ACCOUNTING INFORMATION AND LOAN ACQUISITION BY SMALL AND MEDIUM ENTERPRISES (SME) IN NASARAWA STATE, NIGERIA

BY

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A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, NASARAWA STATE UNIVERSITY KEFFI, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS OF SCIENCE(M.Sc.) IN ACCOUNTING AND FINANCE

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DECLARATION

I hereby declare that this dissertation has been written by me and it is a report of my research work. It has not been presented in any previous application for master of science degree. All quotations are indicated and sources of information specifically acknowledged by means of references.

SIGN………………DATE………………..

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CERTIFICATION

The dissertation "Quality of Accounting Information and Loan Acquisition by Small and Medium Enterprises in Nasarawa State, Nigeria" meets the regulations governing the award of Degree of Master of Science (M.sc) in Accounting and Finance of the School of Postgraduate Studies, Nasarawa State University, Keffi, and it is approved for its contribution to knowledge.

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DEDICATION

This work is dedicated to the effort of all owners of small and medium enterprises in Nasarawa State, Nigeria.

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TABLE OF CONTENTS

CHAPTER THREE: RESEARCH METHODOLOGY

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

ABSTRACT

The need for effective accounting information system in SMEs which derives its importance and necessity from its level of contribution in improving the value chain of business organization. The relevance of SME-sub sector in Nasarawa State economy has necessitated the need for empirical investigations into the nature of its monetary tasks. The SMEs sector suffers from many economic and financial challenges and difficulties, which requires them to resort to borrowing to meet these challenges. This study empirically assessed the relationship between accounting information and SMEs loan acquisition in Nasarawa State. The study specifically determined the effects of accuracy, reliability, relevancy and understandability of accounting information on SMEs Loan acquisition. Descriptive survey research design was adopted. A total number of 1,120 SMEs cut across the three senatorial zones were used as population while a sample size of 295 respondents was scientifically determined using Yaro Yamane sampling size determination technique. Data was generated using a well-constructed likert scale questionnaire and the reliability and validity of the instrument was tested using Cronbach Alpha. The study employed the use of multiple regression analysis to with the aid of STATA V13 to analyzed the data. The results obtained indicated that accuracy, relevance, reliability and understandability have a positive and significant relationship with SMEs loan acquisition. It was concluded that accounting information is a viable tool for loans acquisition by SMEs. The study therefore recommended that SMEs should imbibe the culture of maintaining sound accounting systems and access the services of the accountant to be able to establish reliable accounting system. Quality accounting information will enhance SMEs' financial management as well as accessibility of loan.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Accounting plays a significant role in the success or failure of commercial institutions and therefore is aimed at promoting efficient record, examining, checking, assessing of the financial disorder of enterprises, grounding of official papers essential for tax drives and providing evidence provision services to many other organizations (Amidu & Abor,2011).

The International Accounting Standard Committee (IASC) (1973) framework identifies four principal objectives that makes information useful: relevance, reliability, comparability and understandability. These objectives, describes their qualitative and simplifies how they interrelate with one another. FASB Concepts Statement No. 2, Qualitative Characteristics of Accounting Information, identifies these qualities and clarifies how they interact with one another. The concept statement No.2 further clarifies that, the main quality of accounting information is relevance, reliability accuracy and understandability and that to be valuable, if either is missing completely from a piece of accounting information, the information will not be useful. The accounting information provided by accountants most have relevance and reliable for useful decision making.

In essence, the challenge of an accountant, also to the management of a firm, is to improve in the quality of accounting records in order to achieve the primary and secondary qualitative characteristics of useful accounting information. When accounting information has these characteristics, the small and medium enterprises (SME) can provide accuracy accounting information useful and needed assessable information to decision makers.

According to International Accounting Standard (IAS), the objective and purpose of financial position is to provide evidence about the financial position, financial performance, and cash flow of an entity that is useful to a wide range of users in making economic decisions, to meet that objective the financial statements to show the results of the management's stewardship of the resources entrusted to it.

