European Journal of Business and Management www.iiste.org
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.15, No.12, 2023

Effects of Digital Accounting on Financial Reporting and Accountability of Manufacturing Firms in Nigeria

Kolawole Olalekan Adebola
Bamidele Olumilua University of Education, Science And Technology, Ikere-Ekiti
Department of Management Sciences
Olalekankolawole54@Gmail.Com
09030667441

DR. Ayeni A.R.
Department of Accounting
Faculty of Management Sciences
Ekiti State University, Ado-Ekiti
Rafiat.Ayeniagbaje@Eksu.Edu.Ng

DR. Adesodun Adebayo
Department of Accounting
Faculty of Management Sciences
Ekiti State University, Ado-Ekiti
Adesodun.Adebayo@Eksu.Edu.Ng

ABSTRACT
The digital capability of a business is fundamental to the competitiveness in today's market. It is rapidly changing and evolving, which in turn increases competition and the need for companies to innovate quickly. This study therefore examines the effects of digital accounting on financial reporting and accountability of manufacturing firms in Nigeria. A total of ten (10) listed firms in Nigeria were selected as the sample for the study. Structural equation model and multiple regression analysis were applied to test the research relationships. The results of the study show that financial reporting and accountability are significantly related to digital accountings in manufacturing firms in Nigeria. Hence, there is effectiveness of digital accounting on financial reporting and accountability of manufacturing firms in Nigeria.It was therefore recommended that the executives of the firms should invest, apply and utilize digital accounting as a valuable tool in business operations through allocating assets, resources, and capabilities to achieve the success of digital technology usage.Digital accounting should be encouraged at the various stages of financial reporting as this will also have impact on the level of companies' accountability in Nigeria.
Keywords: Accountability, Financial Reporting, Digitalization, Digital Accounting, Manufacturing Firms
DOI: 10.7176/EJBM/15-12-06
Publication date: June 30th 2023

Introduction

Financial reporting as an act of making financial statements and other relevant corporate information and providing more useful predictive or confirmatory information about firms' underlying economic position, event and performance (Shuraki, 2021).The main objective of financial reporting has been to provide adequate relevant information to the usersfor credit, investment and other economic decisions. For instance, investors and financial analysts rely heavily on corporate financial reports to carry out their duties effectively. Moreover, adequate provision of corporate information affects capitalmarket liquidity, reduces information asymmetry and makes the market to be efficient. Howard and Kanya (2014) stated that due to thedynamic business world, traditional paper-basedcorporate reporting is becoming less timely and thusless useful to decision makers. Therefore, firmsmust improve their communication strategy to bemore efficient. In order to achieve efficientcommunication of financial reports listedfirms in Nigeria are required to provideaudited quarterly and annual financial statements onthe Web.

Accountability is also important for effectiveperformance in the public sector because both elected and non-elected officials need to show the public that they are performing their responsibilities in the best possible way and using the resources provided them effectively and efficiently.Business organization ought to havecome of age where accountability should be institutionalized in the polity. Unfortunately, accountability in Nigeria firms is still a mirage. In spite of the gloomy picture, there is still a ray of hope if the citizenry would have the moralcourage to fight this monster that seems to have held Nigerians hostage for over five decades. As a result, Business organization is not accountable to the people, it seems like there is a divide between what actually goes on in government and what is being reported to the citizens. There is no accountable and transparent system where the public is allowed to participate in policy formation and have a say in how these policies should beimplemented. Nigeria has a large amount of natural resources but lacks proper accountability measures (Okekeocha, 2019).

The need for providing financial statement on the Web is to increase in public expectation on the perceived performance of Auditors'duties as a result of series of financial failures that occurred during the recessionary years of the late 90's and the early 20's, despite the clear report issued by the statutory Auditors has subjected the accounting profession in developing countries under severe pressure (Berman, 2018). Currently, some spectacular and well publicized corporate collapses due to increasing frauds and financial malpractices in corporate organizations and the subsequent implication of the reporting auditors have highlighted the audit expectation gap.Providing high-quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency.

