

## CLOUD ACCOUNTING SOFTWARES AND FINANCIAL PERFORMANCE: A STUDY OF QUOTED MANUFACTURING FIRMS IN NIGERIA

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### Abstract

The study examined the effect of cloud accounting Software and Return on Assets (ROA): A study of quoted manufacturing firms in Nigeria. The study adopted ex-post-facto research design. Secondary data were sourced from CBN bulletin, national bureau of statistics and the firm's financial report. Data collected were analyzed using multi- linear regression. From the analysis, result showed that adoption and use of cloud accounting software enhances the performance of firms in terms of their return on asset and general growth. This will in turn boost investor's confidence and increase firms return on equity. Based on this the study, it was recommended that firms that has not started using cloud accounting software, should ensure to adopt it as this will help to boost their performance.

**Keyword: Cloud Accounting, Software & Financial performance**

### Introduction

Cloud accounting software is similar to traditional desktop based solutions with the difference being that it is hosted on remote servers. Data is sent into the cloud where it is processed and stored. The benefits to the end user include access to real time data from anywhere with an Internet connection and from any device including laptops, smart phones and tablets. Employees have greater visibility within an organization and can collaborate more effectively. And for business owners, peace of mind comes from knowing that routine maintenance and updates to the software are managed by the SaaS (Software as a Service) provider.

Clouds accounting are the new trend in the evolution of the distributed systems. The user does not require knowledge or expertise to control the infrastructure of clouds, it provides only abstraction. It can be utilized as a service of an internet with high scalability, quality of service and high computing power. Cloud accounting providers deliver common online business applications which are accessed from servers through web browser. Cloud accounting is more mobile, flexible and efficient cloud-based technology in completing accounting tasks (Dimitriu & Matei, 2015). Cloud accounting is capable of processing financial data without being limited to location and time

access, (Wyslocka & Jelonek, 2015). The ability of cloud accounting in managing this information data is consistent with the opinion that information technology should be capable of handling information input data, (Zhou, Lu & Wang, 2010). The importance of information is a part of the process carried out by technology in transforming inputs into outputs to meet information needs, (Zhou *et al.*, 2010). Technology capabilities in information management, communication delivery, and coordination are also related to information quality, (Gebauer, Shaw & Gribbins, 2010).

The impact of the of cloud accounting is to produce accurate and relevant information in a timely manner as well as the comfort and ease of access to information and the ability to produce comprehensible and latest information, (Gebauer, Shaw & Gribbins, 2010). Information quality is one of the dimensions of information system success, where there is integration between dimensions in achieving the success of information systems. Issues in data transaction reliability, completeness of data transaction and technological support in data management are obstacles in improving the performance of cloud accounting users in producing accounting information quality. It's as result of backdrop that this study is focused on cloud accounting and financial performance: A study of quoted manufacturing firms in Nigeria.

Financial reporting requires the arrangement of accounting related information by the administration and as well address the different issue that could prevent the firm from effective performance. According to Financial Accounting Standards, their financial reports should be open and more accessible to investors to be able to see the performance level of any firm which they want to invest on. For such, actuality of the financial report is necessary. It is normal that the financial reports ought to be properly recorded for business exchanges that presents across all firm's business activities.

This ensures better clarification of situations. It as results of this that this study is aim at investigating cloud accounting and financial performance of quoted manufacturing firms in Nigeria. The major objective of the study is to investigate the effect of cloud accounting software on financial Return on asset of firms.

## **Theoretical Framework and Review of Related Literature**

### **Concept of Cloud Accounting**

Hatherly, (2013), defined cloud accounting as IT innovation that has the potential to remodel the accounting field and software market of accounting profession. According to Matei & Alexandru (2015), cloud accounting which is also known as online accounting, web-based accounting, real-time accounting is accounting procedure which employ the use of software in accounting activities for cost-effective and practical accounting solutions, besides performing automated tasks and which is flexible enough in order to adjust to different business needs or market conditions.

According to Raihan (2019), cloud computing is a type of parallel and distributed system consisting of a collection of interconnected and virtualized computers that are dynamically provisioned and presented as one or more unified computing resources based on service-level agreements. It can also be defined as model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction. (Mell & Grance, 2011).