It is an established fact globally that Small, and Medium Enterprises (SME) sector is a key engine to economic growth and development. This sector is responsible for most of the advances in new products and process, provides most of the employment opportunities but is also a key indicator of the overall performance of an economy. Small and medium enterprises are gaining relevance acceptance as viable drivers of economic growth. They have tremendous impact on employment generation. However, the reliability of these enterprises demise without fulfilling expectations due to inaccuracy of accounting data and poor management arising from weak accounting information.

The dynamic nature of this sector also makes it vulnerable to a high mortality rate occasioned by sudden shifts in economic policy, global trends, global shocks in international markets and many unforeseen situations. The lean nature and size of this sector, which underscores its vulnerability, is also its key asset. It is flexible and can easily rise up to and adapt to sudden change in situations locally and globally. These are some of the underlying facts, which necessitated a change of focus in Nasarawa State's economic policy direction.

Nasarawa State population of over 1.2 million people across the three senatorial zones comprises of Nasarawa South, Nasarawa North and Nasarawa West with over 65% of that figure being below the age of 35 makes a change of policy imperative. No state with the abundant potentials and population can afford to maintain a status as a rentier economy on a single commodity and solid minerals. Therefore, one of the few alternatives open to policy makers was to look inward and seek to develop the state economy through the SME sector.

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established in 2003, to facilitate the promotion and development of Small and Medium Enterprises (SME) sector in an efficient and sustainable manner. This necessitates the need for banks and other financial institutions to offer loans to SMEs and have reliable data for a strategic plan that will foster economic transformation in the state. With the overall objective of keeping adequate financial records and presentation of understandable financial statements is essential SME accessing loan like also boosting the economy and taking good financial decision. The researcher aims of striving to fill the gap of the death and paucity of SME by having reliable and understandable of quality of accounting information and access to loans, which is one of the main constraints in the development of this sector.

In the previous, a lot of innovative policies were being introduced and implemented by the Federal Government of Nigeria. First was the (10%) ten percent of deposit money banks profit before tax into small and medium enterprises investment scheme (SMEIS) formulated on August 1, 2001. Under the policy, money deposit banks are required to invest (10%) ten percent of their profits before tax in small and medium scale industries of their choice in a partnership effort aimed at improving the flow of funds to revitalize the real sector of the economy.

SMEs in Nigeria makes up about 97% of businesses and provide on average 50% of Nigeria’s employment, and its industrial output. SME have the ability to start small and grow quickly and as well survive through rapid response adjustment in good and bad economic times (Mitchell &

Reid,2000; Nandan,2010). Government and individuals have realized SME relevance in keeping record of financial statement and in acquiring loan from the banks and other financial institutions in booting their business activities. However, for SME to perform the roles as enumerated above, they need collateral accessibility of short and long-term loans. Due to the nature of SME access for loan is always in short supply. It becomes necessary for SME to provide reliable financial statements, cash flow statements and income statements in accessing credit from banking industry.

Government of Nigeria has made elaborate effort to assist the SME in their funding problems but still no adequate attention was given to SME and the government promised becomes abortive, the government has been active in the development of SME in Nigeria by initiating many schemes and instituting many agencies to help SME to overcome their financial hitches. SME access to loan in Nasarawa State, Nigeria have not been surmounted because of SME inability to generate and use quality accounting information. In the face of poor accounting or non-existence quality of accounting information SME management is inhibited to loan acquisition. It is based on this reasoning that very crucial and onerous tasks are set before the accountant who is equipped with the skills and theories of business to produce reliable accounting information that can assist the SME in access to loan and boost their business activities and economic decisions. It is exigent that financial statement of SME be given passionate attention by business professionals especially the accountant. SME really entail extensive and constant efforts on the part of the accountant to assist owner-managers to access adequate finances at affordable costs.

This study, therefore, examines the problems of the SME in relationship to availability of relevance of quality of accounting information used in access to loan by minor and average enterprises in Nasarawa State, Nigeria.

