

IMPACT OF ACCOUNTING INFORMATION ON ENTREPRENEURIAL DECISION MAKING PROCESS

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Abstract

Appropriate decision making is a success, sustainability and growth factor of every enterprise. The study evaluated the effect of accounting information on entrepreneurial decision making process among small entrepreneurs in Ogbomosho metropolis, Oyo State, Nigeria. Structured questionnaire was used to collect primary data from 120 randomly selected respondents. Simple regression analysis was used to analyze the data collected with the aid of Statistical Package for Social Sciences (SPSS) in order to evaluate the effect of independent variable (accounting information) on dependent variable (decision making). The result revealed that the use of accounting information has significant effect on the decision making process of entrepreneurs. The predictor variable (accounting information) was 69% variance of entrepreneurial decision making process. It was, therefore, recommended that small enterprise operation in Ogbomosho should embrace accounting information in order to thrive.

Keywords: *Accounting information, Small enterprise, Decision making process.*

Introduction

The government of Nigeria has placed a lot of emphasis on the development of entrepreneurship as a means of encouraging self employment, poverty reduction and acceleration of economic growth. It is obvious according to Nwaigburu and Eneogwe (2013) that government cannot employ all the graduate job seekers, therefore, the only way to tackle this problem of joblessness is to be self reliant and job employers rather than job seekers. As a result, entrepreneurial activities remain the backbone of Nigerian economy as it comprises the largest proportion of employment generation in most economies and frequently offer the greatest potential for economic self reliance (Mohd and Mohamed, 2013).

In recent years, accounting information has been inevitable for business decision making process especially to an entrepreneur. Accounting information is the provision

of relevant financial information system to permit informed judgment and basic decision by users of the information. Accounting information is the collecting, sharing and processing financial and accounting data that is used by decision makers. Decision making process of an entrepreneur can be described as the art of decision making that enable an entrepreneur to choose from a range of already analyzed and evaluated alternatives. Good entrepreneur would certainly choose those alternatives which would give the business maximum profit and at the same time reduce their expected loses (Augustine, Maureen and Jian, 2014).

Entrepreneurial activities require less capital and highly labour intensive. There are huge opportunities for entrepreneurship development in a labour abundant and capital-scarce economy like Nigeria. While the benefits of entrepreneurship development are

generally spelt out, entrepreneurs face many challenges that limit their long term decision making processes and in other words, their growth as well as development. In the view of Akande (2011), research on small business development has shown that the rate of failure in developing countries, including Nigeria, is higher than the developed economies. To corroborate the above view, Oladejo (2008) argues that accounting skill is necessary for successful entrepreneurial and small business development in Nigeria. This is because, according to Akande (2011) the inability to instill a proper accounting system would disallow proper decision making, business monitoring, reporting and performance evaluation that are important to the business survival.

Statement of the Problem

Despite the increased number of entrepreneurial activities in Nigeria as a result of the government commitment, support and encouragement, the rate of small business failure is still very

alarming. The federal government of Nigeria has placed a much cherished emphasis on the development of entrepreneurship as a means of encouraging self employment, poverty reduction and accelerating economic growth. Despite the significance of the entrepreneurship, it is challenging for entrepreneurs to make better and meaningful decisions as well as access finances from the financial institutions as many of them lack proper accounting information as a requirement. The question that comes is why these entrepreneurs fail? The reason for the increased failure rate is worth investigating. This study, therefore attempts to examine the effect of accounting information on entrepreneurial decision making process.

Study Hypothesis

The hypothesis for this study is presented in a null form.

H₀: Accounting information has no significant effect on entrepreneurial decision making process.

Literature Review

Concept of Entrepreneurial Force

Entrepreneurial forces are relatively strong in this country. It has become paramount in a “specially tottering economy” like Nigeria’s, that her citizens, young and old alike are unemployed, under-employed and even the employed take on enterprising and risk-taking characteristics in order to sustain family and self above the poverty line. Like natural traits, the average Nigerian is alert to grabbing as much as he can just to stay afloat (Soudani, 2012).

