

**THE IMPACT OF ACCOUNTING AND INFORMATION SYSTEMS IN RURAL
SMALL AND MEDIUM-SIZED ENTERPRISE IN SOUTHERN REGION OF
KWAZULU- NATAL**

MASIPHILA FAITH HLONGWANE

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DECLARATION

This research thesis is work originally prepared by me (Author) and has never been submitted for a degree in any institution other than the Durban University of Technology for examination purposes.

Signature: M.F Hlongwane

Masiphila Faith Hlongwane

Date: 26/10/2022

Student no. 21620476

The research thesis has been permitted by us as Supervisors to be submitted for examination purposes.

Signature

Dr Odunayo Magret Olarewaju

Date; 10/03/2023

Supervisor, Faculty of Accounting and
Informatics, Durban University of Technology

Signature

Date: 10/03/2023
Mr Brian Thulane Ngiba

Lecturer, Department of Financial Accounting, Faculty of Accounting and Informatics, Durban University of Technology

DEDICATION

I dedicate my work to the Lord and Saviour who always makes everything possible.

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There have been several people who have helped me during my research. Without the kind of collective and kind efforts of so many people, it would never have been successful. I'm afraid I won't be able to mention them all. However, I'd want to make a special note to the following individuals. Without them, I would not have been able to make progress.

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ABSTRACT

Accounting information systems (AIS) are among the main success factors that effectively facilitate the achievement of accounting and financial goals, strengthen the strategic goals OF small and medium-sized enterprise, and enhance data sharing and honesty. As a result, the aim of this research was to identify the impact of accounting and information systems in rural small and medium enterprises (SMEs) in the southern region of Kwazulu-Natal. The following internal elements were investigated: access to training and development, acceptable accounting skills, access to infrastructure and the extent to which access to finance affected the development of rural SMEs. To select the respondents, this study employed a non- probability sampling technique, specifically, convenience sampling. A designed questionnaire was used to collect data from 110 respondents. The study was conducted in Umdoni Municipality (Umzinto and Scottburgh area). With the help of the SPSS computer programmed, the acquired data was quantitatively analyzed. A regression analysis and Pearson's correlation analysis were conducted to address the specific objectives of the study. The results indicated that rural SMEs should consider implementing accounting systems because it has a positive impact on their performance. This study advised that rural communities should access training and development to overcome their challenges. In remote areas, financial literacy mentorship should be established to teach SMEs basic accounting skills, and financing access for rural SMEs. The study backs up prior findings and adds to the evidence that a lack of financial and accounting skills is two of the most significant difficulties that prevents SMEs from implementing accounting systems.

Keywords: Accounting information systems; Small and medium-sized enterprises; South region of KwaZulu-Natal.

CHAPTER ONE: INTRODUCTION

1.1 Introduction

The study focused on the impact of accounting and information systems on rural SMEs in the southern region of KwaZulu-Natal. It identifies the technical challenges small businesses face in rural areas. Small and medium enterprises (SMEs) are widely regarded as the most important drivers for economic development, but they face many challenges (Manzoor, Wei and Sahito, 2021). Fiseha and Akeem (2015) point out that small and medium enterprises (SMEs) are a major source of employment, wealth growth, and poverty alleviation in developing countries. In addition, the urgent need to expand rural facilities appears to be shared by institutions and individuals. Development institutions see the establishment of rural industries as a wonderful opportunity for employment, politicians see this as an important strategy to prevent domestic violence, farmers see it as a tool to increase their income, and women see it as a chance to work closer to home while maintaining their independence.

SMEs are flexible and innovative, due to their size and organizational structure (Adam and Allarifi, 2021). According to the Global Entrepreneurship Monitor (2017), SMEs provide 36 percent of GDP, but the Minister in the Presidency says they contribute 42 percent of GDP and employ 47 percent (7.3 million) of the labour force. According to Vandenberg, Chantapacdepong and Yoshino (2016), SMEs working in rural areas are receiving less attention, and as a result, there is a gap in knowledge about the various problems they face. Small businesses in rural areas should have access to cash and high-speed internet (Lekhanya, 2016). Their access to accounting and finance systems is critical to the growth of the sector.

Accounting information systems (AIS) are among the keys to success that facilitate the achievement of accounting and financial goals, strengthen small and medium business strategies, and improve data sharing and reliability (Huy and Phuc, 2020). According to Sitharam and Hoque (2016), it will be difficult for small and medium enterprises to access operations, identify customer and supplier accounts and predict future operations without AIS. It is not possible to over-estimate the value of accounting systems in any organization, especially for small and medium-sized firms. According to Miller, Bunn and Noe (2016), accounting information systems used by SMEs are critical to their success. However, on the

other hand, SMEs make poor decisions due to lack of accounting skills (Talahmeh, Abu-Rumeileh and Al-Razem, 2020).

The KwaZulu-Natal government and local authorities, such as Small Enterprise Development Agency (SEDA), support the growth of young and new entrepreneurs in the southern KwaZulu-Natal region. Seda's mission is to partner with a variety of stakeholders, including international partners, to help small businesses grow and develop across the country and to provide local entrepreneurs with the best international options. But the challenge of the failure of small rural businesses continues. These potential entrepreneurs may be assisted by business planning experience but have little or no knowledge of accounting strategies. Small businesses in rural areas should consider accepting sound accounting basic training, backed by custom-made products for ease of use by owners or employees. The creation of training programmes to address these problems should go a long way toward assisting these small enterprises in acquiring the expertise in the accounting information system to prevent potential early failures. This study investigates the impact of accounting and information systems on rural businesses and the challenges that small businesses face when implementing accounting systems.

1.2 Background to the study

Traditional accounting is done entirely by hand (Pepe, 2011). According to Schot (2016), the experience and expertise of individual accountants is crucial in the accounting process. Even the manual method is ineffective and time consuming. The accounting system solves many of the problems mentioned above. AIS can process data automatically and produce timely and accurate results (Ghasemi, Azmi Mohamad, Karami, Bajuri and Asgharizade, 2016). According to Hall (2015), in the 1970s, early accounting systems focused on paid performance. Accounting information systems were created "internally" because no packaged solutions were available at the time and such systems have been expensive to build, and difficult to maintain. As a result, many accountants prefer manual manipulation instead of computer-assisted accounting.

Accounting systems are increasingly on sale as software packages have been developed by leading providers such as Microsoft, Sage Group, SAP AG | SAP, and Oracle Corporation |

Oracle, where they can be linked to the business activities of the firm. They are designed and built to fit. Small businesses often use less expensive accounting software products, such as Tally, ERP 9, MYOB, and QuickBooks. Large companies often use ERP programmes (Gupta and Naqvi, 2014). According to Monk and Wagner (2012), the need for connectivity and robustness of other business systems has led to the integration of financial accounting systems with large, and medium-sized systems called resource planning (ERP).

Organizations had to create complex links for systems to communicate before they could use different applications to control the various business activities (Zink, 2017). Accounting information systems, for example, are designed as modules that integrates ERP programmes such as production, supply chain, and human resources. These modules are interconnected and can manage the same data and perform complex business operations. Due to low costs, cloud-based accounting information systems are becoming increasingly popular with SMEs and large businesses (Sibuea, Sinaga and Mudi, 2020). As a result of the implementation of the accounting system, many organizations have abolished processes with limited operational and accounting skills (Pepe, 2011). Weygandt, Kimmel and Kieto (2018) defines accounting as related to recording and summarizing business transactions and providing accurate financial reports or financial statements containing such sales information and financial position. Accounting manages all corporate financial performance records based on payment, expenses, capital expenditures and other obligations of sales revenue and equity of shareholders (Robinson, 2020).

The purpose of accounting is to provide financial information to business stakeholders, managers, investors, and debtors (Harrison and Smith, 2015). Accounting monitors and analyses organizational performance and presents results to management and other stakeholders (Woodruff, 2018). According to Baily, Bekker and Holmes (2015), accounting plays a key role in our economy and structure, especially in managing and promoting management decision-making. An entity consists of information generating transactions to better analyse business operations and the delivery system. AIS direct the process of collecting, storing, and analysing the financial and accounting data used by decision makers (Shuhidan and Mastuki, 2015). Accounting information systems are often computer-based tools for monitoring mathematical operations in conjunction with an information technology tool (Belfo and Trigo, 2013).

This is important in accepting corporate governance and internal control (Grande, Estabanez and Colomina, 2011). Well-designed and efficient accounting systems allow a company to manage its most valuable information resources. Accounting systems deal with economic events or transactions, many of which are the product of day-to-day business operations. It gives investors the best decisions about corporate financial life with better comparisons and effective analysis. It also allows creditors to check the solvency liquidity and creditworthiness of accounting. If accounting information is not available, investors will have a limited understanding of the history of stock and bond issues and current financial life (Onaolapo and Odetayo,2011).

In recent years, SMEs have begun to change the face of global trade technology faster and faster. In the past, businesses used paper and pen to keep business records, as available packages were expensive and difficult to maintain. As a result of technological advances, accounting is now understood differently (Ghasemi, Azmi Mohammad, Karami, Bajuri and Asgharizade, 2016). Detailed financial records do not need to be compiled and maintained. The development of Accounting Information Systems (AIS) has facilitated the operation of the business (Shuhidan and Mastoki, 2015). The requirement for Accounting Information Systems (AIS) extends to every department of any company, and the sales department is involved. Miller, Bunn and Neo (2016) define trading as the exchange of goods for money: the act of selling something. The sale involves the buyer and seller transferring ownership of the goods in exchange for money (Laemmler, 2014). Sales are based on sound accounting systems.

Small and Medium Enterprises (SMEs) have different meanings in different countries and different levels of economic growth, commonly referred to as relatively small businesses. SMEs are classified as separate and distinct business entities under the National Small Business Act of 1996, as revised by the National Small Business Amendments Acts of 2003 and 2004 (Ngcobo and Sukdeo 2015). This definition was notified in September 2006 and is found in Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). The Act categorizes businesses based on their investment amount and the type of activity in which they engage. Manufacturing and service enterprises are classed as manufacturing enterprises and service enterprises, respectively, under the MSMED Act. A definition is given for each of these categories to describe what is a micro enterprise, small enterprise, or medium

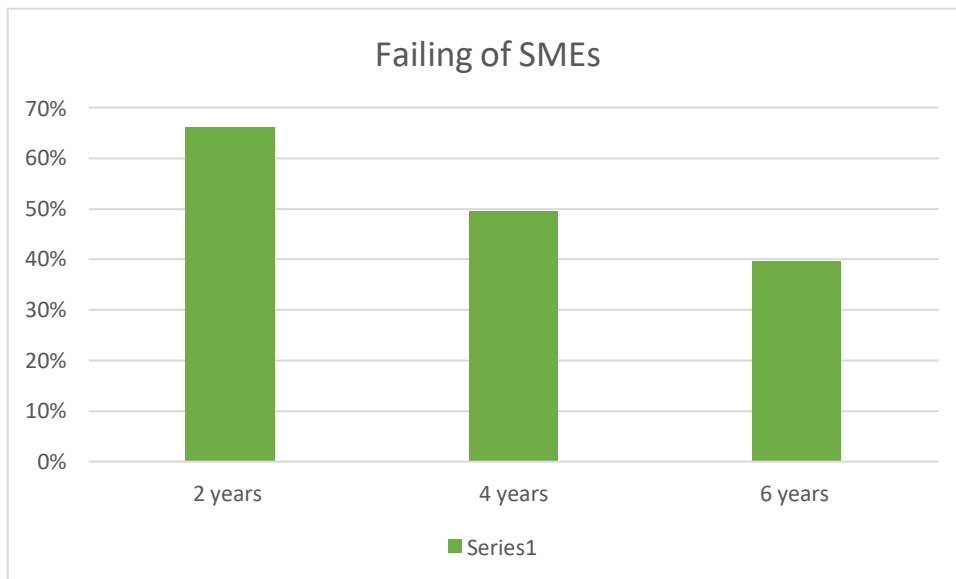
enterprise is. The phrase refers to co-operative firms and non-governmental organizations that are managed by one or more owners and employ less than 250 people in total, including their branches or subsidiaries (Trade and Industry Policy Strategies, 2016). In South Africa, the government values the economy so much that the Department of Small Business Development was established in early 2014. The government wants to support the growth and development of small businesses. These companies have been shown to be a major source of employment and contribute significantly to the country's GDP (Dhanah, 2017).

Small and emerging businesses are regarded as vehicles that develop big business, keep big business running and are the fuel used to build economic engines in South Africa (Leboea, 2017). Lekhanya (2016) pointed out that the SME sector in any country contributes significantly to employment rather than to international companies. The important role of small and medium-sized enterprises and their development has made it an important topic for policy discussions in many countries. With a renewed focus on small and medium enterprises, governments at all levels have begun to develop mechanisms and policies that promote sustainable sector development.

SMEs are factors that contribute to economic growth (Scheers, 2011). But despite their importance, SMEs are at risk of failure. Due to many national and global economic problems and policy conflicts, these institutions face many challenges (Lekhanya, 2016). Some of the problems are within the business and include insufficient income, high competition from large companies, difficulty in acquiring raw materials, low power consumption, poor management strategy and poor operational education environment, major financial and technical problems, detection failure included. Previous research has shown that many small businesses fail within the first 24 months due to numerous factors such as limited access to AIS (Bushe, 2019).

As noted below, approximately 66 percent of SMEs fail within the first two years of operation, a failure of 49.6 percent occurs within four years and a failure of 39.5 percent occurs within the first six years. It is well known that the primary goal of any company is to increase profits by improving performance and increasing business profits or by achieving strong market growth (Tecee, 2018). To achieve this goal, small and medium enterprises need to respond to environmental change, especially in the use of AIS these days. Many businesses are now obliged to use the AIS (Taiwo, 2016)

Figure1.1 Failing rate of Small and medium-sized enterprise.



Source: Researcher's design (2022)

1.3 Problem statement

Every business, regardless of its size, must be effectively and successfully managed for its survival, growth and to remain sustainable. Many companies are set up around the globe annually and in a comparable manner; many faces different challenges that they are unable to overcome and are thus discontinued. The problem for the survival of small-scale businesses does not have necessarily come from the fact that they have little capital and are unable to survive, the problem comes from the lack of finance and accounting education and training that could be a major barrier to the advancement of the small business and which could lead to poor financial performance. Large businesses can afford the use of services of professionals to manage their accounts. However, small and medium businesses cannot afford the service of professional accountants, hence finding some key predictors to enable small and medium business owners to grow and survive is the significant part of this research. The poor accounting systems knowledge has been the biggest issue in rural communities (Seretse, Chukwuere, Lubbe, and Klopper, 2018). Business owners and their staff should know how to use and access stored data, and how to manage a variety of contrasting functions, such as report production, budget review, and tax information preparation. According to Lekhanya (2016), rural

entrepreneurs have little knowledge about AIS, which makes it more difficult to acquire it and use it to run their own new businesses. To the best of our knowledge, no study has examined the effects of accounting and information systems on rural SMEs' decision-making, performance, accounting method, and obstacles to implementing accounting practices in South Africa. This study aimed to close this gap in the literature. Additionally, the majority of earlier studies on the AIS and its efficacy concentrated on data from big businesses and banks. This study is one of the few to address the use of and attitudes regarding AIS by rural SMEs. Small businesses in rural areas have an urgent need to consider implementing sound basic accounting training and have them supported through tailor made packages for ease of use by the business owners or employees. Development of training programmes to solve these problems should go a long way to help these small businesses be well equipped with the necessary accounting information systems skills to avoid failing possibilities at an early stage.

1.4 Aim and Objectives

The main aim of this study is to examine the impact of accounting information systems on rural SMEs in the southern region of KwaZulu-Natal.

Other specific objectives are to:

- i. Ascertain the effects of AIS on SME's financial performance.
- ii. Establish the relationship between accounting knowledge and SMEs financial performance.
- iii. Examine the Influence of AIS barriers on SMEs challenges.
- iv. Analyze the Relationship between accounting knowledge and AIS among SMEs.