1.2 Statement of the Problem

Small and Medium Enterprises (SME) in Nasarawa State have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development, it has also been a great cause of concern to all, the fact that the vital sub-sector has fallen short of expectation. The situation is more disturbing and worrying when compared with what other developing and developed states have been able to achieve with their SMEs. It has been shown that there is a high correlation between the degree of poverty hunger, unemployment, economic well-being standard of living of the citizens and the degree of vibrancy of the respective State. SMEs proven to be worrisome because of the inadequacy of the keeping of accounting records. Yet the inadequacy and ineffectiveness of keeping quality of accounting in formation have been responsible for the ultimate collapse of a host of SME (Mukaila and Adeyami, 2011). The SME die shortly after their establishment and the performances of the surviving few are far below expectations (Osotimehim,2012). It believed that the failure rate of SME is very high due to in availability of the SME to present quality of accounting information to access loan for additional working capital. The SME sub sector has neither been effective enough to create substantial job opportunities nor efficient enough to improve the standard of living of Nasarawa State, Nigerian populace. Unemployment rate is very high and more than half of the population is still living below the poverty line (World Bank, 2001; Abu & Abdullah,2010).

Most SME access to loan solely depend on the quality of accounting information businesses produced. The question is how is accounting information relevant to SME in accessing credit facilities? How reliable is accounting information to SME in Nasarawa State in enhancing their economic decision making? The absence of the basic accounting practices in most SME in Nasarawa State of Nigeria tends to compound their access to loans problems, sometimes tie huge investible capital where it is not needed and inventories are excessively stocked and more credit facility than necessary extended to customers amidst shortage of working capital. Due to inadequate investment planning and supervision. In most cases they embark upon investment in fixed assets whose yield are not commensurate to the huge capital outlays. Also, observed are situations where SME do not have good accounting bases for determining their profits. Quality of accounting information have continued to militate against SME success in Nasarawa State, Nigeria because SME have no habit of accessing the service of the accountant. Adequate accounting practices are necessary for appropriate quality of accounting information practices. The accountant is one professional and valuable companion the SMEs hardly realize timely (Larson & Clute 1979; Watson,2003). The main purpose of this study is to empirically investigate the effect of quality of accounting information on loans acquisition of SMEs in Nasarawa State.

1.3 Research Questions

The study will provide answers to the following research question;

i. What is the effect of accuracy of quality of accounting information on SMEs loans acquisition in Nasarawa State?

ii. What is the effect of reliability of quality of accounting information on SMEs loans acquisition in Nasarawa State?

iii. What is the effect of relevance of quality of accounting information on SMEs loans acquisition in Nasarawa State?

iv. What is the effect of understandability of quality of accounting information on SMEs loans acquisition in Nasarawa State?

1.4 Objectives of the Study

The purpose of this study is to empirically investigate the effect of quality of accounting information on loans acquisition of small and medium enterprises (SMEs) in Nasarawa State. Precisely, the study assessed;

i. The effect of accuracy of quality of accounting information on loans acquisition of SMEs in Nasarawa State.

ii. The effect of reliability of quality of accounting information on loans acquisition of SMEs in Nasarawa State.

iii. The effect of relevance of quality of accounting information on loans acquisition of SMEs in Nasarawa State.

iv. The effect of understandability of quality of accounting information on loans acquisition of SMEs in Nasarawa State.

1.5 Statement of Hypotheses

The study was led by the following null hypotheses:

$\mathbf{H_{01}}$: accuracy of quality of accounting information has no significant effect on loans acquisition of SMEs in Nasarawa State.

$\mathbf{H_{02}}$: reliability of quality of accounting information has no significant effect on loans acquisition of SMEs in Nasarawa State.

$\mathbf{H_{03:}}$ relevance of quality of accounting information has no significant impact on loans acquisition of SMEs in Nasarawa State.

$\mathbf{H_{04}}$: understandability of quality of accounting information has no significant effect on loans acquisitions of SMEs in Nasarawa State.

1.6 Significance of the Study

The research work is significant in several ways, viz;

It provides understanding of the kind of quality of accounting information of SME towards accessing loan facilities from banks and other financial institutions and serves as source of information to SME on the maintenance of proper accounting records and standards. The study benefit existing and prospective entrepreneurs on the need to providing quality of accounting information towards loan acquisition by SME and benefit policy analyst as it assists in analyzing the effectiveness and success of the work of SME agency board in Nigeria such as small and medium enterprises development agency of Nigeria (SMEDAN) and its significant because it serves as a source material for further research study in a related area.

