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Management Accounting Practices and Performance of Small And Medium-Scale Enterprises In Nigeria

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ABSTRACT: *This study is motivated by controversies surrounding factors influencing performance of small and medium-scale enterprises (SMEs). Attributed to varying range of business model elements by diverse opinion blocs, management accounting literature holds a claim of significant effect on the performance of business enterprises. Hence, the objective of the study is to empirically determine the effect of management accounting practices (MAP) on the performance of SMEs in Nigeria. While overhead cost management practices (OCMP), inventory management practices (IMP), and cash management practices (CMP) are proxies for MAP, return on investment (ROI) is the determinant for performance. The researchers however formulated three specific hypotheses 1-3 and one multiplicative hypothesis 4 from interaction between the proxies for MAP and ROI. Adopting survey research design through structured questionnaire, the general model for testing hypothesis 4 demonstrated a positive and significant relationship between management accounting practices and performance of SMEs in the country. Specifically, test of hypotheses 2 and 3were significant by indicating positive nexus between MAP and ROI, while hypothesis 1 revealed insignificant relationship between them. Thus, null hypotheses 2, 3, and 4 were rejected and null hypothesis 1 was accepted. Concluding that the behavioural pattern of ROI is largely influenced by variations in OCMP, IMP, and CMP, the researchers therefore recommended SME-operators in Nigeria to introduce some level of management accounting practices into their business model as a strategy for improving performance.*

KEYWORDS: *Small and Medium-scale Enterprises, Management Accounting Practices, Inventory Management Practices, Overhead Management Practices, Cash Management Practices, Performance, Return on Investment*

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I. INTRODUCTION

Management accounting practices (MAP) are those internal accounting activities by organisations aimed at optimizing resources, improving efficiency and overall performance. Kamilah (2017) defined the concept as financial and non-financial techniques that provide important information at operational level for improving strategic performance. Inferring from this definition, MAP seem a precondition for the growth of all business and non-business entities irrespective of their sizes, especially in times of limited resources or intense market competition. In fact, most individuals, families, governments, non-governmental organisations, and businesses subconsciously or strategically engage in MAP, but sometimes as a rule of the thumb and unskillfully. Nowadays, MAP also serve as an intervention to emerging market demands such as logistics and supply chain management, total quality management, Lean manufacturing, activity-based costing, target costing among others (Abdel-Maksoud, Asada, and Nakagawa, 2008). In addition to its traditional strategy of resources optimization. This simply implies a flexible but sophisticated inventory, cash, and overhead cost management practices.

Whereas management accounting practices may be capable of enhancing market performance in a less competitive environment, intense competition may also motivate business to appreciate and leverage on the benefits of such practices. For instance, MAP can enhance market performance by providing relevant assessment information to other business facilitators such as banks, prospective investors, creditors, government, and so on. This popular opinion assumes an apriori expectation of a positive relationship between MAP and performance of small and medium enterprises, though subject to further empirical investigation in the current study.

The definition of Small and medium-scale enterprises (SMEs) has been variously approached to reflect different economic and territorial circumstances and criteria. However, the predominant factors for distinguishing SMEs from other forms of businesses popularly adopted across the world include: volume of invested capital, size of workforce, turnover or volume of sales and size of assets base (Australian Bureau of

statistics, 2001). Kongolo (2010) reported that SMEs comprise about 91% of the formal business entities in South Africa, contribute the range of 51% to 57% to GDP, in addition to providing approximately 60% of the workforce. SMEs are estimated at 97% of total businesses operating in Nigeria, which also makes for over 50% each in both workforce and industrial production (Taiwo, Ayodeji and Yusuf, 2012). A more recent study by Kwor-Azariah and Nkwor (2015) cited a report by the International Finance Corporation (IFC) claiming that approximately 96% of Nigeria's businesses are SMEs.

Despite the acclaimed positive contribution by SMEs to different economies, there is almost a consensus among researchers about high rate of failure within their subsector. Some evidence of such failure are observed by Iwok (1977) in the U.S.A., Boachie-Mensah and Marfo-Yiadom (2005) in Ghana, and Osotimehin, Jegede, Akinlabi, and Olajide (2012) in Nigeria. Some of these researchers asserted that most SMEs do not survive beyond their fifth anniversary and also attributed the cause of the high failure rate to poor business records keeping. In a related dimension, the success of SMEs has been contentiously attributed to various organizational constituencies, such as manufacturing, administration, marketing, and so on by other researchers (Fatoki, 2010; Neneh and Van Zyl, 2012; Dzisi and Ofosu, 2014). In fairness to the possible interactive effects of other professions to the survival and performance of businesses, most SME-operators and owners seemed not to believe the claim in accounting literature about the importance of management accounting practices (MAP) as the bedrock for cost reduction and resources optimization strategies. A preliminary pilot survey to this study revealed that many SMEs apply the rule of the thumb in their MAP through personal instinct instead of accessing the professional services of accountants. As such, resulting to rapid increase in their rate of failure.

Emphasizing on developing countries, Yeboah-Mantey (2017) specifically associated SMEs' failure to poor or lack of financial and non-financial business record keeping which consequently result to mismanagement of resources and inefficiency among SMEs. As such, weakening the competitive, profitability, and growth capacity of most SMEs in those jurisdictions and resulting to their sudden failure. Thus, adopting appropriate and adequate management accounting practices among Nigeria's SMEs may be a panacea for reversing the trend of high failure rate within the subsector. Unfortunately, studies are focused more on the financing need of SMEs but still limited in relation to the contribution of management accounting practices towards mitigating business challenges and enhancing performance. More so, in relation to rapidly changing technology and increasing market competition. Hence, the researchers' objective to determine the influence of management accounting practices on performance of SMEs in Nigeria. Whereas the determinants for management accounting practices in this context are overhead cost management practices (OCMP), inventory management practices (IMP), and cash management practices (CMP), the performance measure is return on investment (ROI).

