

**ACCOUNTING INFORMATION SYSTEMS AND FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KIRINYAGA
COUNTY, KENYA**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
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DECLARATION

The project is my original work and it has not been presented to any other institutions for the award of degree. No part of this research should be reproduced without my consent or that of Kenyatta University.

Sign  Date 23/05/2023

Stephen Mwangi

REG/NO D53/OL/EMB/26240/2020

The project was done and submitted under my supervision as the university appointed supervisor.

Sign  Date 23/05/2023

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DEDICATION

This project is dedicated to my parents for their unwavering support in every way.

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ABSTRACT

Maintaining solid accounting records is a significant component that contributes to appropriate decision-making because it is the source of essential informational requirements. Indeed, in the SME sector, the quality of accounting information used has a favorable link with an entity's success. In small and medium businesses, information and technology adoption is slow and has also harmed SMEs in Kirinyaga County and Kenya. The issue of poor accounting system acceptance can be linked to the initial goal of adopting information technology, which was primarily aimed to substitute the manual accounting processes, which has since hampered future use and investigation of the systems' benefits. This study sought to determine how accounting information systems, influence the financial performance of SMEs. Precisely the research sought to evaluate the influence of accounting information systems records, accounting information systems service quality, accounting information systems data quality and accounting systems quality on the SMEs financial performance in Kirinyaga County Kenya. The findings of this study helped SMEs improve their financial reporting and record-keeping which will benefit management in monitoring, planning on decision making ensuring their survival in the business sector. The population of interest comprised of 1420 owners and managers which were registered with Ministry of Trade in Kirinyaga County. The descriptive research technique was used for this study. The population of interest comprised of 1,420 owners and managers which were registered with Ministry of Trade in Kirinyaga. Stratified sampling through the use of Yamane's formula was applied. Primary data was used for this study and was obtained using a questionnaire which was quantitative in nature and thus close-ended questions was used. Quantitative data analysis using descriptive statistics was adopted. Additionally a multiple regression and Pearson correlation analysis was used. The accounting information systems records had a significant positive effect on financial performance of SMEs in Kirinyaga County, Kenya. This indicates that improving the way SMEs store and prepare their buy and sales ledgers helps enhance their financial performance. This indicates that financial success has a very strong positive relationship with competent bookkeeping. The results on accounting information systems service quality indicates that the variable had a positive and significant effect on financial performance. The results on accounting information systems data quality indicated that the variable had a positive and significant effect on financial performance. The accounting information systems quality had a positive significant effect on financial performance. The SMEs have made significant investments in accounting information system quality in order to improve their day-to-day operations. But to majority of the SMEs such an investment does not produce the intended results due to system failure, system error, and the generation of incorrect data, all of which impact decision-making processes. Relevance, correctness, understandability, and dependability of the accounting information systems quality were evaluated with performance, based on the premise that there is a link between accounting information quality and small and medium company performance.