An Assessment Of Management Accounting Practice Of Small And Medium Enterprises (Smes) In Yobe State, Nigeria

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ABSTRACT: Small and medium-sized businesses (SMEs) play a critical role in developing countries' economic and social growth. The purpose of this study is to look into management accounting practises in three sectors of SMEs in Yobe state's three zones, namely Damaturu, Potiskum, and Gashua, where only the zone's central head office was chosen. This study was carried out with the use of a well-structured questionnaire, which was distributed to selected SMEs in each zone in ninety-two (92) copies. A total of 76 copies were obtained, representing an 82.61 percent response rate. The information gathered was analysed using descriptive and inferential statistics. The findings suggest that classic accounting procedures were utilised more frequently than contemporary approaches, implying that costing, budgeting, and performance evaluation are more common. The findings also suggest that a large percentage of respondents have embraced one or more financial and non-financial indicators, with financial measures having a higher dependence than non-financial indicators. Customer satisfaction surveys, on-time delivery, and employee turnover are the most common non-financial measures used by responders. The study also discovered that three of the five dependent factors (size, qualified internal accountant, and owner/manager engagement) have no significant impact on the amount to which MAPs are used. While technology has a huge impact on MAPs, MAPs also show a substantial, positive link with organisational performance.
KEYWORDS: Management Accounting Practice (MAPs), Small and Medium Enterprises (SMEs)

I. INTRODUCTION

Small and medium-sized businesses (SMEs) continue to play an important and popular role in both developed and developing countries (Sumant, 2018). This sector, in particular, has been connected to having the capability not just for grassroots economic growth, but also for the construction of equitable, long-term development of inconceivable magnitude. There is no doubt that the emergence and promotion of a strong SMEs sector contributed to the economic growth and development of most industrialised countries around the world. This has proven to be the case, as the sector continues to get significant funding and special attention from developed-country governments (Wanyoike & Kithae, 2019).Using this understanding, emerging countries have recognised that the SMEs sector is a key driver of desired economic growth and development (Henschel & Heinze, 2018).

Nigeria, in particular, has recognised the importance of the SMEs sector as a powerful force in the country's quest for economic development and progress. It's not surprise, then, that huge efforts have been made in policy and programmes, including continued priority attention and support for the SME sector, given its critical role in reducing poverty and unemployment, which have recently reached terrifying levels. Other developing countries have prioritised the development of the SME sector as a primary driver of economic sustainability and growth in their economic frameworks (Mardani, 2019). This acknowledgment is especially significant because the SME sector is often seen as being crucial in advancing economic progress in a variety of ways, including wealth development, job creation, and poverty alleviation (Qubbaja, 2020).

II. STATEMENT OF THE PROBLEM

According to (Puspit & Pramono, 2019). a lack of enough working capital, inadequate market selection, and rapidly changing external market conditions are all factors that contribute to the high failure rate of starting enterprises. The inability of SMEs to make effective use of fundamental business and management techniques, however, is the most fundamental factor for this high failure rate. Similarly, (Liu & Li, 2018). Poor managerial

competence, which includes accounting problem solving, is claimed to be one of the reasons for business failure. Adelegan (2020) conducted research on corporations in emerging countries such as Nigeria. According to the research, management accounting in the country is still focused with cost determination, management monitoring and scheduling, and decision analysis and financial accounting (Kesumawati, 2018).

Who also emphasised that, like larger companies, SMEs require competent and sophisticated management accounting processes and systems in order to better manage scarce resources and increase the firm's worth. Despite the fact that SMEs experience some challenges in implementing comprehensive comprehensive accounting standards due to their small size and limited resources, they confront the same difficulties, uncertainties, and failures as bigger businesses.

There are just a few pieces of material in the literature about the usage of Management Accounting Practices (MAPs) in SMEs in Yobe State. Previous contributions to the management accounting literature acknowledge that this is an under-researched issue. e.g. (Secinaro, Calandra & Biancone, 2020). have claimed that SMEs frequently fail to fully exploit the potential of management accounting in assisting them in achieving their financial goals, such as profitability and liquidity. As a result, this study is motivated by a lack of research on the usage of MAPs by SMEs. To begin, the study determined which management accounting techniques SMEs in Yobe State most commonly employ. Furthermore, the study added to the body of knowledge about the factors that influence the usage of MAPs. Furthermore, the study looked into whether there was a link between the adoption of MAPs and the performance of SMEs. Yobe State was chosen because there is a scarcity of research on MAPs and SMEs in the state. Finally, by giving additional empirical information on the usage of MAPs, the study added to the current management accounting literature (Rhodes, Cheng, Sadeghinejad & Lok, 2018).

