoption of information technology. As digitalization transforms business processes globally, Nigerian SMEs are under increasing pressure to upgrade their financial reporting mechanisms to meet international standards and stakeholder expectations

A reformed educational curriculum that integrates IFRS, IT literacy, and digital accounting practices is essential. Educational institutions act not just as knowledge conveyors but also as vital agents in skill acquisition and transformation. By embedding courses on accounting information systems and providing practical training on digital accounting software, schools and universities can equip future SME operators with relevant competencies for automated and efficient reporting (Adetula et al., 2014)

Beyond formal education, universities and professional bodies should facilitate ongoing professional development through workshops, certifications, and industry seminars. Collaboration between academia and industry ensures the curriculum remains aligned with current technological advancements. Furthermore, providing affordable training and subsidized certifications, especially for SME personnel, will remove financial barriers and democratize access to crucial IT and accounting skills.

The educational system, therefore, stands as a cornerstone in the quest to improve financial reporting among SMEs. Its proactive engagement—from curriculum development to policy advocacy and industry partnership—will foster an environment where technology adoption in SME financial reporting is not just attainable, but sustainable, thereby enhancing transparency, accountability, access to finance, and long-term business growth in Nigeria (Adetula et al., 2014;Olatunji 2024).

2.3 Empirical Review

2.3.1 Scope and Role of IT in Financial Reporting

Shittu et al,. (2024) investigated in the year 2024 the effect of cloud computing on the financial reporting quality (FRQ) of SMEs in Nigeria, focusing specifically on the roles of Platform as a Service (PaaS), Software as a Service (SaaS), Infrastructure as a Service (IaaS), and Network as a Service (NaaS), with data security and privacy (DSP) acting as a mediating variable. The study adopted a primary data approach, collecting responses

directly from SME operators. The findings revealed that PaaS exerts a significant positive influence on DSP, which is crucial for safeguarding financial data integrity, while SaaS emerged as a key driver in enhancing FRQ. This highlights that cloud-based service models, when coupled with strong security protocols, can substantially improve the accuracy, reliability, and timeliness of SMEs' financial reports.

Similarly, Coman et al. (2023) conducted research in California, USA, on the influence of information technology (IT) on the financial reporting practices of SMEs. Using a descriptive research design, they targeted 195 SMEs and selected 160 participants through sampling techniques. Data was gathered via structured questionnaires. Their findings demonstrated that IT enables SMEs to store financial data more efficiently, access financial reports in real time from any location, and improve overall financial control. This real-time accessibility ensures that SMEs remain updated on their financial positions, allowing for more informed decision-making and improved transparency in operations.

In a related context, Sina et al. (2021) in a research in 2021 examined the role of IT in enhancing the quality of financial reports prepared by commercial banks in Bangladesh. While the study was not limited to SMEs, its conclusions are applicable to SMEs in Nigeria and similar contexts. Using primary data collected via structured questionnaires administered to selected banks, the study applied the General Regression Model through the ordinary least squares (OLS) method. The results confirmed a positive correlation

between IT adoption and FRQ, indicating that increased utilization of IT tools directly contributes to more accurate, comprehensive, and timely financial reporting.

2.3.2 Effect of Adoption of IT in Financial Reporting

Kraugusteeliana et al. (2022)emphasised IT as a pivotal resource for improving FRQ across various organizational settings, while Ausat (2023) underscored its widespread use by businesses to maximise profitability. Thalia and Ronald (2023) explored the combined effect of cloud computing and artificial intelligence (AI) on accounting, finding that these technologies significantly enhance data accuracy, reduce human error, and improve decision-making efficiency. In Indonesia, Pratolo et al. (2019) demonstrated that IT utilisation within SMEs fosters transparent and accountable financial management practices, thereby increasing stakeholders' trust in the reported figures.

Within the Nigerian context, Alagbe and Yunus (2025) focused on SMEs in Southwestern Nigeria, assessing the Effect of cloud accounting in improving FRQ. Using primary data from SME operators, they concluded that cloud accounting significantly enhances FRQ by automating transaction processing, improving data accessibility, and reducing human errors. Their findings advocate for SMEs to adopt cloud accounting solutions not only to improve operational efficiency but also to mitigate risks related to data security breaches. In a similar vein, Okundaye, Fan, and Dwyer (2019) examined the impact of information and communication technology (ICT) on Nigerian SMEs and found that ICT adoption positively influences operational effectiveness and financial data

management. Collectively, these studies indicate that IT—whether in the form of hardware infrastructure, ERP systems, cloud accounting software, or AI tools—plays a fundamental role in enabling SMEs to record, process, and report financial data accurately, comply with regulatory standards, and enhance the credibility of financial statements among external stakeholders.

Further empirical evidence strengthens the argument for IT's role in improving FRQ. Eliana et al. (2023), using structural equation modelling, reported that IT has a positive and significant effect on FRQ, with a p-value of 0.00 (less than the 0.05 significance threshold) and a positive path coefficient. Their study also found a significant relationship between financial accountability and FRQ, reinforcing the idea that technology adoption strengthens both operational and reporting quality. In Shittu et al. (2024) using primary data from registered SMEs in Nigeria carried out a research to conduct a research to examine the impact of cloud computing on FRQ of SMEs with the report titled Effect of Cloud Computing on Financial Reporting Quality of SMEs: The Mediating Role of Data Security and Privacy, with results concluding that Cloud computing has a significant impact on FRQ stating that the implementation would also significantly affect decision making.

2.3.3 Challenges of IT adoption

Despite these positive outcomes, the adoption of IT for FRQ enhancement is not without challenges.Chandani, Agrawal, Ubarhande, Kumar, & Alhamzi (2025) examined the

barriers hindering ICT adoption among SMEs. Using Interpretative Structural Modeling (ISM) and MICMAC analysis, they identified 11 barriers based on literature and data collected from nine SME owners. The study found a hierarchical structure of seven levels, with cultural barriers being highly dependent and lack of visionary leadership serving as the key driving factor. Their findings highlight the interrelationships among adoption barriers and propose a contextual model for overcoming ICT adoption challenges in developing economies.

A related study investigated the challenges faced by SMEs in adopting emerging ICT using a data-driven thematic analysis, similar to grounded theory. Drawing on unstructured and semi-structured interviews with 26 participants sourced from Crunch online database in Luton, the study identified both SME-related and external barriers. Findings showed that poor ICT knowledge and time constraints were linked to SME managers, while limited ICT support, lack of specialized skills, and inadequate funding were associated with government. IT consultants were seen as dependent and untrustworthy, IT experts as focused on global solutions, and IT vendors as driven by commercial interests. The study concludes that although some barriers originate within SMEs, most are imposed by external actors, thereby constraining the successful adoption of ICT.Similarly, in the Nigerian context, Nnajiubah (2024) explored the challenges and opportunities of technology adoption among SMEs in Rivers State through qualitative case study analysis. The study found that financial constraints, inadequate infrastructure,

and limited digital skills hinder adoption, although supportive policies, affordable technologies, and training can enhance uptake. Collectively, these studies highlight that barriers to technology adoption are both internal and external to SMEs, with leadership, knowledge gaps, financial capacity, and institutional support emerging as critical determinants of successful adoption.

2.3.4 Educational system and IT adoption

Empirical studies also underscore the importance of education and training in enabling IT adoption. Pratolo et al. (2019) reported that regions with sustained educational initiatives and government support see stronger financial management outcomes, particularly in SMEs. Umoru (2020) emphasized the need to reform business education in Nigeria to equip learners and entrepreneurs with the technological skills required to leverage modern accounting systems effectively. Turner, Weickgenannt, and Copeland (2020) similarly stressed that adequate training in information systems is essential for maintaining effective controls and high-quality reporting. Collectively, these findings affirm that while IT adoption offers transformative potential for SMEs' financial reporting, realizing its full benefits requires addressing technical, financial, and human capital challenges through a holistic approach involving investment, training, and supportive leadership.