1.5 Research questions

- i. What are the effects of AIS on SME's financial performance?
- ii. What is the relationship between accounting knowledge and SMEs financial performance?
- iii. What is the influence of AIS barriers on SMEs challenges?
- iv. What is the relationship between accounting knowledge and AIS among SMEs?

1.6 Scope of the study

This research focuses on the impact of accounting information systems on rural SMEs in the southern region of KwaZulu-Natal. The research discusses accounting information systems used to tackle productivity problems. The population comprises SMEs in Umzinto and Scottsburg.

1.7 Significance of the study

The purpose of the study is to investigate the impact of AIS on rural SMEs in the southern region of KwaZulu-Natal. Previous empirical studies were only focused on the impact of AIS on, and financial measures of, SMEs. This study therefore investigates the challenges faced by rural SMEs confronting the implementation of accounting Information systems and how those SMEs who have limited access to accounting systems can easily get access on AIS to minimize the failing possibilities. This research is intended to provide guidance to the owners of small and medium-sized enterprises to identify factors that have an impact on technology adoption. Small and medium-sized enterprise owners should be mindful that the implementation of an accounting system would improve performance, resulting in a competitive advantage.

This study creates knowledge of the management of companies or different businesses or other managers, the value of appropriate, full, and accurate records using accounting information systems for such purposes as quick, correct decision-making and effective planning and control of their business activities. It will help workers and customers determine the company's ability to consistently produce goods, make services, and pay salaries. This study supports the government in terms of collecting taxes and controlling business activities. The analysis adds to the body of existing literature on the subject and will therefore be used by prospective researchers.

The research provides organizations with a theoretical basis for the positive implementation aspect of the accounting information systems. This would provide step-by-step instructions for implementing accounting information systems in small and medium-sized firms, as well as analytical and helpful suggestions for how organizations might successfully implement accounting information systems in their day-to-day operations. Additionally, this study is a

valuable resource for educators and students, and it provides a starting point for future researchers who wish to pursue this subject further.

1.8 Limitations of the study

Research is limited to small retailers in Umzinto and Scottsburg, KwaZulu-Natal. Specifically, businesses with no more than 10 workers are the eligible inclusion requirement for this review. The research discusses AIS used to tackle a productivity problem. In addition, the survey shall be performed by the owners or appropriate members of each business sampled.

Their understanding of the accounting information systems utilized in their firms is the only high-quality information they supplied in the questionnaire. Since this analysis is quantitative, a questionnaire is the best type of data collection tool.

1.9 Organizational of the study

The chapters in this study are as follows:

Chapter 1: Introduction

A background information on accounting information systems (AIS) and its impact on SMEs is provided in this chapter. The problem statement, importance, set of research questions, objectives, and scope of the study are all included.

Chapter 2: Literature review

This chapter addresses the concept and impact of Accounting Information Systems on rural SMEs. It poses components related to accounting information systems. It also reviews previous research on the challenges faced by SMEs in terms of implementing Accounting Information Systems.

Chapter 3: Research Methodology

The methods used in this study are discussed in this chapter. It also includes the method of data, research approach, data collection, sample selection, the research process, types of data analysis and the research limitations of the study.

Chapter 4: Presentation, Interpretation, and discussion of findings

This chapter introduces the elements identified in the data analysis as AIS priorities for rural SMEs. This chapter also discusses the results of empirical research by comparing existing studies.

Chapter 5: Conclusion and Recommendations

This chapter makes appropriate findings and recommendations on the impact of accounting and information systems on rural SMEs in the southern region of Kwazulu-Natal. The study outlines what has been achieved improving AIS in small business. The limitations of this analysis are also discussed.

1.10 Chapter Summary

A statement of the problem and importance is explained in this chapter. Analysis limits are identified. The objectives and research questions are specified. The second chapter of the literature review is presented in a theoretical manner in line with the impact of AIS on rural SMEs. It also reviews existing research on the financial challenges affecting SMEs in terms of implementing AIS.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In the previous chapter, the research background, problem statement and scope of the study are presented. Research objectives were discussed, presenting the importance and structure of the organization. In this chapter, literature review of the various accounting systems for accounting information will be discussed.

This chapter discusses the nature of SMEs and the importance of accounting for small businesses. The definition of AIS is discussed, along with the benefits of having computerized accounting systems. This chapter also explores the challenges faced by rural small and medium enterprises and reviews previous research.

2.2 Conceptual review

2.2.1 Nature of small and sized enterprises

The term “SMEs” refers to small and medium enterprises (Emezie, 2014). There are different definitions of SMEs operating from one country to another and from one organization to another (Talegeta, 2014). Therefore, SMEs do not have accepted definitions, as it is not possible to find all aspects of SMEs or to highlight differences between companies in different sectors or countries (Adenike and Michael, 2016). According to Quartey, Turkson, Abor and Iddrisu (2017), a company is considered small if it meets the following three criteria: Its market share is small. Subdivision is made by owners or co-owners rather than by a legal entity. It is independent in the sense that it was not part of a larger organization. In addition, the committee proposed a “statistical” approach to address three key issues. The first objective was to measure the size of the small business sector and its contribution to economic measures such as GDP, employment, exports, and innovation. The second objective was to explore how the economic performance of small businesses changed over time. Third, the use of mathematical concepts allows small firms in the country to compete with other nations.

There is also no consensus on how to define small and medium enterprises as each country defines SMEs differently. In the United States (US) and Canada, for example, SMEs are classified as companies with fewer than 500 employees. In Japan, some head counters are

used for production (up to 300 employees), wholesale (up to 150 employees) and stores (up to 50 employees). Zohdi, Shafeai and Hashemi (2013) state that small and medium enterprises are businesses with less than \$ 1 million and \$ 500 billion but not more than \$ 200 million, including operating costs but without land costs. Bayarcelic, Tasel and Apak (2014) define SMEs as key economic factors that drive innovation and competition in many sectors of the economy. While Vershinina, Beta and Murithi (2018) define SMEs as the engine that drives economic growth.

It is noteworthy that small and medium enterprises are even more important in terms of their role in reducing poverty, increasing international GDP, and providing more jobs (Vershinina, Beta and Murithi 2018). It is true that SMEs play a key role in the development of the country's economy. Their role is important in facilitating productivity, job creation, international participation, and equitable distribution of income (Ramukumba, 2014). The allocation of sub-sectors in the manufacturing sector and GDP is significant in terms of total value allocation (Jayan, 2012). Through their promotion of exports, SMEs play a key role in reducing the balance of payments, while large industries are expected to increase income inequality and asset conflicts. It will help to spread revenue and wealth around the world (Maduekwe, and Kamala, 2016).

SMEs assist in the disbursement of lesser amounts to be used in production (Jawabreh and Alrabei, 2012). They take advantage of less productivity and can find new and less expensive alternatives to low productivity. In addition, many people depend directly or indirectly on small and medium-sized businesses (Chong, Ong, Abdullah and Cho, 2019). According to Fiseha and Akeem (2015), SMEs development is seen as a means of accelerating the achievement of broader socio-economic goals, such as the fight against poverty. They play a key role in recruiting workers, reducing poverty, and generating income through their participation. The value of this sector needs to be considered by all stakeholders as their personal interests include government institutions, institutions of higher learning and international organizations. Globally, one views SMEs as an employee, user and supplier who provides goods and services in the local market. They also provide many entrepreneurs in any economy (Maduekwe and Kamala, 2016). SMEs start the economy growing through industrialization. The biggest share of further growth in developing countries over the past few years is due to the increase in SMEs (Dekeng and Prabowo, 2015). It is increasingly being recognized that the market economy is

through the establishment of small and medium enterprises, and then gradually established through the expansion of SMEs. Entrepreneurs start businesses, acquire administrative resources or change. These SMEs activities represent significant impetus for national economic development.

A growing number of small and medium enterprises will bring greater social and economic stability and may encourage technological innovation (DeKeng and Prabowo, 2015). In addition, small and medium-sized enterprises play a key role in transforming the agricultural- led economy into an industrial economy, providing easy access to productive activities that can generate sustainable sources of income and promote growth processes (Ackah, Kondegri and Agboyi, 2015). According to Vershinina, Beta and Murrithi (2018), it is estimated that South African small and medium enterprises (SMEs) make up 90 percent of the legal entities, employ about 60 percent of employees and provide about 34 percent to GDP. Back in South Africa, sustainable development and long-term sustainability of SMEs are essential. The national development project aims to get SMEs to contribute 90% of their employment growth by 2030.

2.2.2 Characteristics of SMEs

SMEs are also one of the leading studies of researchers. A variety of important factors can distinguish these from large firms. Researchers have developed specific features for small and medium enterprises (Lekhanya, 2016). Typically, a small and medium-sized company has less money, which means it has less money to buy essentials and employ more workers. This is especially true for new beginners due to the lack of a company or lack of records to attract potential investors and banks. Management is often unorganized for small and medium-sized businesses. The owner must do almost everything, and the employees are generally considered to be able to do the job just as generally as there is no easy division of duties. Due to its size and informal nature, the company has more flexibility to respond to changes in the environment. Business plan growth is also weak. Any change in government policy or technology, for example, could have a profound effect on business because rapid changes require additional resources, or money. This may be the limit on corporate competition and market stability. The company businessman leads the company and plays his part as an employee and employer. The owner decides to develop the business and decisions are often made by founders.

2.2.3 Major benefits from rural areas entrepreneurship

- i. Provide job opportunities: As a rural entrepreneur mainly driven by workers, it is a clear solution to the problem of rising unemployment.
- ii. The establishment of industrial units in rural areas, especially through the establishment of rural industries, has an important potential for income generation and employment. Rural industrial development can eliminate the overcrowding of large-scale industrial areas in the metropolitan areas and promote balanced regional development.
- iii. Look at rural migration: small businesses can close gaps, as well as economic conflict between rural and urban people. Local businesses will bring or create infrastructure such as roads, electricity, and bridges, among other things.
- iv. Explore existing social ills: Expansion of rural industries can help eradicate social ills such as slum growth, poverty, and urban pollution.
- v. Awaken rural youth: Home-based businesses have the potential to awaken rural children and expose them to many opportunities to do business as a profession.
- vi. Local businesses will help to increase the literacy rate of rural people, leading to a higher standard of living.
- vii. Their education and self-employment will benefit the whole community, and their standard of living will rise.

2.2.4 Challenges faced by rural entrepreneurship

SMEs face problems such as increased competition, rapidly changing market demand, technological change, and restrictions on knowledge, innovation, and creativity (Adam and Alarifi, 2021).

2.2.4.1 Lack of infrastructure

There is a problem of unequal information between fund providers and fund seekers. To solve this problem, information infrastructure is required. Many large companies register their shares in the stock market and issue bonds on bond trading. As a result, financial institution information exchange agreements can make it easier to access the large amount of data needed to measure company loyalty. On the other hand, many SMEs do not have access to financial markets. Financial institutions can monitor borrowers in real time but doing so is very costly for

younger borrowers. The problem of information compatibility has increased due to the lack of information infrastructure for SMEs (Vandenberg, Chantapacdepong and Yoshino, 2016). For SMEs and financial institutions, providing collateral for a mortgage loan is an easy way to reduce the risk premiums in lending. Following the adoption of the basic funding agreement, many governments have proposed SME policy-based funding to curb SME financial constraints (Vandenberg, Chantapacdepong and Yoshino, 2016). In this case, effective and cost-effective credit risk assessment tools are needed to finance SMEs, especially loan-based loans. In order to meet the major debt limitations that SMEs face and to adhere to the base risk management rules, strong information infrastructure is required (Vandenberg, Chantapacdepong and Yoshino 2016).

2.2.4.2 Access to funds

According to Masumbe (2018), many rural entrepreneurs are unable to access funds due to the lack of security and credit in the market. In addition, the process of getting a bank loan is so time consuming that it often frustrates rural businesses. Lack of funding for rural industrialists is one of the key issues they face today, especially in view of the global economic situation. According to Bushe (2019), rural entrepreneurs face a variety of challenges, including limited purchasing power for home buyers, leading to insufficient sales revenue, competitive incomes, and the establishment of a company. This includes shortages, as well as prices of goods and services. Strict tax regulation, lack of debt guarantee, greater difficulty in raising equity, relying on smaller lenders to get preferred interest rates, and higher taxes and property rates. This is the main reason it is difficult for rural traders. There is a need to keep financial statements up to date. All these problems make it difficult to access credit (Bushe, 2019). Some banks avoid helping domestic customers because going to the banks is expensive and, if possible, domestic customers cannot afford to pay for banking goods. Claessens and Engel (2013) stated that poor people are often excluded from the common financial markets because of a lack of guaranteed or tangible assets. Due to a lack of financial understanding and a small amount of funding, it is very difficult for rural businesses to raise money equally, so borrowing is the main source of their funding, which is a major factor in the development of rural industries, Lack of funding seems to be an obstacle (Lakhanya, 2016).

2.2.4.3 Lack of accounting and information systems

It is well known that Information and Communication Technology (ICT) offers unparalleled opportunities for SMEs in rural areas. With the use of ICT, information is more easily collected, market boundaries are expanded, partnerships are simplified, and resources are more readily available. They all face the shortcomings of rural areas and the size of small markets. Technology distribution systems should: ensure quality control; encourage customer familiarity; improve the creativity of the firm (which includes management awareness of the importance of innovation) and promote the need for technological change within the organization; establish existing relationships in new national design programmed and provide greater connectivity between programmed design (e.g., goals, objectives, support mechanisms) and service delivery (Schot, 2016). Miranda, Farias, de Araújo Schwartz, and Almeida (2016) suggest that technology distribution systems should have diagnostic programmed to guide and improve their performance and management over time.

2.2.4.4 Economic environment

Small firms and businesses are known to thrive in a stable environment with a low rate of inflation, creating wealth by integrating advanced production processes (Cooney, 2012). Entrepreneurs and small firms continue to create opportunities for business development in the current economic climate (Neumann, 2020). According to Bushe (2019), the small business sector is declining due to a lack of skills and money, and as a result, they are unable to compete in economic markets. Songling, Ishtiaq, Anwar and Ahmed (2018) have shown that government involvement and policy efforts to promote small firms in the economy, have instead, created legal difficulties that undermine the functioning of small businesses.

2.2.4.5 Lack of skills

People who want to pursue entrepreneurship as a career choice must have the necessary skills and training, as well as the help needed (Cooney, 2012). Unfortunately, small businesses face management problems, such as lack of required skills training and lack of entrepreneurship education (Cant, 2012). The skills and training provided by small business owners-managers (entrepreneurs) fall short of expectations (Gerig, 2018). In addition, small business owners-managers (entrepreneurs) do not have business planning, accounting, and production skills.

Owners or managers who have sufficient management and leadership skills, as well as a well-written and successful business plan, can, however, obtain banking support. Entrepreneurs need to develop good management skills in order to maintain accurate financial records; as a result, the ability of entrepreneurs to maintain accurate and effective financial records is essential for the growth and expansion of the business. According to Nzomo (2017), small business executives need adequate training to compensate for their lack of formal education compared to their corporate counterparts. Due to the low level of education and skills training in South Africa, Bushe (2019) asserts that many small businesses are controlled by people with insufficient skills.

2.2.4.6 High competition

The global economy and global competition make it difficult for small businesses to compete. The competition is so intense that there is great potential for global trade, employment and sales. This makes it difficult for small businesses to make money through their businesses or services. They have to compete with a growing number of businesses and markets as they try to outdo their rivals. Dismissing employees from other organizations is one of the most difficult areas to deal with. Unlike small businesses that cannot easily access this job market, large companies can easily hire people online or from other countries and offer them very low wages or compensation. Small businesses set their own rules based on where they are located and what they can do.

2.2.4.7 Crime and corruption

Highly corrupt nations are not productive or prosperous, which is bad for society. Corruption can result in an unbalanced wealth distribution because big enterprises with illicit ties to government officials unfairly compete with small businesses. Resources are abused in a corrupt economy, and companies that do not qualify for government contracts frequently receive projects because of bribes or bribery.

2.2.5 Remedies to tackle challenges faced by Rural SMEs

- i. Build a financial cell: Banks and financial institutions that lend to businesses should set up specialized cells to make it easier for rural entrepreneurs to get loans.

