

# **INFLUENCE OF ACCOUNTING INFORMATION ON THE PERFORMANCE OF SMALL SCALE BUSINESS IN JUBA PAYAM, SOUTH SUDAN**

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## **ABSTRACT**

As the collective performance of small businesses is viewed from the perspective of accounting data, it becomes evident that there is a serious lack of effective utilization of accounting information in South Sudan. Despite being supported by ample evidence from various countries demonstrating the positive correlation between small business growth and the strategic use of accounting data, the awareness and implementation of such practices remain limited in South Sudan. The primary aim of the research was to explore and analyze the impact of bookkeeping data on the operational proficiency and general performance of small scale businesses, with a specific focus on Juba Payam. Within this scope, the research objectives sought to identify the multifaceted roles of accounting information in enhancing performance, examine how traditional accounting practices influence business outcomes in South Sudan, and determine the varying influences of different types of accounting data on small business success rates within the region. To undertake this investigation, a comprehensive research

approach combining case study methods with quantitative analysis was adopted. A sample size comprising 49 respondents was selected through simple random sampling techniques, while a descriptive survey research approach was utilized to gather pertinent data. In stark contrast, 60% of respondents disclosed that they entrusted qualified and competent external sources to maintain their accounting records, which resulted in the production of comprehensive financial statements including balance sheets, profit and loss accounts, cash flow statements, and other crucial financial reports. Moreover, the research highlighted that 29% of respondents leveraged accounting information for strategic decision-making aimed at fostering business growth, while 60% relied on such data to fulfill their legal obligations, encompassing intricate calculations and periodic tax deposits, such as VAT and other statutory dues. Based on the insightful findings, the research advocates for a thorough review of the existing governmental policies related to small and medium businesses in South Sudan to ensure their alignment with the unique features and developing needs of local enterprises.

## **INTRODUCTION**

### **Background of the Study**

The goal of this study was to institute a bond between the development of small-scale firms in South Sudan and the application of accounting data in management being the process of making

business decisions. Making decisions is an ongoing business activity that is carried out at the operational, management, and policy levels. Good business choices are facilitated by accurate and pertinent management information, which includes accounting information. Well-managed commercial enterprises are the outcome of these decisions. Competitiveness is a feature of well-managed businesses that eventually helps them flourish. Therefore, the study's main goal is to examine how the development of small firms in South Sudan is impacted by the utilization of data produced by the accounting process in business decision-making.

According to the South Sudan National Bureau of Statistics (2020), three out of every five firms fail during the first few months of operation. Of those that make it through the first five years, just a small percentage go on to become medium-sized or larger businesses. The caliber of judgments made by persons in charge of a firm affects its growth and success. In essence, companies' decisions are monetary decisions, and their success depends on the type and caliber of facts utilized in the process. Financial choices are based on accounting information. When accounting data is absent or not used in the decision-making process, business decisions are frequently made poorly, which ultimately has a detrimental effect on the expansion and profitability of the company.

### **Historical Background of Accounting**

Accounting disciplines have been utilized in trade for more than 5,000 years. Eventually, when taxes were introduced, maintaining records became essential for governments to maintain social order. (Balian et al. (2018). Known as the "cradle of European commerce," double-entry accounting was created and used by Venetian merchants during the Italian Renaissance, after the 1494 description provided by Fra Luca Pacioli. Accounting then, as today, is an information method for collecting, analyzing and disseminating financial data about a specific economic entity, regardless of its size. Needles, Anderson & Caldwell, (2018) Since the Industrial Revolution, when management sciences first emerged.

### **Importance of Accounting Information**

Information from accounting is essential to managing expanding companies. The business managers' ability to plan, lead, inspire, and control operations that are meant to expand the company is greatly aided by this knowledge. Brewer, Garrison, and Noreen (2018). The two primary categories of accounting data produced by the accounting process are financial and managerial accounting data, according to Atkinson et al. (2018).