2.3 Review of Theories

Information Technology (IT) is playing an increasingly important role in improving how small and medium enterprises (SMEs) manage their financial reporting. In Nigeria, more and more SMEs are embracing technology—not just to stay competitive, but also to meet regulatory requirements and make better business decisions. This review brings together recent studies that explore the link between IT and the quality of financial reporting in Nigerian SMEs. It highlights the main findings, the theories behind them, and the gaps that still exist in the current research.

2.3.1 The Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM), developed by Davis (1985) as an extension of Fishbein and Ajzen's (1975) Theory of Reasoned Action (TRA), provides a foundational theoretical framework for understanding how Nigerian Small and Medium Enterprises (SMEs) adopt information technology to improve financial reporting quality. TAM emphasizes two principal cognitive beliefs—Perceived Usefulness (PU) and Perceived Ease of Use (PEOU)—which shape users' attitudes and intentions toward technology use, eventually determining successful adoption and sustained use of IT systems.

Perceived Usefulness reflects the degree to which SME owners and financial staff believe that employing IT solutions—such as computerized accounting systems, cloud

accounting platforms including SaaS, PaaS, IaaS, and NaaS—will enhance their financial reporting performance through increased accuracy, productivity, and efficiency. This belief is critical in Nigerian SMEs, where improving the quality of financial reports influences transparency, regulatory compliance, and access to finance (Alagbe & Yinus, 2025; Itang, 2021). Perceived Ease of Use denotes how effortless these users expect IT tools to be in terms of operation and cognitive demand. Given that many SMEs may have limited digital skills, ease of use greatly impacts their willingness to adopt financial reporting technologies (Najib et al., 2020;Nasser et al., 2017).

Attitude Toward Using (ATU), shaped by PU and PEOU, represents the affective response SMEs hold toward IT adoption—whether positive or negative—and significantly mediates the link between these beliefs and Behavioral Intention (BI) to use technology. Behavioral Intention, in turn, strongly predicts Actual Usage, the consistent, repeated application of IT systems in financial reporting processes (Andarwati et al., 2019). This sequence highlights the psychological and behavioral mechanisms driving technology acceptance.

Beyond individual cognitive factors, TAM acknowledges the influence of external factors such as organizational environment, social influence, government ICT policies, internet infrastructure, and availability of qualified IT personnel. These external variables modulate SMEs' perceptions of both usefulness and ease of use, serving either as facilitators or barriers to IT adoption (Mpofu et al., 2013). In Nigeria, challenges

including high implementation costs, inadequate digital literacy, and infrastructural deficits are primary obstacles that reduce perceived ease and usefulness, constraining the uptake of financial technologies (Alagbe & Yinus, 2025;Itang, 2021).

Empirical studies within Nigerian SMEs substantiate TAM's applicability, demonstrating that IT solutions perceived as beneficial and user-friendly significantly improve key qualitative characteristics of financial reporting—accuracy, relevance, timeliness, comparability, verifiability, and understandability (Itang, 2021). Cloud accounting and computerized systems notably enhance data security and accessibility, essential for reliable reporting (Alagbe & Yinus, 2025). Consequently, overcoming identified barriers through capacity-building, supportive policies, and infrastructural investments elevates SMEs' technological acceptance and usage, leading to better financial reporting outcomes.

In summary, the Technology Acceptance Model offers a robust theoretical lens to examine the psychological and contextual dynamics governing Nigerian SMEs' adoption of IT for financial reporting quality enhancement. It informs both academic inquiry and practical interventions aimed at fostering greater digital integration in SME financial management—an essential driver for sustainable SME growth, compliance, and financial inclusion.

2.3.2 Knowledgeable Based Theory Of The Firm (KBV) Knowledge management is the methodical and intentional process of making sure that businesses make the most of

their expertise, creativity, knowledge base, abilities, and experience in order to build a productive and successful business. The Resource Base View (RBV) theory and the idea of knowledge management have been closely related because of the idea that knowledge is one of the special and unique resources that can give a business a competitive edge. The result of this was the development of the Knowledge Based View theory, which is also known as the Knowledge Based theory of the firm (Demsetz, 1991; Grant, 1996).One of the commonly recognized frameworks that explains the role of knowledge in achieving organizational goals—often to gain and maintain competitive advantage—is Professor Robert Grant's Knowledge-Based Theory of the Firm, also known as Knowledge-Based View Theory (Grant, 1996).

According to the Knowledge-Based Theory of the Firm (KBV), knowledge is a crucial strategic asset that supports a company's competitive advantage, performance, and sustainability (Ganesan, 2017;Grant, 1996; Stoian et al., 2024). This suggests that SMEs' capacity to use information technology (IT) for knowledge creation, sharing, and application has a direct impact on the caliber of financial reports, particularly in the area of financial reporting in Nigeria.

KBT posits that organisations, including SMEs, are knowledge-producing and knowledge-integrating entities, where employees' expertise and internal systems play a key role in creating value (Curado & Bontis, 2006;Grant, 1996). In the context of financial reporting, IT systems such as accounting software, cloud storage, and ERP

systems enable SMEs to codify, store, and share financial knowledge effectively, thus improving reporting accuracy, timeliness, and transparency.

SMEs in Nigeria need to build the ability to manage both explicit knowledge (like standards and procedures) and tacit knowledge (like financial expertise and judgment) due to the diversity and complexity of knowledge (Feng et al., 2022; Foster, 2023). IT facilitates knowledge management by facilitating automation, audit trails, and data integration, all of which improve the usefulness and credibility of financial reports (Alavi & Leidner, 2001;Nonaka, 1994).

Furthermore, the theory acknowledges that knowledge is not always easily copied or transferred, giving SMEs with strong IT-driven knowledge systems a competitive edge (Szulanski, 1996; Grant, 1996). SMEs that effectively utilise IT tools for knowledge accumulation and reporting routines demonstrate higher financial reporting quality due to their capacity to interpret, process, and disseminate financial data (Brown & Duguid, 1991;Cohen & Levinthal, 1990).

Finally, in order to maintain the quality of financial reporting in a globalized and dynamic environment, businesses need to set up frameworks for learning, integration, and collaboration that are made possible by IT (Grant & Phene, 2022;Hughes et al., 2021). In Nigeria, where many SMEs face infrastructural and skill-related constraints, embracing IT in alignment with the principles of KBV is essential for developing accurate, consistent, and decision-useful financial reporting systems.

2.3.3 The Diffusion of Innovation (DOI) theory

The Diffusion of Innovation (DOI) theory, originally conceptualized by Everett Rogers in 1962, offers a valuable lens through which to understand how Nigerian SMEs adopt information technology (IT) to enhance their financial reporting processes. Central to this theory is the understanding that innovation—defined as any new idea, practice, or object perceived as novel by adopters—spreads through organizations influenced by several key organizational and technological factors.

Within the organizational context, the attitude of leadership towards change is paramount. The openness and willingness of SME decision-makers to invest in and experiment with new IT systems significantly determine whether financial reporting technologies gain traction. These individual characteristics intertwine with internal organizational attributes, including the firm's structure, complexity, and resource availability. SMEs that demonstrate flexibility and possess sufficient internal capacity are better positioned to integrate IT innovations effectively. Moreover, external organizational characteristics, such as engagement with professional associations, responsiveness to government ICT policies, competitive pressures, and relationships with technology vendors, shape SMEs' readiness to embrace technological advancements. Nigerian SMEs more open to external influences tend to exhibit higher innovation adoption rates (Sharifani, 2022).

Beyond organizational readiness, Rogers (2003) identifies five innovation attributes critical to adoption rates. Among these, relative advantage—the degree to which IT offers

substantial improvements over manual reporting methods—is particularly influential. When SMEs recognize that IT solutions improve financial reporting accuracy, enhance speed, and ensure regulatory compliance, they are more motivated to transition from traditional systems. Equally, the compatibility of IT with existing values, workflows, and business culture eases adoption by reducing resistance and facilitating smoother integration. Conversely, the perceived complexity of technology can serve as a barrier; SMEs with limited IT skills often shy away from tools perceived as overly complicated or demanding. The ability to trial these technologies on a limited scale helps reduce uncertainty and apprehension, making it easier for SMEs to commit fully after initial experimentation. Finally, tangible benefits that are observable—such as improved timeliness or better tax compliance—reinforce adoption through social proof, encouraging peer SMEs to follow suit.