1.7 Scope of the Study

The study coverers aspects of quality of accounting information and loan acquisition by small and medium enterprises in Nasarawa State specifically, on the area that guided the study, Independent variables (relevance, reliability, accuracy and understandability). Relevance are information that makes difference in decision making, Reliability are information that are verifiable, factual and neutral from error and bias in regards to the financial statement, Accuracy is the qualitative characteristic which occurs when the recorded value is in conformity with the actual value and understandability is when the quality of financial information users of that information are able to comprehend its meaning. These qualities make accounting information understandable and useful for decision and reporting purposes. The goal of information reporting is to provide useful information to current and potential investors, creditors and other users of accounting information e.g. government and other decision bodies (Mike,2008). Dependent variables (Access to credit, collateral and Interest rates) Access to credit include all forms of finance, formal and informal that can be accessed by the SME to overcome their financial needs, interest rate is the percentage of the principal charge by the lender for the use of its money and collateral facility is the property or assets a borrower offers as a way to secure for loan. The study covers the period of 2017.

CHAPTER TWO
LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Quality of Accounting Information System

Quality of Accounting Information System is considered as a subsystem of Management Information System (MIS). Concerning accounting as information system is possibly the latest definition of Accounting. For the first time in 1966 the Statement of Basic Accounting Theory, published by the American Institute of Certified Accountant (AICPA) stated that Accounting essentially is information system and if we be more precise accounting is the practice of general theories of information in the field of effective economic activity and consists of a major part of the information which is presented in the quantitative form.

Quality of Accounting information systems could be pronounced as systems used to record the financial transactions of a business or organization. These systems combine the methodologies; controls and accounting techniques with the technology of the Information Technology industry to track transactions provide internal reporting data, external reporting data, financial statements, and trend analysis capabilities to effect on organizational performance (Grande, Estebanez & Colomina, 2010). In the words of Bocholt (1999), Accounting Information Systems can be defined as systems that operate functions of data gathering, processing, classifying and reporting financial events with the aim of providing relevant information for the purpose of score keeping, attention directing and decision-making.

Accounting Information System, by Nicoloau (2000) is a computer based system that increases the control and enhances the cooperation in the organization. Management is involved with diverse types of activities that requires quality and reliable information. They require also non-financial information such as production statistics, quality of production and so on. Nevertheless, quality of information generated from AIS is very vital for management. Kim (1989) argues that usage of AIS depends on the perception of the quality of information by the users. Romney and Steinbart (2000) defined accounting information system as ‘a system that processes data and transactions to provide users with information they need to plan, control and operate their businesses. Here, quality of accounting information systems is viewed as a system that helps management in planning and controlling processes by providing relevant and reliable information for decision making. It suggests that quality of accounting information system functions is not solely for the purpose of producing financial reports.

Usually, the quality of information depends on the reliability, form of reporting, timeliness and relevance to the decisions. Efficiency of quality of Accounting Information System also depends on the perception of decision makers on the usefulness of information generated by the system to satisfy informational needs for operation processes, managerial reports, budgeting and control within the organization. Some research indicates that the effectiveness of quality of Accounting Information Systems depends on the quality of output information that satisfies the users (Lewin, Minton & Kim, 1989).

2.1.2 Concept of Accuracy of Quality of Accounting Information

Information relating to an entity is accurate if all data to that entity have been included in its records (Stein, 2000). The more accurate the information is, the higher the securely managers can rely on it in making decisions (Stone, 1995). Failure to provide accurate of accounting information which causes a lack of verification of this information, because there are mistakes that result in a discrepancy between the information processed for administrative team, which leads to an error in the transfer of information to the decision maker.

2.1.3 Concept of Reliability of Quality of Accounting Information

Reliability, data is described as conforming to underlying transactions, as well as being verifiable and neutral (ICANZ,2001). It is also defined by the American Statement of Concepts (ASC,2004) as the value of information assures is reasonably free from error, bias and significances to represent. Similarly, Agmon and Ahitur (1987) presented three measures of reliability as: (i) Commonly accepted characteristics of data items, (ii) relative reliability (compliance of data to user requirements), and (iii) total reliability (level of resemblance of data items). The Statement of Accounting Concepts (1990) defines reliability as the quality of financial information which exists and the information can be depended upon to represent faithfully, without bias or undue error, the transactions or events that either it purports to represent or could reasonably be expected to represent.