III. RESEARCH OBJECTIVES

The study's major goal is to evaluate Small and Medium Enterprises (SMEs) in Yobe State, Nigeria's Management Accounting Practices (MAPs). The following were the precise goals:To examine the nature of MAPs by selected SMEs in Yobe State.

i. To evaluate the factors that affects the extent of the use of MAPs among selected SMEs in Yobe State.

ii. To assess the relationship between use of MAPs and the organizational performance of SMEs

RESEARCH QUESTIONS

To approach the study descriptively and emphatically, attempt was made to address the issues raised in the following research questions.

i. What is the nature of Management Accounting Practices (MAPs) of SMEs in Yobe State?

ii. What are the factors that affect the extent of the use of MAPs by manufacturing companies in Yobe State?

iii. What is the relationship between the use of MAPs and organizational performance of SMEs in Yobe State?

Hypotheses of the study
Based on the selected factors proposed in research question two, the hypotheses was broken down into $H_1 - H_4$, and research question three was H_5 as follows:

H_1: There is no relationship between size of SMEs and Management Accounting Practice in place.

H_2: There is no significant relationship between technology and the use of MAPs.

H_3: There is no significant relationship between the existence of qualified internal accountant and the use of MAPs.

H_4: There is no significance relationship between owner/manager participation and the use of MAPs.

H_5: There is no relationship between the use of MAPs and organizational performance.

This study employed a survey research design because it was thought to be the most appropriate in social science for investigating behavioural phenomena among people, and it was also thought to be necessary because the topic necessitated an examination of various Management Accounting Practices (MAPs) used by SMEs.

The list of SMEs compiled by the National Bureau of Statistics was utilised as the target population for this study, with 70 SMEs in the manufacturing category and 50 SMEs in the wholesale and retail category within the state. A total of 120 SMEs were identified in the study locations, including forty (40) in Damaturu, fifty (50) in Potiskum, and thirty (30) in Gashua.

Purposive sampling was used for this investigation over a specific geographical area for practical reasons. The sample in zone 'A' will be centred in Damaturu, which was the state capital and the zone's central headquarters. In zone 'B,' Potiskum was chosen as the target; it is the zone's

central head office; and in zone 'C,' Gashua was chosen as the zone's target; it is likewise the zone's central head office.The sample size of 92 were derived using Yamane (1963) formula [N/1+N (e) ^{2}] on each of the stratum, where N = Population, e = sampling error (0.05) and l = Constant

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$$n = \frac{120}{1 + 120(0.05)^2}$$
$$n = \frac{120}{1 + 120(0.0025)}$$
$$n = \frac{120}{1.3}$$
$$n = 92$$

The researcher further used Bowley's proportional formula to indicate the number of SMEs chosen for the sample size from each three geo-political zones, namely zone A, B and C staff.

$$Nh = \frac{N \times Nh}{N}$$

Where:
Nh = number of questionnaire allocated to each staff of geo-political zones.
Nh = Number of employees in each section of the population
N = Population size
N = Total sample size

1. Damaturu

$$Nh = \frac{92 \times 40}{120} \quad = \frac{3680}{120} \quad = 31$$

2. Potiskum

$$Nh = \frac{92 \times 50}{120} \quad = \frac{4600}{120} \quad = 38$$

3. Gashua

$$Nh = \frac{92 \times 30}{120} \quad = \frac{2760}{120} \quad = 23$$

Table 1: Shows Number of SMEs Identified and Sample Size for Each L.G.A

Selected L.G.A	No. of SMEs	No. of Sample
Damaturu	40	31
Potiskum	50	38
Gashua	30	23
Total	**120**	**92**

Descriptive and inferential statistics were used to analyzed the data gathered from the questionnaires using the Statistical Package for the Social Sciences (SPSS) software

IV. LITERATURE REVIEW
The strategic relevance of management accounting to a corporation cannot be overstated, especially in small and medium-sized businesses, which are variously described and viewed as the engine room for growth and development in every economy. The literature was examined from a conceptual and empirical standpoint.