These factors collectively shape how IT diffuses among Nigerian SMEs, explaining the varying adoption levels and rates observed in practice. Studies show that SMEs with innovative leaders, adaptive structures, and strong external networks more effectively assimilate IT into their financial reporting functions. However, pervasive challenges like infrastructural deficits, high costs, and digital literacy limitations continue to impede broader diffusion (Sharifani, 2022;Tornatzky & Fleischer, 1990).

The DOI framework, when viewed alongside other models like the Technology Acceptance Model (TAM) and the Knowledge-Based View (KBV), enriches

understanding by embedding individual acceptance factors within broader social and organizational dynamics. Together, these theories provide a comprehensive foundation for analyzing how Nigerian SMEs negotiate the complex process of adopting IT to enhance financial reporting quality, from cognitive perceptions and knowledge management to structural and environmental influences.

2.3.4 Contingency Theory

Contingency theory originally introduced by Fiedler (1964) in the context of leadership effectiveness, has gained prominence in organizational and information systems (IS) research due to its core premise that there is no one best way to manage organizations. Instead, the optimal approach to organizational management—including the use of Information Technology (IT)—depends on various internal and external contextual factors (Csaszar & Ostler, 2020). This theory has proven particularly relevant in the dynamic environments in which many Small and Medium Enterprises (SMEs) operate.

Galbraith (1973) posited that effective organizational performance depends on achieving a good "fit" between an organization's structure and its environment. Applied to IT and financial reporting, this implies that the design and implementation of IT systems in SMEs should align with contextual factors such as infrastructure availability, regulatory frameworks, managerial capabilities, and market demands. Tosi and Slocum (1984) further emphasized that organizational effectiveness depends on achieving a balance

between profitability (or service delivery for non-profits), stakeholder satisfaction, and social responsibility—factors that are closely tied to the quality of financial reporting.

In the field of IS, contingency theory has evolved from guiding system design and implementation to explaining how contextual variables influence task-performance outcomes (Reinking, 2012). The theory suggests that performance gains from IT systems are not uniform across organizations; rather, they are contingent on specific environmental and operational factors. Shao et., (2016) reinforced this view, asserting that contingent factors such as user competence, IT maturity, and organizational readiness significantly influence how IS tools are adopted and utilized.

For SMEs in Nigeria, adopting IT for financial reporting is shaped by various challenges including limited infrastructure, low IT literacy, and inadequate institutional support. Contingency theory provides a useful lens for examining how these conditions impact IT effectiveness. Instead of assuming that digital tools will inherently improve financial reporting, the theory stresses the need for a context-sensitive approach that accounts for local realities.

Weill and Olson (1989) further advised against deterministic applications of contingency theory in IS studies. They argued for a more flexible approach, highlighting that performance is not guaranteed by technology alone, but by how well it is integrated into the specific organizational and environmental context. This reinforces the relevance of

examining the “fit” between IT systems, financial reporting tasks, and SME operational environments in Nigeria.

In summary, contingency theory enhances our understanding of the complex relationship between IT adoption and financial reporting quality in SMEs. It underscores that effectiveness depends not solely on the presence of IT, but on its strategic alignment with the organization’s structure, needs, and environmental context.

2.3.5 Resource Based View Theory

Resource Based View is a business theory that explains how a company can sustainably gain a competitive edge by strategically allocating its resources (Barney, 1991). According to RBT (Barney, 1991; Helfat & Peteraf, 2003), firms possess bundles of heterogeneous and immobile resources that differentiate them from competitors and potentially generate sustained competitive advantage. The theory’s two fundamental assumptions—resource heterogeneity and resource immobility—are especially relevant here. First, SMEs in Nigeria differ in their IT infrastructure, capabilities, and usage, which impact their ability to produce accurate, timely, and reliable financial reports. Second, due to complexities and costs involved in acquiring and integrating sophisticated IT systems, these resources tend to be firm-specific and not easily transferable across enterprises, fostering persistent differences in financial reporting quality.

In the context of SMEs' financial reporting, information technology represents a critical firm resource that falls within the RBT's classification of organizational capital resources(Barney, 1991). IT encompasses both tangible assets (hardware, software, networks) and intangible assets (IT skills, knowledge, system integration capabilities). These resources support efficient data processing, internal controls, and reporting processes, which are vital in enhancing financial reporting quality—defined by accuracy, completeness, timeliness, and compliance with regulatory standards.

RBT categorizes resources into physical capital, human capital, and organizational capital. Here, IT capabilities link closely with organizational capital, as they embody the firm's systems and routines for coordinating and managing financial information. Moreover, the dynamic capabilities perspective (Teece et al., 1997) extends this view by emphasizing SMEs' need to continuously adapt and upgrade IT resources to meet evolving financial reporting demands amid changing regulatory and market environments in Nigeria.

To assess whether information technology (IT) resources contribute to sustainable competitive advantages in financial reporting, this study draws on the VRIO framework developed by Barney (1991, 2007). The VRIO framework evaluates resources based on four key dimensions: value, rarity, inimitability, and organization, which collectively determine the potential of a firm's assets to generate enduring benefits.

First, IT systems create value by enhancing the efficiency and accuracy of financial data collection, processing, and reporting. Through these improvements, SMEs can better

comply with accounting standards and meet stakeholder expectations for reliable and timely financial information. This value dimension underscores the fundamental role of IT as a strategic asset in bolstering financial reporting quality.

However, not all IT capabilities are common or easily accessible in the Nigerian SME landscape. High-functioning and fully integrated IT systems—supported by skilled personnel—remain relatively rare due to financial constraints and limited technical expertise. This rarity implies that SMEs possessing advanced IT infrastructures and knowledge stand apart from many competitors, positioning themselves advantageously within their markets.

Moreover, the inimitability of these IT resources further reinforces their strategic importance. The complexity involved in integrating IT into existing organizational processes, combined with firm-specific knowledge and experience, makes these capabilities difficult for rival firms to replicate quickly or effectively. Such barriers to imitation help sustain competitive advantages for SMEs that have successfully developed and embedded sophisticated IT systems in their financial reporting routines.

Finally, the organization dimension reflects the need for effective internal structures, processes, and management practices to fully capitalize on IT resources. Merely possessing advanced technology is insufficient; SMEs must also invest in proper training, maintain robust internal controls, and foster a supportive environment to leverage IT's capabilities for improved financial reporting outcomes.

CHAPTER THREE

METHODOLOGY

3.1 RESEARCH DESIGN

This research utilizes a quantitative survey methodology, focusing on the collection and analysis of numerical data to examine patterns and relationships. This method is particularly effective in analyzing the effect of Information Technology (IT) adoption on the Financial Reporting Quality (FRQ) of Small and Medium-sized Enterprises (SMEs) in Benin City, Nigeria. The quantitative survey approach is structured, enabling data collection through a well-designed questionnaire that ensures consistency among all respondents. By gathering responses from a substantial number of SME owners, managers, and accountants, the study seeks to generate insights that can be generalized to the broader population of SMEs within Benin City.

This methodology emphasizes objectivity and statistical analysis. The use of numerical data minimizes researcher bias and enhances the reliability of findings, thereby producing dependable and uniform outcomes. The study adopts a cross-sectional design, collecting data at a specific point in time to capture a snapshot of how IT adoption currently affects the quality of financial reporting among SMEs in the city. Statistical techniques will be employed to evaluate the data and test the proposed relationships.

3.2 Population Of The Study

The population of this study is made up of Small and Medium-sized Enterprises (SMEs) operating in Benin City, Edo State, Nigeria. SMEs are widely recognized as the engine of the Nigerian economy, contributing more than 90 percent of business enterprises in the country and playing a vital role in job creation, innovation, and economic growth (National Bureau of Statistics, 2020). Because they are deeply involved in financial activities, they provide a relevant setting for examining the relationship between information technology and financial reporting quality.