- ii. Low interest rates: Provide funds to local entrepreneurs through easy payment and low interest rates. In order to provide credit to rural industrialists, it is necessary to reduce paperwork.
- iii. Provide training opportunities: Training is essential to the success of the business as a whole. It also helps rural industrialists to succeed in their programs by providing them with the skills they need to run a business.
- iv. Renewable energy supply: Priority, rural industrialists must be assured of an adequate supply of scarce resources. Grants can be provided periodically to make the products of rural producers more affordable and more competitive.
- v. Establishment of Marketing Co-operatives: Proper support and promotion should be provided to rural industrialists to form marketing co-operatives. These co-operatives will be able to access a variety of information at a reasonable price and help sell their products profitably. Therefore, extensive training, good education, the establishment of various banking institutions, and the formation of marketing associations, all contribute to the growth of rural industrialists in the southern region of KwaZulu-Natal.

2.2.6 Nature of accounting information systems

No systems can work perfectly unless they are based on some necessary principles, the same concept is applied for better results in the case of AIS (Bourgeois, 2014). All the concepts that various researchers have suggested address the same basic requirements. To explore the views those people have pointed out, and to fully understand the AIS definition, it is important to analyze in depth, the essence of the roles, features, components and users.

2.2.6.1 Accounting Information Systems

Over the years, the concept of AIS has developed from one based on providing more structured, financially quantifiable information to assist in decision-making processes to one that covers a much wider knowledge range (Hanifi and Taleei, 2015). The dimensions used to describe the AIS design include concentration, orientation, time horizon, aggregation, integration, timeliness, quantitative and qualitative, financial, and non-financial (Huy and Phuc, 2020). Defining AIS has been difficult to date, and the work is diverse in this field. It involves audit decision behavioral studies – making tools, field studies of organizational structures, designing, developing general

ledger structures and developing accounting models that efficiently leverage developments in computer technology, applying various technology solutions to AIS situations.

Before understanding the concept of the accounting information systems, we are all aware of the general ideas above the accounting and information systems that the 'former' is the language of business and the 'latter' is a system made up of people and computers that process and interpret information to interested parties. In a wider sense, accounting can be defined as the primary method of collecting and recording financial information. It has been renamed as the language of business. The accounting system is used to define, assess, calculate, document, compile and convey applicable economic information to stakeholders. According to Bourgeois (2014), information systems can be described as a human and computer system that collects and interprets information. The word is also often used in a specific sense to refer only to software used to operate a computerized database or to refer only to a computer system. However, for an information system, the data must be needed to turn it into properly classified information when necessary. Data are raw data which are processed to generate information. Information is data that has been processed that is relevant and useful to users. Words that are relevant and useful are value-laden words and typically subsume other values, such as timeliness, relevance, reliability, consistency, and comparability (Jawabreh and Alarabei, 2012).

An information system is a systematic way of collecting data, processing data, and distributing users. Accounting Information Systems (AIS) are used to collect, organize, process, and report on financial and accounting data so that managers and other stakeholders can use it to make business decisions (Halim, 2021). Even though AIS can be a viable stand-alone programme, most of today's integration systems are computer-based (Islam, Bilal and Ilyas, 2017). Accounting systems that are designed primarily to generate financial statements that comply with GAAP are undoubtedly included in this description. However, this definition acknowledges that companies need to perform a variety of value-added activities (such as production, distribution, marketing, etc.) to be successful, and there will be a variety of complete information needed to handle these tasks. These systems often need to provide success metrics (financial and non-financial) and help achieve management controls. These include transactional management systems (such as transactional payment systems), multi-party systems that exchange data with up and down participants (such as web-based order systems and electronic receipt management on electronic data exchange), and support systems. This allows for

economic transactions (such as order management, customer demand research, and monitoring system innovation).

Computers are an accounting information platform, as they provide a platform for the operation of all information systems (Ganyam and Ivungu, 2019). According to the Statement of Basic Accounting Theory (ASOBAT) and the General Acceptable Accounting Principles (GAAP), accounting systems should provide information to assist managers in preparing and making decisions, as well as other obligations that need to be met to ensure effective implementation. The accounting systems consisted of journals and manuals based on manuscripts. Today, every company uses computer systems to keep records in its accounting systems.

2.2.6.2 Accounting information system relevance

A key role of AIS is to share the meaning predicted in past, current and future market events (Rehab, 2018). Accounting information, in the form of annual reports or special analyses, is also a source of information for decision-making. Such decisions may include prices, production level and product mix, procurement, distribution management, customer care, employee contracts and investments. Accounting information systems, i.e., the accounting process, can be defined as a sub-component of the business information system and as a sub-component of management information systems.

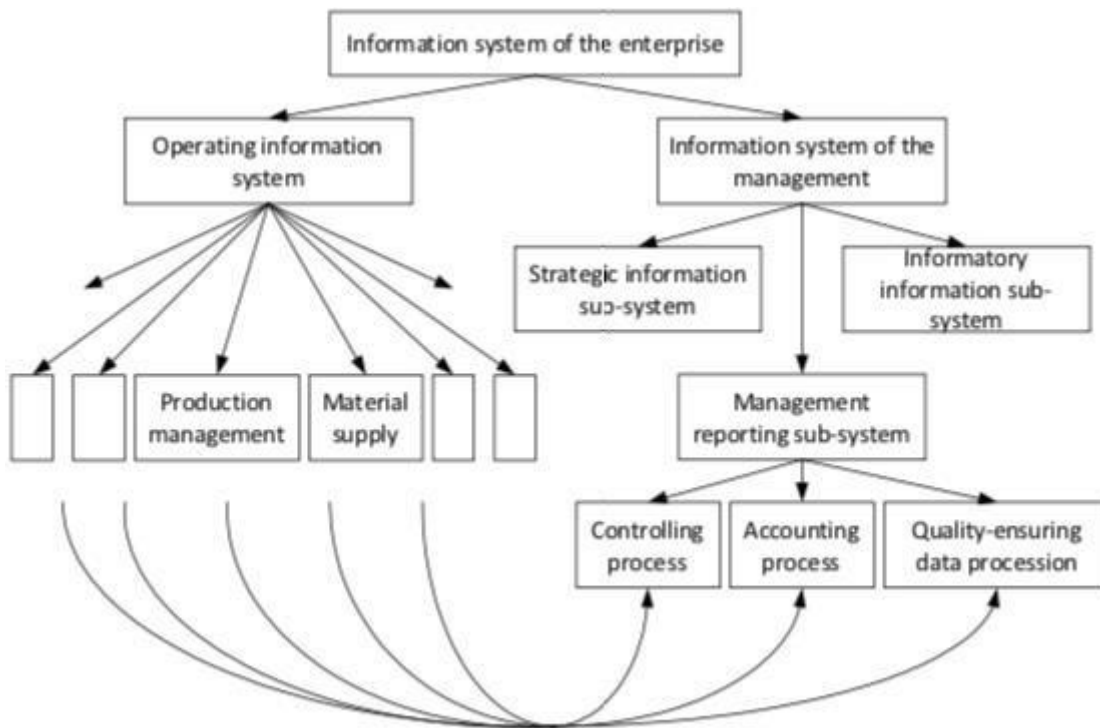


Figure 2.1: Information system of the enterprise

Source: Thoth (2019)

It is evident from figure 2.1 that the role of the accounting information system is to fulfil the data requirements of the management information system through the management reporting subsystem. The accounting information system plays a significant role in ensuring that safeguards are in place to properly monitor and process data. It also offers information to the managers of the company, to other functional areas and to the owners and supervisory authorities.

Accounting information systems play a significant role in the execution of organizational management processes, such as planning and control (Samer, 2016). In the planning method, AIS provides data on the study and analyses the goals set for the organization. The details generated by the accounting information system play a significant role in basing decisions on, within or outside the enterprise.

2.2.6.3 Sub-systems of accounting information systems

A sub-system in accounting systems is a smaller framework that resides within the programmer's primary structure. Without these sub-systems, accounting software would be difficult to navigate, and users would have trouble locating the exact category or operation they needed (Vasile, 2012). Sub-systems split the software programmed into additional sections for different accounting requirements, such as costs and payroll. According to Khalid, Chaveesuk and Chaiyasoonthorn (2021), a performance management system, general ledger / reporting system, fixed asset system, and reporting system are needed for managing the four key sub-systems that make up the accounting system. This is so that decision-making is based on analysis and interpretation. General financial statements, including income statements, balance sheets, cash flow statements, tax returns, and other legal records, are provided by the General Ledger / Financial Reporting System. This programmed is designed to collect information and data about AIS, customers, suppliers, and earnings, as well as to clos

e accounting records, adjust trial balance, track organizational performance and budget, and track revenue and expenditure. statements of owners and creditors.

Relying on a computer system allows a company to reduce costs and utilize a small number of employees, as well as to perform accounting tasks efficiently and effectively, as well as to implement a financial management system. The General Ledger serves as the centre for the purpose of drawing up the general purpose and the external financial reports. The required financial statement must be in accordance with GAAP and even compiled using a standard ledger. The customer account system is designed to calculate the amounts owed to customers based on payment details and the purchase process. The programme also aims to generate monthly customer accounts and credit reports. The computer-based customer account system provides the company with appropriate credit and monthly credit reports issued to consumers,

thereby improving payment processes, collection, and financial services.

The payment system is designed to display daily data for employees and attendance cards, generate payment cheques and payrolls for employees, and to prepare specialized employee expense reports. The list of sub-systems of accounting information systems is not limited as these systems are designed by factory managers to meet their daily accounting needs.

2.2.6.4 Components of AIS

The accounting information system (AIS) as a sub-system for general business systems has certain components that make it what it is. According to Elsharif (2019) there are six elements of the accounting information system as shown in Figure 2.2.

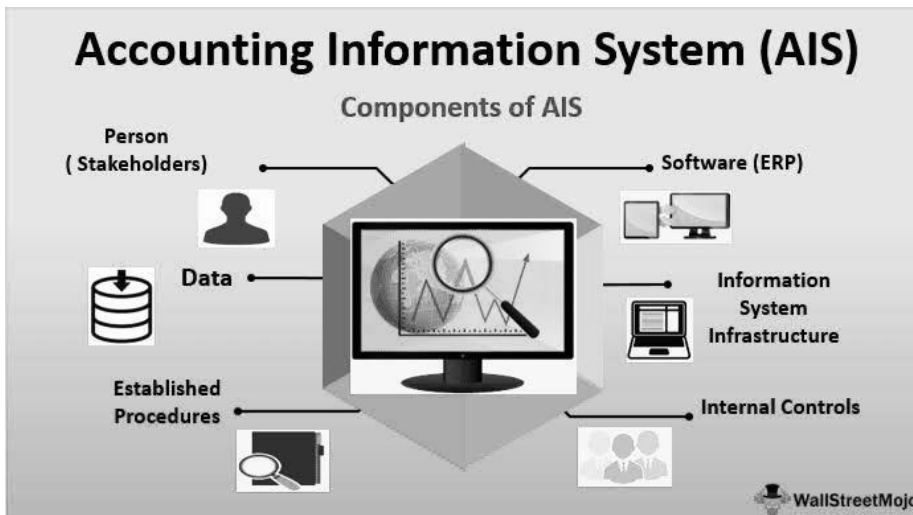


Figure 2.2 components of accounting information system

Source: Reddy (2019)

- i. People (participants) - The beginning and the end of all forms of calculation. There is a participant who feeds, collects, analyses, publishes, etc. information in the system and there is another person (participant) who needs information. For example, an accountant writes certain financial information and provides it for use by various stakeholders such as owner, shareholders, investors, government, etc.
- ii. Data – It is all about different accounting functions, and other financial items. AIS does not record any non-financial information. Sales ledger, customer account, company ledgers, financial reports such as profit and loss (P&L) and balance sheets, cash flow statement, etc. it could be anything like records.
- iii. Prescribed procedure - AIS follows the pre-defined steps, procedures, for performing the various functions, as described in the description. So, to ensure continuity, this is one of the most important requirements of AIS. AIS can manually or automatically do work. In

the case of automated systems, this behaviour should be directed at the person processing the data or codes in the system.

- iv. Software (ERP) - Software or usually an ERP computer-based system that performs specific functions. ERP can be defined as a data package software programme that supports business processes and operations such as manufacturing, marketing, finance, human resources, etc. This is the central part of the Financial Management Information System (AIS).
- v. Information system infrastructure - In simple terms, a collection of various IT and IS computers, devices, accessories can be called IT Infrastructure - computers, scanners, printers, etc.
- vi. Internal controls - Internal controls are essential requirements of a business organization. There are tools, processes, procedures, systems that the company has used to ensure the integrity of financial records, fraud prevention, errors, asset protection, etc.

A well-designed AIS enables each team member to work together to ensure the effective management of all financial matters. There should be no conflict in the information that users have the right to access. Data consistency is important when it comes to seeing the complete picture and making the right business decisions. Internal controls are security measures used to protect data stored within the network. They protect confidential information from hackers, viruses, and everything else that could jeopardize the integrity of the AIS. These controls can take the form of anything from passwords to encryption, to biometric authentication methods. It needs to make the information available to those who have the right to use it, while suppressing the confidential information of subordinate employees who are not eligible to access it. In this case, the data refers to all the data relating to the operation of the organization.

Preferences are provided for all methods that collect, process, store data related to organizational performance, whether manually or automatically. AIS software must be dependable, efficient, and stable. Managers and owners rely on the information generated by their AIS to make sound financial decisions for their companies. IT infrastructure encompasses all the methods and tools that support AIS while internal control and information management standards ensure day-to-day quality efficiency and use of accounting information systems.

2.2.6.5 Users of accounting Information system

Accounting information is used by many stakeholders in the business environment. Depending on their needs, diverse groups use this information for different purposes. As a result, the business accounting information system should be set up to produce reports that meet the information needs of all stakeholders. There are two main types of users:

2.2.6.5.1 Internal users

- i. Management - Decisions about business management and future strategic planning.
- ii. Employees - Personal choices, e.g., promotion, appointments, security, and training.

2.2.6.5.2 External users

- i. Investors and potential investors - information on investment risks and returns
- ii. Competitors - information about competition strengths and related weaknesses, as well as comparative and comparable objectives. While the consumer groups mentioned above use corporate resources, competitors use the information for competitive purposes.
- iii. Customers - information on business continuity, as well as opportunities for continued supply of products, components, and after-sales service.
- iv. Information of the state and other authorities - information on resource management and enforcement.
- v. Lenders and financial institutions - information about a company's creditworthiness and willingness to repay loans and interest rates.

2.2.6.6 Benefit of having computerized accounting system

A computerized accounting system tracks accounts purchases and yields financial reports. The forms of reporting that will include annual financial statements, monthly reports, and information about tax returns. Computerized accounting systems are cost effective (Ware, 2015). They save time on resources and the hiring of accountants. Computerized accounting has better security, and it has the benefit of improved productivity and time management. According to Hammour (2017) computer accounting has the advantage of high accuracy. However, Sugut (2014) argues that compared to costs, the benefits of accounting systems are obvious.

Computer programmes can cost millions of dollars to buy, use, and store. You may need to purchase software that is usually updated (Ndubuisi, 2017). There is a great benefit of accounting because it helps you to report accounts receivable and payable in every system. This allows the programme to project your position on the cash flow into the future. A computerized system helps you to easily access the latest accounting details, such as today's inventory, a customer's payment status or up to date sales figures and data can be kept confidential by leveraging the security authentication schemes most accounting programmes have.

2.2.6.7 Functions of AIS

There are three basic functions of accounting information systems:

- i. The primary function of AIS is to effectively and efficiently collect and store data on organizational finances, to provide transactional data from documented documents, file sales in journals, and ledger data from journals.
- ii. Submitting this second AIS formula to provide username information, such as preparing management reports and financial accounts.
- iii. The third function of AIS is to verify and process data to ensure accuracy.