2.1.4 Concept of Relevance of Quality of Accounting Information

The objective of quality of accounting information is to provide relevance quality of accounting information to the users of business and is measured mainly by its relevance. The financial information which exists, when that information effects decisions by users about the allocation of scarce resources by helping them to form forecasts the outcome of historical, current or upcoming events, and/or checking or correcting their historical evaluations, Statement of Accounting Concepts SAC 3 (1990). The Institute of Chartered Accountants of New Zealand ICANZ (2001) describes relevant information as checking or correcting poor expectation, or assisting in starting upcoming decisions.

However, relevance is also clear as the capability of the information to make a change in a decision by existence projecting about the upcoming and giving feedback standards about the historical presentation (McDaniel,2002). Hendriksen and Van Breda (1992) posit that the essence of that information is relevant if it has prognostic and response value and arrives timely in decision making.

2.1.5 Concept of Understandability of Quality of Accounting Information

It is not good having all the points attended to if the financial statements are in a way difficult for users to understand. An essential quality of information statements is that it should be presented in such a way that it is readily understandable. For quality of accounting information to be understandable, it should be represented in a complete, concise, clear and organized way (Ahmed, 2013). Also, the impact of quality of accounting information in the administrative decisions stands on the extent of absorption of the management team of this information, in order to be understandable, simplified and meaningful resorting to detailed data (Abdallah, 2013).

2.1.6 Concept of Small and Medium Enterprises

Generally speaking, there is no consensus definition of SME worldwide. According to the 21stNigerian Economic Summit 2015 worldwide, the meaning of SMEs differs from country to country, subject on the limitations measured appropriate to encourage the sub-sector in each country. Different countries, institutions and individuals have put forward various descriptions of small business as based on some limits.

Small and Medium Enterprises are generally privately owned organizations set-up for the purposes of producing goods or services for profit. The criteria for classifying business enterprises under SME differ from country to country (Aremu & Adeyemi,2011). The identifiable and predominant criteria across the globe include: size of capital invested, number of staff or employees, size of turnover or sales volumes and value of assets (Ezeh,1999; Bureau of statistics,2001). The reliance on the criteria identified above for the categorization of business enterprises under SME still varies across the globe (Ezeh,1999; ICAN,2010). There is no compromise as to the exact number of employees, size of capital employed, sales volumes or value of assets that qualify a business enterprise an SME. Relying on the number of employees'/staff criterion for instance, some countries describe all enterprises that have less than 100 employees as SMEs, others are in favor of 50 employees and some expand the net to include all firms who have less than 200 employees (Ojeka & Mukaro,2011).

Besides the controversy in defining the SME using the number of employees, there are difficulties in other criteria. It becomes apparent that for SME to be defined using the criteria of employees, sales volumes, assets employed, capital invested or a combination of the above, care must be exercised to overcome these inherent difficulties. This view was supported by Ezeife (1988) who pointed out that the definition based on number of workers may be misleading because owing to improvement in technology, so much money may be involved (say up to I billion naira) when only few people are employed. Ezeife (1988) further stated that definition based on capital should consider the time and the place. What is regarded as a large firm today may be actually an SME in the very near future and what is considered an SME in developed countries like United States of American may be a large firm in developing countries like Nigeria.

To buttress this fact, referring to SME definition by the European Union as follows: the new category of small and medium-sized enterprises (SME) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43million euro (Gunter,2005). The definition by European Union combined the criteria of the number of employees' turnover/sales volume and capital employed. Also, relying on the same criteria as the European Union, the UK defined SMEs as business organizations which have sales turnover between 6.5m pounds and 25.9m pounds, Net assets between 3.26m pounds and 12.9m pounds and number of employees between 50 and 250 (Lucas, Prowle, & Lowth,2013).