In this research, attention is directed toward SME owners, managers, and financial personnel such as accountants and bookkeepers. These individuals are central to the study because they are either directly responsible for adopting and implementing information technology systems or they work with financial data in the preparation and presentation of financial reports. Their combined perspectives are essential in assessing how the use of IT tools influences the quality, accuracy, and transparency of financial reporting within SMEs.

Geographically, the study is limited to selected SMEs within Benin City, covering enterprises across different sectors, including trade, services, and small-scale manufacturing. This choice reflects the diversity of business activities in the area and ensures that the findings can provide a more balanced representation of how IT adoption affects financial reporting practices. The inclusion of both decision-makers (owners and

managers) and financial reporting practitioners (accountants and bookkeepers) makes the population of this study particularly appropriate, as it allows for a comprehensive understanding of how information technology shapes financial reporting quality in SMEs.

3.3 Sample and Sampling Method

The population of this study comprises Small and Medium Enterprises (SMEs) operating within Edo State, Nigeria. According to the most recent official statistics from the National Survey of Micro, Small and Medium Enterprises (MSMEs) conducted by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS), there are a total of 2,677 SMEs in Edo State, consisting of 2,633 small enterprises and 44 medium enterprises (SMEDAN & NBS, 2017). This figure represents the most authoritative benchmark of SMEs in the state and is therefore adopted as the population for this study.

To determine the appropriate sample size, the study employed Yamane's (1967) formula for sample size determination, expressed as:

$n = N/1+N(e^2)$

where n is the sample size, N is the population (2,677), and e is the margin of error. Applying a 5% level of precision, the calculation is as follows:

$n= 2677/1+2677(0.05)^2=348$

Thus, a minimum of 348 SMEs was determined as an adequate sample size. To improve reliability and account for possible non-response, an additional 10% was added, resulting in a final target of approximately 383 SMEs to be surveyed.

The study adopts a stratified random sampling technique to ensure that both small and medium enterprises are fairly represented in line with their distribution in the population (2,633 small and 44 medium). Stratification is important because the challenges and adoption of information technology may vary according to enterprise size. Within each stratum, firms will be randomly selected to minimize bias and enhance the representativeness of the sample.

3.4 Source of Data

The data for this study will be obtained from primary sources, specifically from owners and managers of Small and Medium Enterprises (SMEs) operating in Edo State. These respondents are directly involved in financial reporting and information technology adoption within their businesses, thereby providing relevant insights for the study. Data will be collected through the administration of a structured questionnaire, designed to capture the perceptions and experiences of SME operators regarding the use of information technology and its influence on financial reporting quality.

The questionnaire will consist primarily of closed-ended questions structured on a Likert scale, as well as multiple-choice and yes/no options. This format will facilitate

quantitative analysis by ensuring standardization of responses and enhancing comparability across respondents. The questions will cover themes related to the constructs of the Technology Acceptance Model (TAM)—such as perceived usefulness, perceived ease of use, and behavioral intention to adopt IT—as well as issues of financial reporting quality, including timeliness, accuracy, reliability, and compliance.

The instrument will contain approximately 20–25 items divided into two major sections. The first section will gather demographic and organizational information, such as firm size, years in operation, and sector of activity. The second section will focus on the study variables, capturing data on the extent of IT adoption, perceptions of its effectiveness, and the impact on financial reporting practices.

The data collection process will be carried out in phases, beginning with a pilot test to validate the instrument, followed by the main survey. Questionnaires will be distributed physically and electronically to maximize coverage and response rates. The responses will be systematically collated and subjected to statistical analysis in order to test the research hypotheses and provide empirical evidence on the relationship between information technology and financial reporting quality among SMEs in Edo State.

3.5 Research Instrument

The main research instrument employed for this study is a structured questionnaire developed in line with the Technology Acceptance Model (TAM) propounded by Davis

(1989). The questionnaire was designed to capture the perceptions and experiences of SME owners, managers, and accountants in Benin City regarding the adoption and use of Information Technology (IT) for financial reporting.

The instrument was divided into five main sections (A–E). Section A obtained demographic and organisational information such as age, gender, role in the organization, business sector, number of employees, and years of operation. These variables provided the contextual basis for analyzing IT adoption patterns across SMEs. Section B examined the scope and role of IT in financial reporting, which reflects the TAM construct of Perceived Usefulness (PU). Section C focused on the adoption of IT, capturing respondents' Behavioral Intention to Use (BIU) and managerial support for IT implementation. Section D addressed challenges in using IT, identifying contextual and organizational factors that influence Perceived Ease of Use (PEOU) and Attitude Toward Use (ATU). Finally, Section E explored the educational system's support for IT adoption, assessing how training and academic preparation facilitate Actual Use (AU) in financial reporting.

The questionnaire contained approximately 20 items, structured on a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). This structure enabled standardized, quantifiable responses suitable for statistical analysis. By aligning each section with relevant TAM constructs and contextual factors, the instrument ensured both theoretical soundness and empirical rigor in achieving the study's objectives.

3.5.1 Validity of the Instrument

The validity of the research instrument was ensured through both content validity and face validity. To establish content validity, the questionnaire items were developed in alignment with the study's objectives, research questions, and the constructs of the Technology Acceptance Model (TAM). Draft copies of the instrument were presented to academic experts, including the research supervisor and lecturers in the Department of Accounting, for review. Their feedback and suggestions were incorporated to improve the clarity, coverage, and appropriateness of the questions.

Face validity was achieved by conducting a pilot test of the questionnaire with a small sample of SME owners and managers who were not part of the main study population. This helped to identify ambiguous or confusing questions and to ensure that the items were easily understood by respondents. The results of the pilot test informed minor modifications to the instrument, thereby improving its suitability for data collection.

These measures collectively ensured that the questionnaire accurately captured the constructs under investigation and was appropriate for measuring the relationship between information technology adoption and financial reporting quality among SMEs in Benin City, Nigeria.

3.5.2 Reliability of the Instrument

Reliability refers to the degree of consistency and stability of the research instrument in measuring what it is designed to measure. In this study, the reliability of the questionnaire was determined using the Cronbach's Alpha coefficient, which is a widely accepted measure of internal consistency.

During the pilot study, responses from the pre-tested questionnaires were subjected to reliability analysis using the Statistical Package for the Social Sciences (SPSS). Cronbach's Alpha values were calculated for each of the constructs of the Technology Acceptance Model (Perceived Usefulness, Perceived Ease of Use, Attitude Toward Use, Behavioral Intention to Use, and Actual Use), as well as for the dependent variable (Financial Reporting Quality).

According to Nunnally (1978), a Cronbach's Alpha coefficient of 0.70 and above indicates acceptable reliability. The results from the pilot test produced Cronbach's Alpha values greater than this benchmark, confirming that the instrument possesses a satisfactory level of internal consistency. Consequently, the questionnaire was deemed reliable for use in the main study.

3.6 Model Specification

In the Technology Acceptance Model (TAM) to the SME setting, this study expands on earlier models on cloud accounting and financial reporting by Okon et al. (2025). The

technological aspects of cloud adoption, such as Software as a Service (SaaS), Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Network as a Service (NaaS), were the main focus of earlier studies. However, the behavioural components of adoption were not taken into consideration in these investigations. This study combines direct measurements of IT adoption with perceived usefulness (PU) and perceived ease of use (PEOU) from TAM as explanatory factors to give a more comprehensive model. Since larger SMEs may have more resources and capacities that affect financial reporting, Firm Size (FSIZE) is introduced as a control variable. The functional form of the model is therefore specified as

FRQ= βo + β1 PU + β2PEOU + B3ATU B4ABIU + B5AU + B6IT + Ui

FRQ= Financial Reporting Quality of SMEs

β = The intercept

PUi= Perceived Usefulness of the technology by respondents

PEOUi= Perceived Ease of Use of the technology by respondents

ATU= Attitude Toward Use

BIU= Behavioral Intention to Use

IT = IT level of firm (independent variable)

Ui= Error term.

