ACCOUNTING SERVICES AND THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN CALABAR SOUTH LOCAL GOVERNMENT AREA OF CROSS RIVER STATE, NIGERIA

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ABSTRACT
This study adopted descriptive survey design to established the relationship between accounting services and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria. .It was guided by two research questions and two null hypotheses. A sample of 60 owners of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria were selected using the accidental sampling technique. .One instrument titled "Accounting Services and Financial performance Questionnaire (ASFPQ) was used for data collection. The reliability of the questionnaire, established using Cronbach Alpha which ranges from .85 to .90. The hypotheses were tested using Pearson Product Moment correlation Coefficient at .05 level of significance. The findings of the study revealed that book keeping, financial reporting individually significantly relate with the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria it was concluded that effective financial performance of small and medium enterprises depend on proper bookkeeping and financial reporting. Based on the findings and conclusion of this study, it was recommended amongst others that SMEs should prioritize investing in professional accounting services to ensure accurate financial reporting, bookkeeping and compliance with regulations. This can lead to improved financial performance and strategic decision-making.

Introduction

Accounting services play a crucial role in the financial performance of small and medium enterprises (SMEs). These services encompass a range of activities, including bookkeeping, tax preparation, financial reporting, and advisory services. Effective accounting practices enable SMEs to manage their resources efficiently, comply with regulatory requirements, and make informed business decisions. (Masor, Ibok, & Etura, 2023). According to a report by Deloitte (2021), utilize professional accounting services tend to perform better financially compared to those that do not. SMEs with access to quality accounting services experience improved profitability and growth. The proper financial management through accounting can enhance the sustainability of SMEs, especially in competitive markets. The integration of accounting services is vital for the financial health of SMEs, contributing to their overall performance and sustainability in a dynamic economic environment (Ntibi, & Effiong, 2021). Despite the recognized importance of accounting services in enhancing the financial performance of small and medium enterprises (SMEs), many SMEs continue to face significant challenges in accessing and utilizing these services effectively. A substantial number of SMEs operate without professional accounting support, which can lead to poor financial management, inadequate financial reporting, and ultimately, diminished business performance. Lack of financial literacy among SME owners often results in underutilization of available accounting services (Ibok, Ogbebe, Alu, Joseph, Udobong, & Collins 2024).. Many SMEs do not prioritize accounting functions, viewing them as non-essential, which adversely affects their financial decision-making processes. Furthermore, the cost of professional accounting services is a barrier for many SMEs, particularly in developing economies.

This financial strain can prevent SMEs from investing in necessary accounting resources, leading to inefficient operations and reduced competitiveness. A report by PwC (2021) suggests that while some SMEs benefit from digital accounting tools, many remain unaware or unable to implement these technologies effectively, further hindering their financial performance. The problem poor financial performance of small and medium business enterprises lies in the inadequate access to and utilization of accounting services among SMEs, resulting in poor financial management practices that adversely affect their overall performance and sustainability. (Ibok, Meremikwu & Umoh, 2020).

Bookkeeping is crucial for SMEs as it provides a systematic way to record financial transactions, which is essential for financial health and decision-making. Accurate bookkeeping enables SMEs to track income and expenses, manage cash flow, and prepare for tax obligations. It is foundational for effective financial performance. Mokhtar et al. (2018) emphasized that proper bookkeeping practices ensure that financial statements reflect the true financial position of SMEs, which is crucial for stakeholders' decision-making. A study by Akinyomi and Olatunji (2015) found that SMEs with robust bookkeeping systems produce more reliable financial reports. This reliability positively influences financial performance, as stakeholders can make informed decisions based on accurate data. According to Ibrahim et al. (2022), SMEs that maintain thorough bookkeeping are better positioned to prepare comprehensive financial reports. Also this practices lead to improved strategic planning and better financial outcomes. Abdullah and Alharbi (2020) found that inadequate bookkeeping often results in poor financial reporting, which can mislead stakeholders and negatively impact financial performance. Osei and Oduro (2021) found that SMEs using accounting software could generate timely and accurate financial reports, leading to better financial performance. Nwogugu (2023) found that SMEs investing in bookkeeping education reported better financial performance due to enhanced accuracy and transparency in financial statements. A comparative study by Khan et al. (2022) showed that SMEs with systematic bookkeeping practices had more accurate financial reports, which correlated with higher profitability and growth rates compared to those without such practices. Effective bookkeeping is essential for the financial performance of SMEs. The empirical evidence suggests that SMEs that prioritize proper bookkeeping practices and leverage technology tend to perform better financially (Ebek, Ibok, Ntibi, John, & Udobong, 2023). However, challenges such as resource constraints and a lack of knowledge need to be addressed to enhance the financial health of SMEs.