The federal Government of Nigeria in 1990 defined small and medium enterprises for purpose of commercial loan as those enterprises with capital investment not exceeding N2 million (excluding cost of land) or a minimum of N5 million (Aremu & Adeyemi,2011). Small and Medium Industries Equity Investment Scheme (SMIEIS) defined SMEs as those enterprises with a total capital employed not less than N1.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and / or with a staff strength of not less than 10 and not more than 300. Obamuyi (2007) observed the definition given by SMIEIS has taken care of major discrepancies by maintaining a level of specification. It is of practical importance to adopt this definition in this work owing to the fact that this definition is used by banks for the purpose of making loans available to SMEs in Nigeria.

However, the small and medium enterprises in Nasarawa, State are seen as the backbone of economic growth of the State. Once an accounting information is upright, the follow-on decisions can affect the level of presentation of small and medium enterprises (SME). According to Kalleberg and Leicht (1991) quantitative accounting information on relevance, reliability, comparability, and consistency are signified by two events; business sales and profitability. Financial Accounting Standard Board FASB (1980). Therefore, the diagram below shows the relevance of accounting information to loan acquisition of small and medium enterprises grades in performance.

2.1.7 Loan Acquisition

Loan acquisition refers to money borrowed by SME for the purchase of specific assets that are laid out before the loan is granted and able towards a time frame and aimed at specific purposes. It is often the practice of banks and other financial institutions to provide loans to SME in Nasarawa State, Nigeria as an additional source of capital to expand their businesses for economic growth and development. The risk of SME which they have not had much relations comparing another SME of equal strength. It usually poses difficult task to identify an SME of similar features with the SME in question.

This has often compelled the banks to associate the highest level of risk to all SME while evaluating the viability of extending loan facility to the SMEs. Even though, all SMEs in practice do not operate at the same risk level. Effort of the IFRS for SMEs is to put a standard for reporting SMEs' financial statements, it can be picked and analyzed in the same manner a financial analyst would do to quoted firms.

The enhancement of SME abilities to acquire loan for their business activities is called funding SMEs. The need for funding SME is obvious. Its role in every economy cannot be over emphasized (Ariyo,2005 and Terungwa,2012). SME are energetic for financial growth in industrialized and developing countries. Funding is essential to SME set up and expand their operations.

2.2 Empirical Review

Empirically, studies show that, accountant owns the skills with meaningful financial management that can be instituted to any organizations (Breans, Scuilli & Calvet,2003). This study reviewed empirically on the practices of some SME with the purpose of discovering what has safeguarded their financial advance and disappointment.

Ohachosim, Onwuchekwa and Ifeanyi (2012) investigated the relationship between accounting information and fund accessibility among SMEs in Nigeria. The researchers applied the ordinary least squares (OLS) techniques on a type of quality response regression model specified in the paper and found positive relationship between SMEs' accounting practices and their access to finances. The paper concludes that SMEs should improve their accounting practices by accessing the services of the accountant. It asserts that quality accounting information enhances SMEs financial management practices and accessibility of finances.

Karunananda and Jayamaha (2011) researched on the financial practices among small & medium enterprises (SMEs) in Sri – Lanka and their impact upon business performance. A total of 100 firms were used to determine the extent of their compliance to five identified reporting practice. Data was collected through structured questionnaires. In their research an attempt was made to ascertain the comprehensiveness of financial practices of SMEs. In their review they considered the SMEs financial systems, financial audits, historical and future oriented financial reporting practices and analysis of historical financial statements. Through using correlation coefficients, they were able to establish that there exists a significant connection between the comprehensiveness of financial practices adopted by SMEs and their performance. SMEs with appropriate financial systems were found to be performing better than those with inferior systems. Their findings revealed poor record keeping by SMEs, inefficient use of accounting information to support their financial decisions, low quality and unreliable financial data. They recommended that SMEs should engage proper financial practices for better performance. Sri Lanka recognizes the need to accelerate the growth of SMEs for sustainable development.