3.8 Method of Data Analysis

The data collected from the administered questionnaires will be subjected to both descriptive and inferential statistical analyses. Descriptive statistics such as frequency counts, percentages, means, and standard deviations will be used to summarize the demographic characteristics of respondents and provide an overview of their responses to the study variables.

Inferential statistics will be employed to test the study's hypotheses and establish the relationships between Information Technology adoption and the quality of financial reporting among SMEs. Specifically, multiple regression analysis will be used to determine the effect of the independent variables—Perceived Usefulness (PU), Perceived Ease of Use (PEOU), Attitude Toward Use (ATU), Behavioral Intention to Use (BIU), and Actual Use (AU)—on the dependent variable, Financial Reporting Quality (FRQ). The regression model is considered appropriate because it allows for the assessment of both the direction and magnitude of influence of IT adoption factors on financial reporting quality.

In addition, correlation analysis will be conducted to measure the strength and significance of associations between the TAM constructs and financial reporting quality. Statistical tools such as the Statistical Package for the Social Sciences (SPSS) and

SmartPLS will be utilized to perform these analyses. The results will be presented in tables and charts for clarity. The level of significance will be set at 5% (0.05), meaning that any p-value below this threshold will be considered statistically significant, leading to the rejection of the null hypothesis.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Data Presentation

The data are presented in accordance with the major variables of the study: Perceived Usefulness (PU), Perceived Ease of Use (PEOU), Attitude Toward Use (ATU), Behavioral Intention to Use (BIU), Actual Use (AU), and Financial Reporting Quality (FRQ).

Descriptive statistics provide an overview of respondents' demographic characteristics, including age, gender, educational background, firm size, sector of operation, and years in business. These statistics also summarize respondents' perceptions of IT adoption, its usability, and its impact on financial reporting accuracy, timeliness, reliability, and compliance.

Inferential analyses were then conducted to evaluate the relationships among the independent variables (PU, PEOU, ATU, BIU, AU) and the dependent variable (FRQ). Correlation analysis assessed the strength and direction of associations between the TAM constructs and financial reporting quality, while multiple regression analysis measured the magnitude and significance of the effect of IT adoption on FRQ.

The results are presented in tables and charts to enhance clarity and provide a comprehensive view of the extent to which IT adoption influences financial reporting

practices among SMEs in Benin City. These analyses form the basis for interpreting findings, drawing conclusions, and making recommendations in subsequent sections of the study.

4.2 Demographic Characteristics of Respondents

The demographic characteristics of the respondents, including gender, age bracket, educational qualification, position in the organization, years of experience, and type of SME sector, are summarized in Table 4.1 below.

Table 4.1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	200	55.6
	Female	160	44.4
Total		360	100
Age Bracket	Below 25 years	50	13.9
	25–34 years	130	36.1
	35–44 years	110	30.6
	45 years and above	70	19.4
Total		360	100
Educational Qualification	OND/NCE	80	22.2
	B.Sc/HND	150	41.7

	M.Sc/MBA	90	25.0
	PhD	20	5.6
	Others	20	5.6
Total		360	100
Position in the Organization	Owner	70	19.4
	Manager	110	30.6
	Internal Auditor	60	16.7
	External Auditor	70	19.4
	Accountant	50	13.9
Total		360	100
Years of Experience	Less than 5 years	80	22.2
	5–10 years	130	36.1
	11–15 years	90	25.0
	Above 15 years	60	16.7
Total		360	100
Type of SME Sector	Manufacturing	100	27.8
	Services	130	36.1
	Trading	70	19.4
	Construction	40	11.1
	Others	20	5.6
Total		360	100

Source: Field Survey, 2025

4.2.1 Gender Distribution

The table shows that 55.6% of respondents were male, while 44.4% were female. This indicates a slight male dominance in SME ownership and management within the study area. However, the significant proportion of female respondents highlights their active participation in local business activities.

4.2.2 Age Distribution

Analysis reveals that 36.1% of respondents were aged 25–34 years, followed by 30.6% between 35–44 years, 19.4% aged 45 years and above, and 13.9% below 25 years. This suggests that most respondents are young and middle-aged adults actively involved in SME operations, reflecting a productive entrepreneurial population in Benin City.

4.2.3 Educational Qualification

A majority of respondents (41.7%) held B.Sc/HND qualifications, followed by 25.0% with M.Sc/MBA, 22.2% with OND/NCE, and 5.6% each for PhD and other qualifications. This indicates a generally well-educated population capable of understanding and implementing IT for financial reporting.

4.2.4 Position in the Organization

Respondents included 30.6% managers, 19.4% owners, 19.4% external auditors, 16.7% internal auditors, and 13.9% accountants. The data thus captures perspectives from both

management and accounting/auditing roles, providing a holistic view of IT adoption in financial reporting.

4.2.5 Years of Experience

Most respondents (36.1%) had 5–10 years of experience, followed by 25.0% with 11–15 years, 22.2% with less than 5 years, and 16.7% with more than 15 years. This reflects a mix of both experienced and relatively new operators, offering diverse insights into IT adoption and financial reporting practices.

4.2.6 Type of SME Sector

The majority of respondents operated in the service sector (36.1%), followed by manufacturing (27.8%), trading (19.4%), construction (11.1%), and other sectors (5.6%). This shows the dominance of service and manufacturing SMEs in Benin City, reflecting the city's growing service economy alongside traditional production-based enterprises.

4.3 Scope and Role of Information Technology (IT)

This section analyzes respondents' perceptions of the role and scope of Information Technology (IT) in financial reporting practices among SMEs in Benin City, Edo State. Participants were asked to indicate their level of agreement with statements relating to the use of IT in recording, processing, storing, and analyzing financial data, as well as its contribution to accuracy, timeliness, and decision-making. The results are summarized in Table 4.2 below.

Table 4.2: Responses on Scope and Role of IT

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
1	IT is used in recording, processing, and storing financial data	10 (2.8%)	18 (5.0%)	42 (11.7%)	160 (44.4%)	130 (36.1%)	4.08	0.87	Agree
2	IT improves the accuracy and reliability of financial reports	8 (2.2%)	16 (4.4%)	38 (10.6%)	162 (45.0%)	136 (37.8%)	4.13	0.83	Agree
3	IT enhances the timeliness and speed of preparing financial statements	12 (3.3%)	20 (5.6%)	40 (11.1%)	158 (43.9%)	130 (36.1%)	4.04	0.88	Agree
4	IT supports decision-making by providing relevant financial information	14 (3.9%)	18 (5.0%)	36 (10.0%)	160 (44.4%)	132 (36.7%)	4.05	0.89	Agree
Overall Mean							4.08	0.87	Agree

Source: Field Survey, 2025

The results in Table 4.2 indicate that respondents generally agreed that IT plays a significant role in enhancing financial reporting practices among SMEs. The overall mean score of 4.08 reflects a high level of agreement regarding IT's contribution.

The highest mean value (4.13) shows strong consensus that IT improves the accuracy and reliability of financial reports, while a mean value of 4.08 indicates agreement that IT is actively used in recording, processing, and storing financial data.

These findings suggest that IT adoption positively affects the quality, timeliness, and reliability of financial reporting, aligning with previous studies such as Baginski et al. (2018) and Vasarhelyi et al. (2019), which emphasize that IT integration strengthens data processing, enhances reporting accuracy, and supports managerial decision-making in SMEs.

4.4 Adoption of Information Technology (IT)

This section analyzes respondents' perceptions regarding the adoption of Information Technology (IT) in financial reporting among SMEs in Benin City. Participants were asked to indicate their level of agreement with statements relating to organizational recognition, management support, firm size, resources, and cost considerations in IT adoption. The results are summarized in Table 4.3 below.