Conceptual Framework
At present, there is no consensus international definition of what constitutes an SME. Variations exist between countries and industries. SMEs are defined by a number of criteria such as location, size, age, structure, organization, number of employees, sales volume, net worth, ownership structure, innovation and technology (Deros, Yusof, & Salled, 2006). SME Sector was also

defined in terms of number of employees as cited by Yahaya, Osemene and Salman, (2011) as:

Scapens (Ter Bogt & Scapens, 2019). claimed that no universally accepted definition of management accounting exists. There are several definitions available, but some are too broad to provide a useful structure, while others only emphasise a specific research method.

The Institute of Management Accountants (IMA) has defined management accounting as "a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy" (Muhammad et al., 2019). On the other hand, the Chartered Institute of Management Accounting [CIMA] (1987), defined management accounting as the provision of information required by management for such purposes as: the formulation of policies; planning and controlling activities of the enterprise; decision taking on alternative courses of action; disclosure to those external to the entity (shareholders and others); disclosure to employees; and safeguarding assets.

Types of Enterprise	Size of Employees
Micro	1 – 9
Small	10 – 49
Medium	50 –249.

By definition in Nigeria, Small and Medium Industries Equity Investment Scheme (SMIEIS) defined SMEs as those enterprises with a total capital employed not less than ₦1.5million, but not exceeding ₦200million, including working capital, but exceeding cost of land and/or with staff strength of not less than 10 and not more than 300. This definition has included many small firms under the bin shade of SMEs. The nature of business transactions in most of these firms does not provide opportunities for outsiders to have clear knowledge of the goings on in these small firms. This is what is prominently referred to as information asymmetries. It is because of this that assessment of the viability of projects in small firms demand processes more reliable than mere feasibility reports. The methods in use so far rely heavily on accounting information thus revealing to the accountants the task ahead to serve the accounting need of the SMEs today.

Management Accounting

Figure 1: Evolution of Management Accounting (IFAC, 1998)
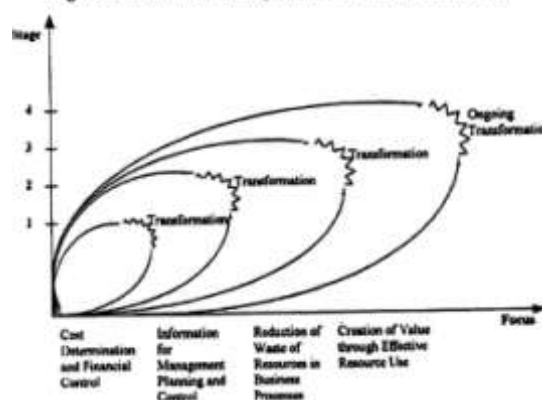
of products cost. The focus on product cost was supplemented by budgets and financial control of production process. The use of budgeting and cost accounting technologies was prevalent in this period e.g. Ratio analyses, Financial Statement analyses, Cost accounting technologies.
Stage 2 is by 1965: This stage is characterized with provision of information for management decision-making, planning and control through the use of such technologies as decision analysis, and accounting responsibility e.g. standard costing, Cost-Volume- Profit and Break even analysis.
Stage 3 is by 1985: Attention was focused on the reduction of waste in resources used in business

process. It involved elimination of "non-value-added activities" and the use of mathematical formulas such as Economic Order Quantity (EOQ model), Inventory evaluation models such as FIFO, LIFO and multiple regressions.

Stage 4: This is the year of 1995 where attention shifted to the generation or creation of value through the effective use of resources and technologies that examine the drivers of customer value, shareholder value, and organization innovation e.g. Just-in-time (JIT), Balanced score card and strategic management accounting.

These critics said that management accounting fails to respond to changes in the technical and competitive environment, resulting in internal accounting information that is usually erroneous and deceptive. (Drury, Braund, Osborne & Tayles, 1993) Nimtrakoon, S., & Tayles, M. (2019). For example, Johnson and Kaplan (1987) Management accounting has lost relevance since it had not altered since the early twentieth century, according to their book Relevance Lost: The Rise and Fall of Management Accounting. Later, Drury (1996) provided the following comprehensive summary of the main criticisms of current conventional MAPs:

i. Conventional management accounting does not meet the needs of today's manufacturing and competitive environment;
ii. Traditional product costing systems provide misleading information for decision-making purposes;
iii. MAPs follow, and have become subservient to, financial accounting requirements;
iv. Management accounting focuses almost entirely on internal activities and relatively little attention is given to the external environment in which the business operates.