In the last decade more Nigerians have attended entrepreneurial trainings, taken courses in entrepreneurship than ever before. Virtually all young graduates have been tutored or received some form of tutorings on the topic, thanks to the National Youth Service Corps orientation programme. With all

this in place, however, the success rate of small and medium enterprises has been very low; businesses have barely survived, let alone thrived beyond incubation period. Some have down-sized to the barest minimum; others press on in anticipation of a better tomorrow, yet many more have been frustrated to closure. Government regulations and policies, insecurity and a seemingly irredeemable power sector haven’t made it any easier. Nonetheless, some businesses have broken through the ice to become successful amidst the apparent national gloom and one thing appears to be common to them all, a pregnant word with definitions flexible enough to accommodate key ingredients of our understanding of entrepreneurship and much more – passion, loosely defined as a strong feeling, intense emotion, compelling feeling,

enthusiasm, desire, eager interest in or admiration for a proposal, cause, or activity (Akande, 2011 and Soudani, 2012).

Also according to Oladejo (2008), the achievement of the firm's objectives is greatly influenced by the application of accounting information. Most businesses in Nigeria are still not aware of the importance and benefits of accounting information. It is found that accounting information is faced with some challenges which are inadequate infrastructural facilities, inability of most business firms to demand accounting systems adequate to them for their needs, lack of standardized professional body in accounting information/records and also local firms are been threatened by developed countries that are enjoying the full benefits of accounting information. He concluded that accounting information has contributed immensely to the unprecedented rate in identifying the expenses, income, and profit and loss of a firm at the end of an accounting year.

In a study carried out with 148 respondents in Nigeria (Enugu), Okoli (2011) links proper record keeping and profitability of an entrepreneur and assert that due to inadequate accounting information, the entrepreneur operator could not assess their decision process effectively. He argues that in order to enhance the profitability of an entrepreneur business and their continuity, there is need for adequate record keeping which will help the entrepreneurs to keep track of the performance of their enterprises.

Mensah, Tribe and Weiss (2007) state that a significant number of enterprises in their survey kept no records pertaining to operations, finance, audited accounts, tax returns, and so on. Until recently, all the business enterprises could not receive credit from the banks and promotional institutions on grounds that the formal banking sector considered them a high

risk area, and hence charged them high cost for borrowed funds from the banks. In assessing the financial statements of business enterprises, Cushing and Romney (1984) claims the existence of practical problems in deriving records and figures that make up the statements. One reason for that is because for almost all enterprises the owners keep all the records in memory and hence the lack of records of all kinds –sales, marketing, accounting, credit borrowing from lending institutions, staff costs, owners emoluments, etc. Owners of businesses do not keep proper accounting information and thus, they are not able to provide data about their entities.

Accounting Information System

Accounting Information System (AIS) is the information subsystem within an organization that accumulates information from the entity's various subsystems and communicates it to the organization's information processing subsystem (Leonard, 1986). The accounting information system (AIS) has traditionally focused on collecting, processing, and communicating financial – oriented information to a company's external parties (such as investors, creditors and tax agencies) and internal parties (principally management). Today, however, the accounting information system (AIS) is concerned with non - financial as well as financial data and information. In general, a bank's accounting information system (AIS) has the same role as in other companies that is to provide financial and non-financial information to banks external parties (such as investors, creditors and tax agencies) and internal parties (principally, management) (David, 1983; Okoli, 2012).

Businesses contain transactions which generate information for better analysis of business performance and

accounting information system is a delivery system for accounting (Kamukama, 2006). Accounting information system refers to complete collection of business components that comprise entire inputs, gathering and reporting of financial transactions information (Nkundabanyanga, 2004; Augustine, Maureen and Jian, 2014). It is from this outcome of the system setup that backs the production and delivery of accounting information system. The aim of this information system is to collect and store data about transactions in order to produce meaningful output for decision making (Augustine, Maureen and Jian, 2014).

A well designed and operating accounting system enables an organization to manage its most valuable resources which is information (Adewoye and Akanbi, 2012). Accounting system deals with economic events or transactions, most of these transactions results from day to day operations of the business. The business transactions can be divided into main type, that is, external transaction which arises from exchange with the outside world such as purchasing or selling goods and internal transaction which arise from accumulation of the cost and assignment of the cost of production (Augustine, Maureen and Jian, 2014).