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Theoretical Background

The explanatory power of Resource Based View (RBV) and Contingency theories are herein adapted for linking the nexus between management accounting practices and performance of SMEs in Nigeria.

Resource Based View Theory

Resource Based View (RBV) theory hold reasonable explanation on the relationship that might exist between management accounting practices and performance of small and medium-scale enterprises. Developed by Wernerfelt (1986), it emphasizes the importance and influence of an organization's resources on their short-term performance and long-term survival. To such extent, corporate profitability is also dependent on the resources at the disposal of firms. Moreover, resources in this context could either be human or material. Therefore, resources as used in this study include all assets especially inventory, cash, administrative assets, and human assets (the accountants and their accounting skills). Management accounting as practiced by trained and skillful accountants (part of organizational resources) is capable of harnessing other resources (including cash, inventory, and overhead)at the possession of business entities for efficiency, effectiveness, competitiveness, and overall profitability. Hence, the nexus and relevance of RBV theory to this study.

Contingency Theory

Traceable to the publication of Joan Woodward in 1958, the theory posit that various factors influence the activities and well-being of different business entities (Harash, 2017). Management style, management accounting information system, financial reporting system, organizational structure, market performance among others are contingent on several external and internal factors. These factors may include but not limited to macro-economic, micro-economic, industry specific concerns, firm and leadership specific concerns, nature of business activities, operational territory and regulations. So, whereas There may not be one best way for

approaching organizational challenges and remedies, there is always one best fit for approaching both within the specific circumstance of every organization. Thus, this theory suggests designing and adapting management accounting practices in a flexible manner to achieve the predetermined goal, with consideration to the peculiarity and prevailing circumstances surrounding a business entity. However, the accountant through accounting skills and knowledge is most qualify for managing such adaptation and flexibility. Moreover, most researches around contingency framework aim to establish the association between different organizational variables, especially in their early phases of development (Harash, 2017), suggesting that no two organisations are identical in challenges and possible remedies. Hence, the researcher asserted that the majority of such contingency Theorists assumed linear relationships between organizational variables, if adapted to their specific circumstances. Since a straight line (linear trace) is the shortest distance between two points, it is the best fit for two organizational variables (business challenges or problems and their solutions). Perhaps, contingency theory is the source framework of the concept of learning curve in management accounting. Therefore, contingency theory also holds reasonable explanation about the relationship between management accounting practices and performance among SMEs.

To improve performance, this theory therefore proposes SME operators to devote special attention to management accounting practices (financial and non-financial) best tailored to suit their specific needs. Harash (2017) Described research-based contingency as "a hypothesis of conditional association of two or more independent variables with a dependent outcome". Considering the complexity of organisation's operating circumstances, the researcher further Claimed that the primary role of contingency in any business firm is to test a comprehensive model of multiple variables surrounding it (including MAP in this case) In line with its specific circumstances and expectations. This implies that SMEs should consider and adapt MAP to their specific circumstances, as a major variable that could improve performance.

Empirical Literature

The scarcity of research literature on management accounting practices among SMEs is a major observation in this review. Reinforcing the relevance of MAP in a research report sponsored by Chattered Institute of Management Accountants (CIMA) on the practice of management accounting by SMEs in the United Kingdom (UK), Lucas, Prowle, and Lowth (2013) however suggested that failure and poor performance among SMEs is always caused by lack or poor utilization of management accounting techniques. Adopting exploratory research design, their results revealed a significant scope for improvement by SMEs through better collaboration with accountants in a "business partner concept" for enhancing the understanding of management accounting decision techniques. The researchers also noted the need for an increased awareness and education among small enterprises on the management accounting tools to be used and how to use them at different sizes of business entities.

The findings in Lucas, Prowle, and Lowth (2013) lends credibility to an earlier study by D'Ambrose and Gasse (1980) in another developed country of Canada as cited in Ohachosim, Onwuchekwa and Ifeanyi (2012). The researchers surveyed the application of management accounting practices in 25 shoe manufacturing and 26 plastics manufacturing SMEs in Canada. Adopting descriptive statistical analysis, their result indicated that cost accounting system was applicable in about 88 percent of surveyed entities as well as significantly account for their success.

Most researchers in Asia and Middle East obtained results similar to those in developed countries of UK and Canada. For instance, Kamilah (2017) explored the link between the implementation of MAP and performance by SMEs within manufacturing sector of Malaysia. Adopting survey research design through questionnaire and descriptive statistical analysis, Costing system and performance measurement system were found to be the common MAP employed by SME-respondents. The findings further revealed that MAP have significant relationship with performance. Thus, emphasizing the relevance of MAP in today's organization.

Investigating the adoption of a broad range application of management accounting practices by Malaysian manufacturing SMEs, Kamilah and Shafie (2016) adopted survey research design. Structured questionnaire was utilized for data collection, while percentage analyses was used for estimating the results. Their result showed that Malaysian small and medium firms extensively used traditional MAP, but occasionally apply modern MAP such as non- financial measure of performance in relation to firm specific processes and for customers. The results also indicated a greater usage of management accounting practices by medium firms than small firms. In most cases, medium firms applied MAP as twice as many small firms did. The most significant disparity in the use of MAP between small and medium firms was high in the aspect of decision support system and strategic management accounting.

In a conceptual review of accounting performance of SMEs and effect of accounting information system (AIS) with emphasis on MAP in Iraq, (Harash, 2017) adopted an exploratory approach. Though, the researcher observed a large number of studies in this subject area, but noted a dearth of empirical

investigation on the relationship between AIS and accounting performance of SMEs. However, the results of prior researches revealed positive relationships between the variables among SMEs in Iraq. Thus, suggesting further improvement of SMEs' performance, if management accounting practices in consonance with specific contingencies are adopted. Drawing from the findings nonetheless, the researcher formulated hypothesis for further studies of the variables within the SME subsector.