2.2.6.8 Parts of an accounting information systems

i. People

System users use accounting information systems. Accountants, business analysts, consultants, managers, auditors, and senior financial officers are some of the professionals who may need to use the organization's accounting systems. The accounting information system also makes it easier for external users to access information when they need it. coordinators, for example, can measure sales, costs, and revenue figures to assess the effectiveness of a company's value structure using data from the accounting system. To meet the needs of its users, AIS must be developed. In addition, the system should be seamless and easy to use, and should improve rather than hinder operation.

ii. Procedure and instructions

The Response Information System procedures and guidelines outline the processes and procedures for data collection, storage, retrieval, and processing. Data will come from both internal and external sources (e.g., staff), and will be both automatic and manual (e.g., online consumer orders). To meet the needs and expectations of different users and types of information, procedures and rules must be strictly adhered to.

iii. Data

An accounting system keeps track of all financial data related to the company's business operations. As a result, all business data that has a monetary impact on the company should be included in the accounting information system. Data is included in the accounting information system according to industry type. Statistical reports and statements, such as depreciation tables or pricing, account receivable years, trial balances, profit, and loss statements, etc., can be made using this data. Financial Information System – the availability of all this information in one place facilitates and directs business record keeping, reporting, analysis, and decision making. To be useful, data must be complete, accurate, and consistent.

iv. Information technology infrastructure

This component is just a nice name for the technology and software used to run the accounting information system. Personal computers, storage devices, printers, servers, routers, and the backup power source are among the hardware and devices required by businesses. In addition to the costs, consider whether these components include a combination of factors such as storage capacity, speed, and memory size, and whether they are measurable and upgradable. The software platforms selected for the accounting system must, most importantly, be compatible with the software. A large accounting system should include system maintenance, service, upgrades, and replacement of hardware components, as well as removing obsolete and outdated computer systems and destroying sensitive data. The system must be installed.

v. Internal controls

Protect the accounting information system and important data in this category. These credentials can range from biometric identification to simple passwords. In addition, (AIS) seeks to control unregulated access to illegal and unauthorized computer access while limiting access to authorized users of the organization. They also want to prevent unauthorized file access by those who are allowed to access the system only. The confidential accounting system contains information not only about the company but also about its customers and their operations: Credit Card, National Identity Number, Social Security Number, Salary Details, and similar information. Using all data in AIS, access and monitor all systems. System operations also need to be executed and tracked. In addition, the accounting information system is protected by computer viruses, hackers, and other external devices to protect the network.

2.2.6.9 Role of accounting information system on small businesses

According to Fagbemi and Olaoye (2016), the accounting information system has become an integral part of small and medium-sized companies across all sectors to face increasing competition and meet customer needs. The main reason for generating accounting information is to improve decision-making (Shuhidan and Mastuki, 2015). However, Polo and Oima (2013) argue that for financial reporting to be effective, it must, among other things, be efficient, complete, and dependable.

The role of the accounting information system (AIS) is important in managing the organization and in implementing the internal control system. Onaolapo and Odetayo (2012) believe that automated accounting information systems facilitate organizational management decisions. However, Nzomo (2013) suggests that SMEs should improve their accounting systems to produce accurate, dependable, and timely information, SME owners should incorporate accounting information systems into their decision-making processes and strive to communicate regularly with accountants so they can keep high and effective accounting procedures.

Accounting data is important because it can assist firms in dealing with short-term difficulties in critical areas such as costs, and cash flows by providing monitoring and control information

(Smirat, 2013). Small and medium enterprises are an important part of every growing economy. SMEs face several operational issues that necessitate the implementation of the AIS system to maximize efficiency and improve the quality of the current system. Due to a lack of management skills, and mismanagement, system failure to meet customer expectations, failure to learn, management services, inefficiency, and resources, many small and medium-sized firms are at risk of failure, with weak economic conditions / inadequate resources, lack of organizational support and lack of technical skills (Maphumulo and Bhengu, 2019).

Small companies tend to rely heavily on spreadsheets, manual data entry and the postal service (Allah, 2013). Small and medium-sized company owners are neither experienced in accounting nor information technology (IT) literate. They are overwhelmed by the lack of computer use experience. They believe it will cost them extra training. However, Nyamunda (2016) asserts that many small businesses are afraid that once they stick to one programme, they will not be able to move, either contractually or because it is a big effort to adjust. Many small and micro-enterprises like property owners, sole traders, contractors and the self-employed are unlikely to spend on software if they think they can survive without it. Simple computer programmes like table sheets do the job properly. Hosain (2019) argues that small businesses need to adapt to accounting information systems to improve their performance.

2.3 Empirical review

Impact of accounting information system on rural small and medium enterprises.

Over the years, various international studies have been conducted on accounting systems, and especially in South Africa. This section reviews some relevant lessons.

A study by Jawabreh and Alrabei (2012), which investigates the impact of the accounting system on planning, managing and decision-making in the Jodhpur hotel system, used a descriptive research questionnaire that was distributed to various hotel bookkeepers. This study was intended to determine the validity of the accounting systems in four- and five-star hotels in terms of planning, control, and decision-making. Following the statistical analysis of the questionnaire, many of the key findings became significant, including that Jodhpur hotels did not apply accounting information systems to planning, reporting and decision-making and

research suggests restoring structures and developing information systems in Jodhpur hotels for efficient use of accounting information systems.

Polo and Oima (2013) studied the impact of computerized accounting systems on risk management of audits. The study's research methodology used a questionnaire, which had multiple numbers and distinct categories. Of the 56 state-owned companies operating during the analysis in Kisoro County, 41 were listed. Descriptive analysis was used, and the findings were that there was a good correlation between the computerized accounting system and the risk management audit of government agencies.

A study by Kousar, Awan, Rana and Shahzad (2011) that examined the size, strength and profitability of a firm: *Higher impacts of the accounting information system* used a descriptive research methodology. A questionnaire used to collect basic data. Sample data was taken from 66 companies that are listed publicly on the Karachi stock exchange. The study was intended to assess the impact of accounting information systems (AIS) on the profits of Pakistani firms. The results showed that the adoption of the accounting information system significantly improved performance.

Grande, Estabanez and Colomina (2011) examined the impact of *Accounting Information Systems (AIS) on performance measures: experimental evidence on Spanish SMEs*. The study was aimed at examining the link between the use of accounting information systems (AIS) by small and medium enterprises (SMEs) in Spain and the efficiency and measurement of corporate productivity. The experimental study focused on research conducted between small and large companies to assess the extent to which the accounting system was developed and presented, and later evaluated the potential impact of this implementation on improving the outcome. The results of the metrics and products show that there is a good relationship between small and medium enterprises that use AIS in financial management with banks and better performance standards. The ratio of responses from SMEs and the fact that the majority of them are medium sized rather than tiny, rather than small, is a limitation of this investigation.

Saeidi (2014) investigated the impact on the financial performance of the accounting information system. The study used a research methodology and obtained data from 40 senior executives at Indian companies and Tata Consultancy Services (TCS) through questionnaires.

The study analysed data obtained using a social science mathematical kit (SPSS) and used T-based data from the sample to test hypotheses. The results show that there is a strong correlation between accounting systems and the skills and understanding of managers and accountants, decision-making, financial results, and organizational finances. The study concluded that the expertise and understanding of managers and accountants, decision-making, financial results, and organizational resources are intricately linked.

A study by Esmerat (2016) that examined the impact of accounting information systems (AIS) on robust performance: Evidence-based experiments in Turkish small and medium enterprises. The study used a descriptive research methodology. The information was obtained from interviews with 60 firms in a planned industrial area, analysed by Generalized Leicester Squares (GLS). The study was based on compelling evidence of the link between the use of accounting information systems (AIS) for Casserly-Turkey small and medium enterprises (SMEs) and the performance indicators of firms. It was found that there was a positive and statistically significant relationship between the use of AIS and the educational status of managers. In addition, as the number of employees grows, the use of AIS also increases. In addition, there is a positive link between the use and development of AIS (sales, customers, and revenue).

Hosain (2019) investigates the *Impact of Mathematical Information System on Organizational Performance: Evidence from Bangladeshi Small and Medium Enterprises*. A verified questionnaire was used to collect data from 803 respondents working in 341 Bangladeshi SMEs as pre-selected medium and high-level managers using a simple sampling tool. The findings revealed that AK and RKP have a strong relationship with the organization, and MS has a positive but moderate relationship with these SMEs' reported profitability.

Patel (2015) considers the impact of AIS on organizational productivity. The study used an experimental analysis method using only secondary data. Findings from the review of the books indicate that there is a strong, important relationship between the accounting systems of companies and their profits. The study concluded that the effectiveness of accounting systems led to improved management decisions, more effective internal control structures, increased accounting accuracy, improved performance management, improved accounting practices and helped increase organizational productivity.

The descriptive research methodology was used in the study by Nzomo (2013) which examines the effects of accounting information systems on the effectiveness of an organization. The analysis collected primary and secondary data. Key data was collected from randomly selected employees in selected organizations through interviews and questionnaires. The results of the study suggested that the Accounting Information System is a valuable tool for effective management, decision-making and monitoring of the activities of organizations. With little subjectivity, it was challenging to assess the level of organizational effectiveness of the companies in Kenya's automobile sector. The researcher used survey results to gauge the companies under study's organizational performance.

Akesinro and Adetoso (2016) analysed the impact of computerized accounting systems on the banking results of the Nigerian banking sector. The study adopted the survey form and adopted an easy-to-use sample size of 50 at Nigerian deposit banks (DMBs). Relational analysis was used to analyse the data generated in the study. The results show that the computerized system has a beneficial effect on bank operations and client support as well.

Dekeng and Prabowo (2015) looked at how to improve communication between accounting information systems (AIS) and the efficiency of small and medium enterprises (SMEs). The study uses secondary data collected from journals and publications. The findings of the study showed that organizational characteristics, personality traits, and status factors affecting SME success had an impact on AIS alignment.

Rehab (2018) investigates how accounting information systems affect organizational performance. With the help of 137 questionnaires, the study collected information on small and medium enterprises (SMEs) in Saudi Arabia. Research data and ideas were then evaluated using smart subtraction squares. The findings indicated that the adoption of the AIS had a significant impact on the overall performance of the organization and its metrics, including cost reduction, quality control, and sound decision-making.

Komala (2012) investigated the impact of accounting information and senior management support on the accounting system and its impact on the accounting level. The purpose of this study was to assess the impact of the accounting system on the quality of accounting

information by identifying the accounting information and support of senior accounting executives. The research analysis unit had 31 zakat management centers in Bandung. The results showed that the knowledge of accounting managers and senior management support had a significant impact on accounting information systems. Additionally, the level of accounting information systems often has an impact on the quality of accounting records.

The previous studies limitations were coming from the population of responses from SMEs the fact that majority of them are medium sized rather than small business. This may be a sign of a sample bias. It is suggested that future research should include analyzing the relationship between performance measures and AIS use while adding temporal variables.

2.4 Theoretical review

The theoretical context of the research project is related to the research concept, which establishes the relationship between the components of the ideas and the functional components of the research. Therefore, every decision taken in a research programme has consequences (Grant and Osanloo, 2014). The discussion in this section focuses on the theoretical review adopted for this study to determine the impact of accounting information systems on small and medium-sized rural businesses. Other theoretical interpretations of the field or reflection on the elements of knowledge are discussed.

2.4.1 Contingency theory

In 1964, Fiedler began proposing a threat program as a goal of organizational leadership. According to Fedler (1964), contingency states that there is no perfect way to lead, and that leadership style that works in one situation will not work in another. According to contingency theory, no AIS is equally competent to use in any situation because the usefulness and utility of AIS depends on certain external factors, such as market and climate, as well as internal factors, such as technology and strategy (Malik and Isam, 2021). "*An urgent model for the designing of accounting information systems,*" by Gordon and Miller (1976), was the first thesis to focus directly on the urgent approach to accounting information systems in accounting, organizations, and cultures. This paper has formed the basis for the analysis of accounting and information system. A pilot study from Fagbemi and Olaoye (2016) has shown that the contingency theory approach can be used to highlight the impact of the accounting information system on the use and performance of accounting in SMEs.

The proposed framework suggests that SME managers should focus more on the use of accounting systems to do more work, more efficiently using systems that are most relevant to their specific circumstances. Contingency theory required the main objective of this is to

establish and evaluate a comprehensive framework or model. Contingency theory suggest that accounting information systems should be designed in a flexible manner to consider the environment and organizational structure facing the organization. Applying this to the article, the contingency suggests that company executives should pay special attention to their use of accounting information systems to achieve high results, making sure to use the most appropriate systems in their unique situations. The accounting information system also needs to be adjusted to fit certain decisions that need to be considered. A study by Grande, Estabanez and Colomina (2011) indicated that AIS plays a positive role in policy management, acting as a catalyst for organizational policy. This study investigates the impact of accounting information systems on small and medium-sized businesses in rural areas. Because of the ability to learn in specific situations and to contribute to the management of similar situations in the future using this experience, contingency is useful for organizations. Another benefit is the ability to adjust to external stresses and changes. The Theory of Contingency can also create better leaders who can improve their skills by focusing more on accounting information systems, especially in developing areas.

2.4.2 Agency theory

In the last 20 years, the agency theory has become the most popular ideological model for accounting (Nzomo, 2016). The agency theory was championed by Jensen and Meckling in 1976 (Ganyam and Ivungu, 2019). The agency view is focused on conflict that may arise due to discrepancies in information between contracting parties, principals, and agents (Angwin, 2015). The agency theory defines the authority assigned by the managers (principals) of the owners so that accordingly, the manager runs the business on behalf of the interests of the owners (Jensen and Macling, 1976). The main aspect of the agency theory that has appealed to researchers for accounting is that it enables specifically integrating conflicts of interest, incentive issues and action to manage privileged issues in models. This is important because most of the incentives for accounting and auditing are from the control of privileged issues (Defund and Zhang, 2014). Agency problems between management and business owners can occur when the management of a company does not bear any significant part of the impact of its decisions on wealth. According to Jensen and Macling (1976), the separation of ownership from control will result in a dispute by the agent, resulting in a difference between the interests of the manager and the shareholder. The review investigates the impact of accounting

information systems on rural small and medium-sized enterprises. The main objective of a firm is to improve the shareholders (retaining) capital. It is entirely on the shoulders of managers. Therefore, the organization's responsibility to implement the accounting information system to succeed is crucial.

2.4.3 Behavioral theory

The initial behavioural theory in accounting research discussed two contentious relationships between the characteristics of the control system (such as the accounting performance metrics or the reliance on budget participation) and variables of different standards (such as performance or passive performance or passive treatment). Nevertheless, the theory of conduct in accounting research, with a broader understanding of organization and individual behaviour, led to a much faster development in more proportional organizational emergency models (Kutluk, 2017). An aspect of behaviour that affects quality of the accounting information system is organizational affiliation (Linga, 2019). According to Rotzel (2019), the accounting information system is linked to social science (behavioural theory), and human behaviour can affect the consistency of the accounting information system. Distinctive features of the control system must be made like context-related variables that define the environment of the organization (Nzomo, 2013). Understanding the design and effectiveness of the control system begins with analysis of specific organizations and their environment characteristics in general and forms the basis of the research.

2.5 Identification of gap

Accounting information systems are important for the timely development of reliable accounting information and the dissemination of that information to decision makers. Although there are several types of AIS, they all have one common feature – to meet as effectively as possible the accounting information needs of the organizations. In the southern region of KwaZulu-Natal, limited research has been conducted in accounting and information systems involving the development of rural businesses. This study addresses the lack of accounting systems skills issue, investigates challenges faced by small businesses when acquiring AIS and recommends ways to help these rural small businesses gain more skills and knowledge so they will be technologically developed.

2.6 Chapter summary

Accounting information systems are important for the timely development of reliable accounting information and the dissemination of this information to decision makers. Although there are several types of AIS, they all have a common feature – to meet the accounting information needs of organizations as effectively as possible (Shuhidan and Mastuki, 2015). In summary, there is much evidence of studies that have been done in the past that show that accounting information systems have an impact on the financial performance of small and medium-sized enterprises. The next chapter discusses the study investigative methods. The target population is established, as well as the process of sampling. The design and management of the questionnaire is also discussed. The chapter also mentions ethical issues which have been considered for the report.