### **Small Businesses and Accounting Information**

According to Hurt (2019), the 21st century economy is driven by information. Because of this, company experts will need to plan and carry out methods for gathering and arranging management data so that it may be utilised for decision-making. It is relieving to know that accounting information, which is usually required for managerial purposes in small firms, is generally simple to grasp and use, even if the accounting practice can produce sophisticated, thorough, and even

difficult facts that are required for managerial decisions. Small firms often prepare basic, periodic accounting information. It might be made every week, every month, every quarter, or even every year.

### **Statement of the Problem**

According to Blackburn and Jarvis (2019) and the OECD (2019), small company success has been seen as a solution to several societal problems, such as rising rates of unemployment and poverty, in many global economies, particularly in developing markets. The problem is that a lot of small firms fail before they even reach their fifth anniversary and even those that do have difficulties.

This circumstance may have a direct bearing on the caliber of financial choices made in the administration.

Financial choices are based on accounting information. Every choice you make in business has an impact on your finances. In this sense, making poor judgments based on incomplete or non-applied accounting information might hinder the expansion or prosperity of small enterprises. This final effect will result in the unavailability of merchandise and facilities, capital generation, and work generated by the small companies. The idea of small firms' importance in many global economies is undermined and frustrated by this. So far, no research has determined the degree to which South Sudanese small enterprises utilize accounting data when making decisions.

### **Purpose of the Study**

The general purpose of this study was to investigate and discover the level to which information produced by practicing accounting are utilized in the strategic decision formulation of small scale businesses in South Sudan.

### **Research Objectives**

To find out the main uses of accounting information on the performance of small businesses in South Sudan.

## **LITERATURE REVIEW**

### **Introduction**

This study's primary goal is to investigate how accounting data is used to support Sudan's small company development. In this context, the researcher looks at the body of knowledge that has been gathered thus far about the impact of accounting data on the expansion of small enterprises in Sudan. This is due to the general agreement among academics and industry professionals that accurate and pertinent accounting data produced by a reputable accounting process greatly assists in helping make wise business decisions that, when put into action, promote company expansion.

### **Empirical Literature**

Numerous studies show that small firms tend to do financially better than those that do not when they prepare and use accounting records in their managerial operations. Thus, Davila and Foster (2017) argue that the implementation of functional budgeting, an important management accounting information system, has led to a significant increase in sales volume and workforce of company. In fact, the adopter's operating budget portfolio has seen notable growth. According to a study by Okwena Kengere (2010), many small business owners and managers have slight to no understanding of bookkeeping, which is a basic procedure in the generating and providing of information regards accounts.

The study presented compelling evidence indicating that the financial performance of a business can be significantly influenced by accounting practices. Through a comprehensive analysis conducted by Mbogo (2017), it was revealed that business owners and managers who possess a solid foundation in accounting demonstrate a profound positive impact on their decision-making processes, thereby contributing to the overall success and advancement of Small Medium-sized Enterprises (SMEs). By focusing on the role of management accounting skills in driving the prosperity and expansion of Small Medium-sized Enterprise (SMEs), the research shed light on the vital importance of financial acumen in managerial decision making.

### **Accounting Information Uses**

In all categories of corporate institutions, accounting data are important to business. Maintaining accounting information is essential to the progress of a business entity. Previous studies have indeed highlighted that proper accounting data keeping within a company has a positive relationship with a company's operational and fiscal performance (Attom & Mbroh, 2017).

Ezejiolor (2014) establish that a comprehensive record management allows entrepreneurs to produce accurate and timely financial reports that show the company's progress and current status. Financial reports produced by a good accounting system allow you to perform financial analysis by comparing the results of one accounting period to another. Measuring business performance is considered a tough assignment, especially for small scale firms, and the challenge is related to defining the fundamental performance dimensions. Although there are many ways to measure performance, Kibet (2018) believes that the progress of small and medium-sized enterprises depends largely on sales, the factor that contributes most too business goals, while profit is the driving force behind a company's stability.

Fasanmoye (2021) states that the uses of accounting information cannot be underestimated; because it is the basis on which modern businesses rely and it is impossible to determine a company's level of profitability unless proper records are maintained. Further, he revealed that the maintenance of accounting information influences corporate decision-making.

## **Theoretical Review**

The correlation between accounting information and the performances of Small and Medium Enterprises (SMEs) is adequately justifiable by a knowledge-based theory of a firm.