Yousef (2013) adopted survey research design in a study about the use of accounting information among SMEs in Jordan. Questionnaire was utilized for collecting data from a sample of 136 SMEs. In a descriptive analysis, the researcher observed a low level of awareness about the relevance of financial management and accounting information among SMEs in southern Jordan.

Like their counterparts in other regions of the world, researchers that focuses on African countries appear not to be different in their findings about poor use of MAP by SMEs. Acknowledging that SMEs are part of the major contributors to economic growth and development, Mohamad and Kalsom (2017) studied the nexus between their performance and management accounting practices in Libya. Adopting exploratory research design for theoretical review of prior literature, the researcher suggested conceptual and hypothetical framework for empirical investigation of the determinants of management accounting practices and their business implication on the performance of SMEs in Libya. Although the review revealed poor management accounting practices by SMEs, it however found evidence to support that financial and non-financial information of MAP constitute important management techniques to be adopted by SMEs. Therefore, the researchers emphasize that MAP are critical to the survival of SMEs.

Verifying this acclaimed importance of management accounting practices to the survival of SMEs, Maziriri and Mapuranga (2017) examined the impact of management accounting practices on SMEs' performance in South Africa. Asserting paucity of studies which established link between these variables in South Africa, the researchers adopted survey research approach. Descriptive statistics was used for data analyses, whereas the Statistical Package for Social Sciences was used for estimating the test results through multiple Regression analysis. However, the results indicated that MAP positively influence the performance of SMEs. Hence, MAP is potentially capable of reducing the rate of failure among SMEs in South Africa, thereby boosting their economic benefits.

Using descriptive research design and cross-sectional survey, Yeboah-Mantey (2017) assessed the effect of management accounting practices on the financial performance among small and medium enterprises in the Cape Coast Metropolis of Ghana. Adopting content review and administration of questionnaire as research instruments, data were analyzed through multivariate regression. The researcher found that management accounting practices was positively related to producing high quality goods and services; thus, boosting the performance of SMEs through profitability and growth. The researcher asserted that innovative and skillful use of MAP can strengthen the relationship between an SMEs and its essential constituencies, such as banks, creditors, customers, and so on. Therefore, the findings further revealed that access to credit and bulk purchases through cheapest possible sources enhanced business prospects in profit maximization and overall improvement of financial performance.

Alhassan, Erasmus, and Portia (2018) examined four components of financial management practices including capital structure, capital budgeting techniques, working capital, accounting information, and financial reporting, and fixed assets. Performance was measured through profitability in terms of Return on Assets and growth. The researchers surveyed 100 SMEs in Accra in Ghana by administering questionnaire. Descriptive statistics and Pearson correlation were used for data analyses. Descriptive statistics however showed that working capital management practices had the highest mean score, followed by accounting information and financial reporting practices, capital structure management and lastly the adoption of capital budgeting techniques and fixed assets management respectively. However, the profitability and growth of SMEs were positively associated with the four components of financial management practices in the Pearson correlation analysis. Thus, suggesting improvement in the financial management by SMEs as a strategy for expanding profitability and growth. Although capital budgeting techniques positively impacted on SMEs' performance, the researchers recommended improvement in its use, since it revealed the least score. The use of discounted cash flow techniques for evaluating investment and projects was also recommended for improved decision making and access to capital.

Investigating accounting practices and performance of Small and Medium Scale enterprises in Nigeria with particular reference to Rivers state, Ebere, Egbuhuzor, and Odoyi (2017) focused on ascertaining the nexus of payroll accounting, record keeping, and budgeting practices to the efficiency and effectiveness of Small and Medium Scale enterprises. In their effort to reach the objective of the study, the researchers formulated six hypotheses and generated data from the staff of SMEs by administering questionnaire. Whereas the Spearman rank correlation was utilized for data analyses, the Statistical

Package for Social Science (SPSS) was adopted for estimating the test result. The finding indicated a weak positive influence by payroll accounting practices, record keeping practices, and budgeting practices by SMEs on their efficiency and effectiveness. The researchers therefore concluded poor accounting practices among SMEs in Rivers state as one of the causes of their ineffective performances".

Related to the study by Ebere, Egbuhuzor, and Odoyi (2017), Ohachosim, Onwuchekwa and Ifeanyi (2012) conducted a study on the "Financial Challenges of Small and Medium-Sized Enterprises (SMES) In Nigeria". Emphasizing The importance of Accounting Information system, the researchers surveyed 348 SMEs in Anambra State. Adopting questionnaire for obtaining data, ordinary least square (OLS) was utilized for Analysis. Their results revealed that poor accounting system is the major source of financial challenges among SMEs in Nigeria. They however inferred that greater access to finance may improve SMEs' performance in Nigeria. Thus, the researchers recommended SMEs in Nigeria to widely consult accountants for the maintenance of generally accepted accounting practices.

The observations of poor accounting practices among SMEs in Nigeria by Ebere, Egbuhuzor, and Odoyi (2017) and Ohachosim, Onwuchekwa and Ifeanyi (2012) are not isolated cases but iceberg phenomenon; Thus, many other studies also observed that most SMEs in Nigeria did not pay much attention to book-keeping as it concern their businesses (Ezejiofor, Ezenyirimba and Olise, 2014), (Okoli, 2011). In Anambra State, Ezejiofor, Ezenyirimba and Olise (2014) surveyed 48 SMEs. Using t-test, the researchers found that accounting record keeping is positively significant to the performance of small and medium size enterprises. They further noted that adequate records by SMEs is capable of facilitating efficiency and timeliness in decision making; thereby enhancing their profitability. Similarly, Okoli (2011) related record keeping and profitability in 148 SMEs in Enugu. Using survey research design and percentage analysis, the researcher found that most of the sampled SME operators could not evaluate their performance effectively due to inadequate record keeping. Nonetheless, another related research by Okafor and Daferighe (2019) demonstrated a positive association between accounting practices and performance of SMEs in Akwa Ibom State, Nigeria.