CHAPTER THREE: RESEARCH METHOD

3.1 Introduction

This chapter offers a description of the research procedure. It discusses both the arguments for, and the methods used in this investigation. The chapter also covers the various stages of research, including choosing participants, gathering data, and data analysis. Another subject explored in the chapter is the researcher's adaptability in quantitative research. The chapter concludes with an evaluation of how the current study complies with the appropriateness and dependability of high-quality research.

3.2 Research design

A learning design, in general, refers to the framework used to plan and conduct specific research. The research design is important because it addresses all four key issues: strategy, conceptual, targeted, as well as tools and processes for data collection and analysis. The study design is divided into several types, such as qualitative and quantitative studies. Investigation is an important way to get new facts and additional information. In this study, there are certain activities that must be performed. In this case, a methodology is necessary to make the research easier and more effective. Researchers use qualitative because there are several methods for conducting research work that guides researchers and enables them to collect and analyse data.

Quantitative analysis includes testing the hypothesis by setting out specific hypotheses and gathering evidence to support or refute the hypotheses. It is descriptive in nature, and relevant statistics are generated using Likert-type research techniques using techniques such as interviews and open and closed questions, among others (Leedy and Ormrod, 2013). Many people are included in the plural method, which improves the fulfilment of the findings and allows for meaningful and accurate results. This study is based on a positivist research paradigm since the research was quantitative. To address the research questions, a cross-sectional analysis was conducted in which information was collected only once, over a period of four weeks.

3.3 Research instrument

A questionnaire was utilized in this study to determine the influence of accounting and information systems in rural SMEs. Written questionnaires are usually more efficient and practical because they allow for a larger sample size. The questions and potential answers are included in a structured questionnaire. Kazi and Khalid (2012) state that an unstructured questionnaire does not offer suggested responses. The researcher employed a structured questionnaire in this study since it made it easier for the researcher and the respondents to communicate. The researcher found it easier to assess the results of the structured questionnaire. A respondent had to respond to a series of statements in the questionnaire. Multiple choice and Likert scale questions were included on those questions. Respondents had to choose the option that best expressed how they felt about the topics on the scale when filling out the questionnaire. The business representatives were given the questionnaire, which was written in English; for those who did not understand the language, to avoid confusion, it was subsequently translated into Zulu.

3.4 Target population

The complete set of subjects that a researcher is interested in further examining is referred to as the target population. A researcher would like to draw conclusions about a particular group that has been discovered (Sekaran and Bougie, 2009). According to the Seda report (2016), the target population identified for this study is 150 small businesses registered with SEDA in the Ugu branch (Lekhanya, 2016). The research was undertaken in the southern region of KwaZulu-Natal in the Umzinto and Scottsburg location, under the Umdoni municipality. The researcher decided to restrict the analysis to only retail businesses as their longevity and competitiveness would improve job prospects for a large section of the unemployed in the Umzinto region and close locations like Umthwalume and Mandawe.

3.5 Sample

Sampling is a method of selecting a subset of the population representing the total population, and the sample results represent the remainder of the section. The benefit of choosing a sample is that it is less expensive and timesaving than obtaining data from a wide number of

respondents. There are two types of sampling, which is probability and non-probability sampling. In this study, non-probability sampling was chosen.

3.5.1 Sampling of respondents

3.5.1.1 Sample technique: Judgemental sampling

Imaginative sampling, also called intentional sampling or authorized sampling, is a non-probable sampling method in which sample participants are selected solely based on technology and researcher judgement (Fleetwood, 2020). In this sampling method, because the researcher's expertise is important in the sample production, it is likely that the results obtained will be extremely dependable with a small amount of error. Therefore, this study uses a judgemental sample.

3.5.2 Sample size

A sample is a subset of identified entire population. This includes some selected members from overall population (Sekaran and Bougie, 2009). According to Lekhanya (2016), there are small retail businesses registered with SEDA Southern KwaZulu-Natal. Thus, for this study, the target population consisted of 150 small retail businesses registered with SEDA, Southern KwaZulu-Natal.

$$n = \frac{N}{1 + N(e)^2}$$

Sample size for a target population of 150 businesses consist of 108 small sized businesses. The sample size was verified using online Check Market sample size calculator. This was also calculated using Yamane equation used in statistics (Agrasuta, 2013).

3.6 Data collection

3.6.1 Primary data

This study aimed at investigating the impact of AIS on rural SMEs. To collect data, the researcher used questionnaires. The small business owners or suitable representatives of the business owners answered questionnaires. The recruitment process was undertaken by the researcher who directly addressed the business owners and explained the goals of the researcher with respect to conducting the analysis. The investigator also clarified that in this analysis, the identity of the respondent would not be revealed, and no name of any business would be mentioned. The respondents included sales associates and owners of the business. There were four participants per SME which constituted a total of 27 SMEs to be visited to make the 109 Sample. The letter of DUT consent for the willingness of the respondent to participate was concluded until the responsibility of the participant is thoroughly clarified. Upon completion of the letter of consent, a questionnaire was issued to the respondent to complete and collected back once completed.

3.6.2 Pretesting of questionnaires

Prior to administering the questionnaire, pre-testing was done to assess the questionnaire by three academics who are in a similar field of study from the DUT Accounting cluster departments. This was done to ensure that the questionnaires were free of errors and the questions were clear. If there were changes, the researcher adjusted these to increase the quality of questionnaires. The questionnaires were made up of parts A and B. Section A was designed to obtain demographic data such as age, race, and gender while section B was based on questions about accounting information systems. This data assisted the researcher in evaluating the findings. The researcher then collected all the questionnaires from the respondents.

3.7 Data analysis

Quantitative analytical approaches were used to analyse data obtained from the questionnaires distributed to SMEs. The findings were then evaluated using software version 27 of the Statistical Systems for Social Science (SPSS). To fit the relationship between the variables, a

logistic regression model was used. The results are presented in tables, pie charts and graphs that are used for interpretation.

3.8 Validity

The validity of the study is determined by how thoroughly the survey gathers the necessary data. For convenience, the effectiveness of the instrument is determined by how well it installs a flexible computer designed for measuring. The researcher's primary concern was the content's appropriateness, which concentrated on the study's research tool's accuracy. The degree to which the questions elicited the intended information was therefore a critical sign of the content's quality. The adequacy of the research methodology was evaluated by distributing a questionnaire to managers and business owners.

3.9 Reliability

Integrity is a term for objective testing based on trustworthy systems (Chiang, 2015). Estimation is considered certain if the same result can be continuously produced under the same conditions using the same techniques. Specific terms for each question to avoid ambiguity and to direct respondents to a single, specific answer were used as evidence of the appropriateness of the tool. The purpose of the interview and the need for appropriate responses were explained to the respondents.

3.10 Ethical consideration

The code of conduct is defined as "the code of conduct considered to be right" by Sanjari, Bahramnezhad, Fomani, Shoghi, and Cheraghi (2014). All researchers should understand the ethical principles of research. Two groups of people are included in the code of conduct: those who conduct research and should consider their duties and responsibilities, and those who are "researched" while their constitutional rights are protected. To avoid any potential danger, an investigation had to be conducted professionally and expeditiously. Respondents' rights must be respected. Informed consent, the right to anonymity and confidentiality, the right to privacy, fairness, the importance of research, and respect for individuals are among the ethical issues that need to be disclosed.

3.11 Chapter Summary

The research design and methodology used in the study were addressed in this chapter. The target population, sampling technique, and data collection methods were all examined. Techniques for data analysis were discussed. The analysis and discussion are presented in the following chapter.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The main purpose of this study was to assess the impact of accounting systems and information on small and medium enterprises in the southern region of KwaZulu-Natal, South Africa. This chapter contains an analysis of quantitative data collected using a systematic questionnaire. The research questionnaire is divided into two sections. Section A of the questionnaire was used to collect demographic information about respondents and business status. Section B of the questionnaire contains scales for measuring each variable considered in this study. A total of 150 questionnaires were distributed to SME owner-managers in the Umzinto and Scottsburg, KwaZulu-Natal, through judgemental sampling to represent the entire SME industry in the Southern Region of Kwazulu-Natal. Out of the 150 questionnaires administered, 109 were returned, giving a response rate of 73%. This rate was higher than the respondents rate of the study conducted by Taber, Alaryan and Haija (2014), in which they achieved 57% and conforms to the recommendation by Fowler (1988) that a response rate should be at least 20% to provide credible statistics about a population.

The Social Sciences Mathematical Package (SPSS) version 27 was used to make descriptive statistics. The list of questionnaires was analyzed using descriptive statistics. Inferential calculations such as experimental element analysis, Pearson correlation coefficient, and regression were used to determine the scale feature formation and achieve research objectives.

4.2 Demographic analysis of survey respondents

Eight categories of demographic data were elicited from the survey respondents. Each of the demographic category is discussed in the sub-section below.

4.2.1 Age

The statistical analysis revealed that respondents 17 years of age and below represented 1.8% of the total respondents, those in the age category of 18-35 years were 51.8%, 35-55 years of age represented 42.7% of the total respondents, while 55-75 years represented 3.6% of the total respondents. The results shows that there are a small number of people who own businesses aged 17 or less, it is presented by 1,8%. Many people owning small businesses are in an average age of 18-35 represented by 51.8%. The age group of the SMEs owners is presented in Table 4.1 below.

Age group	Frequency	Percent
17years or less	2	1.8
18-35 years	57	51.8
35-55 years	47	42.7
55-75years	4	3.6
Total	110	100

Table 4.1 Respondents' age

A further statistical analysis was conducted to show the age distribution of the survey respondents. Figure 4.1 below illustrates the age distribution.

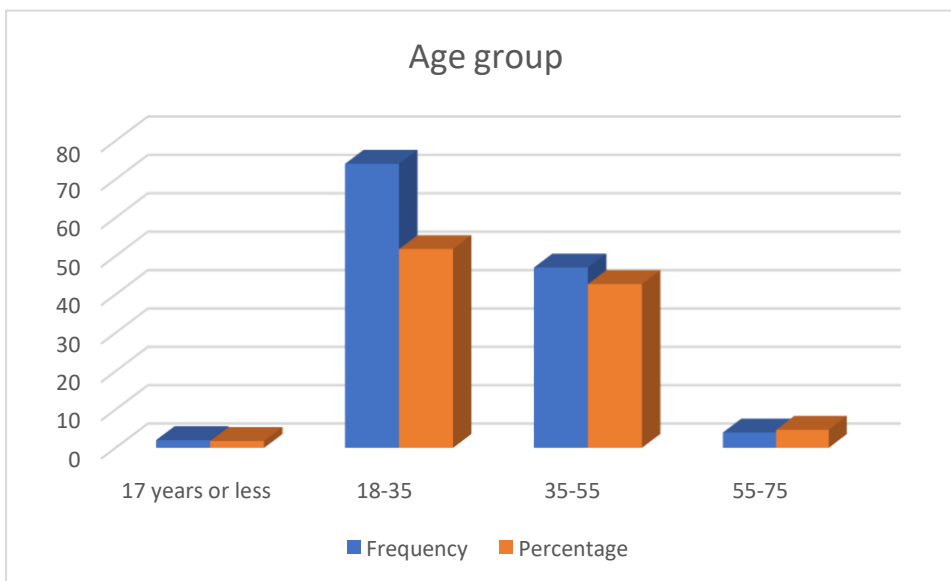


Figure 4.1 Respondents' age group

4.2.2 Gender

The statistical analysis revealed that 42,7% of business owner are males and female owners are represented by 57,3%. The results implies that many people owning small businesses are female. The gender group of the SMEs owners is presented in table 4.2.

Gender	Frequency	Percent
Female	63	57.3
Male	47	42.7
Total	110	100

4.2 Respondents' gender

A further statistical analysis was conducted to show the gender distribution of the survey respondents. Figure 4.2 below illustrates the gender distribution.

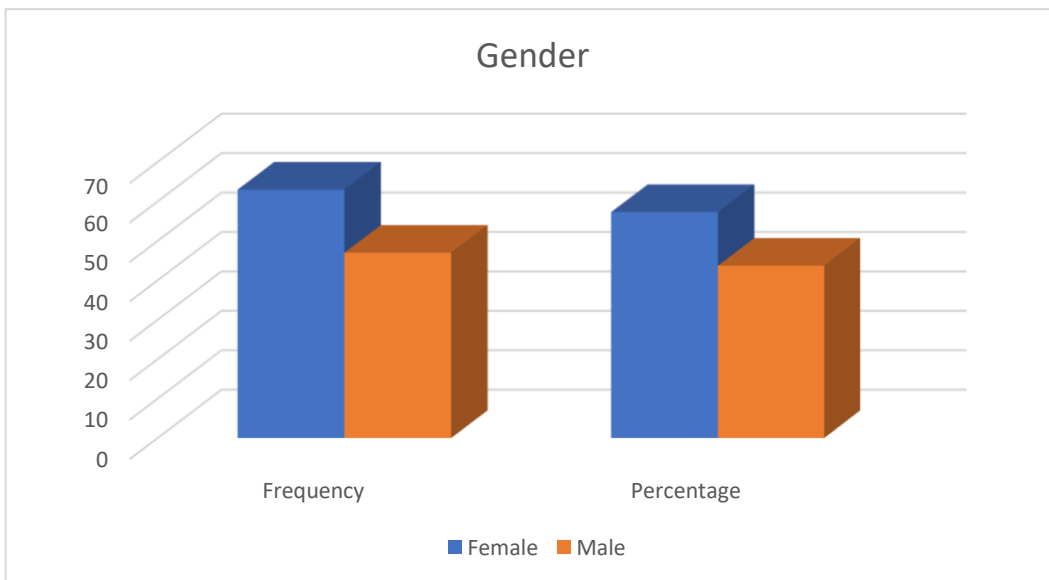


Figure 4.2 Respondents' gender

4.2.3 Race

The statistical analysis revealed that white is represented by 15 (13,6%), black is represented by 94 (85,5%) and other categories is represented by 1(0,9%). The results show that black people own the majority of small businesses in rural communities, compared to any other race. The race group of the SMEs owners is presented in table 4.3

Race	Frequency	Percent
White	15	13.6
Black	94	85.5
Other	1	.9
Total	110	100.0

Table 4.3: Respondents' race

A further statistical analysis was conducted to show the age distribution of the survey respondents. Figure 4.3 below illustrates the race distribution.

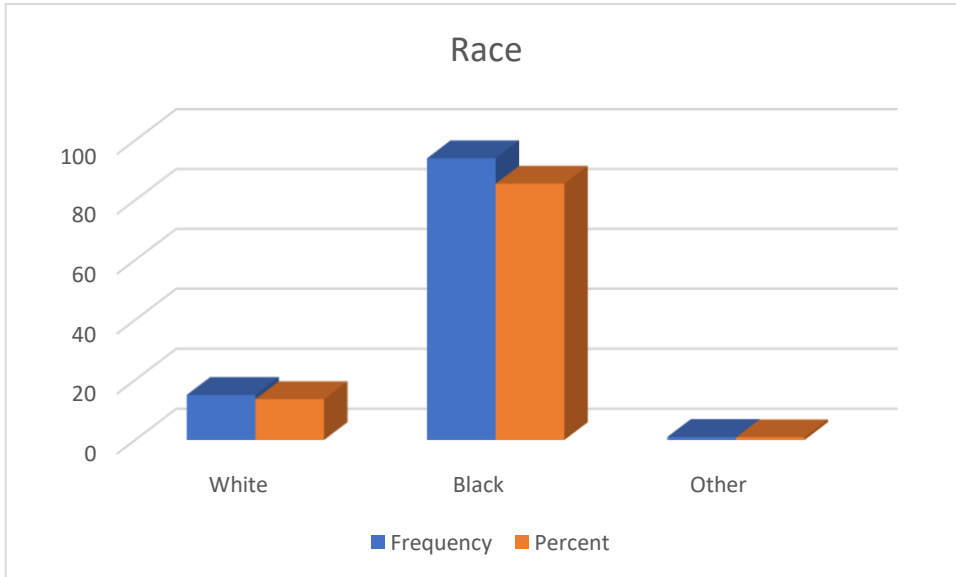


Figure 4.3 Respondents' Race

4.2.4 Marital status

The statistical analysis revealed that single respondents are presented by 80%, married respondents are represented by 14,5%, divorced respondents are represented by 4,5% and other categories are presented by 0,9%. These results indicated that single respondents are the majority owning small businesses in rural communities, represented by 80%. The marital status of the SMEs owners is presented in table 4.4

Marital status	Frequency	Percent
Single	88	80.0
Married	16	14.5
Divorced	5	4.5
Other	1	.9
Total	110	100.0

Table 4.4 Marital status

A further statistical analysis was conducted to show the age distribution of the survey respondents. Figure 4.4 below illustrates the marital status distribution.