Financial reporting provides critical information that helps SMEs make informed decisions, manage resources effectively, and

attract investors. A study by Abdullah et al. (2015) highlights that transparent financial reporting significantly enhances the credibility of SMEs, leading to improved access to financing and better financial performance. According to Khan and Ali (2016), effective financial reporting enables SMEs to make strategic decisions that positively impact their performance. The study found that SMEs with structured financial reporting systems showed higher profitability and operational efficiency.

Mokhtar and Taha (2018) identified challenges SMEs face in financial reporting, such as lack of expertise and resources. These challenges can hinder the potential benefits of financial reporting on performance. A study by Omar and Ahmad (2017) examined various financial performance metrics and concluded that accurate financial reporting is directly correlated with profitability, liquidity, and solvency ratios of SMEs. Nwogugu (2020) found that SMEs adopting digital financial reporting tools experienced significant improvements in their financial performance due to enhanced accuracy and timeliness of financial information. A systematic review by Zhang et al. (2021) examined the global landscape of financial reporting practices among SMEs and their impact on performance. The findings suggest that SMEs that adhere to international financial reporting standards tend to perform better financially compared to those that do not. The empirical evidence indicates a strong relationship between financial reporting and the financial performance of SMEs. Improved financial reporting practices lead to better decision-making, enhanced access to finance, and overall improved performance metrics. However, challenges remain, particularly regarding the resources and expertise needed to implement effective financial reporting systems.

In Cross River State, due to the prevalence of unemployment and poverty, small and medium enterprise contribute to development of the State Economy by promoting competition or creating jobs, and providing new goods and services (Juma & Said, 2019). However, in-spite of it importance to state economic , most small and medium enterprise business owners find it difficult to identify business opportunity gaps, conceptualize the business for the enterprise plan, source for finance, range of financial support and management activities designed to help businesses and individuals manage their financial records and obligations. The absence of accounting services may partly explain why this company fail between two to three years into their operations (Anderson, 2017), The business enterprise have poor budget implementation over the years which is showing a low rate of growth and declining future (Hamsani , Prihardini,, & Ayu, 2020). Furthermore, in spite of the advantaged potentials of the small and medium business to the economy, they are generally perceived to be under-performing in Nigeria currently. Based on this, the researcher examine the relationship between accounting services and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria

Statement of the Problem

Small and Medium Enterprises (SMEs) play a crucial role in the economic development and sustainability of communities, including Calabar South Local Government Area of Cross River State, Nigeria. However, despite this importance, many SMEs struggle to achieve optimal financial performance. One of the notable factors influencing their success is the adequacy and quality of accounting services they receive. Many SMEs in Calabar South lack access to professional accounting services, which impairs their ability to maintain accurate financial records, comply with regulatory requirements, and make informed business decisions. This gap often results in financial mismanagement, reduced profitability, and challenges in accessing funding. Business owners always have limited knowledge or appreciation of the importance of the accounting practices, leading to negligence in financial reporting and book keeping. . There is a need to understand how the availability, quality, and utilization of accounting services correlate with the financial outcomes of SMEs. Based on this, the researcher intended to examine howaccounting services in term of book keeping, financial reporting relate with the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria?