Amoako (2013) investigated the record keeping strategies utilized by SMES in Kumasi (Ghana). Data was based on responses to a structured questionnaire from 210 SMES in Kumasi that were conveniently selected. This was done on wide range of retail businesses including pharmaceuticals, hard wares, hotels, general merchants, printing and stationary enterprises, workshops (motor and furniture) amongst others. The questionnaire had three parts that covered business demographic profile, categorization of business that keep and those that do not keep proper records and finally categorization of responses based on reasons why a business maintains or do not maintain accounting records. Data was analyzed through descriptive statistics. This study revealed that SMEs in Ghana do not keep proper records due to lack of necessary accounting knowledge and high cost of hiring accounting professionals. Application of financial information to support assessment of financial performance by SMEs in Ghana was found to be inefficient. He recommended accounting training programmes for SMEs in order to formalize their operations and to tell the state of affairs of their business. He also recommended that authorities design specific guidelines for SMEs accounting and provision of templates for accounting practices by SMEs. This should be done in effort to simplify technicalities involved in maintaining accounting records.

Kurniawati (2013) carried a study on the impact of accounting information for business decision making and performance assessment of SMEs in Indonesia. A sample of seventy-five SMEs was conveniently selected from Central Java, Indonesia. Data was gathered through interviews and questionnaires then analyzed through quantitative technique. The results showed that SMEs only kept records of cash inflows and outflows. However scanty records were kept to assist in decision making. She recommended that SMEs be motivated to keep accounting records.

De Thomas and Fredenberger (1985) carry out a study on approximately progressive SMEs in Georgia and find out that they have installed and used very effective accounting information systems. A survey investigation project was used for the study and the survey reveals that the SME have high standard of financial recordkeeping. Sample for the study involved three hundred and sixty (360) small and medium enterprises in Georgia. The sampling technique used was stratified random sampling method to select the SMEs owners. A self-development, closed –end questionnaire was the instrument used for data collection. It was designed to sources information on the study. From the analysis of the data and results of the findings the following conclusions were made, that 92% of the respondents had approximately forms of record keeping outside the payment incomes. It is clear that achievement of the SME is attributable to their accounting information systems which were very operative. In line with this, is the findings of D'Ambrose and Gasse (1980) who studied on the utilization of formal management techniques, in Quebec Canada and found that a cost accounting system was in operational in about 88 percent of businesses studied. A descriptive research was used for the study. The sample comprises of 25 small shoes manufacturers and 26 small manufacturers in plastics industries in Quebec Canada, making a total number people sampled to be 51. The sample techniques used was stratified random sampling method to select the respondents. The instrument used was a researcher made questionnaire. It designed sources information on the study. From their analysis, percentage was used in finding the results of the study. the analysis of the data and results of the findings were as follows: that 88% of the business men found that cost accounting system was in operational.

Thomas and Evason (1987) carried out a study on effective of financial reporting in the State of Michigan, North Carolina. A survey research design was the method used for the study and the sample for the study comprises of three hundred and ninety-eight (398) small pharmaceuticals in Michigan, North Carolina. The sampling technique used was stratified random sampling method to select the respondents. The instrument for the data collection was a researcher made questionnaire. It was designed to sources information on the study. From the analysis, percentage was used for finding the results of the study. From the analysis of the data, results of the findings were as follows: That income statement and balance sheets were prepared at least quarterly by 62.5 percent of the respondents and annually by 32.1 percent. Over 85% of the respondents indicated that an outside accountant prepared the financial statements on their behalf. It becomes obvious decent accounting system make the grounds for effective financial reporting. Also, the excellence accounting information has improved as portrayed, and the use of information is still limited. Richard et al (1991) stated that the availability of affordable computers and suitable software has played an important part in promoting a working accounting system. Also in line with Magnenat-Thalmann (1982) discovered a preponderance of accounting related applications among computer software use, particularly in the areas of accounts receivable, accounts payable, general ledger, sales analysis and inventory. Good and working accounting systems make judicious uses of computer and applicable computer-soft wares (Chaney,1983).

According to Raymond (1985), Malone (1985), DeThomes & Fredenger (1985) and Nickell & Seado (1986) confirmed that accounting/financial management application dominate as computer applications in small businesses examined. It was highlighted at the introductory part of this review that improved accounting information systems enhance the quality of financial reporting. Richard et al (1991) opines that improved accounting systems due to uprising in computerizing accounting systems following innovations in manufacturing affordable computers in recent times has elevated the standard of financial reporting in small businesses in North America. Consequent upon the installation and use of an accounting information system, satisfactory aggregation of the business activities is achieved in forms of records. This has enhanced financial reporting.