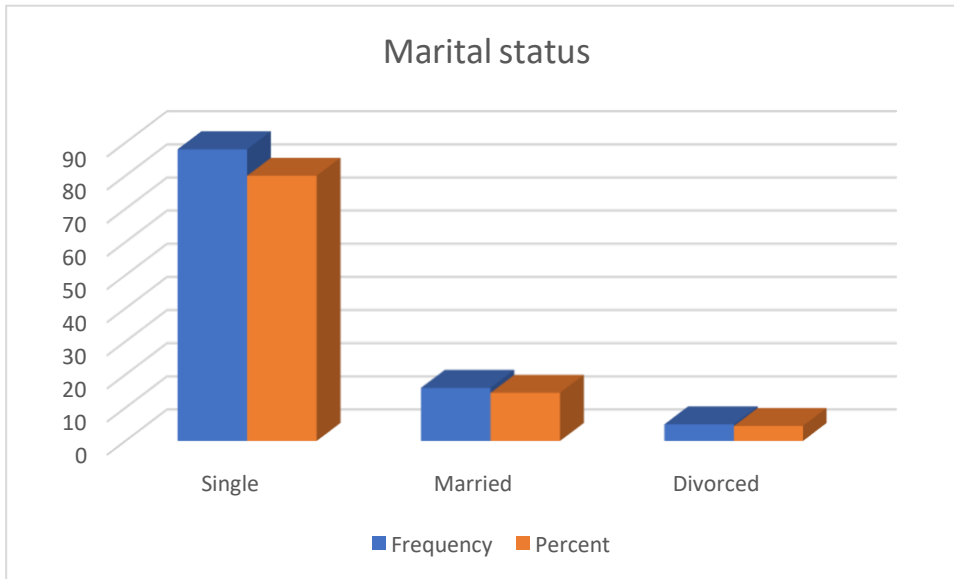


Figure 4.4 Respondents' marital status

4.2.5 Business type

The statistical analysis revealed that the start-up stage is represented by 19 (17,3%), pre-profit is represented by 20 (18,2%), profitable and growing is 19 (17,3%) and established but stressed, is represented by 52 (47,3%). The results shows that most small businesses in rural communities are established but stressed. The business type of the SMEs owners is presented in table 4.5.

Business type	Frequency	Percent
Start-up stage	19	17.3
Pre-Profit	20	18.2
Profitable and growing	19	17.3
Established but stressed	52	47.3
Total	110	100.0

Table 4.5 Business type

A further statistical analysis was conducted to show the type of business distribution of the survey respondents. Figure 4.5 below illustrates the business type distribution.

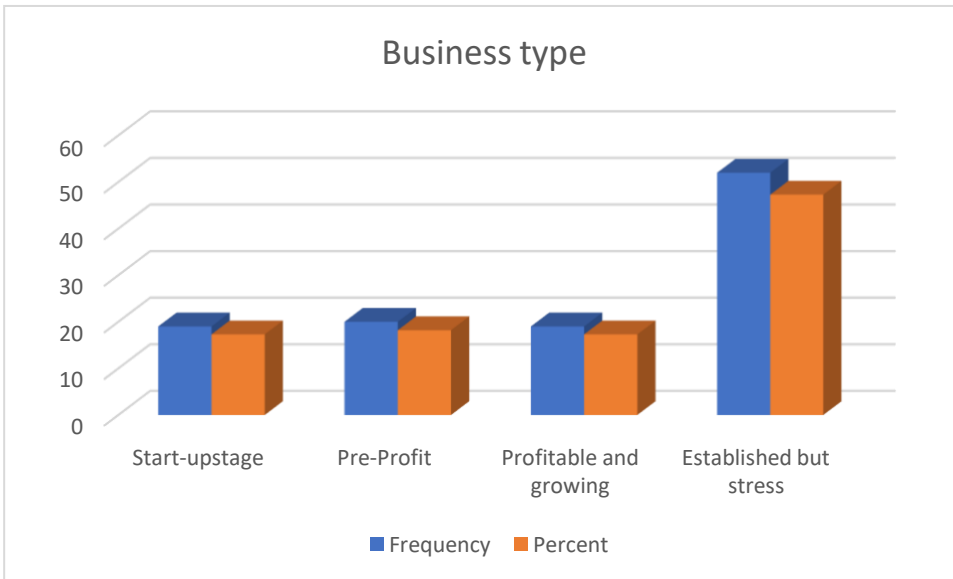


Figure 4.5 Business type

4.2.6 Business life span

The respondents were asked to indicate their business life span. The results of this study revealed that 42 (38,2%) were less than one year, 54 (49,1%) 1-3 years, 13 (11,8%) 4 to 8 years and 1(0.9%) over 10 years. The business lifespan of the SMEs owners is presented in table 4.6.

Business lifespan	Frequency	Percent
Less than 1 year	42	38.2
1 to 3 years	54	49.1
4 to 8 years	13	11.8
Over 10 years	1	.9
Total	110	100.0

Table 4.6 Lifespan

A further statistical analysis was conducted to show the lifespan distribution of the survey respondents. Figure 4.6 below illustrates the business lifespan distribution.

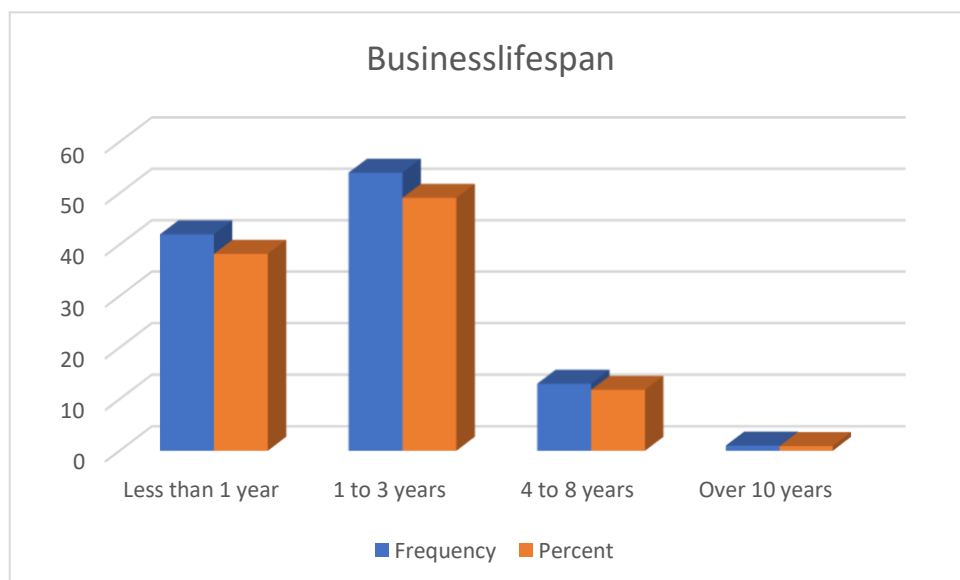


Figure 4.6 Respondents business lifespan

4.2.7 Business situation

The respondents were asked to indicate their business situation. The findings revealed that 28 (25,5%) are operating from home, 65 (59,1%) are renting a space, 15 (13,6%) own the space and 2 (1,8%) is renting a space in a co-working or shared price. The business situation of the SMEs owners is presented in table 4.7.

Business situation	Frequency	Percent
I operate my business from home	28	25.5
I rent a space	65	59.1
I own a space	15	13.6
I rent a space in a co-working or shared price	2	1.8

Total	110	100.0
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Table 4.7 Business situation

A further statistical analysis was conducted to show the business situation distribution of the survey respondents. Figure 4.7 below illustrates the business situation distribution.

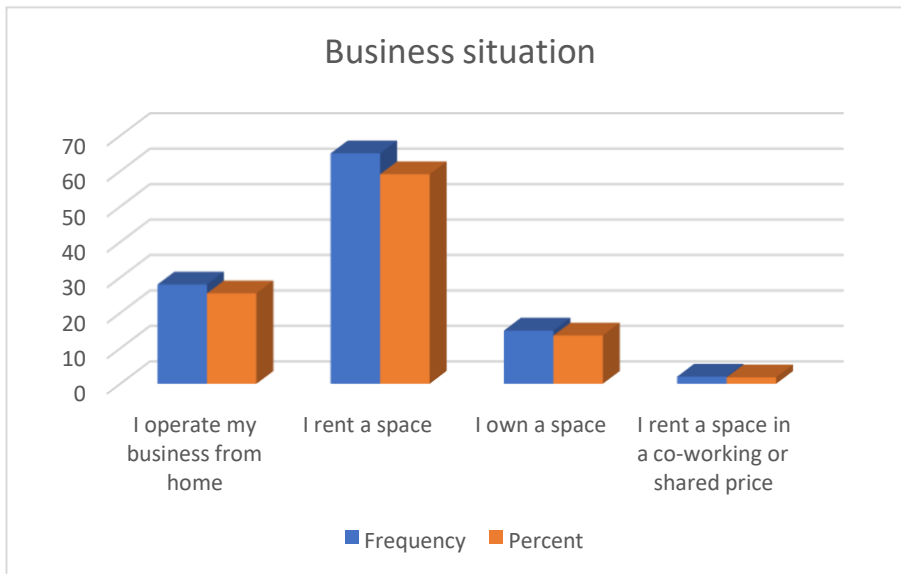


Figure 4.7 Business situation

4.2.8 Business turnover

The respondents were asked to indicate their business turnover p.a. The results showed that 44 (40%) under R10 000, 40 (36,4%) R10000-R24999, 17 (15,5%) R25000-R49999, 8 (7,3%) R50000-R74999 and 1 (0.9%) above R100000. The business situation of the SMEs owners is presented in table 4.8.

Turnover	Frequency	Percent
Under R10,000	44	40.0
R10,000 - 24,999	40	36.4
R25,000 - 49,999	17	15.5
R50,000 - 74,999	8	7.3
R75,000 - 100,000 or Above R100,000	1	.9
Total	110	100.0

Table 4.8 Business turnover

A further statistical analysis was conducted to show the turnover distribution of the survey respondents. Figure 4.8 below illustrates the business turnover distribution.

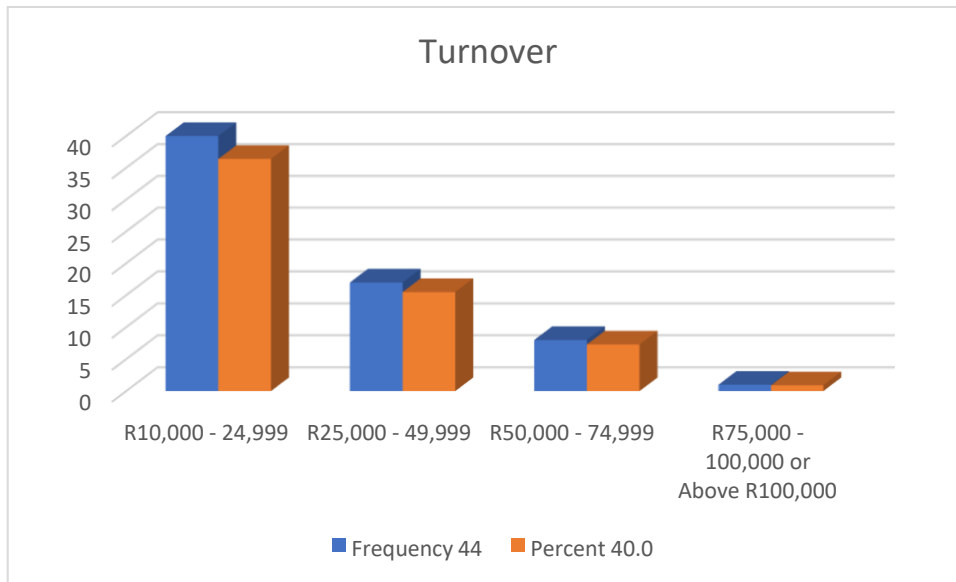


Figure 4.8 Business turnover

4.3 Exploratory factor analysis (EFA)

The EFA was conducted in this study to determine the factor structure of the latent variables (Pallant, 2020). In other words, the EFA was conducted to determine factors which are moving together to measure each of the variables in this study. The EFA allows for data screening. Therefore, items with loadings of 0.50 were deleted (Hair, Sarstedt, Hopkins and Kuppelwieser, 2014). The result of the EFA analysis, which was conducted using SPSS version 27 is presented in Table 4.8 below.

Table 4.9: Exploratory factor analysis (EFA)

Items	Exploratory Factor Analysis				
	1	2	3	4	5
AIS_EFFECT1	.883				
AIS_EFFECT2	.885				

AIS_EFFECT3	.914				
AIS_EFFECT4	.903				
AIS_EFFECT5	.939				
AIS_EFFECT6	.910				
AIS_EFFECT7	.890				
AIS_EFFECT8	.887				
AIS_CHAL1		.789			
AIS_CHAL2		.783			
AIS_CHAL3		.924			
AIS_CHAL4		.913			
AIS_CHAL5		.872			
AIS_CHAL6		.915			
AIS_CHAL7		.917			
AIS_CHAL8		.893			
AIS_CHAL9		.857			
AIS_STRAT1			.877		
AIS_STRAT2			.960		
AIS_STRAT3			.913		
AIS_STRAT4			.934		
ACC1				.902	
ACC2				.915	
ACC3				.908	
ACC4				.943	
ACC5				.928	
ACC6				.946	
ACC7				.908	
ACC8				.927	
ACC9				.962	
ACC10				.951	
ACC11				.912	
ACC12				.883	
ACC13				.906	

ACC14				.843	
ACC15				.913	
AK1					.901
AK2					.944
AK3					.890
AK4					.943
AK5					.889
Cronbach's @	.967	.966	.960	.987	.950
Eigenvalue	6.505	8.369	2.557	13.490	4.178

KMO = .882; $\chi^2=2305.243$; df = 66; p <.001

Table 4.9 illustrates the outcome of the items retained after conducting the EFA analysis. The factor loading for each item retained to measure the constructs in this study is above the threshold of 0.5 (Pallant, 2020). The Cronbach's alpha coefficient employed in this study to measure the internal consistency for each factor produced a very good outcome as each factor produced value greater than 0.90.

The Eigenvalue for factor one which measures AIS is 6.505. The second factor which was used to measure SMEs challenge produced an Eigenvalue of 8.369. The third factor, with an Eigenvalue of 2.557, was used to measure AIS barriers. The fourth factor which measures financial performance produced an Eigenvalue of 13.490. Factor five which measures accounting knowledge produced an Eigenvalue of 4.178. The KMO test result of 0.882 indicates that the study sample size is adequate. The Bartlett test of sphericity which explains why EFA was conducted is statistically significant at $P < 0,001$.

4.4 Analysis of research objectives

This study used statistics to design and accomplish four research goals. Indirect computations like Pearson's correlation coefficient and linear regression were used to address the objectives of each investigation. Research objectives and research questions were established to make sure they are in line with one another. As a result, when the study objective is met, the related research question is also answered. The results of the statistical analysis are shown in the paragraphs below.

4.4.1 Research objective one: Effects of AIS on SMEs financial performance

The study's first research objective was to determine the effects of AIS on SMEs financial performance. A regression was established to establish the effect of AIS on SMEs financial performance. Table 4.10 displays the results of the statistical study.