Entrepreneurship

Entrepreneurship is an effort to recognize business opportunity, create the business with innovative ideas by assuming all associated risks and bring it to reality for a reward (profit). Anyone who acts in this regard is referred to as an entrepreneur. An entrepreneur is an innovator, risk-taker and combinatory of all production factors to the advantages of the society. An entrepreneur is very important to the economic development of a nation. Hence, there exists abundant evidence that entrepreneurial opportunities and

ability are key concepts of entrepreneurship. Entrepreneurial traits, creativity, innovation, business planning and growth management have been identified as necessary drivers of entrepreneurship (Aruwa, 2004). Entrepreneurship is basically the exploitation of a business idea through owning a private business. Cole (1942 cited in Akande 2010) define entrepreneurship as the purposive activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit-oriented business unit for the production or distribution of economic goods or services. Thus, an entrepreneur has become the focal point in economic activities. He is viewed as initiator of action, a stimulant of socio-economic change and development. Entrepreneurship can be seen as the discovery, evaluation and exploitation of opportunities. Entrepreneur may be defined as an individual who intends to add value to the economy by creating a new business venture through the utilization of his/her skills, knowledge, passion, dreams and desires (Ree, 2001). The connecting words in defining entrepreneurship from the above authors are willingness and enthusiasm. Therefore, entrepreneurship can be defined as the enthusiasm and capability of a person to look for investment prospect, create, start and run any enterprise productively (Muhammad and Andow, 2010).

According to Akande (2012), entrepreneurship is the process of seeking investment opportunities without regards to the resources at ones disposal. However, Muhammad and Andow (2010) sees entrepreneurship as a pre disposition towards the establishment and operation of business venture by any individual, either alone or along with others, including government for the sake of making profit or social surplus in other to accumulate wealth. Given the extent of literature and

various definitions, this paper adopts the definition of entrepreneurship as the ability and willingness of an individual to identify business opportunities and gather all the necessary resources to pursue them, with a view to providing benefits for one and others.

Entrepreneurial Decision Making Process

Collin (2004) describes an entrepreneur as “a person (or group) who initiates and manages enterprising ventures” whilst an entrepreneur is seen as “an innovative person (or group) in a project situation who (re)vitalizes management (the five functions) to sustain and strengthen new enterprising, establishing or established venture”. Such people would be displaying purposeful behaviour.

The purpose of strategic management is to enable the commencement of new ventures (initiation) and the renewal or renovation of established ventures (revitalization). Corporate renewal is, by Collin’s definition, entrepreneurial and the

people charged with facilitating that renewal are entrepreneurs. The process by which an individual can determine his or her own entrepreneurial desire may be called personal renewal. It will now be argued that individuals and groups can utilize the process of strategic management to determine for themselves whether or not to be.

The entrepreneurial decision cannot be taken in isolation from the environment of the entrepreneur, it is believed that it is driven by that environment. The entrepreneur if regarded as a “viable system” will both be influenced by the environment and be seeking to influence it to support his purpose and his objectives. The environment may be seen as the decision context, what may be appropriate in one may be highly inappropriate in another, although seemingly absurd, entrepreneurial ventures do occur and succeed, such as the British construction company selling sand to countries of the Middle East (Okoli, 2012).

Methodology

Survey research design was used for this study. This design was chosen because the sample elements and the variables that are studied are simply being observed as they are without making any attempt to control or manipulate them. The study area was Ogbomoso, Oyo State. The choice of this place was premised on the convenience as majority of small scale enterprises are located in this place and are accessible. The population of the study was all small scale enterprises of sachet/table water making industry whose name appear on their association’s register within Ogbomoso metropolis.

Self administered structured questionnaire has served as operational

instrument to collect random sampling primary data from 120 out of 287 registered sachet/table water producers in order to examine the effect of accounting information on entrepreneurial decision making process. The independent variable is accounting information while the dependent variable is entrepreneurial decision making process. The study also used secondary source like standard records provided by the association of sachet/table water producers to get insight into the address and location of each member. Simple regression analysis and Anovawas used with the aid of Statistical Package for Social Sciences (SPSS) for data analysis.

Results and Discussion

The study aimed at examining the effect of accounting information on entrepreneurial decision making process, investigated how accounting information can influence decision making process of an entrepreneur and showed how proper accounting record keeping will facilitate small business survival

Simple Regression Analysis

Before regression analysis was used to achieve the objective of this study, this model would be used:

$$Y = \alpha + \beta X + \mu$$

Where Y represents the dependent variable in the model, which is entrepreneurial decision making process, X contains the explanatory variable in the estimation model. α is the constant and β represents the coefficient.

In interpreting the result of the simple regression analysis, the F-statistic, the coefficient of determination and the regression coefficient were considered and their values are as shown in the tables below:

Table 3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.833 ^a	.694	.692	7.275

a. Predictor: (Constant), Accounting Information

b. Dependent Variable: Entrepreneurial Decision Making Process

Source: Field Survey, 2017

Table 3.1 above shows the value of coefficient of determination (R^2) = 0.694, which implies that 69% of the variation in entrepreneurial decision

making process could be explained by the changes in the proper accounting information system.