Nature of SMEs and their Management Accounting Needs

In the industrial world, SMEs are a key business sector, and in developing countries, they are especially important. They account for approximately 95% of all enterprises in many countries, employ over 65% of the workforce, and contribute over 25% of GDP (Zheng, 2020). In Australia, small firms accounted for over 97 percent of all private sector operations in 2004, employed about half of all private sector workers, and generated at least 40% of GDP. (Australian Bureau of Statistics, 2020) It is critical that we comprehend the features of SMEs that distinguish them from huge corporations. It is undeniable that the SME sector has a high failure rate. Small firms fail at a rate of around 11% per year, which is around six times greater than major corporations (Herwitz, 2018). Small businesses rely on a limited number of consumers, offer conventional items or services, and have minimal influence over market pricing. SMEs are also more likely to have autonomous ownership, with owners/managers maintaining close control as the primary decision makers and providing the majority of the money required for operations.

V. THEORETICAL FRAMEWORK
Contingency Theory

Contingency theory appeared in the management accounting literature around the mid-1970s. 'There is no universally applicable accounting system that applies equally to all businesses in all circumstances,' according to the contingency approach to management accounting. Rather, it is claimed that the specific characteristics of an ideal accounting system will be determined by the conditions in which an organisation finds itself." (Otley, 1980). Joseph, Evason, and Pius, (2013) This theory goes on to look at various relevant elements that will assist management in deciding on an appropriate management accounting practise, these elements can either be technical advancements and an organization's architecture.

Some variables (scale, technology, qualified internal accountant, owner/manager participation and performance) will be investigated as contingent variables that may influence the design of management accounting procedures in this study. The ability of an accounting system to adjust to changes in external situations and internal elements determines how effective it is designed. We assume that companies function as open systems, with goals in mind and a willingness to adapt to external and internal influences. The contingency-based approach argues that management accounting systems are used to help managers achieve certain firm outcomes or goals. If a management accounting system is deemed appropriate, it is likely to provide better information to employees, allowing them to make better decisions and hence better accomplish organisational objectives. In management accounting and control (including cost accounting) research, one of the most important external factors studied at the business level is the external environment. (Merchant, 1990; Chapman, 1997; Hartmann, 2000), O'Connor, 1995; Harrison, 1992). Environmental uncertainty and antagonism are the two most extensively discussed study topics. Environmental factors that are difficult to foresee have an impact on organisational structure, performance evaluation, budgeting, and budgetary control, and are linked to

more open and externally focused financial accounting systems.

The most common internal factors that have been examined in relation to management accounting are organizational size (Khandwalla, 1972; Bruns, Waterhouse, 1975; Merchant 1981), technology (Khandwalla, 1977; Merchant, 1984; Dunk, 1992), and companies' strategies (Simons, 1987; Chenhall, Morris, 1995). As businesses get larger, managers must implement controls like as rules, documentation, specialisation of roles and responsibilities, longer hierarchies, and increasing decentralisation down to hierarchical levels in order to handle bigger amounts of information. (Child & Mansfield, 1972). Khandwalla (1972) Large companies had more product lines, were more divisionalized, and used mass production processes and more sophisticated controls, according to the study. According to Merchant's study (1981), Large corporations are more decentralised, with more complex budgets used in a participatory manner. The form of the manufacturing process, its degree of routine, how well means-end linkages are known, and the amount of work variety are all technological contingency variables. (Emmanuel, Otley, & Merchant, 1990). Traditional formal management control systems with highly developed process controls are used to support more standardised and automated process technologies. (Khandwalla, 1972), high budget use (Merchant, 1984) and high budgetary controls (Dunk, 1992). Budget overspending is less common in more predictable and automated processes, and will be positively associated with less automated, less predictable job/batch technologies.

VI. RECOMMENDATIONS & CONCLUSION

The study advises that MAPs methodologies used in costing systems, planning, budgeting/control systems, investment decision-making, pricing policy decisions, and management reporting continue to be widely adopted. Certainly, widespread use of these MAPs strategies would have a significant impact on the performance and long-term viability of SMEs

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