Table 4.10 Effects of AIS on SMEs financial performance

Variables in the equation	B	Beta	T	p-value	R ²	F	Df	p-value
Constant (AIS)	15.317		6.388	<.005	.329	53.034	1; 105	<.005
Financial performance	.789	.579	7.282	<.005				

DV – Financial performance

Predictor (Constant) – AIS

Table 4.10 shows the summary of the outcome of the regression analysis conducted to establish the effect of AIS on SMEs financial performance. The result revealed R² value of .329. This result implies that AIS accounts for 32.9% of the variance in financial performance of the SMEs. There is a significant linear relationship between AIS and Financial Performance, F (1, 105) = 53,034, p <.005. Based on this outcome, the independent variable AIS is a significant predictor of financial performance (B= .579, p<.005).

A Pearson correlation coefficient was conducted to establish the extent of the relationship between AIS and SMEs' financial performance. The result of the Pearson correlation is presented in Table 4.11.

Table 4.11 Correlation between AIS and SMEs financial performance

• Construct A	Construct B	Pearson's correlation (r)	p -value
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Accounting Information System (AIS)	SMEs financial performance	.579**	<.005
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**Correlation is significant at the 0.01 level (2-tailed)

The result of the Pearson correlation coefficient in Table 4.10 shows that there is a statistically significant association between AIS and SMEs' financial performance ($r = .579$, $p < 0.005$). The positive correlation between constructs A (AIS) and B (SMEs) is an indication of a direct relationship between the two constructs. This means that small businesses should consider implementing accounting information systems. This lowers the costs of business. When these technologies are correctly implemented, productivity rises (Grande, Estabanez and Colomina 2011). As far as a firm's culture is open to the adoption of new accounting information systems, it will lead to a more holistic view of the business and allow for greater flexibility and dynamism in the hunt for better results.

4.4.2 Research Objective two: Relationship between accounting knowledge and SMEs' financial performance.

Research objective two was formulated to establish the relationship between accounting knowledge and SMEs' financial performance. An initial analysis was conducted to determine the influence of the independent variable on the dependent variable. Table 4.12 shows the result of the linear regression to determine the influence of the independent variable on the dependent variable.

Table 4.12 Influence of accounting knowledge on SMEs' financial performance

Variables in the equation	B	Beta	T	p-value	R ²	F	Df	p-value
Constant (AIS)	18.225		5.091	<.005	.138	16.284	1; 102	<.005
Financial performance	.301	.371	4.035	<.005				

DV – Financial performance

As shown in Table 4.12, the result of the regression analysis conducted to ascertain the causal influence between independent variable and dependent variable produced R² value of .138. This implies that AISs account for 13.8% of the variance in financial performance. There is a significant linear relationship between AIS and Financial Performance, $F(1, 102) = 16,284$,

$p < .005$. Accounting and information systems, the independent variable, is a significant predictor of financial performance ($B = .579$, $p < .005$). The result of the Pearson correlation coefficient conducted to determine the relationship between accounting knowledge and SMEs financial performance is presented in Table 4.13.

Table 4.13 Correlation between accounting knowledge and SMEs’ financial performance

• Construct A	Construct B	Pearson’s correlation (r)	p -value
Accounting knowledge	SMEs’ financial performance	.371**	<.005

**Correlation is significant at the 0.01 level (2-tailed)

The result of Pearson correlation in Table 4.13 revealed a significant positive relationship between accounting knowledge and SMEs’ financial performance (r value is 0.579). The positive correlation is an indication of a direct relationship between accounting knowledge and SMEs’ financial performance at a p -value < 0.005 . This implies that as SMEs owners continue to up-skill to acquire accounting knowledge, such knowledge could enhance the financial performance of the SMEs because the business owners will be able to make informed financial decisions which could add value to the business.

4.4.3 Research objective three: Influence of AIS barriers on SMEs’ challenges

Research objective three was formulated to establish the influence of AIS barriers on SMEs challenges. Table 4.14 illustrates the outcome of the regression analysis conducted to establish the influence of AIS barriers on SMEs’ challenges.

Table 4.14 Influence of AIS barriers on SMEs’ challenges

Variables in the equation	B	Beta	T	p-value	R ²	F	df	p-value
Constant (AIS barriers)	16.298		7.034	<.005	.197	26.489	1; 108	<.005
SMEs’ challenges	.831	.444	5.147	<.005				

DV – SMEs challenges

The results of the regression analysis summarized in Table 4.14 indicate an R^2 value of 0.197 which suggest that AIS barriers accounts for 19.7% of the variance in SMEs' challenges. The R^2 value indicates how much of the total variation the dependent variable (SMEs challenges) can be explained by the independent variable (AIS barriers). In this case, there is a significant linear relationship between AIS barriers and SMEs' Challenges ($t(1,108) = 26,489$; $P < 0.0005$). AIS barriers as the independent variable, is a significant predictor of SMEs' Challenges ($B = .444$, $p < .005$).

Table 4.15 illustrates the result of the Pearson correlation conducted to establish the level of relationship between AIS barriers and SMEs' challenges.

Table 4.15 Correlation between AIS barriers on SMEs' challenges

• Construct A	Construct B	Pearson's correlation (r)	p -value
AIS barriers	SMEs' challenges	.444**	<.005

**Correlation is significant at the 0.01 level (2-tailed)

The result of the Pearson's correlation coefficient in Table 4.10 shows that there is a statistically significant association between AIS barriers and SMEs' Challenges ($r = .444$, $p < 0.005$). The positive correlation implies that AIS barriers have a direct effect on SMEs' challenges.

4.4.4 Research objective four: Relationship between accounting knowledge and AIS among SMEs.

Research objective four was formulated to establish the relationship between accounting knowledge and AIS among SMEs. An initial analysis was conducted to determine the influence of the independent variable on the dependent variable. Table 4.16 shows the result of the linear regression to determine the influence of the independent variable on the dependent variable.

Table 4.16 Influence of accounting knowledge on SMEs' financial performance

Variables in the equation	B	Beta	T	p-value	R ²	F	df	p-value
Constant (Accounting knowledge)	18.225		4.725	<.005	.109	12.365	1; 101	<.005
Accounting information system (AIS)	.301	.330	3.516	<.005				

DV – AIS

The results of the regression analysis summarized in Table 4.16 indicate R² value of 0.109 which suggests that accounting information systems accounts 10,9% of the variance in SMEs' financial performance and there is a significant linear relationship between AISs and financial performance of SMEs, $F(1, 101) = 12,365, p < .005$. The independent variable, accounting information systems, is a significant predictor of SMEs' financial performance, $B = .330, p < 0.05$.

Table 4.17 Correlation between accounting knowledge and AIS

• Construct A	Construct B	Pearson's correlation (r)	p -value
Accounting Information System (AIS)	SMEs' financial performance	.330**	<.005

**Correlation is significant at the 0.01 level (2-tailed)

The result of the Pearson correlation coefficient in Table 4.17 shows that there is a statistically significant association between AIS and accounting knowledge ($r = .330$) ($p < 0.005$). The positive correlation between constructs A (AIS) and B (SMEs) is an indication of a direct relationship between the two constructs.

4.5 Discussions of research objectives

- i. The first objective was to ascertain the effects of AIS on the financial performance of SMEs. The Accounting Information System (AIS) is a tool that assists financial departments in improving the efficiency of an organization, which is crucial in this era of global technology development (Onaulapo, 2012). It has been found that using an

accounting information system leads to improved financial reporting and decision-making. Accounting information systems are important tools in the hands of managers who want to maintain competitive advantage in the face of rapid technological advancement, growing awareness, and critical needs from customers and business owners (Ganyam and Ivungu, 2019). Budiarto (2015) found a positive relationship between the financial performance of AIS and SMEs. Accounting information systems (AIS), like any other information system, are expected to play a key role in day-to-day business management. AIS enhances internal and external reporting data, financial statements, and the ability to analyze trends, all of which contribute significantly to the success of the organization. The study found that AIS can help improve organizational performance, and that many businesses that have recently used AIS have seen improvements in decision-making. The study found a positive correlation (r value of 0.579) between the financial performance of AIS and SMEs.

- ii. The second goal was to establish the relationship between financial performance and accounting performance. Even though SMEs require different accounting and fiscal management skills than large businesses, the industry lacks expertise in these areas. Managers and owners of small and medium enterprises do not have the necessary expertise to prepare income statements, balance sheets, cash flow statements, and tax returns. SME managers and owners do not have the expertise needed to plan a business, evaluate financial reports, budget, and predict future trends. According to the report, local firms in the southern KwaZulu-Natal region will benefit from the development of accounting skills and financial management skills. The SME sector needs training in accounting and financial management, and a lack of these skills can lead to financial difficulties. The study found a strong correlation between the financial performance of SMEs and their accounting skills ($r = 0.579$).
- iii. The third objective was to examine the influence of AIS barriers on SME challenges. Increasing competition, the ability to adapt to the rapidly changing market demand, technological change, and knowledge, innovation, and creative barriers are issues that SMEs face. However, many SMEs are not fully visible due to factors related to their small size. Small businesses in rural areas face major challenges, such as lack of resources (finance, technology, skilled workers, market access, and market knowledge). The study

found that AIS packages were too expensive for small rural businesses to acquire due to insufficient government support. It also pointed out that many financial institutions are hesitant to provide innovation funds (Feyen, 2021). Local businesses have restricted natural resources from using appropriate AIS. The study established a positive correlation (r value is 0.444) between AIS barriers and SME challenges.

- iv. The fourth objective was to analyse the relationship between accounting and AIS among SMEs. An accounting system is a system for collecting, storing, and processing financial and accounting data used by decision makers (Belfo, 2013). An accounting information system, in general, is a computer-based mechanism for tracking accounting activity using information technology resources. Accounting Information Systems (AIS) are a valuable resource for today's SMEs, as they can aid in decision-making, planning, and control (Shuhidan and Mastuki, 2015). Because "profitability" is one of the goals of running a business, SMEs must manage their accounting and finances effectively to maintain and improve their business. This study confirms that accounting knowledge is a key factor in implementing AIS.

4.6 Chapter summary

This chapter presents and discusses the findings of a questionnaire conducted in the southern KwaZulu-Natal district of Umzinto. The analysis and discussion of this chapter is based on the categories of research questions used in this study, as well as the research objectives. According to the study most small businesses in rural areas are owned by Black women between the ages of 18 and 25. It also revealed that most SMEs are established but under pressure, still in operation for one to three years. The correlation was performed by mathematicians, and all the results showed a positive correlation between the variables. The next chapter discusses the research summary, conclusions, and areas of future research.

CHAPTER FIVE: SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Introduction

This chapter summarizes the findings, recommendations, and conclusions of research conducted in the southern Region of Kwazulu-Natal, on the impact of accounting and information systems on rural small and medium sized enterprises. The study's addition to existing knowledge, limitations, and potential areas for future research are also discussed.

5.2 Summary of the research

The study examines the impact of accounting and information systems on rural SMEs in the southern region of Kwazulu-Natal. Specifically, the study ascertained the effect of AIS on SMEs financial performance; it investigates the challenges confronting the implementation of the AISs in rural businesses; determine programmes to be established to help small business to be technologically advanced and improve performance in rural areas and recommends ways to assist owners of SMEs with financial awareness to run a successful small business. To achieve these specific objectives, data on the retail sector were collected and analysed using information from SMEs. A research questionnaire was administered to the owners of these sectors to elicit quantitative information which was analysed using SPSS to help achieve these objectives.

5.2.1 Chapter summary

Chapter 1: Provided background information on SMEs, as well as the problem statement, specific objectives, study importance, and justification. The study's argument is that, unfortunately, small businesses are unable to survive and flourish due to a lack of accounting system skills, knowledge, government support, and other factors. As a result, the research concentrated on developing a sustainable and profitable small and medium business in rural areas that can compete locally and internationally.

Chapter 2: In Durban, KwaZulu-Natal, researchers analyzed current literature and to develop a conceptual framework for this investigation, various theoretical frameworks were considered.

Empirical reviews were also presented to better understand the aspects that have been investigated in relation to accounting and information systems in small and medium-sized businesses.

Chapter 3: The research methodology was defined, which included the study design, target population, sample composition, data collection and analysis, relevance and reliability, and ethical considerations.

Chapter 4: The survey analysis results were reported in Chapter Four, which examined the impact of accounting and information systems in rural small and medium-sized businesses in the southern region of KwaZulu-Natal. Data was collected from respondents and analysed using the Statistical Package for the Social Sciences (SPSS) to better understand the research objectives.

5.2.2 Findings in relation to the research objectives

- i. **Objective one** ascertains the effects of AIS on the financial performance of SMEs. According to the findings, 20 percent of small businesses that have already implemented AIS have seen an increase in profit over the last five years. Their businesses have seen increasing sales volume and margins over the years. This suggests that AIS has a beneficial effect on financial performance. Pearson's correlation coefficient was used to determine the strength of the relationship between AIS and SMEs' financial performance. At a p-value of 0.0005, the strength of relationship r value indicated a positive correlation (r value of 0.579) between AIS and financial performance of SMEs.
- ii. **Objective two** was to establish the relationship between accounting knowledge and financial performance. The findings of this study indicated that most respondents lack proper accounting knowledge which impacts negatively on small businesses. Most small businesses in the Umdoni Municipality indicated that they are established but stressed. This is caused by a lack of accounting knowledge which is the key to business performance. To be able to generate automated reports, accounting skill is needed. Accounting knowledge is a

significant key to implementing AIS which will lead to better financial performance. The study established a positive correlation (r value is 0.579) between AIS and financial performance of SMEs.

iii. **Objective three** was to examine the influence of AIS barriers on SME challenges. The findings of this study indicated the following challenges faced by Umdoni Municipality SMEs.

- i. Financial institutions reluctance to offer money for new innovations
- ii. Excessive costs of modern technology and equipment
- iii. Poor support from the state
- iv. Lack of accounting education
- v. Lack of communication infrastructure.
- vi. The business's financial units are unable to implement AIS to its organizational structure.
- vii. Environmental factors prevent the implementation of AIS In rural small businesses.

The above-mentioned challenges must be examined, and the government should consider implementing solutions to these challenges. The study established a positive correlation (r value is 0.444) between AIS barriers and SMEs' challenges.

iv. **Objective four** was to analyse the relationship between accounting knowledge and AIS among SMEs. Most SMEs in Umdoni indicated that they do not keep accounting records due to a lack of accounting system packages. The respondents also indicated that these systems are expensive to implement. They all agreed that AIS is necessary for proper records of transactions processing and useful for decision making. The respondents believed that government should support all rural small businesses and financial institutions should offer loans to small businesses. The study established a positive correlation (r value is 0.579) between accounting knowledge and AIS.

The EFA demonstrated that all the components collected in this study had a prominent level of consistency. Factor 1 has a Cronbach's alpha of .967, whereas factor 2 has a reliability of .966,

according to the Cronbach's alpha coefficient. Cronbach's alpha values for factors 3, 4 and 5 are .960, .987 and .950 respectively.

5.3 Recommendations

After conducting this study on the impact of accounting information systems on small and medium-sized businesses, the following recommendations were made to help SMEs grow:

- i. Increasing interest to training and persevering with training applications for monetary control personnel, specifically those associated with accounting statistics structures and global accounting standards.
- ii. Work continuously on updating computers, routers, network cables, using the process of entering, retrieving, and transferring financial information.
- iii. Small businesses should take advantage of less expensive AIS. This is because, when asked, most managers believe that an AIS burdens their company more than the benefits it provides.
- iv. Small business owners and managers should be encouraged to enrol in training to gain the essential fundamental accounting skills and knowledge to execute the required accounting procedures.
- v. SMEs must maintain at least basic internal control systems to survive.
- vi. Training on how to use basic accounting products such as PASTEL should be provided to small businesses to maintain sound internal control systems and ensure effective record keeping and business integrity. Such training facilities should be provided in the financial sector in partnership with government and other private sector. This study will improve accounting skills for decision-making, which is critical to the long-term performance of the company and growth.
- vii. Finally, to address any shortcomings identified in this study, further research should be conducted with a larger sample and location.
- viii. It is also suggested that the government develop policies and guidelines to make the use of this technology easier for small businesses. Such policies ought to include tax exemptions or discounts on the computer hardware utilized in these systems. Policy makers should be provided with information to assess the relationship between accounting.

information systems and the profitability of small businesses, allowing them to make better decisions about information technology.