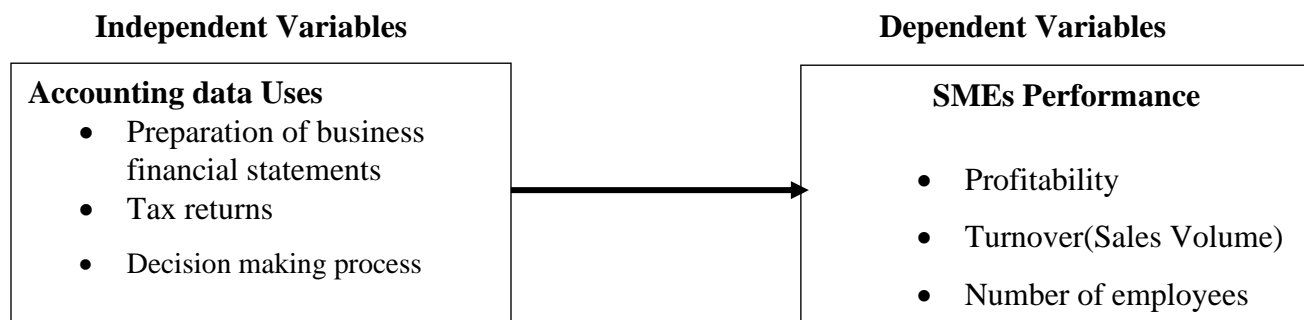
### **Knowledge-based theory**

Knowledge-based theory of a company contemplates information as the most strategically significant resource of a company. Knowledge-based theory was first developed by Penrose as a resource-based view (RBV) in 1959. In any case, it was afterward adjusted by other researchers, including Wernerfelt, Barney, and Conner (Curado, 2019). The advocates of the knowledge-based theory contended that resource-based see does not go distant sufficiently. Especially, information is treated as a non-specific asset by RBV, rather than having extraordinary characteristics. Hence, it does not recognize between diverse sorts of knowledge-based capabilities.

Zack (2016) states that: Maybe the foremost common botch firms make is considering that the higher the information substance of their items and administrations, the closer they are to being genuine knowledge-based organizations. The knowledge-based scholars assist contend that all information at the transfer of a firm are clever in one way or the other, but particular sorts of information are of more competitive advantage for the firms. This can be where its significance is connected to this consideration.

### **Conceptual Framework**

The link between the variables Accounting data uses on the performance of Small Scale business in Juba Payam, South Sudan.



*Figure 1: Conceptual Framework*

*Source: Researcher (2024)*

## **RESEARCH METHODOLOGY**

### **Introduction**

This section provides a thorough analysis and defense of the selected research design. The population was identified, and a description of the representative sample selection procedure was given. Furthermore, the data gathering technology was described, and data analysis was well spoken about.

### **Research Design**

Mugenda and Mugenda (2015) stated that descriptive statistics provide for a detailed descriptions of measures while using a small number of statistics. So the researcher adopted a descriptive research plan in this study. Using a descriptive research approach, the researcher was able to understand the association between accounting information and the performance of Small scale businesses. Furthermore, the researcher also was able to analyze the occurrence in a natural setting because of this research methodology.

### **Target Population**

The population consists of 488 small enterprises that are registered in the South Sudan Business Registry. Businesses with one to fifty employees and those that have been in operation for at least three years are what set this demographic apart.

### **Sample Design and Sample Size**

For the purpose of study, a simple random sampling method was chosen because each element in the population has an equal opportunity of being selected. A simple random sampling method was used to select the sample. 49 small businesses were selected using this technique, whereby according to Mugenda and Mugenda (2015) sample of 10 percent of the population is considered to be sufficient under descriptive study.

### **Reliability and Validity of Research Instruments**

#### **Reliability**

The clarity of the questionnaire was assessed using the pilot test findings. Inadequate or unclear survey items was replaced in order to raise the standard and reliability of the surveys. The study tested dependability using the Split-Half approach.