### **Concept of Financial Performance**

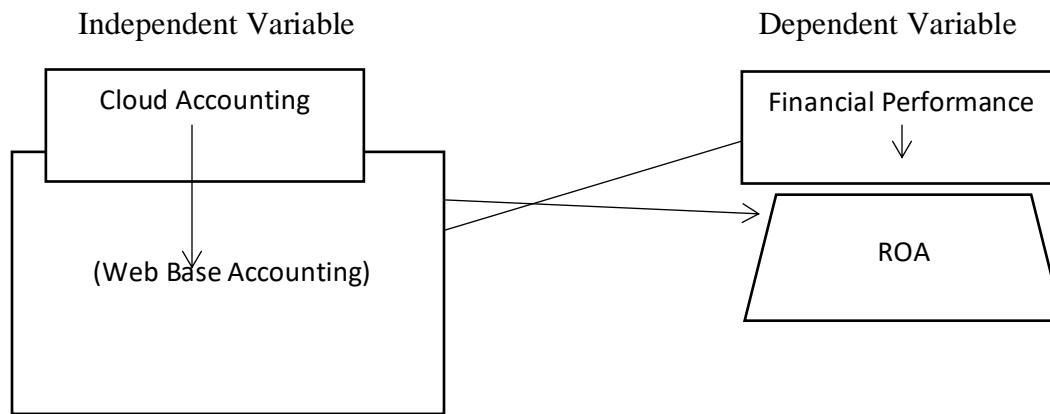
Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial

health over a given period, (WILL,2022). Eshna (2022), defined financial Performance in a broader sense to refer to the degree to which financial objectives is being accomplished. According to him, it is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of

time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance is a general term that describes the overall financial health of an organization, (Robin,2021).

## Conceptual Framework



## Theoretical Studies

### Effect of Cloud Accounting Software on Financial Return on Asset of Firms

Cloud accounting is growing in popularity with the passage of time which has led to the creation of major accounting firms in addition to accounting organizations including the American Institute of Certified Accountants (AICPA) who emphasized the need to work to increase the level of interest in cloud technology by providing a wide range of services and existing guidance on cloud technology to benefit the accounting profession by taking a systematic approach to risk assessment including setting effective policies for the use of cloud applications and a risk response plan, which enables companies to test the effectiveness of this new technology and increasing operating efficiency in its accounting business ((Kinkela, 2013; Dimitriua & Mateia 2015).

Therefore, (Jones, *etal*, 2017), believes that cloud accounting simply enhances the performance (ROA) of works to store, process and use the data available on the company's multi-site computers through access to it via the internet. This means that users of this data take advantage of the high capacity of the computer system which does not require large capital investments in order to meet its needs and that they can access their data from anywhere as long as they are connected to the Internet. Such performance also contributes positively to ROA (Return on asset) of firms in it accounting processes.

### Gap in Knowledge

From the above review of literature, it is evident that several work has been done on this topic under study. However, none has been done in Delta State to ascertain the effect on cloud accounting software on financial performance of firms. In Nigeria, the focus is on how to

adequately use cloud accounting to address problems of inadequate accounting information in most organization as well as difficulty in the accessibility of accounting information of firms as compared to other developed county of the world. This gap is what this study is aimed at bridging.

### Methodology

The study employed ex-post-factor research design. Content analysis was used to collect secondary data. By using content analysis, the researcher codified the data into the following categories namely; cloud accounting (CA) and return on asset (ROA). The use of content analysis is based on proportions of pages to be collected on tax administration and it effect on revenue data on social disclosures as outlined by Gray et al, (2015). In this analysis, volume was used as surrogate for importance. That is, the more voluminous disclosure is, the higher the

chance of its importance and hopefully usefulness. The secondary data used were sourced from the report of the accounting firm and data collected was analyzed using multi-linear regression.