Assessing inventory management strategies adopted by SMEs in the manufacturing industry of Harare in Zimbabwe, Muchaendepi, Mbohwa, Hamandishe, and Kanyepe (2017) utilized a descriptive transformation of qualitative research design. Data were obtained through purposively prepared questionnaire. Their findings showed that Just-In-Time method of inventory management was widely in use by most SMEs in Harare, who unfortunately do not have much knowledge about other methods and computerized system of inventory management. To that extent, SMEs in that region encountered the difficulty of sustaining almost real-time communication in their inventory supply chain. However, their inability to keep pace with volatile demand on a real-time resulted to delays in filling customers' orders. Inferring from this report, manufacturing SMEs surveyed in Harare were not adequately efficient and effective in satisfying the market demand and perhaps, that affected profitability.

In an avaluation of the gap in working capital management in terms of MAP adopted by manufacturers of consumer goods in Isiolo County of Kenya with the aim of recommending better practices capable of increasing profitability, Murega, Shano, and Ngera (2019) aimed to determine the impact of inventory management practices on profitability. Utilising questionnaire survey for data collection, Statistical package for Social Sciences was adopted for estimating the test results through multiple regression analysis. The researchers moreover relied on Analysis of Variance for the adequacy of the model. Their result indicated that inventory management significantly influenced profitability of consumer goods manufacturers. Hence, the researchers recommended review and adjustment in the inventory management practices by the concerned firms in Isiolo County of Kenya. Their position is moreover in tandem with an earlier similar survey of 300 SMEs located in the Northern Region of Ghana by Hamza, Mutala and Stephen (2015) who adopted descriptive and inferential statistics as well as multivariate analysis. The researchers found a positive association between financial performance and inventory management practices. They, however noted the need for SME-operators to enhance their financial performance and survival by embracing efficient stock management practices as key improvement strategy.

Chartered Institute of Management Accountant (CIMA), 2002) pointed that cash management is crucial and life-wire of all successful businesses. This stance was empirically demonstrated in an examination of the effect of cash management on the performance of Nigeria's manufacturing firms by Abioro (2013) who utilized primary and secondary sources of data. To ascertain the association between cash management, liquidity, and performance, two sets of hypotheses were formulated, analyzed with the use of descriptive statistics, and tested through correlation coefficient technique. The results indicated a strong nexus between cash management and performance of manufacturing companies. However, it was observed that only high liquidity position with poor management did not reflect positively on performance among manufacturing companies in Nigeria. Hence, the importance of effective cash management for improving performance (Belal, 2016). Unfortunately, most SME-operators did not understand the importance of accounts payable and receivable as integral parts of cash management. Grablowsky and Rowell (1984) observed that

many SMEs in Virginia had poor credit management and did not understand purchases and services on credit basis as means of financing businesses.

Moreover, studies were very scarce on overhead cost management practices and performance of SMEs in Nigeria. However, Oyerogba, Olaleye, and Solomon (2014) reviewed the association between cost management practices and performance of firms operating in the manufacturing sector. Data were obtained from audited financial statements of related firms listed on the Nigerian stock exchange for 2003 to 2012. Adopting t-statistic for testing the hypotheses, the result showed strong positive association between cost management practices (including overhead cost management practices) and performance. A cost management strategy focused on production and administrative overhead cost was recommended for profit maximization.

Evaluating factors influencing the use of formal accounting system by SMEs, Padachi (2012) observed that accounting technique is one of the most neglected functions by SMEs. Some SME-operators who understand the importance of record keeping blamed their poor approach on lack of required skills and the high cost of consulting accountants (Everaert, Sarens, and Rommel, 2006). However, Lalin and Sabir (2010) reported regulatory requirement in some territories as the only reason for minimum level of adherence to accounting practices by SMEs. Drawing inference from the above findings, inadequate management accounting practices are traceable to ignorance, lack of accounting skills, and high cost of engaging external accountants.

Gap in the Literature

Inferring from the review, researchers across different territories of the world were significantly convergent about positive association between management accounting practices and performance of SMEs. For instance, Reid and Smith (2000) asserted that MAP provides financial and non-financial information that are capable of improving the operations and performance of businesses in Scotland. Similarly, Ahmad (2012) cited in Afirah and Noorhayati (2017) further reported the potential of MAP to improve the profitability of businesses in Japan through waste reduction and optimal resources utilization. Amat, Carmona, and Roberts (1994) found a positive correlation between MAP and competitive advantage of SMEs in Spain. Moreover, extant literature in accounting discipline conventionally theorizes that management accounting practices are value relevant to all business organizations. The foregoing positions about MAP further suggests a symbiotic relationship between the concept and competitiveness of a firm. While MAP is arguably capable of enhancing SMEs' performance in a competitive business environment, intense market competition can motivate the adoption of MAP to avoid business failure.

However, poor management accounting practices was also observed in most reviewed studies that focused on African countries. Besides, there is a general dearth of researches on MAP among SMEs in Nigeria, especially in the aspect of overhead cost management practices. Hence, the rationale for this study. Moreover, lack of specific scope in most reviewed researches may be attributable to difficulties often associated with obtaining primary data from SMEs in developing countries. As such, the researchers may not be certain about the specific time-frame of the study, in addition to cross-sectional focus in most of such studies.