Table 3.2: Analysis of Variance (ANOVA)

Model	Sum of Square	Df	Mean Square	F	Sig.
1 Regression	14062.633	1	14062.633	265.733	.000 ^b
Residual	6191.652	117	52.920		
Total	20254.286	118			

a. Predictor: (Constant), Accounting Information

b. Dependent Variable: Entrepreneurial Decision Making Process

Source: Field Survey, 2017

From the ANOVA Table 3.2 and F-statistic which reveals the value of F (265.733) significant at 0.01 confidence level. This result therefore, indicates that

the independent variable (accounting information) immensely contributes to the variation in entrepreneurial decision making process.

Table 3.3: Simple Regression Analysis Showing the Effect of Accounting Information on Entrepreneurial Decision Making Process

Model	Unstandardised Coefficient		Standardised Coefficient	t	Sig.
	β	Std. Error	Beta		
1 Constant	26.742	1.703		15.704	.000
Accounting Info	1.414	.087	.833	16.301	.000

a. Dependent Variable: Entrepreneurial Decision Making Process

Source: Field Survey, 2017

From Table 3.3 above, since the t-value for the regression coefficient is significant at 99% confidence level ($t = 16.301$, $P < 0.01$), it implies that the predictor variable (accounting information) makes a significant contribution to the entrepreneurial decision making process. Moreover, the unstandardised simple regression model is $F = 26.742 + 1.414\beta$. The standardized beta coefficient indicates that a unit change in the practice of accounting information system causes a 83.3% increase in the entrepreneurial decision making process.

Summary of Findings

The relationship between accounting information system and entrepreneurial decision making process of small scale businesses in Ogbomoso, Oyo State has been established as follows:

Tables 1, 2 and 3 show that the accounting information as one of the business information system contributes to small scale business decision making process with ($R^2 = .694$, $F(1,117) = 265.733$, $P < 0.01$). This implies that

accounting information system influences entrepreneurial decision making process. It was revealed that sound and proper accounting information system if put into use will significantly improve the decision making process of entrepreneurs. The result of this study conforms to Akande (2011); Nwaigburu and Eneogwe (2013) and Mohd and Mohamed (2013) that basic accounting practice or accounting information has positive influence on the decision making process as well as profitability of an entrepreneur.

Accounting information system is a predictor of entrepreneurial decision making with ($\beta = 1.414$, $t = 16.301$, $P < 0.01$). This indicates that accounting information system has a significant effect on entrepreneurial decision making process at 1% level. This result is also in line with findings of the study carried out by Augustine, Maureen and Jian (2014) that accounting information as well as basic book keeping practice has a positive significant effect on the profitability and decision making process of small scale businesses.

Conclusion and Recommendations

Based on the findings of the present study about accounting information and entrepreneurial decision making process as well as the findings of studies carried out by other researchers which indicated that there is a positive relationship between accounting information system and entrepreneurial decision making process. The study found that the practice and use of accounting information system is a great challenge among many owners of small businesses in Ogbomoso metropolis due to little knowledge in book keeping and loss of some business records.

From the regression analysis, the coefficient of determination (R^2) of 0.694 indicated that 69% of the variation in entrepreneurial decision making

process could be explained by the challenge in accounting information system. Furthermore, the Analysis of Variance (ANOVA) gave an F value of 265.733 significant at 1% confidence level which implies that the use of accounting information greatly contribute to the variation in entrepreneurial decision making process. This further means that there is a direct relationship between accounting information system and decision making process of entrepreneurs. It can, therefore be concluded that poor practice and use of accounting information would lead to poor entrepreneurial decision making process while proper practice and use of accounting information would lead to better entrepreneurial decision

making process. In the light of the above, the following recommendations may be found useful: small scale business owners should adopt the practice and use of accounting information in their business management for better decision making and their businesses to progress. In addition to that, the businesses that have already implemented this system should also train their staff in the efficient use of the system especially the use of computerized systems. It was

therefore, recommended that It was, therefore, recommended that small enterprise operation in Ogbomoso should embrace accounting information in order to thrive. Also government should come up with policies and guidelines that will facilitate the implementation of accounting information systems in Entrepreneurs environment which may include tax waivers or tax reductions on equipment to be used in this system.

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