5.4 Conclusion

Accounting information systems (AIS) have emerged as critical systems in organizations because they generate critical data for decision-making and accounting information quality. The primary goal of an AIS is to regulate the organization's information in order to prevent and eliminate fraud and errors, as well as to meet organizational goals and improve performance, and an internal control is required for the system (AIS) to generate the expected accounting information. Small businesses should consider implementing accounting information systems because there was a significant correlation between AIS and financial performance. This helps businesses save money. When these technologies are employed effectively, productivity rises. The business can be viewed more holistically and with greater flexibility and dynamism in the quest of better results when a company's culture is open to new accounting information technologies. The government should also get involved to help rural small companies with funding and training.

5.5 Limitations of the study

The current study had limitations that should be considered when interpreting the results. On the other hand, these restrictions present opportunities for future study to be considered. First, this research was conducted among Umdoni SMEs retail sector. For this study, a closed-ended questionnaire was used, which prevented the respondents from offering extensive feedback. The objectives of the investigation put limits on the results. Additionally, not all local governments that serve additional rural areas were included in the questionnaire. Replication of study in other sectors and countries could be a future research issue.

5.6 Research implications and suggestions for further research

With reference to South African SMEs in the Southern Region of KwaZulu-Natal, the goal of this study is to provide a rural entrepreneurship growth theory contribution to the body of information already available in this field. Based on the reviewed literature and empirical

results of this study, it has been determined that, in order to improve rural economic development growth intervention strategies, South Africa and other countries need to gain a thorough understanding of the pertinent theories that can assist in resolving a turbulent and complex environment that gives rise to numerous challenges for rural communities and business stakeholders.

Further research should put more focus on the development of rural SMEs in terms of being financed, good infrastructure and skills training for small businesses to be able to participate in global competition and survive in the 4th industrial revolution.

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Appendix A: Questionnaire

QUESTIONNAIRES

THE IMPACT OF ACCOUNTING AND INFORMATION SYSTEM ON RURAL SMALL AND MEDIUM-SIZED ENTERPRISE IN SOUTHERN REGION OF KWAZULU -NATAL

SECTION A

1. Demographic

Instruction

Answer questions as they relate to you.

1.1 Age

- a) 17 or less
- b) 18 – 35
- c) 35 – 55
- d) 55 – 75
- e) 76 or more

1.2 Gender

- a) Female
- b) Male
- c) Other

1.3 Race

- a) White
- b) Black
- c) Other

1.4 Marital status

- a) Single
- b) Married
- c) Divorced
- d) Other

2 About your business

2.1 How would you describe your business?

- a) Start-upstage
- b) Pre-profit
- c) Profitable and growing
- d) Established and stable
- e) Established but stress

2.2 What sector does your business operate in?

- a) Value

- b) Computer
- c) Construction
- d) Education
- e) Entertainment
- f) Financial service
- g) Food
- h) Healthcare
- i) Hospitality and tourism
- j) Media
- k) Retail
- l) Real estate
- m) Other

2.3 How long has your business being running?

- a) Less than 1 year
- b) 1 to 3 years
- c) 4 to 9 years
- d) Over 10 years

2.4 Which of the following best describes your situation?

- a) I operate my business from home
- b) I rent a space
- c) I own a space
- d) I rent a space in a co-working or shared price

2.5 What is your approximate turnover of your business in the tax year ending April 2021?

- a) Under R10,000
- b) R10,000-24,999
- c) R25,000-49,999
- d) R50,000-74,999
- e) R75,000–100,000 o AboveR100,000

3 What percentage of your turnover is approximately spent on rents, salaries or other overhead costs?

- o [_____%]

SECTION B

➤ Objective 1: Ascertain the effects of AIS on SME’s financial performance.

1. FINANCIAL PERFORMANCE OF SMES

Scale: Strongly Disagree = 1: Disagree= 2: Agree = 3:Strongly Agree = 4.

STATEMENT	Strongly disagree	Disagree	Agree	Strongly Agree
(a) Business has been generating profits in an increasing rate over the last five years				
(b) Business turnover has been increasing significantly over the last five years				
(c) The business has been ploughing back retained earnings every year				
(d) The business has been experiencing growing sales volume				
(d) The business has been experiencing growing sales volume				
(F) Organizational performance is a common contribution from all employees				
(g) AIS can contribute a lot in achieving organizational performance				

(h) There is a positive relationship between AIS implementation and organizational performance				
(I). Accounting department is an important department for my organization				
(J) Accounting records are needed to updated and integrated scientifically				
(K) A proper information system can increase enterprise productivity and reduce lead time				
(L) The conventional accounting system should be modernize				

2. AIS EFFECT ON SMES

Please indicate the option that best suits your opinion with an 'X', in a box which you deem appropriate.

Strongly disagree=1

Disagree=2

Agree=3

Strongly agree=4

STATEMENT	Strongly disagree	Disagree	Agree	Strongly Agree
a) Our firm has realized cost saving since it started using an				

accounting information system				
b) Our firm is able to generate automated reports since it started using an accounting information system				
c) Our firm realizes employee's knowledge and learning experts' skills since it started using an accounting information system				
d) Our firm achieves enhanced efficiency and capability in its operations since it started using an accounting information system				
e) The accounting information system helps our firm to improve firm effectiveness and competitiveness increase				
f) Our firm achieves internal budgetary control since it started using an accounting information system				
g) Our firm has realized effective inventory management which improves customer service since it started using an accounting information system				

h) Our firm achieves improvement in decision making since it started using an accounting information system				
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v. **Objective 2:** Establish the Relationship between accounting knowledge and SMEs financial performance.

1. CHALLENGES TOWARDS THE IMPLEMENTATION OF AIS

Please indicate the option that best suits your opinion with an 'X', in a box which you deem appropriate.

Strongly disagree=1

Disagree=2

Agree=3

Strongly agree=4

STATEMENT	Strongly disagree	Disagree	Agree	Strongly Agree
a) Financial institutions reluctance to offer money for new innovations				
b) High costs of new technology and equipment				
c) Technology institutionalization is packing				
d) Poor support from the state				
e) Lack of accounting education				
f) Application of new technologies is tedious/laborious				
g) Lack of communication infrastructure				
h) The company's financial units are unable to				

implement an accounting information system due to its organizational structure.				
i) Environmental factors prevent the implementation of AIS in rural businesses				

vi. **Objective 3:** Examine the Influence of AIS barriers on SMEs challenges.

1. Strategies for establishing the AIS barriers in rural businesses

Please indicate the option that best suits your opinion with an 'X', in a box which you deem appropriate.

Strongly disagree=1

Disagree=2

Agree=3

Strongly agree=4

STATEMENT	Strongly disagree	Disagree	Agree	Strongly Agree
a) Government should support all businesses with funds.				
b) Business owners should invest in educating employees about AIS.				
c) Financial institutions should offer money to small businesses.				
d) Buy cheaper packages.				

SECTION C

- Questions about Accounting information systems and accounting knowledge

Please indicate the option that best suits your opinion with an 'X', in a box which you deem appropriate.

Strongly disagree=1

Disagree=2

Agree=3

Strongly agree=4

STATEMENT	Strongly disagree.	Disagree	Agree	Strongly Agree
a) Accounting information systems are flexible in data processes				
b) Accounting information systems help to achieve goals accurately and quickly				
c) The AIS provides accounting information that's comparable				
d) The AIS provides integrated accounting information that will effect the effectiveness of the company				
e) Accounting information prepared to ensure its quality, accuracy and correctness.				
f) Accounting Information System provides more accurate outcome to be used				
g) AIS ease tracing of information to be used in creating of reports				
h) AIS interprets and record effects of your business transaction				
i) AIS is easy to establish and use in the enterprise				
j) It also helps other departments of the enterprise in decision making				
k) AIS helps to increase productivity of the enterprise				
l) AIS is helps in tax reduction				
m) It cost little or no cost for installation of an AIS				

n) Cost of update and maintenance is cheap				
o) It helps to detect errors and fraud correct them				
p) It causes disruption in the enterprise environment				

❖ YES /NO

STATEMENT	YES	NO
a) Does your enterprise keep accounting record?		
b) Are there written accounting policies in your enterprise?		
c) Is there a relationship between accounting information and Decision making by the Stakeholders?		

➤ Accounting knowledge (AK)

1(SD) 2(D) 3(N) 4(A) 5(SA)

STATEMENT	Strongly Disagree	Disagree	Agree	Strongly Agree
a) I have proper accounting knowledge				
b) Accounting knowledge is necessary for proper record of transactions and processing				

c) My organization provides training to impart up-to-date accounting knowledge				
d) Accounting knowledge is a significant element to implement AIS				
e) I believe that accounting knowledge can increase organizational performance				

'Thank you for your co-operation'

Appendix B: Gatekeeper's letter

12 May 2021

SEDA Ugu Regional Offices
Office 4, 1st Floor,
28 Bazley Street, Port Shepstone,
Tel: 039 688 1561/073 523 5052
Email: tkunene@seda.org.za

Request for Permission to Conduct Research

Dear Themba Kunene

My name is Masiphila Hlongwane and I'm currently beginning a research project for my master's in accounting in Durban University Of Technology. Subject to approval by DUT Research Ethics Committee this project will be questionnaire to assess the impact of accounting and information system on rural SME's.

I'm writing to ask your permission to be allowed to access Seda registered small businesses in Umzinto.

I have provided you with a copy of my proposal which includes copies of the data collection tools and consent and/ or assent forms to be used in the research process, as well as a copy of the approval letter which I received from the Institutional Research Ethics Committee (IREC).

If you require any further information, please do not hesitate to contact me on 0839443356 and masiphila@gmail.com. Thank you for your time and consideration in this matter.

Yours sincerely,

Masiphila Faith Hlongwane
Durban University of Technology

Appendix c: letter of information and consent



LETTER OF INFORMATION

Title of the Research Study : The impact of Accounting information systems on Small and medium-sized enterprises in rural Southern region of KwaZulu-Natal.

Principal Investigator/s/researcher: Masiphila Faith Hlongwane ND: Accounting BTECH: Cost and management accounting

Co-Investigator/s/supervisor/s: Dr. Odunayo Margret Olarewaju, PhD, CA(NIG), ACMA, CGMA

Co-supervisor: Mr Brian Thulani Ngiba, MBA.

Brief Introduction and Purpose of the Study: The proposed study aims to investigate the impact of accounting information systems on the financial performance of rural small and medium-sized enterprises in Southern Region of KwaZulu-Natal. It will also examine the problems confronting the implementation of Accounting Information Systems (AIS), the need to use accounting packages and how those businesses who are still struggling with technology can easily gain skills and expertise. This will help small businesses expand and become profitable in the long run

Outline of the Procedures: It is entirely up to you whether or not you participate in this study. You may either decline or leave any questions blank if you don't want to answer them. There are no established risks associated with involvement that are not present in daily life. Your answers will be kept private and anonymous. Only the researchers will be aware of your specific responses to this questionnaire.

If you agree to participate in this project, please complete the questionnaire to the best of your ability. It should take you about 20 minutes to finish. Questionnaires will be used to collect data and will be distributed on their businesses. Participants will be the owner of a small business or a suitable representative of the owner. The researcher will distribute 200 questionnaires in total. The researcher projected that it would take 20 minutes to complete the questionnaire. The questionnaire will be accompanied with a letter of information detailing the aim of the analysis, and confidentiality and anonymity will be protected. Which clearly explains and introduces the questions to the respondent. The questionnaires that are distributed will be written in English and will be accompanied by a consent letter that explains and introduces the questions to the respondent.

Risks or Discomforts to the Participant: There are no risks involved

Reasons why he/she may be withdraw from the Study: A participant can leave a research study at any time due to personal reasons or non-compliance but will have to let the researcher know.

Benefits: This would offer practical guidelines for the introduction of accounting information systems in small and medium-sized businesses especially in rural areas and will also include analytical and practical recommendations to organizations in the successful application of accounting information systems in their operations.

Remuneration: This study is completely voluntary; there will be no reimbursement or payment for time.

Costs of the Study: You will not be responsible for any study-related expenses.

Confidentiality: Any details you provide us will be kept private. Your personal information will not be used for any reason other than this research project by the researcher. In addition, the researcher may not include your name or any other identifying information in the study reports. Password authentication and data encryption can keep data secure.

Research-related Injury: You will not be compensated for research-related injury since it is unlikely for an injury to occur

Persons to Contact in the Event of Any Problems or Queries:

Please contact me on 0839443356 or Dr. Odunayo Margret Olarewaju on 031 373 5632 or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the Director: Research and Postgraduate Support, Dr. Linda Z. Linganiso on researchdirector@dut.ac.za

General:

Potential participants must be assured that participation is voluntary and the approximate number of participants to be included should be disclosed. A copy of the information letter should be issued to participants. The information letter and consent form must be translated and provided in the primary spoken language of the research population e.g. isiZulu. A copy of the information letter should be issued to participants. The information letter and consent form must be translated and provided in the primary spoken language of the research population e.g. isiZulu.

Your participation is completely voluntary and all the information collected will be kept private and confidential, to the extent permitted by University.



CONSENT

Full Title of the Study: The impact of accounting information systems on Small and medium-sized enterprises in rural Southern region of KwaZulu-Natal.

Names of Researcher/s: MASIPHILA FAITH HLONGWANE

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, Masiphila Faith Hlongwane (researcher), about the nature, conduct, benefits and risks of this study - Research Ethics Clearance
Number: _____,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerized system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

Appendix D: Ethics approval



Faculty Research Office
Durban University of Technology
20 September 2021

Student: Masiphila Hlongwane

Student Number: 21620476
Degree: Masters of Accounting: Financial Accounting
Email: 21620476@dut4life.ac.za
Supervisor: Dr Odunayo Magret Olarewaju
Supervisor email: odunayoo@dut.ac.za

Dear Mr Hlongwane

ETHICAL APPROVAL: LEVEL 2

I am pleased to inform you that the Faculty Research Ethics Committee (FREC) following feedback from two reviewers, has granted preliminary permission for you to conduct your research 'The impact of Accounting Information Systems on the financial performance of rural Small and Medium sized Enterprises: A case study of Rural Southern KwaZulu-Natal, South Africa'.

When ethics approval is granted:

You are required to present the letter at your research site(s) for permission to gather data. Please also note that your research instruments must be accompanied by the letter of information and the letter of consent for each participant, as per your research proposal. This ethics clearance is valid from the date of provisional approval on this letter for one year. A student must apply for recertification 3 months before the date of this expiry. Recertification is required every year until after corrections are made, after examination, and the thesis is submitted to the Faculty Registrar.

A summary of your key research findings must be submitted to the FRC on completion of your studies.

Kindest regards.

Yours sincerely

Dr Mogiveny Rajkoomar
FREC Chair
Faculty of Accounting and Informatics
Durban University of Technology
Ritson Campus
Durban, South Africa
4001



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ABSTRACT

Accounting information systems (AIS) are among the main success factors that effectively facilitate the achievement of accounting and financial goals, strengthen the strategic strategies of small and medium-sized enterprise, and enhance data sharing and honesty. As a result, the aim of this research was to identify the impact of accounting and information systems in rural small and medium enterprises (SMEs) in the southern region of KwaZulu-Natal. The following internal elements were investigated: access to training and development, accessible accounting skills, access to infrastructure and the extent to which access to finance affected the development of rural SMEs. To select the respondents, this study employed a non-probability sampling technique, specifically, convenience sampling. A designed questionnaire was used to collect data from 110 respondents. The study was conducted in Umhlobo Municipality (Umzimto and Scottburgh area). With the help of the SPSS computer programme, the acquired data was quantitatively analysed. A regression analysis and Pearson's correlation analysis were conducted to address the specific objectives of the study. The results indicated that rural SMEs should consider implementing accounting systems because it has a positive impact on their performance. This study advised that rural communities should access training and development to overcome their challenges. In remote areas, financial literacy mentorship should be established to teach SMEs basic accounting skills, and financing access for rural SMEs. The study backs up prior findings and adds to the evidence that a lack of financial and accounting skills is two of the most significant difficulties that prevents SMEs from implementing accounting systems.

The impact of accounting and information systems on rural SMEs in Southern Region of Kwazulu Natal

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