Purpose of the study

The main purpose of this study is to established the relationship between accounting services and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River

State, Nigeria. Specifically, the study seek to established

i. the relationship between book keeping and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria.

ii. the relationship between financial reporting and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria.

Research Questions

To direct the investigation, the following research questions are posed:

i. To what extent does book keeping relate with financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria?

ii. To what extent does financial reporting relate with the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria?

Research Hypotheses

i. There is no significant relationship between book keeping and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria.

ii. There is no significant relationship between financial reporting and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria.

Research Method

The study area was Calabar South Local Government Area of Cross River State, Nigeria. The research design used for this study was the descriptive survey design. The descriptive research design is concerned with describing the characteristics of a particular individual, group or organization. The sampling techniques adopted for this study accidental sampling technique. Accidental random sampling, also known as convenience sampling, is a non-probability sampling technique where individuals are selected based on their availability and willingness to participate rather than through a random selection process. This method was used since most of the small and medium enterprises owner were not available at the time of conducted a research and even some that were available were not willing to participated in the exercises. The researcher only used those that are available and were willing to participated in the research study. The instrument used for data collection was the questionnaire titled " Accounting Services and Financial Performance(ASFP) ". The instrument was developed by the researcher with the help of the two expert in business Education Department. The questionnaire contained two sections A and B. Section A was designed to elicit information from respondents' demographic variables such as ender while section B is an 26 items four points scale designed to measure the sub-variables of the study. Each item required the respondent to indicate the frequency of his or her various opinions under strongly agree, agree, disagree and strongly disagree. The face and content validity were established by using two experts in Test, Measurement and Evaluation; in the faculty of Education, and two expert in business education department both from University of Calabar. The expert certified that the instrument (questionnaire), was face and content validity and could be used for the study. To established the reliability of the instrument (questionnaire) through Cronbach alpha reliability, a trial testing was done using 20 small and medium enterprise owner in Calabar Municipality Local Government Area of Cross River State University with Cronbach Alpha reliability was conducted and the internal consistency give the reliability indices ranges .85 to .90 which showed that the research instrument was reliable. The hypotheses formulated to guide the study were appropriately tested using a Pearson Product Moment Correlation Coefficient.

Presentation of Results

The result of the analysis is presented in tables 1 and 2. The hypotheses were tested at .05 significant level.

Ho_1: There is no significant relationship between book keeping and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria. The independent variable in this hypothesis is book keeping while the dependent variable is financial performance . In testing this hypothesis, mean, standard deviation of book keeping and financial performance were computed, compared and correlate using Pearson Product Moment Correction . The results are presented on Table 1.

Table 1: Person Product Moment Correlation of the relationship between book keeping and financial performance (N= 60)

Variables	N	Mean	SD	r-value	p-value
Book keeping	60	18.975	2.365	.786	.000
Financial performance	60	32.654	4.987		

*Significant at the .05 level, df =58

The result presented on Table 1 shows the high positive significant relationship between effective book keeping and financial performance of small and medium enterprises (r=.786; p=.000). With this result, the null hypothesis was rejected while the alternative was retained at the 0.05 level of significance. The positive r-value indicated that the more effective book keeping , the more financial performance of small and medium enterprises tend to be. On the other hand, when there is no effective bookkeeping, the decreases in financial performance of small and medium enterprises tend to be.

Ho_2: There is no significant relationship between financial reporting and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria. The independent variable in this hypothesis is financial reporting while the dependent variable is financial performance . In testing this hypothesis, mean, standard deviation of financial reporting and financial performance were computed, compared and correlate using Pearson Product Moment Correction . The results are presented on Table 1.