It's evident that in this new world, technology is not a choice, but a fundamental business strategy that must be interwoven into every part of an organization.Digital accounting is refers to as the creation, representation, and transfer of financial information in an electronic format. Instead of using papers, all accounting transactions are conducted in an electronic environment.Digital accounting involves conducting all accounting transactions in an electronic environment under the current digital economy. It can enhance firms to complete functional tasks more quickly and accurately and interpret and report data and information faster, more efficiently, and more effectively. Firms with successful digital accounting can obtain information accuracy to make critical decisions and upgrade accounting systems to support increased scales of operations. They can remotely access firms' financial data and information by logging in the system from anywhere and at any time to track results and data. They can also apply digital accounting to directly and indirectly achieve success, survival, and sustainability in business operations. Accordingly, digital accounting is considered a valuable business approach for helping firms provide quality financial reporting, create accounting information usefulness and support strategic decision effectiveness. In view of these, the study examined the effects of digital accounting on financial reporting and accountability of manufacturing firms in Nigeria.

Statement of the Problem

Okoye and Akamobi (2019), Izedomin and Mgbame (2020), Kasum (2019) have all acknowledged in their separate works the increasing incidence of fraud and fraudulent activities in Nigeria. These studies have argued that in Nigeria, financial fraud is gradually becoming a normal way of life. As Kasum (2019) noted, the perpetuation of financial irregularities are becoming the specialty of both private and public sector in Nigeria as individual perpetrates fraud and corrupt practice according to the capacity of their office. Effiong (2012) observed that Nigeria is still ranked very low by the transparency international corruption index. The 2010 survey places Nigerian at the 134th position out of 178 countries that was sample.

Okoh and Ohwoyibo (2010) and Oladipupo (2015) opined that poor auditing and accounting standard create a situation for lack of accountability to stakeholders, where peoples entrusted with nation resources act in a way that is contrary to the expectations of stakeholders without consequence, and where assets can be misused and misallocated. Hence, the need for rapid implementation of digital accounting initiatives in curbing the menace of poor financial reporting and accountability become imperative. The study therefore assume that digital accounting has significant effect on financial reporting and accountability on manufacturing firms.

Objectives of the Study

The broad objective of the study is to examine the effects of digital accounting on financial reporting and accountability of manufacturing firms in Nigeria. The specific objectives of the study are to;

1. Examine the extent to which digital accountingis a need in listed firms in Nigeria;
2. Determine if digital accounting is an effective tool for enhancing financial reporting in listed firms in Nigeria;
3. Determine if digital accounting is an effective tool for enhancing accountability in listed firms in Nigeria.

Research Questions

1. What is the extent of need for digital accounting in the listed firms in Nigeria?
2. Is digital accounting an effective tool for enhancing financial reporting and accountability of listed firms in Nigeria?
3. What is the effect of digital accounting on financial reporting and accountability of listed firms in Nigeria?

Research Hypotheses

1. There is no significant need for digital accounting in the listed firms in Nigeria
2. Digital accounting is not a significant tool for enhancing financial reporting and accountability of listed firms in Nigeria.
3. There is no significant effect of digital accounting on financial reporting and accountability of listed firms in Nigeria.

Literature Review

Concept of Digital Accounting

Digital accounting, or e-accounting, as a corresponding analog, refers to the representation of accounting information in the digital format, which then can be electronically manipulated and transmitted (Troshani et al., 2019). Digital accounting refers to the creation, representation, and transfer of financial information in an electronic format. Instead of using papers, all accounting transactions are conducted in an electronic environment. In addition to making things easier for firms, a digital accounting system stores information in a specific area, giving the owners real-time access to essential details and information. In a digital accounting system, critical financial data, from cash flow to balance sheets, will be accessible in a few clicks (Berman, 2012).