Hypotheses Development

Drawing popular apriori expectation from the reviewed literature in pursuance of the objective of this study, the researchers formulated the following hypotheses:

H_{O1}: There is no significant effect of overhead cost management practices by SMEs on their return on investment.

H_{O2}: There is no significant influence of inventory management practices by SMEs on their return on investment.

H_{O3}: There is no significant effect of cash management practices by SMEs on their return on investment.

$Ho_{4:}$ There is no significant joint influence of overhead cost management, inventory management, cash management practices by SMEs on their return on investment.

III. OPERATIONAL METHOD

Research Design

Survey research design is adopted in this study. Such design appears the most suitable for obtaining management accounting practices information and their influences on performance. More so, as management accounting information is mainly for internal organizational use, besides the culture of hoarding financial information for different reasons by most SMEs in Nigeria. Moreover, survey design has proven effective in prior similar studies by Ohachosim, Onwuchekwa and Ifeanyi (2012) and Ebere, Egbuhuzor, and Odoyi (2017). Thus, questionnaire was the instrument for the survey.

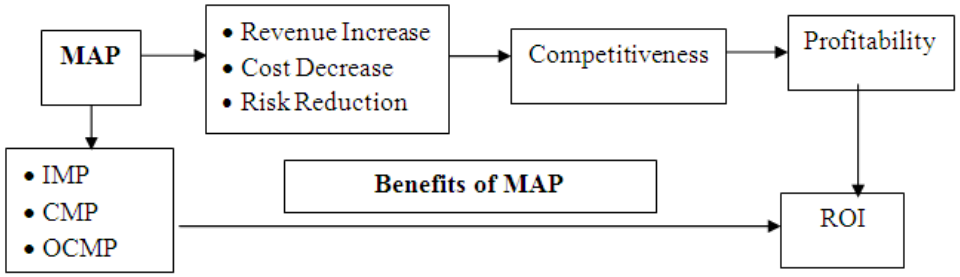
However, SMEs surveyed in this study are those registered in Akwa Ibom State of Nigeria and operating in Food and Beverage Industry, Chemical and Pharmaceutical Industry, Base metal, Electrical and

electronics, Textile and Leather as well as other Wearing Apparel Industry, Wood and Allied Products, Pulp and paper products including printing and publishing. The specific population is one hundred and twenty-two (122) as shown in Appendix (II) and compiled by Ministry of Commerce and Industry of the State and reported in the Statistical Year Book of the Ministry of Economic Development of the State (2014). Adopting Slovin's formula at an error of 10% and confidence coefficient of 90% as shown in Appendix (III), Fifty-four (54) sample was obtained and sampled firms were purposively selected on their ability to satisfy the data requirement of the study. While forty-four (44) SMEs qualified for participation in the survey, only thirty-nine (39) of them returned successfully completed copies of questionnaire.

Whereas performance is denominated to profitability measured by return on investment (ROI), the management accounting practices covered in the questionnaire are those duties, roles, and activities of accountants with emphasis on overhead cost management, inventory management, and cash management practices. Meanwhile, the scope of SMEs in this study include micro, small and medium-scale enterprises as defined by small and medium industries equity investment scheme (SMIEIS) (Obamuyi, 2007)and the relevant profit for computing ROI is that for the year ended, 2018.

Theoretical Specification of Model

Figure 3.1: Management Accounting Practices Performance Model



Source: Researchers' Design, 2021

Overhead cost management practices (OCMP), Inventory management practices (IMP), and cash management practices (CMP) are the determinants for management accounting practices (MAP) and are all integral part of resources as defined by RBV theory. The apriori expectation in accounting theoretical literature is that MAP adequately adapted to the provisions in contingency theory is prerequisite for efficient management of productive resources, cost minimization, risk reduction, standard quality assurance, enhance market performance and competitiveness; hence, guarantees profitability. However, profit in this study is measured through return on investment (ROI).

Empirical Specification of Model

Multiple Regression Model

Multiple regression econometric model is adopted in this research. The aim is to ascertain the joint and isolated associations between the determinants for management accounting practices and performance of small and medium-scale enterprises measured by ROI. Moreover, the formula is:

$Y = \beta_0 + \beta_1X_1+\beta_2X_2 +\beta_3X_3+\mu_1$----------Equation 3.1

Where:

Y = dependent variable (Return on Investment)

β_0 = constant.

$\beta_1, \beta_2, \beta_3$ = coefficients of the independent variables, X_1, X_2, X_3 at ith scores of management accounting practices by SMEs under overhead cost, inventory, and cash management practices.

X_1= independent variable (ith scores of management accounting practices by SMEs under overhead cost management practices (OCMP)).

X_2 = independent variable (ith scores of management accounting practices by SMEs under inventory management practices (IMP)).

X_3 = independent variable (ith scores of management accounting practices by SMEs under cash management practices (CMP)).

μ_1= stochastic or error term

Thus, $ROI = \beta_0 + \beta_1OCMP + \beta_2IMP + \beta_3CMP + \mu_1$----------Equation 3.2

Determination of Return on Investment (ROI)

The performance of small and medium-scale enterprises (dependent variable) is measured by profitability denominated as return on investment (ROI). The formula for deriving data for this variable is:

$$ROI = \frac{Profit \times 100}{Capital\ Employed}$$

Where:

ROI = Return on Investment

Profit = profit before interests on loans and on bank overdraft

Capital Employed = owners accumulated capital, loans, and bank overdraft

The apriori expectation is that return on investment could be positively influenced by the interraction of management accounting practices denominated in this study as CMP, IMP, and OCMP. However, the purpose for adopting ROI is to obtain truly representative performance measure, which is denominated to a uniformly weighted scale. Thus, it is capable of eliminating biases that may be introduced into the study through the use of other forms of profit measures or range of profits, since all SMEs are not equally capitalized.