#### **Validity**

Accurately reflecting on the phenomena under examination is crucial in determining the validity of a research study (Collis & Hussey, 2014). The effectiveness of the study hinges on how closely its findings align with the actual subject matter being studied. Both the face and substance of the questionnaire played a significant role in data collection, showcasing the thoroughness and

attention to detail in the research process. Employing content validity was essential to ensure that the data gathering, analysis, and interpretation all fell within the scope of the research objectives. For clarity, the study was provided in a descriptive format with charts, graphs, and percentages. The variables' regression model looked like this.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Hence;

Y= SMEs Performance

X<sub>1</sub>= Uses of accounting information

β<sub>0</sub>= The Constant

ε= Error term

β<sub>1</sub> = Regression coefficient values.

## **RESEARCH FINDINGS AND DISCUSSIONS**

### **Introduction**

This section includes the presentation and results of the research as presented in the research methodology. The analysis of the results was carried out using data collected from 49, respondents through the questionnaire complete. This chapter is limited to background information and analysis of specific objectives.

### **Participants Response Status**

During the study period, a total of 49 detailed questionnaires were meticulously and thoughtfully prepared and then carefully distributed to various Small and Medium-sized Enterprises (SMEs) located in the bustling urban center of Juba Payam, the capital city of the dynamic and rapidly growing country of South Sudan. Remarkably, it was observed that not only did every single questionnaire entrusted to these SMEs receive the utmost care and consideration, but they were also promptly completed and returned without delay.

Furthermore, this exceptional outcome of a flawless 100% response rate from the surveyed SMEs exemplifies the unparalleled level of dedication, enthusiasm, and willingness to collaborate exhibited by the business owners and managers in this vibrant urban setting. It signifies not only a willingness to participate in research activities but also underscores a deep-rooted sense of responsibility and proactive engagement towards fostering a culture of data-driven decision-making and continuous improvement within the Small and Medium-sized Enterprises (SMEs) community operating within the bustling cityscape of Juba Payam.

### **Accounting data Uses by Small scale businesses**

The analysis presented in Table 1 and graphically represented in Figure 2, which can be found below for further reference, sheds light on a significant observation regarding the utilization patterns of accounting information among surveyed individuals. The data meticulously reveals that a comparatively modest proportion of 23% of the surveyed participants actively engage with



accounting data to directly inform their strategic business decisions. An intriguing aspect arises when examining the primary usage pattern, where a noteworthy majority of 60% of respondents primarily leverage accounting information to deftly navigate the intricate web of legal obligations and compliance requirements. This operational reliance on accounting information manifests in the conscientious execution of critical duties, notable examples being the precise calculations and punctual submissions of value added tax payments and a spectrum of other taxes on a recurring monthly basis.

*Table 1: Accounting Data Uses by Small Scale Businesses*

<b>Accounting data Uses</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percent</b>
File VAT Returns	Statutory Obligation	21	60.0%
Submit your year end tax returns. To fulfill additional legal requirements	Including VAT & Other Taxes		
Renew credit card overdrafts and other bank accounts. For job tendering	Renewing banking facilities & Tendering Purposes	6	17.0%
To supply the data required for commercial decision making To ascertain the period's business performance	Business Decision Making	8	23.0%
Total		35	100.0%