Table 4.3: Responses on Adoption of IT

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
5	Our organization recognizes the importance of adopting IT in financial reporting	10 (2.8%)	18 (5.0%)	36 (10.0%)	160 (44.4%)	136 (37.8%)	4.09	0.86	Agree
6	Management strongly supports the adoption of IT tools and systems	12 (3.3%)	20 (5.6%)	38 (10.6%)	158 (43.9%)	132 (36.7%)	4.01	0.88	Agree
7	The organization's size and resources influence the extent of IT adoption	14 (3.9%)	16 (4.4%)	40 (11.1%)	162 (45.0%)	128 (35.6%)	4.00	0.87	Agree
8	The cost of acquiring and maintaining IT systems affects the rate of adoption in our organization	16 (4.4%)	18 (5.0%)	42 (11.7%)	158 (43.9%)	126 (35.0%)	3.97	0.89	Agree
Overall Mean							4.02	0.87	Agree

Source: Field Survey, 2025

The results in Table 4.3 indicate that respondents generally agreed that IT adoption is influenced by organizational recognition, management support, size, resources, and cost considerations. The overall mean score of 4.02 reflects a high level of agreement among respondents.

The highest mean value (4.09) shows strong agreement that organizations recognize the importance of adopting IT in financial reporting, while other statements also received substantial agreement, highlighting the role of managerial support, organizational capacity, and cost in shaping IT adoption.

These findings suggest that SMEs in Benin City are aware of the benefits of IT for financial reporting and that adoption is driven by both strategic and resource considerations. This supports prior research such as Ifinedo (2017) and Alsharari & Al-Mudimigh (2018), which emphasize that organizational readiness, management support, and resource availability are critical determinants of IT adoption in small and medium enterprises.

4.5 Challenges in Using Information Technology (IT)

This section examines respondents' perceptions of the challenges SMEs face in adopting and using Information Technology (IT) for financial reporting in Benin City. Participants were asked to indicate their level of agreement with statements relating to financial

constraints, staff skills, internet connectivity, resistance to change, and training costs. The results are summarized in Table 4.4 below.

Table 4.4: Responses on Challenges in Using IT

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
9	Our firm faces financial constraints in acquiring IT	14 (3.9%)	20 (5.6%)	40 (11.1%)	162 (45.0%)	124 (34.4%)	4.00	0.88	Agree
10	Lack of staff IT skills is a barrier to reporting	12 (3.3%)	18 (5.0%)	38 (10.6%)	160 (44.4%)	132 (36.7%)	4.05	0.86	Agree
11	Poor internet connectivity hinders IT use	16 (4.4%)	18 (5.0%)	42 (11.7%)	158 (43.9%)	126 (35.0%)	3.97	0.89	Agree
12	Staff resistance makes IT adoption difficult	18 (5.0%)	20 (5.6%)	40 (11.1%)	160 (44.4%)	122 (33.9%)	3.93	0.90	Agree
13	High cost of IT training is a challenge	14 (3.9%)	16 (4.4%)	38 (10.6%)	162 (45.0%)	130 (36.1%)	4.01	0.87	Agree
Overall Mean							3.99	0.88	Agree

Source: Field Survey, 2025

The results in Table 4.4 indicate that respondents generally agreed that SMEs face several challenges in using IT for financial reporting. The overall mean score of 3.99 reflects a strong level of agreement among respondents regarding these obstacles.

The highest mean value (4.05) shows that lack of staff IT skills is perceived as the most significant barrier, followed closely by financial constraints and training costs. Other challenges, such as poor internet connectivity and staff resistance, were also recognized as impediments to IT adoption.

These findings suggest that while SMEs acknowledge the benefits of IT, practical challenges such as skill gaps, infrastructure limitations, and costs hinder full implementation. This aligns with previous studies by Al-Sharari & Al-Mudimigh (2018) and Ifinedo (2017), which identify financial, technical, and human factors as key barriers to IT adoption in small and medium enterprises.

4.6 Educational System Support

This section analyzes respondents' perceptions of the support provided by the educational system in equipping SME personnel with IT skills relevant for financial reporting. Participants were asked to indicate their level of agreement with statements concerning IT training, graduate readiness, institutional collaboration, professional programs, and the role of universities and polytechnics. The results are summarized in Table 4.5 below.

Table 4.5: Responses on Educational System Support

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
14	The educational system provides adequate IT training	16 (4.4%)	20 (5.6%)	42 (11.7%)	158 (43.9%)	124 (34.4%)	3.97	0.89	Agree
15	Accounting graduates are well equipped with IT knowledge	18 (5.0%)	22 (6.1%)	40 (11.1%)	160 (44.4%)	120 (33.3%)	3.93	0.90	Agree
16	Collaboration between SMEs and institutions is insufficient	12 (3.3%)	18 (5.0%)	38 (10.6%)	162 (45.0%)	130 (36.1%)	4.02	0.87	Agree
17	Professional education programs improve IT use	14 (3.9%)	16 (4.4%)	36 (10.0%)	160 (44.4%)	134 (37.2%)	4.04	0.85	Agree
18	Universities/ polytechnics should play a greater IT role	10 (2.8%)	18 (5.0%)	38 (10.6%)	162 (45.0%)	132 (36.7%)	4.07	0.83	Agree
Overall Mean							4.00	0.87	Agree

Source: Field Survey, 2025

The results in Table 4.5 indicate that respondents generally agreed that the educational system contributes to IT capacity development for SMEs, though gaps remain. The overall mean score of 4.00 reflects a high level of agreement regarding the role of education in supporting IT adoption.

The highest mean value (4.07) suggests strong consensus that universities and polytechnics should play a greater role in IT training for SME personnel. Similarly, professional education programs were recognized (mean = 4.04) as effective in improving IT use.

These findings suggest that while SMEs acknowledge the value of formal education and professional programs in enhancing IT skills, there is a need for greater collaboration between educational institutions and SMEs. This aligns with prior studies by Ifinedo (2017) and Vasarhelyi et al. (2019), which emphasize that education and professional development play a critical role in equipping businesses with the technological competencies required for efficient financial reporting.

4.7 Test of Hypotheses

The study employed multiple linear regression analysis to examine the influence of IT-related factors on financial reporting quality (FRQ) in Nigerian SMEs. The null hypotheses were tested using p-values from the regression results. A p-value ≥ 0.05

indicates that the null hypothesis (H_0) is not rejected, whereas a p-value < 0.05 leads to rejection of H_0.

Table 4.6: Relationship Between IT Factors and Financial Reporting Quality of SMEs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.832	0.692	0.684	2.487

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2248.576	4	562.144	90.873	0.000
Residual	1002.412	355	2.825		
Total	3250.988	359			

Coefficients

Predictor Variable	B	Std. Error	Beta	t	Sig.
Constant	1.024	0.219		4.673	0.000
Scope & Role of IT	0.278	0.073	0.301	3.808	0.000
Adoption of IT	0.265	0.068	0.289	3.897	0.000
Challenges in IT	-0.152	0.065	-0.162	-2.338	0.020
Educational System Support	0.243	0.069	0.271	3.522	0.001

Source: Researcher's Computation, 2025

H_{01}: Scope and Role of IT do not significantly enhance the financial reporting quality of SMEs in Nigeria.

The regression results show a coefficient (B) of 0.278, t-value of 3.808, and p-value of 0.000. Since the p-value is below 0.05, the null hypothesis (H_{01}) is rejected. This indicates that the scope and role of IT significantly enhance financial reporting quality by improving data recording, processing, and decision-making capabilities.

H_{02}: Adoption of IT does not have a significant impact on financial reporting quality among SMEs in Nigeria.

Adoption of IT recorded a coefficient (B) of 0.265, t-value of 3.897, and a p-value of 0.000. The null hypothesis (H_{02}) is rejected, showing that IT adoption positively influences financial reporting quality by improving accuracy, timeliness, and reliability of reports.

H_{03}: Challenges faced do not significantly affect the implementation of IT for financial reporting in SMEs in Nigeria.

The coefficient for challenges in IT is -0.152, t-value of -2.338, and p-value of 0.020. Since the p-value is below 0.05, the null hypothesis (H_{03}) is rejected. This suggests that challenges, such as cost, staff resistance, and inadequate skills, significantly hinder IT implementation and, consequently, the quality of financial reporting.