IV. DATA ANALYSES AND INTERPRETATION OF RESULTS

Descriptive Statistics and Data Presentation

Table 4.1 in Appendix 4 is the summary of the responses generated through questionnaire. After the serial number of successfully completed investigations and mean scores in column 1, column 2 represents the performance of relevant SMEs measured by return on investment (ROI). Meanwhile, ROI is a percentage of profit (before interest on loan and bank overdraft) on invested capital. Furthermore, columns 3, 4, and 5 are respectively the scores of SME-respondents on questions connected to cash management practices (CMP), inventory management practices (IMP), and overhead cost management practices (OCMP). The mean scores for ROI, CMP, IMP, and OCMP are 28.61, 34.15, 42.46, and 38.72 respectively.

Inferential Statistical Analysis : Test of Hypotheses

The analyses are conducted in two parts. The first part tested hypotheses H_{O1} to H_{O3} by analysing the isolated but contributory influences of OCMP, IMP, and CMP on ROI. The second part tested the joint influence of OCMP, IMP, and CMP on ROI.

Model Evaluation

$ROI = \beta_0 + \beta_1 CMP + \beta_{2IMP} + \beta_{3OCMP} + \mu_1$

The data in columns 2, 3, 4, and 5 of Table 4.1 were used for estimating the test result by utilizing Statistical Package for Social Sciences (SPSS). Moreover, the regression equation is:

Table 4.2: **Estimates for testing the Isolated Contributions of Intercept, OCMP, IMP, and CMP to ROI**

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-71.5533	7.163918	-9.98801	$8.75*10^{12}$	-86.0968	-57.0098	-86.0968	-57.0098
CMP	2.330569	0.285619	8.159705	$1.3*10^{-9}$	1.750731	2.910407	1.750731	2.910407
IMP	0.417606	0.171652	2.432866	0.02023	0.069134	0.766077	0.069134	0.766077
OCMP	0.07305	0.205807	0.354946	0.72476	-0.34476	0.490861	-0.34476	0.490861

Source: SPSS Test Result, 2021

ROI = -71.5533+ 2.330569CMP + 0.417606IMP + 0.07305OCMP.

Table 4.2 revealed that the intercept in the regression model contributes -7155.33% to ROI, if other parameters of the equation are held constant. This negative outcome is further confirmed through a P-value of greater than 0.05 level of significance and a calculated T-value of -9.98801, which is less than the tabulated T-value of 2.030. Hence, the parameter is not significant in the model.

Test of Hypothesis One

H_{O1}: There is no significant effect of overhead cost management practices by SMEs on their return on investment.

Table 4.2 indicated that a unit change in OCMP results to a coefficient of 7.305% variation in ROI, if other parameters are held constant. However, that is a weak contribution to ROI indices. Moreover, the outcome of OCMP is also insignificant in the model since its P-value is greater than 0.05 level of significance. In addition, the calculated T-value of 0.354946 is less than the tabulated T-value of 2.030. Thus, the null hypothesis (H_{O1}) is accepted.

Test of Hypothesis Two

H_{O2}: There is no significant influence of inventory management practices by SMEs on their return on investment.

If other parameters are held constant, a unit variation in IMP contributes 41.7606% change to ROI. In consonance with such outcome, the P-value of the parameter is also significant at less than 0.05 level of significance. However, the calculated T-value of 2.432866 is greater than the tabulated T-value of 2.030. Therefore, the null hypothesis (H_{O2}) is rejected.

Test of Hypothesis Three

H_{O3}: There is no significant effect of cash management practices by SMEs on their return on investment.

A unit variation in CMP results to 233.0569% change in ROI. The analysis further indicated a P-value of less than 0.05 level of significant for CMP. In congruence with the outcome in P-value, the calculated T-value of 8.159705 is greater than the tabulated T-value of 2.030. As such, the null hypothesis (H_{O3}) is rejected.

The General Estimate of Joint Influence of intercept, OCMP, IMP, and CMP on ROI

Table 4.3 Estimates for testing the Joint influence of Intercept, OCMP, IMP, and CMP on ROI

Regression Statistics	
Multiple R	0.93282
R Square	0.870153
Adjusted R Square	0.859023
Standard Error	7.566211
Observations	39

Source: SPSS Test Result, 2021

Table 4.4: Anova for Testing the Significance of the General Regression Model of the Analysis

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	13427.28	4475.759	78.18254	$1.38*10^{-15}$
Residual	35	2003.664	57.24755		
Total	38	15430.94			

Source: SPSS Test Result, 2021

Test of Hypothesis Four

Ho_4: There is no significant joint influence of overhead cost management, inventory management, cash management practices by SMEs on their return on investment.

Table 4.3 revealed a significant adjusted R-square of 85.9023%. Such result attributes the behavioural pattern of ROI to variations in OCMP, IMP, and CMP. However, the balance of 14.0977% is perhaps contributable to other exogeneous factors other than management accounting practices. In tandem with the outcome in adjusted R-square, Table 4.4 indicated a significant F (P-value) of less than 0.05 level of significance and calculated F-statistics of 78.18254, which is greater than the tabulated F-statistics of 2.87. Hence, the rejection of the null hypothesis (Ho_4). Such implies that management accounting practices (OCMP, IMP, and CMP) exert significant multiplicative influence on return on investment (ROI) of SMEs in Nigeria. Moreover, the appropriateness and adequacy of the model was further supported by variance inflation factor of less than 10 for all the variables in Table 4.5. Thus, indicating the absence of multicollinearity in the analysis.