One of the primary reasons why businesses and companies today are looking for automation and digitizing operations is because doing so enables them to save more by minimizing the cost of services. Using digital data is more cost-effective than other forms of recording data. It works faster and saves businesses time so they can concentrate on different parts of the company (Shan, 2021). Therefore, digital accounting can offer more benefits, namely (a) convenience and improved pace of productivity, (b) security and agility, (c) easy invoicing and payment tracking, (d) better integration and syncing, (e) facilitation of tax preparation, (f) making bank reconciliation easily, (g) specialized functions, and (h) allowing to obtain real-time advice. Firms with successful digital accounting can have information accuracy to make critical decisions and upgrade accounting systems to support increased scales of operations.

Concept of Accountability

Accountability is the concept of answerability by an individual or a department for the performance or outcomes of specific activities. Essentially, the accountable party is responsible for the execution of the desired role (Bovens, 2017).The benefit of accountability is that it assures that an auditor presented an accurate and fair view of a company's financial health. The auditor is, therefore, legally and criminally liable for fraud or breach of contract resulting from the audited financial statements. Accountability commands care, knowledge, and skills during accounting practice since a slight omission or an act is tantamount to professional negligence.

According to Omotoso (2017), accountability refers to a situation where an individual or company is responsible for the outcomes of a particular activity.Accountability on checks and balances guarantees the integrity of capital market investment activities.Agencies with structured accountability can realize legitimacy and a high level of governance, as well as better financial positioning.Accountability helps to improve the quality of financial reporting. In essence, the integrity of the capital markets depends on credible checks and balances. The accountability objective is the basis for constructive dialogue between investors and management. It shows how the management utilizes the resources with which it is entrusted.

Shareholders are also interested in the concept of accountability in a company's operations. Public companies have a fiduciary responsibility to their shareholders by ensuring accurate and timely reporting of earnings for the year and proper execution of trade.They also ensure proper communication of information by having established channels of communication where important information is communicated to shareholders, potential investors, and the public. A reasonable level of care and accuracy is needed to curb possible errors – failure to which the company may incur a penalty. If they suffice, the responsible party is held accountable.

Theoretical Framework

The theory of digital accounting systems is wide one. The digital accounting model is one of the most highly-cited IT adoption models describing how IT is adopted by end-users. However, to enable a broader perspective, the digital accounting model was extended by incorporating other important influential factors not previously examined, particularly in AIS adoption research. These factors were derived from the TTF model (Goodhue and Thompson, 1995) and institutional theory (DiMaggio and Powell, 1983). This is because it is argued that, although digital accounting is a powerful theory, it is limited. Venkatesh et al. (2003) suggest that digital accounting needs to be strengthened by including additional factors in its structures. Several studies (e.g. Klopping and McKinney, 2004, Zhou et al., 2010) suggest that digital accounting's ability to explain the adoption and usage of new systems could be enhanced by extending or combining it with other theories or models to account for more potentially important factors that might affect end-users' behavioural intention.

Furthermore, the combined theoretical perspectives are more effective in measuring individuals' intention regarding factors that influence the adoption of new technology. For the financial function to be effective there must be timely use of information generated by various reports and statements (Marivic, 2019). Financial reporting is not an end itself but it supports better performance by an organization through direction, control, monitoring, advice, training, and support among other. As a result, many companies are replacing traditional manual accounting systems with digital systems. The emergency of digital accounting is providing timely and effective information (ACCA, 2007).

Methodology

This study employed the survey research design as the main research instrument through the administration of questionnaires. The questionnaire used by Kotoka (2012) in his study is adapted and modified for this study. The reason for the adaptation is to ensure reliability and validity. The questionnaires were administered to 50 respondents which cut cross the identified listed firms. The outcome of the questionnaires administered and retrieved are sorted and coded in order for it to be subjected to regression analysis using SPSS (20) and the results from the test was used to validate or invalidate the hypothesis stated.

Model Specification

To measure the significantrelationship between the dependent variables (financial reporting and accountability) and the independence variable (digital accounting) the following model was stated in both functional and econometric form.