*Source: (Survey data 2024)*

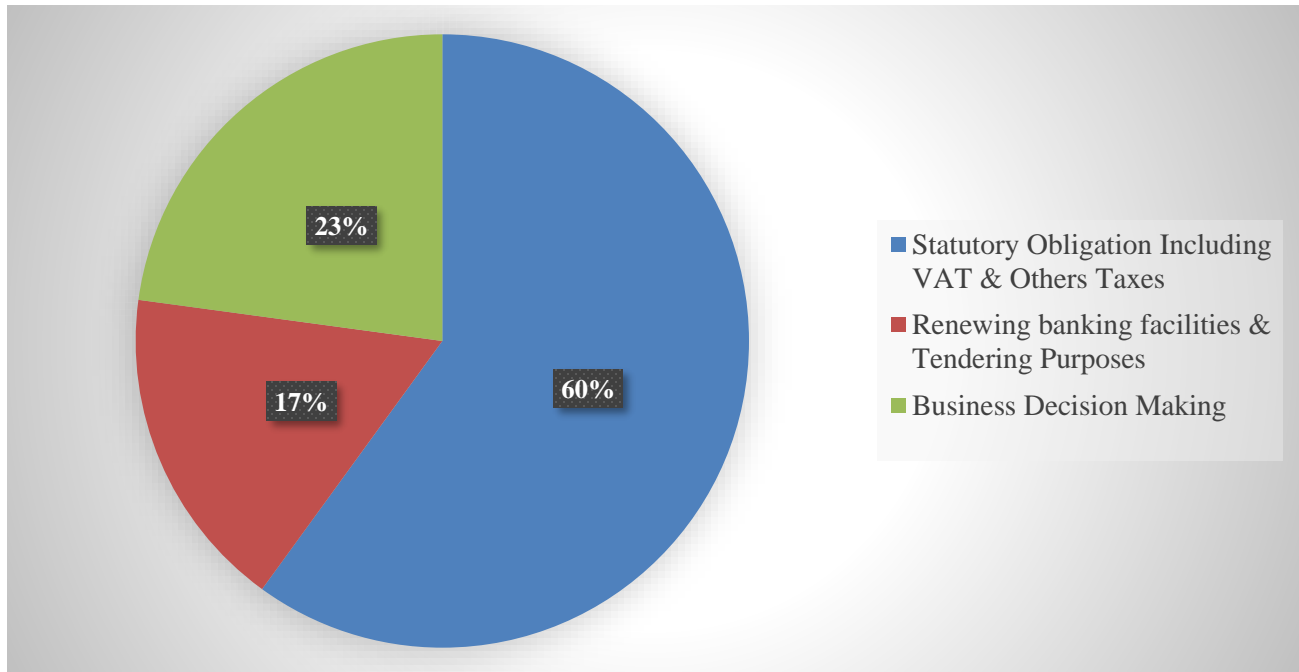


Figure 2: Accounting data Uses by Small Scale businesses  
Source: (Survey data 2024)

The perception that only a minority of small scale businesses use accounting data, produced from reasonably accurate accounting information, in decision making, is consistent with previous results that many decisions of small scale business is made instinctively and is limited to an organized, fact-based decision making process and figures. Dyer and Ross (2018).

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### Introduction

This chapter includes a summary and conclusion of the study based on the research results detailed in chapter four. It also makes recommendations based on research results. The recommendations may lead to appropriate interventions aimed at improving or overcoming identified weaknesses in the preparation and use of accounting information in Small and medium-sized enterprises (SMEs).

### Summary of the Findings

The study sought to determine the summary of key major findings of the study objective.

### Accounting data Uses by Small Scale Businesses

The study's objective, which sought to explore the primary utilization of accounting information in the context of small businesses, revealed fascinating insights through the analysis of Table 1. Specifically, it was unveiled that only a modest 23% of these enterprises leverage accounting data for crucial decision-making processes. In striking contrast, a notable 60% of these small businesses rely on this financial information to successfully navigate the intricate landscape of statutory

obligations, especially concerning the punctual completion of monthly value-added tax (VAT) reporting and other responsibilities mandated by tax laws such as the VAT and Income Tax Act.

Moreover, an additional 17% of these small businesses have recognized the valuable role of accounting insights in addressing diverse external demands, ranging from securing necessary bank overdraft extensions to effectively participating in competitive tender bidding processes. These findings shed light on the multifaceted ways in which accounting data can be harnessed to enhance operational efficiency and strategic decision-making within small business environments, ultimately contributing to sustainable growth and success.

## **Conclusions**

The study concludes the following based on the summaries.

### **Accounting data Uses by Small Scale Businesses**

The results of this research validate that small businesses generally uphold precise accounting information and meticulously prepare accounting data. However, the primary emphasis of employing this information lies in ensuring legal compliance, followed closely by the crucial aspect of monitoring and controlling liquidity. As clearly illustrated in Figure 3, a considerable 60% of businesses predominantly utilize accounting information to meet their legal obligations and other necessary functions, while only 23% leverage this data for strategic decision-making.

From the conclusion, the study recommends that the government should play a role in meticulously reassessing the current policies targeted towards small businesses is crucial to ensure their alignment with the unique characteristics and trajectory of small-scale enterprises across South Sudan.

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