### Model Specification

The model expresses the Cloud accounting (CA) as a function of return on asset(ROA). This can be mathematically expressed as:

$CA = f(ROA + Ut)$ . This can be further proxied mathematically as follows

### Economic growth model

$CA = f(ROA + Ut)$ ----- ( I )

$CA = Bo + B_1ROA + Ut$ ----- (2)

Where;

CA = Cloud accounting

ROA= Return on asset

Bo – B1 = Constant

ut =Error

## Results and Findings

**Table 1: Regression Result for Dangote Cement Nigeria Plc**

Variable	Coefficient	F-Cal	R-sq(adj)	Durbin-Watson statistics	P
Constant	12012.92	2.15	0.90	4.3	0.001
ROA	0.7031				
$CA = Bo + B_1ROA + Ut$					
$CA = 0.7031 + Ut$					
R-sq (adj) =0.90					

Table 1 shows that cloud accounting positively affect the performance of Dangote cement ROA up to 70.3%. From the result, it could be deduced that cloud accounting positively contributed to performance variable of the firm. The general effect of cloud accounting on

performance of the firm contributed to 90% increase in growth of the firm as indicated by R-sq (adj) value. Dubin-watson value greater than zero as noted in the table also indicates that the variable in the study is significant and reliable for making inference for this kind of study.

**Table 2: Regression Result for 7up Nigeria Plc**

Variable	Coefficient	F-Cal	R-sq(adj)	Durbin-Watson statistics	P
Constant	3056.9	6.00	0.75	3.10	0.031
ROA	0.7510				

$$CA = B_0 + B_1ROA + U_t$$

$$CA = 3056.9 + 0.75ROA + U_t$$

$$R\text{-sq (adj)} = 0.75$$

Table two shows that in 7up Nigeria plc, cloud accounting accounted for 75.1% increase in Return on asset of the firm. This result shows that the use of cloud accounting enhanced the financial performance of the firm over the period of study. However, the positive effect of cloud accounting does not only affect the performance of this variable but also affect the general growth of the firm positively by increasing it to 75% as indicated by R-sq (adj) value.

**Table 2: Regression Result for Dangote Sugar Nigeria Plc**

Variable	Coefficient	F-Cal	R-sq(adj)	Durbin-Watson statistics	P
Constant	89123.8	6.12	0.96	8.01	0.000
ROA	0.7001				

$$CA = B_0 + B_1ROA + U_t$$

$$CA = 89123.8 + U_t$$

$$R\text{-sq (adj)} = 0.96$$

Table 3 shows that in Dangote sugar, the use of cloud accounting accounted for 70% positive effect on performance. This implies that cloud accounting has significant positive impact on the performance of the firm. The effect of cloud accounting practice in the firm also contribute to a significant growth in the firm by 96% R-sq (adj) value

### Hypotheses Testing

**Table 4 (H<sub>01</sub>): There is no significant effect of cloud accounting software on financial return on asset of firms.**

Variable	F-Cal	R-sq(adj)	Durbin-Watson statistics	P
Constant	2.15	0.90	4.3	0.001
ROA				

Table 4 shows that the probability level(P) is less than 0.05%. At this level of significance, the stated null hypothesis is rejected. Therefore, it can be concluded that cloud accounting software have positive effect on ROA. This implies that cloud accounting is highly significant for financial performance.

## Findings

Findings from the study showed that some firms are adopting the use of cloud accounting software and they have benefited from its use. Evidence shows that in Dangote Cement, the use of cloud accounting has enhanced their performance as shown in their return on asset (ROA). The increase in this performance variable also contributed immensely to their general growth and as well encourage investors to invest with the firm. The finding of the study is in consonance with the finding of Strauss, Kristandl and Quinn (2014), who completed an examination on the impacts of cloud innovation on the executives bookkeeping and dynamic. The same is true in the case of the performance of 7up Nigeria bottling company over the period of 10years. Analyzes indicated that the firm performance increased with respect to their ROA. The findings agree with the finding of Dimitriua and Mateia (2015), who explored distributed computing as another worldview for accounting and found that digitization of business using cloud accounting enhances performance. It was also noted that the performance of also Dangote sugar increased positive due to the effect of cloud accounting practices. This implies that cloud accounting contributes to firm's performance.

## Conclusion and Recommendation

Evidence from the study has shown that cloud accounting has positive impact on firm's performance. It has also been noted that the adoption and use of cloud accounting makes accounting process more reliable, secure and easily available for users who may like to have a comprehensive overview of a firm's financial report for the purpose of investing. Therefore, cloud accounting has actually contributed to performance of firms. Based on the finding of the study, it is recommended that firm's that has not started using cloud accounting software, should ensure they adopt it as this will help to boost their performance.

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