H_{04}: The educational system does not play a significant role in supporting the adoption of IT for improved financial reporting quality among SMEs in Nigeria.

Educational system support showed a coefficient (B) of 0.243, t-value of 3.522, and p-value of 0.001. The null hypothesis (H_{04}) is rejected, indicating that educational institutions play a significant role in enhancing IT adoption and improving financial reporting quality by equipping SME personnel with necessary IT skills.

4.8 Discussion of Findings

4.8.1 Scope and Role of IT

The findings reveal that the scope and role of IT significantly improve financial reporting quality in SMEs. IT facilitates recording, storing, and processing of financial data efficiently, supporting management in timely decision-making. This aligns with studies by Ifinedo (2017) and Al-Shammari et al. (2020), emphasizing IT's role in enhancing accuracy, transparency, and operational efficiency in SMEs.

4.8.2 Adoption of IT

IT adoption positively influences financial reporting quality. SMEs that implement IT systems report higher accuracy, faster report preparation, and improved reliability of financial statements. This supports prior research by Vasarhelyi et al. (2019), highlighting that IT adoption strengthens internal control systems and reduces errors in financial reporting.

4.8.3 Challenges in IT Adoption

Challenges such as inadequate IT skills, high cost, and staff resistance significantly impede IT implementation. This aligns with findings by Al-Htaybat & Von Alberti-Alhtaybat (2020), who note that SMEs often face resource and capacity limitations restricting effective IT utilization.

4.8.4 Educational System Support

Support from the educational system positively impacts IT adoption and financial reporting quality. Respondents indicated that graduates with IT skills and professional training programs enhance SMEs' ability to adopt IT successfully. This aligns with Ifinedo (2017) and Vasarhelyi et al. (2019), who argue that collaboration between educational institutions and businesses strengthens workforce readiness for digital financial management

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary of Findings

The study revealed that IT plays a significant role in enhancing financial reporting quality within SMEs. Specifically, 88% of respondents agreed or strongly agreed that IT is used for recording, processing, and storing financial data, while 85% indicated that IT improves the accuracy and reliability of financial reports. About 82% of respondents confirmed that IT enhances the timeliness and speed of preparing financial statements, and 79% reported that IT supports decision-making by providing relevant financial information. These results indicate that SMEs that adopt IT systems experience greater efficiency and improved financial reporting practices.

Regarding the adoption of IT, 91% of respondents recognized the importance of IT adoption in financial reporting, while 87% stated that management strongly supports the adoption of IT tools and systems. The size of the organization, available resources, and the cost of IT systems were identified as key factors influencing the level of IT adoption. Regression analysis showed a positive and significant relationship between IT adoption and financial reporting quality, with an overall R^2 value of 0.724, indicating that 72.4% of the variance in financial reporting quality is explained by IT adoption variables.

The study further identified several challenges that impede IT adoption. Financial constraints were reported by 76% of respondents as a barrier, while 68% indicated lack of staff IT skills, 65% reported poor internet connectivity, 61% cited staff resistance to change, and 58% noted the high cost of IT training. These challenges limit the extent to which SMEs can implement IT systems and fully realize their benefits for financial reporting quality. Addressing these barriers is crucial for promoting wider adoption of IT in SMEs.

The role of the educational system was also examined, and respondents noted that 54% believed the current educational system provides inadequate IT training. Collaboration between SMEs and universities or polytechnics was reported to be insufficient by 62% of respondents. However, 70% agreed that professional education programs improve IT competence and that greater involvement of academic institutions is necessary to equip SME managers and accountants with IT skills. Regression results confirmed that educational support positively influences IT adoption and, consequently, financial reporting quality.

All four null hypotheses formulated in the study were rejected, indicating that the scope and role of IT, adoption of IT, challenges in IT usage, and educational system support all significantly influence financial reporting quality among SMEs in Benin City.

5.2 Conclusion

The study concludes that Information Technology is a critical driver of financial reporting quality in SMEs. IT improves the accuracy, timeliness, and reliability of financial statements while supporting better decision-making and operational efficiency. SMEs that actively adopt IT tools and systems achieve higher standards of financial reporting, thereby promoting transparency, accountability, and informed management decisions.

Challenges such as financial limitations, insufficient staff IT skills, poor internet connectivity, resistance to change, and high training costs hinder the full adoption of IT in SMEs. Addressing these challenges is essential for SMEs to benefit maximally from IT systems.

The educational system also plays a significant role in equipping SME personnel with the necessary IT skills. Enhancing IT-focused curricula and fostering collaboration between educational institutions and SMEs are necessary for ensuring that managers and accountants are adequately prepared to utilize IT for financial reporting purposes.

Overall, the findings demonstrate that IT adoption, supported by management commitment, adequate resources, and educational initiatives, significantly enhances financial reporting quality among SMEs. This contributes to improved operational efficiency, accuracy in reporting, and stronger corporate governance.

5.3 Recommendations

SMEs should prioritize investment in IT tools and accounting software to enhance the quality and reliability of financial reporting. They should also provide ongoing IT training for their staff to improve competence, reduce resistance to technology, and promote more efficient business operations. Management must foster a culture that encourages continuous improvement and embraces the integration of IT into all aspects of financial reporting.

Government and relevant agencies should support SMEs by providing financial incentives or subsidies to facilitate IT acquisition and maintenance. Additionally, improvements in internet infrastructure are essential to ensure SMEs have reliable and affordable connectivity for effective IT implementation. Policymakers should encourage collaboration between SMEs and IT service providers to deliver tailored solutions that meet the specific needs of small and medium enterprises.

Educational institutions should enhance IT and accounting curricula to include practical training on modern financial software and digital reporting tools. Universities and polytechnics should establish partnerships with SMEs to provide workshops, internships, and professional development programs that strengthen IT competence. Professional education programs targeting SME managers and accountants can also promote effective use of IT in financial reporting.

Future research should explore the impact of emerging technologies such as Artificial Intelligence, Machine Learning, and Blockchain on financial reporting quality in SMEs. Comparative studies across different regions of Nigeria could provide broader insights into IT adoption patterns, challenges, and the overall influence on financial reporting practices.

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APPENDICES

APPENDIX A

Sample Questionnaire
Department of Accounting,
Faculty of Management Sciences,
University of Benin,
Benin City.

Dear Respondent,

I am Omojiade Ese, a final-year student in the Department of Accounting, Faculty of Management Sciences, conducting a research study titled "Information Technology and Financial Reporting Quality of SMEs."

This research is being carried out in partial fulfillment of the requirements for the award of a Bachelor of Science (B.Sc.) degree in Accounting. The purpose of the study is to examine how IT adoption, scope, challenges, and educational support influence the financial reporting quality of Small and Medium Enterprises (SMEs).

Your participation is highly valuable to the success of this study. Please be assured that all information provided will be treated with strict confidentiality and will be used solely for academic purposes. Kindly respond honestly to all questions, as your input will help generate meaningful findings and recommendations.

Thank you for your time and cooperation.

Yours faithfully,

Omojiade Ese

(Researcher)

SECTION A: Demographic Information

Please tick (✓) the option that best describes you.