Table 2: Person Product Moment Correlation of the relationship between financial reporting and financial performance (N= 60)

Variables	**N**	**Mean**	**SD**	**r-value**	**p-value**
Financial reporting	60	17.876	2.865	.811	.000
Financial performance	60	32.654	4.987		

*Significant at the .05 level, df =58

The result presented on Table 1 shows the high positive significant relationship between effective financial reporting and financial performance of small and medium enterprises (r=.811; p=.000). With this result, the null hypothesis was rejected while the alternative was retained at the 0.05 level of significance. The positive r-value indicated that the more effective financial reporting , the more financial performance of small and medium enterprises tend to be. On the other hand, when there is no effective financial reporting, the decreases in financial performance of small and medium enterprises tend to be.

Discussion of Findings

The result of hypothesis one revealed that there is a significant relationship between book keeping and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria. The finding agreed with the finding Mokhtar et al. (2018) who stated that proper bookkeeping practices ensure that financial statements reflect the true financial position of SMEs, which is crucial for stakeholders' decision-making. A finding is in line with a study by Akinyomi and Olatunji (2015) who found that SMEs with effective bookkeeping systems which positively influences financial performance. According to Ibrahim et al. (2022), SMEs that maintain thorough bookkeeping are better positioned to prepare comprehensive financial reports. Also this practices lead to improved strategic planning and better financial outcomes. The finding agreed with Abdullah and Alharbi (2020) who found that inadequate bookkeeping often results in poor financial reporting, which can mislead stakeholders and negatively impact financial performance. the finding is in consonance with the finding of . Nwogugu (2023) who found that SMEs investing in bookkeeping education reported better financial performance due to enhanced accuracy and transparency in financial statements. A comparative study by Khan et al. (2022) showed that SMEs with systematic bookkeeping practices had more accurate financial reports, which correlated with higher profitability and growth rates compared to those without such practices.

The result of hypothesis two revealed that there is a significant relationship between financing reporting and the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria. The finding agreed with the finding a study by Abdullah et al. (2015) highlights that transparent financial reporting significantly enhances the credibility of SMEs, leading to improved access to financing and better financial performance. According to Khan and Ali (2016), effective financial reporting enables SMEs to make strategic decisions that positively impact their performance. The finding agreed with Mokhtar and Taha (2018) who identified financial reporting as one of the factor that influence financing performance. The finding agreed with a study by Omar and Ahmad (2017) examined various financial performance metrics and concluded that accurate financial reporting is directly correlated with profitability, liquidity, and solvency ratios of SMEs. The finding is in line with the finding of Nwogugu (2020) who found that SMEs adopting digital financial reporting tools experienced significant improvements in their financial performance due to enhanced accuracy and timeliness of financial information. The finding is consonance with a systematic review by Zhang et al. (2021) who examined the global landscape of financial reporting practices among SMEs and their impact on performance and found that SMEs that adhere to international financial reporting standards tend to perform better financially compared to those that do not.

Conclusion

The influence of accounting services on the financial performance of small and medium enterprises (SMEs) is significant and multifaceted. Effective accounting practices, including bookkeeping, financial reporting provide SMEs with the necessary tools to make informed decisions, enhance operational efficiency, and improve overall financial health. Based on the finding of study, it was concluded that book keeping, financial reporting individually significantly relate with the financial performance of small and medium enterprises in Calabar South Local Government Area of Cross River State, Nigeria. SMEs that utilize professional accounting services tend to experience better financial

outcomes, including increased profitability, improved cash flow management, and greater sustainability. Conversely, inadequate accounting practices can lead to financial mismanagement, reduced competitiveness, and potential business failure.

Recommendations

The following remarks were offered in light of the analysis's findings:

i. SMEs should prioritize investing in professional accounting services to ensure accurate financial reporting, bookkeeping and compliance with regulations. This can lead to improved financial performance and strategic decision-making.

ii. Business owners and employees should receive training in basic accounting principles and practices. This knowledge can help them understand financial reports better and make informed decisions.

iii. SMEs should seek tailored accounting services that meet their specific needs and industry requirements, ensuring that they receive the most relevant support for their financial management.

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