Functional Form

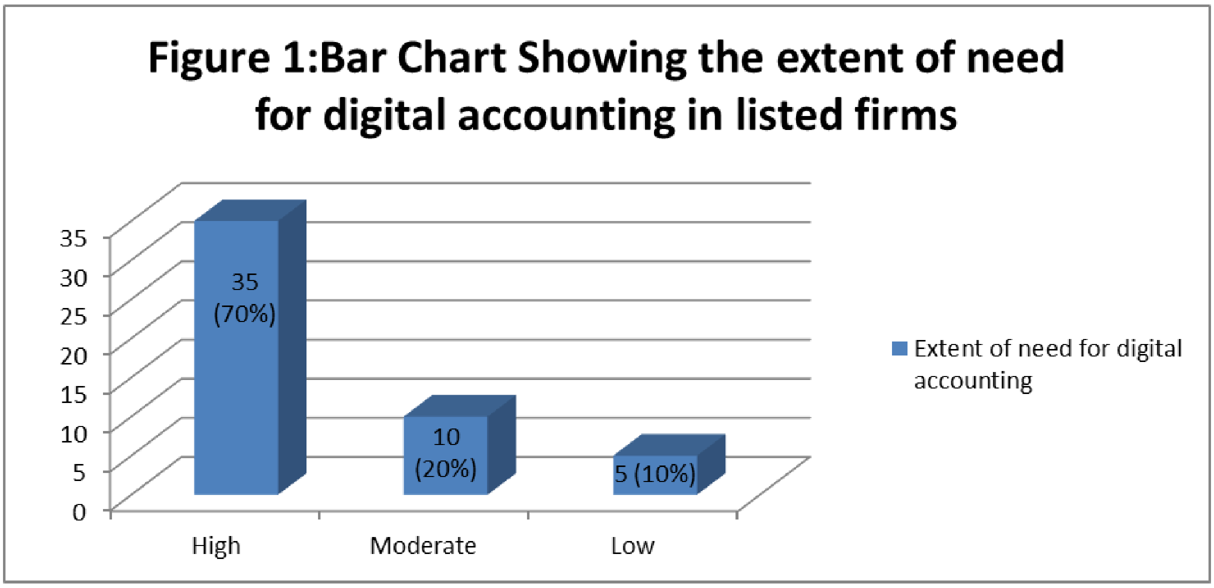
DA = f (FR and Acco)

Econometrics Form

DA = ά0 + ά1 FR + ά2 Acco+ U

Where:
DA = Digital Accounting
FR= Financial Reporting
Acco = Accountability
ά0 = Regression constant
ά1 – ά2 = Regression Coefficient
U= error term

Results and Discussion



The bar chart presented in Table 1 revealed the extent to which digital accounting are needed in listed firms in Nigeria. It was found that 70% of the respondents indicated that digital accounting is highly needed by manufacturing firms in Nigeria.

Table 1: Regression Analysis for effect of digital accounting on financial reporting and accountability

Model	Financial Reporting	Accountability
Beta	0.7092	0.7102
t-Statistics	9.0922	5.7863
R^2	0.7091	0.7102
Adjusted R Square	0.7873	0.7000
F- statistics	22.9803	51.9034
P- Value	0.0001	0.0000
Durbin-Watson	2.5665	1.7659

P < 0.05 (Sig.)

The result in Table 1 shows that effect of digital accounting (β = 0.7092; t = 9.0922; p = 0.0001) has positive and significant relationship on financial reporting. Additionally, implementation of the digital accounting independently contributes about 70.91% to financial reporting with the R^2 of 0.7091. The estimated Durbin - Watson value of 2.5665 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that implementation of digital accounting has significant relationship with financial reporting. The F-statistic of 22.9803 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is rejected while alternative hypothesis is accepted.

The table also reveals that implementation of digital accounting (β = 0.7102; t = 5.7863; p = 0.0000) has positive and significant influence on accountability. Furthermore, result shows that implementation of digital accounting independently contributes about 71.02% to accountability with the R^2 of 0.7102. The estimated Durbin - Watson value of 1.7659 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that implementation of digital accounting has significant impact on accountability. The F-statistic of 51.9034indicatesthat the overall regression plane is statistically significant. Therefore, null hypothesis is rejected.