Table 4.5 Coefficients

Term	Coef	SE Coef	T-Value	P-Value	VIF
Constant	-71.55	7.06	-10.13	0.000	
CMP1	2.331	0.282	8.28	0.000	2.37
IMP1	0.418	0.169	2.47	0.018	1.88
OCMP1	0.073	0.203	0.36	0.721	1.64

Source: SPSS Test Result, 2021

V. DISCUSSION OF THE FINDINGS

The isolated contribution of overhead cost management practices (OCMP) to return on investment (ROI) indicated a weak coefficient of 7.305%. This weak index is supported by insignificant outcomes in P-value and T-value, resulting to the acceptance of the null hypothesis (H_{O1}). Moreover, empirical studies were relatively scarce concerning the association of OCMP and ROI in the review of empirical literature. Perhaps, overhead cost is not adequately attracting the attention of researchers due to its indirect and sometimes immaterial nature in the mix of production inputs. On the reverse, the SME-owners and managers who might not be aware of the long-range financial implication of overhead cost may not be keen to either ensuring adequate overhead cost management practices or may be unenthusiastic about providing reliable related data for research purpose. In addition to negating the assertions in the extant management accounting literature on the contribution of OCMP towards high quality business performance, this finding is in dissonance with that of Oyerogba, Olaleye, and Solomon (2014), whose study revealed positive association between OCMP and financial performance of SMEs. Nonetheless the outcome, most of the surveyed SMEs recorded reasonable ROI and a percentage OCMP mean score of 70.4% for all the SMEs. While the performance in ROI might be attributed to the influences of IMP and CMP in the mix, the size of percentage mean score did not translate into significant association with return on investment. Therefore, the 70.4% may be mere coincidence without any statistical correlation with performance of SMEs measured through ROI.

In contrast to the forgoing, inventory management practices (IMP) revealed significant coefficient of P-value, and T-value in relation to ROI. Therefore, the rejection of null hypothesis (H_{O2}). In congruence with the traditional theoretical accounting knowledge, this finding is also in agreement with those of Muchaendepi, Mbohwa, Hamandishe, and Kanyepe (2017), Murega, Shano, and Ngera (2019), and Hamza, Mutala, and Stephen (2015). Highlighting the impact of inventory management practices on all business functions, particularly operations, marketing, accounting, and finance, the researchers suggested that managers of SMEs should embrace efficient inventory management practices as a business strategy of enhancing their competitiveness and financial performance.

Similar to the finding in hypothesis two, cash management practices (CMP) also indicated significant coefficient, P-value, and T-value indices in association with ROI. As such, the rejection of the null hypothesis (H_{O3}). Lending credence to the conventional accounting knowledge about cash management practices, the finding implies that CMP significantly contribute to the trend pattern of return on investment. Considering the high value, portability, and attractiveness of cash, accounting literature recommends effective and efficient CMP as strategies for ensuring high quality performance by business entities. Such recommendation becomes pertinent due to the ease at which cash mismanagement, misappropriation, and theft might occur as well as their implications on all business activities, which are often dependent on liquidity position for profitability and growth. Moreover, the current outcome about the behaviour of CMP coincides with an assertion by CIMA (2002) as well as the findings by Abioro (2013) and Belal (2016). The researchers were of convergent opinion that CMP had influence on financial performance of SMEs; thus recommended owner-managers to adopt CMP as crucial strategy for improving their performance.

More importantly, the joint influence of overhead cost management practices (OCMP), inventory management practices (IMP), and cash management practices (CMP) indicated a reasonable positive R-square of 85.9023%. Thus, the rejection of null hypothesis (Ho_4) and affirmation of the assertions in the conventional management accounting literature that management accounting practices are precondition for improving financial performance of business entities. Moreover, the finding is in consonance with those of Lucas, Prowle, and Lowth (2013) in the United Kingdom (UK), Yousef (2013) in Jordan, Maziriri and Mapuranga (2017) in South Africa, Yeboah-Mantey (2017) in Ghana, and Okafor and Daferighe (2019) in Nigeria.

VI. CONCLUSION AND RECOMMENDATIONS

Conclusion

The researchers concluded a strong positive association between joint influence of management accounting practices and performance of SMEs in Nigeria. However, the magnitude of such association varies in the specific assessment of the contributions of OCMP, IMP, and CMP to ROI. The relationship is strongest and most significant for cash management practices, followed by inventory management practices, and insignificant in the case of overhead cost management practices. Despite the strong association between management accounting practices and performance of SMEs in the country, the percentage mean scores for OCMP, IMP, and CMP as indicated in Table 4.1 are 70.4%, 56.61%, and 68.3% in relation to their maximum scores. Although, the level of management accounting practices by surveyed SMEs appeared generally reasonable, but seemed to have more than proportionately influenced ROI. The mean score of 28.61% for ROI is far above 13.00% prevailing required rate of return (RRR) in Nigeria as at December, 2019. However, it implied that the performance of SMEs in Nigeria might improve further with increment in the level of management accounting

practices. As indicated in data analyses, an increase in the level of management accounting practices by SMEs could result into corresponding positive shift in ROI.

Recommendations

Generally, the researchers observed that some SMEs in Nigeria do not engage in any form of management accounting practice. Hence, SME-operators are encouraged to introduce some level of management accounting practices into their business model, since such practices are capable of improving their performance.

The researchers also made the following specific recommendations.

i. SMEs should increase and sustain their levels of inventory management practices in area such as inventory plan to cover a given period, periodic or continuous inventory physical count, establishing the economic quantity of inventory to include in every order, and minimum and maximum inventory levels that could be held in stock. Other areas include technique for estimating the level of inventory in store, reconciliation of physical inventory count figures with those in the records, physical safeguard of inventory against theft, physical safeguard of inventory against destruction by fire, and so on. These may serve as a way of ensuring business stability and improving profitability.

ii. Cash management practices such as preparation of cash plan to cover a period of time, cash banking and authorization, establishing minimum and maximum cash holding, keeping track of cash receipts and payments, reconciling cash receipt and cash payment records, separating and delegating cash related functions to different individuals, and so on should also be increased by SMEs. These may go a long way in enhancing their liquidity position and ensuring business expansion, and overall improvement in business performance.

iii. SMEs should also endeavor to prepare financial statements regardless of how simple it may appear. Financial statements have the capacity to assist SME-operators to assess their performances at all times and make necessary adjustments.