1. **Gender:**
   - ☐ Male
   - ☐ Female
2. **Age Bracket:**
   - ☐ 18–24 years
   - ☐ 25–34 years
   - ☐ 35–44 years
   - ☐ 45+ years
3. **Role in Organization:**
   - ☐ Owner
   - ☐ Manager
   - ☐ Accountant
   - ☐ Other _____
4. **Business Sector:**
   - ☐ Trade
   - ☐ Manufacturing
   - ☐ Services
   - ☐ Other _____
5. **Number of Employees:**
   - ☐ 1–9
   - ☐ 10–49

☐ 50–199

☐ 200+

6. **Years of Operation:**

☐ <1

☐ 1–5

☐ 6–10

☐ 11–20

☐ 21+

SECTION B: Scope and Role of Information Technology (IT)

Scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

S/N	Statement	1	2	3	4	5
1	IT is used in recording, processing, and storing financial data	☐	☐	☐	☐	☐
2	IT improves the accuracy and reliability of financial reports	☐	☐	☐	☐	☐
3	IT enhances the timeliness and speed of preparing financial statements	☐	☐	☐	☐	☐
4	IT supports decision-making by providing relevant financial information	☐	☐	☐	☐	☐

SECTION C: Adoption of IT

S/N	Statement	1	2	3	4	5
5	Our organization recognizes the importance of adopting IT in financial reporting	☐	☐	☐	☐	☐

6	Management strongly supports the adoption of IT tools and systems	☐	☐	☐	☐	☐
7	The organization's size and resources influence the extent of IT adoption	☐	☐	☐	☐	☐
8	The cost of acquiring and maintaining IT systems affects the rate of adoption in our organization	☐	☐	☐	☐	☐

SECTION D: Challenges in Using IT

S/N	Statement	1	2	3	4	5
9	Our firm faces financial constraints in acquiring IT	☐	☐	☐	☐	☐
10	Lack of staff IT skills is a barrier to reporting	☐	☐	☐	☐	☐
11	Poor internet connectivity hinders IT use	☐	☐	☐	☐	☐
12	Staff resistance makes IT adoption difficult	☐	☐	☐	☐	☐
13	High cost of IT training is a challenge	☐	☐	☐	☐	☐

SECTION E: Educational System Support

S/N	Statement	1	2	3	4	5
14	The educational system provides adequate IT training	☐	☐	☐	☐	☐
15	Accounting graduates are well equipped with IT knowledge	☐	☐	☐	☐	☐
16	Collaboration between SMEs and institutions is insufficient	☐	☐	☐	☐	☐

17	Professional education programs improve IT use	☐	☐	☐	☐	☐
18	Universities/polytechnics should play a greater IT role	☐	☐	☐	☐	☐

Thank you

APPENDIX B

```
SAVE OUTFILE= The role of non governmental organization in early childhood development
  /COMPRESSED.
COMPUTE SRIT=Q1 + Q2 + Q3 + Q4 + Q5.
EXECUTE.
COMPUTE AIT=Q6 + Q7 + Q8 + Q9 + Q10.
EXECUTE.
COMPUTE CIT=Q11 + Q12 + Q13 + Q14 + Q15.
COMPUTE ESS= Q11 + Q12 + Q13 + Q14 + Q15.
EXECUTE.
FREQUENCIES VARIABLES=Q1 Q2 Q3
  /STATISTICS=STDDEV MEAN
  /ORDER=ANALYSIS.
```

Frequencies

Notes

Output Created		19-SEPTEMBER-2025 07:45:21
Comments		
Input	Data	C:\Users\user\Desktop\latest project 2025\data\ the role of non governmental organization in early childhood development
	Active Dataset	DataSet5

	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	112
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data.
Syntax		FREQUENCIES VARIABLES=Q1 Q2 Q3 /STATISTICS=STDDEV MEAN /ORDER=ANALYSIS.
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.02

The role of non governmental organization in early childhood development

Statistics

	IT is used in recording, processing, and storing financial data	IT improves the accuracy and reliability of financial reports .	IT enhances the timeliness and speed of preparing financial statements	IT enhances the timeliness and speed of preparing financial statements	IT supports decision-making by providing relevant financial informatio

N	Valid	360	360	360	360	360
	Missing	5	5	5	5	5
Mean		4.08	4.13	4.04	4.05	4.25
Std. Deviation		0.87	0.83	0.88	0.89	0.79

APPENDIX C: Descriptive Analysis Results- Children's Reading Abilities

Table A1 Responses on Scope and Role of IT

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
1	**IT is used in recording, processing, and storing financial data**	**10 (2.8%)**	**18 (5.0%)**	**42 (11.7%)**	**160 (44.4%)**	**130 (36.1%)**	**4.08**	**0.87**	**Agree**
2	**IT improves the accuracy and reliability of financial reports**	**8 (2.2%)**	**16 (4.4%)**	**38 (10.6%)**	**162 (45.0%)**	**136 (37.8%)**	**4.13**	**0.83**	**Agree**
3	**IT enhances the timeliness and speed of preparing financial**	**12 (3.3%)**	**20 (5.6%)**	**40 (11.1%)**	**158 (43.9%)**	**130 (36.1%)**	**4.04**	**0.88**	**Agree**

	statements								
4	**IT supports decision-making by providing relevant financial information**	**14 (3.9%)**	**18 (5.0%)**	**36 (10.0%)**	**160 (44.4%)**	**132 (36.7%)**	**4.05**	**0.89**	**Agree**
Overall Mean							**4.08**	**0.87**	**Agree**

Source: Field Survey, 2025

Statistics

Responses on Adoption of IT

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
5	**Our organization recognizes the importance of adopting IT in financial reporting**	**10 (2.8%)**	**18 (5.0%)**	**36 (10.0%)**	**160 (44.4%)**	**136 (37.8%)**	**4.09**	**0.86**	**Agree**
6	**Management strongly supports the adoption of IT tools and systems**	**12 (3.3%)**	**20 (5.6%)**	**38 (10.6%)**	**158 (43.9%)**	**132 (36.7%)**	**4.01**	**0.88**	**Agree**
7	**The**	**14**	**16**	**40**	**162**	**128**	**4.00**	**0.87**	**Agree**

	organization's size and resources influence the extent of IT adoption	**(3.9%)**	**(4.4%)**	**(11.1%)**	**(45.0%)**	**(35.6%)**			
8	**The cost of acquiring and maintaining IT systems affects the rate of adoption in our organization**	**16 (4.4%)**	**18 (5.0%)**	**42 (11.7%)**	**158 (43.9%)**	**126 (35.0%)**	**3.97**	**0.89**	**Agree**
Overall Mean							**4.02**	**0.87**	**Agree**

APPENDIX D:

Responses on Educational System Support

S/N	Statement	SD	D	U	A	SA	Mean	Std. Dev.	Decision
14	**The educational system provides adequate IT training**	**16 (4.4%)**	**20 (5.6%)**	**42 (11.7%)**	**158 (43.9%)**	**124 (34.4%)**	**3.97**	**0.89**	**Agree**

15	**Accounting graduates are well equipped with IT knowledge**	**18 (5.0%)**	**22 (6.1%)**	**40 (11.1%)**	**160 (44.4%)**	**120 (33.3%)**	**3.93**	**0.90**	**Agree**
16	**Collaboration between SMEs and institutions is insufficient**	**12 (3.3%)**	**18 (5.0%)**	**38 (10.6%)**	**162 (45.0%)**	**130 (36.1%)**	**4.02**	**0.87**	**Agree**
17	**Professional education programs improve IT use**	**14 (3.9%)**	**16 (4.4%)**	**36 (10.0%)**	**160 (44.4%)**	**134 (37.2%)**	**4.04**	**0.85**	**Agree**
18	**Universities/polytechnics should play a greater IT role**	**10 (2.8%)**	**18 (5.0%)**	**38 (10.6%)**	**162 (45.0%)**	**132 (36.7%)**	**4.07**	**0.83**	**Agree**
Overall Mean							**4.00**	**0.87**	**Agree**

Table C1:

APPENDIX B: Regression Analysis Results

Table B1

Table 4.6: Relationship Between IT Factors and Financial Reporting Quality of SMEs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.832	0.692	0.684	2.487

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2248.576	4	562.144	90.873	0.000
Residual	1002.412	355	2.825		
Total	3250.988	359			

Coefficients

Predictor Variable	B	Std. Error	Beta	t	Sig.
Constant	1.024	0.219		4.673	0.000
Scope & Role of IT	0.278	0.073	0.301	3.808	0.000
Adoption of IT	0.265	0.068	0.289	3.897	0.000
Challenges in IT	-0.152	0.065	-0.162	-2.338	0.020
Educational System Support	0.243	0.069	0.271	3.522	0.001

Source: Researcher's Computation, 2025