Theseresults imply that financial reporting and accountability are significantly related to digital accounting financial administration in Nigeria.

Conclusion

Based on the finding of the study, it was concluded that financial reporting and accountabilityare significantly related to digital accountings in manufacturing firms in Nigeria. Hence, there is effectiveness of digital accounting on financial reporting and accountability of manufacturing firms in Nigeria.

Recommendations

The following recommendations are made.

1. The executives of the firms should invest, apply and utilize digital accounting as a valuable tool in business operations through allocating assets, resources, and capabilities to achieve the success of digital technology usage.
2. Digital accounting should be encouraged at the various stages of financial reporting as this will also have impact on the level of companies' accountability in Nigeria.

References

Berman, S. J. (2012). Digital transformation: Opportunities to create new business models. Strategy and Leadership, 40(2), 16-24. https://doi.org/10.1108/10878571211209314

Bovens, M. (2017). Analyzing and Assessing Accountability: A Conceptual Framework. *European Law Journal.*13(4):447-468.

Effiong (2012): Forensic accounting education: an exploration of level of awareness in developing economies- Nigeria as a case study. *International journal of business and management*vol 7,no 4; pp26-34

Goodhue, D. L. & Thompson, R. L. (1995). Task-technology fit and individual performance.MIS quarterly, 19, 213-236.

Howard , A. &Kanya, P. D. (2014). Fostering digital transformation of SMEs: A four levels approach. Management Decision, 58(8), 1543-1562. https://doi.org/10.1108/MD-07-2019-0939

Izedomin, S. M. F., &Mgbame, M. C. (2020).The usefulness of financial reporting for internal decision-making in Portuguese municipalities. Management Research: The Journal of the Iberoamerican Academy of Management, 11(2), 178-212. https://doi.org/10.1108/MRJIAM-Dec-2011-0465

Kasum, I. H. (2019). Accounting and politicians: A theory of accounting information usefulness. Journal of Public Budgeting, Accounting, and Financial Management, 31(4), 496-517. https://doi.org/10.1108/jpbafm10-2018-0113

Klopping, C. & McKinney, J. (2004). Strategic action fields of digital transformation: An exploration of the strategic action fields of Swiss SMEs and large enterprises. Journal of Strategy and Management, 13(1), 160-180. https://doi.org/10.1108/JSMA-05-2019-0070

Marivic, M. H. (2019). The extent of corporate social responsibility disclosure: evidence from Bangladesh. Journal of Asian Finance, Economics, and Business, 8(4), 563-570. https://doi.org/10.13106/jafeb.2021.vol8.no4.0563

Okekeocha, S. (2019). We all need help: 'Big data' and the mismeasure of public administration. *Public Administration Review*, *76*, 864-872.

Okoh, R. J. &Ohwoyibo, T. A. (2019). Digital government and public management research: Finding the crossroads. *Public Management Review*, *20*, 633-646.

Shan, Y. G. (2021). Digital corporate reporting and value relevance: evidence from the US and Japan. International Journal of Managerial Finance, 17(2), 256-281.

Shuraki, M. G. (2021). Accounting comparability, financial reporting quality, and audit opinions: Evidence from Iran. Asian Review of Accounting, 29(1), 42-60. https://doi.org/10.1108/ARA-06-2020-0087

Troshani, I., Locke, J., &Rowbottom, N. (2019). Transformation of accounting through digital standardization: Tracing the construction of the IFRS taxonomy. Accounting, Auditing and Accountability Journal, 32(1), 133-162. https://doi.org/10.1108/AAAJ-11-2016-2794

Zhou, A. C. R., Semeijn, J., Hammedi, W., &Henseler, J. (2011).Technology-based service proposal screening and decisionmaking effectiveness. Management Decision, 49(5), 762-783. https://doi.org/10.1108/00251741111130841