Moreover, an upward trend in the general performance of SMEs can stimulate more economic activities in the country. In addition to creating employment opportunities and increasing the Internally Generated Revenue, increase in economic activities is capable of expanding the supply chain for material inputs and finished products. Furthermore, this could also enlarge support services such as tax consultancy, auditing, banking, technical services, among others. Therefore, the demand for social institutions such as schools, and hospitals may be on the increase due to population expansion that often accompanies rise in economic activities. In fact, that could mean huge business opportunity for private sector investors.

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Appendix 1
Sample Questionnaire on Management Accounting Practices

Scoring Guideline
Very Low (1)
Low (2)
Moderate (3)
High (4)
Very High (5)

Appeal: Kindly rank your practice in each of the following questions by appropriately ticking as applicable in your organisation.

S/N	Questions	Scores				
		1	2	3	4	5
1	What are the overhead costs Management practice(s) applicable to your organization?					
a	Planning for overhead expenditure to cover a specific period of time					
b	Control in the custody and usage of expendable and consumable overhead materials					
c	Insurance cover on valuable overhead materials					
d	Internal control in the procurement process and management of overhead materials and labour					
e	Control of overhead costs associated with the maintenance of tangible non-current assets					
f	Prorated and equitable method of allocating overhead costs to products/services for fair determination of their selling prices					
g	Wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours					
h	Internal control approach towards managing payroll					
i	Tracking and allocating overhead expenses with an overhead cost analysis sheet					
j	Adopting overhead cost management technique as cost minimization, quality control, and price competitive strategies					
k	Reconciling actual and planned overhead costs for variance analysis to cover specific period of time					
2	what are the Inventory Management Practices applicable to your organization?					
a	Preparation of inventory plan to cover a specified period of time					
b	Periodic or continuous inventory physical count					
c	Reconciliation of inventory's physical count figure with inventory records					
d	Techniques for the determination of the level of inventory in the store to avoid stock-out (method for material costing)					
e	Periodic summary of inventory usage to determine the difference between planned and actual usage (inventory variance analysis)					
f	Physical safeguards of inventory against theft					
g	Physical safeguards of inventory against risk of fire					
h	Authorization due process for inventory requisitions and issues					
i	Accessing Inventory management consultancy service					
j	Determination of minimum and maximum inventory levels to avoid stocking too much or too little					
k	Undertaking insurance policy against damages/losses of inventory					
l	Establishment of the right quantity of inventory to be included in every new order					
m	Establishing inventory life-span and expiry date					
n	Write-off approval for obsolete/damaged inventory					
o	Engaging different individual for separate inventory-related functions for control purpose					
3	What are the cash management practice(s) applicable to your organization?					
a	Preparation of cash plan for a specific period of time					
b	Internal control on cash handling and authorization for banking transactions					
c	Establishing minimum and maximum cash holding					
d	Proper arrangement for investing surplus cash holding					
e	Maintenance of separate registers (records) for tracking cash receipts in the form of notes/coins, cheques, and instant money transfers					
f	Reconciling receipts and payment registers with bank statements					
g	Back-up plan for cash supply in the event of unexpected cash shortage					
h	Proper authorization process for cash payment					
i	Engaging different persons for separate responsibilities related to cash management					

Appendix II
Relevant SME-Population
Population of the Study

Table 3.1

Types of SMEs	Total
Food, Beverage and Tobacco	44
Base Metal	22
Chemical and pharmaceuticals	19
Textile, Leather and Wearing Apparel	14
Wood and Allied Products	9
Electrical and Electronics	7
Pulp and Paper Products, Printing and Publishing	7
Total	122

Source: Akwa Ibom State Ministry of Economic Development, 2014.

Appendix III
Sample Size Determination Using Slovin's Formula

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

Where: n = sample size
N = Population
1 = Constant
e = Error Coefficient (10%)
Thus:

$$n = \frac{122}{1 + 122 * 0.1^2}$$
$$= \frac{122}{1 + 122 * 0.01}$$
$$= \frac{122}{1 + 1.22}$$
$$= \frac{122}{2.22}$$
= 54.954955
= 54

Appendix IV
Summary of Responses Obtained Through Questionnaire

Table 4.1

S/N	ROI	CMP	IMP	OCMP
1	16.72	31	40	39
2	17.3	31	46	40
3	26	32	45	49
4	93	52	70	52
5	17.19	32	34	39
6	16	30	44	38
7	19.23	31	41	44
8	15.15	30	44	32
9	16	33	44	35
10	18.01	32	41	36
11	73.21	48	66	53
12	14.29	28	31	25
13	27.83	34	36	43
14	30.18	34	32	44
15	19	34	41	37
16	74.67	48	48	48
17	46.16	34	53	50
18	13.01	20	32	23
19	22.18	33	38	40
20	16.16	29	43	45
21	15.94	28	42	40
22	24	34	40	39
23	13.97	25	40	24
24	19.02	32	33	30
25	31.24	36	48	40
26	36.17	40	40	34
27	13.12	31	38	27
28	27.07	35	43	37

29	16.91	31	44	41
30	55.41	41	41	45
31	80	49	72	38
32	16.98	30	41	40
33	16	31	40	29
34	41	44	48	46
35	17.22	32	50	35
36	22.5	34	30	36
37	20.6	30	26	31
38	23.56	35	39	35
39	33.6	38	32	51
MEAN	28.61	34.15	42.46	38.72
% Mean Score	-	68.3	56.61	70.4

Source: Researchers' Compilation, 2021

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