DeThomas & Frederberger (1985) found that 81 percent of the small businesses in their survey produced financial statements in the forms of balance sheet, income statements, and fund statements, among others. There are others who include in their financial reports, the cash flow summary, others operating summaries and bank reconciliation statements. There are more obvious evidences that adequate accounting information system enhances the regularity of financial reporting.

Thomas and Evanson (1987) also found among a study of 398 small pharmacies located in the states of Michigan, North Carolina, Nebraska Rhode Island and Washington that income statements and Balance Sheets were prepared at least quarterly by 62.5 percent of the respondent and annually by 32.1 percent. Thomas and Evanson (1987) reported that over 85percent of the respondents indicated that an outside accountant prepared the financial statements on their behalf. This is further evidence that good accounting systems prepare the grounds for effective financial reporting. It is clear that the quality of accounting information has improved as showed in the review above but empirical evidence shows that the use of this information is still limited. Richard at all (1991) noted that in contrast to the amount of information available, the actual use made of financial reports by owner-managers is rather limited.

According to Lindecamp (1983) in the United States of America on the analysis and use of financial statement of 102 owner-managers of retail stores in Mississippi supports the assertion. About 23 percent reported that they analyzed a detailed breakdown of their figures on a frequent or regular basis. However, 60 percent indicated that they do not maintain up-to-date figures on the contribution to profit of individual products or product lines. A little 7 percent seldom or never compared their firm's performance with industry figures. Over 50 percent of respondents did not appear to understand the meaning of debt/equity ratio, and 59 percent did not know the value of this ratio for their firm.

Also, DeThomas and Fredenberger (1986) reported in their survey that only 11 percent of the respondents use financial statement information as part of their normal process of managerial evaluation, planning and decision-making, although 61 percent of the respondents felt the statements provided the information they required for planning and decision-making. Only a small proportion of businesses (2 percent) employed financial ratio analysis and few made mere simple historical comparisons. Even though it was not possible to demonstrate a significant association between the number and frequency of use of financial rates and small business profitability or survival, it is hypothesized that this may have been due to a lack of sophistication in financial ratio interrelation on the part of owner-mangers which prevented usage from making a discernible difference.

Thomas & Evanson (1987) also posit that small businesses have very poor working capital management traditions. A study of small businesses in Northern America, show that they have no formal techniques of determining the level of cash balances (Anvari & Gopal, 1983). this would mean that there are chances of SMEs keeping more cash than they actually required or otherwise. Also, Grablowsky and Rowell (1980) in a survey found that small businesses have poor credit management. In fact, they reported that they see accounts receivable as something that is exogenously controlled. Only few small businesses among those who are included in the survey employed credit officer. In the same way Grablowsky (1978, 1984) obtained enough empirical evidence to affirm that small businesses do not view accounts payable as a source of finances for their businesses. They only accept cash discounts when it is available and do not make effort to compare the cost taking advantage of cash discount with the cash discount itself with regards to their cost of capital.

Grablowsky (1984) further concludes that small businesses rarely use formal techniques for inventory management. For instance, they have poor habit of using quantitative techniques like economic order quantity. The fact is that most SMEs accounting systems were not able to provide information on inventory turnover, reorder points, ordering costs or carrying costs. The capital budgeting practices of small businesses is also very low. Grablowsky and Burn (1980) further stated that the level of understanding and use of more advanced capital budgeting policies and techniques were low. Richard (1991), stated that approval for capital budgeting in SMEs are simply based on necessity, this is contrary to large firms who have yearly annual capital budgets. Generally, empirical evidences available in literature from advance countries reveal that SMEs use of accounting information is very poor. However, due to improved accounting systems owing to the increase in the use of computers and software applications, the quality of accounting information has improved tremendously.

According to Mamahon and Holmes (1991) expressed their view that the SMEs should be encouraged to use software accounting package as it enhances the accounting discipline. This is evident in the study undertaken by Gorton (1991). In the study, a comparative UK study of SMEs that used financial management techniques and those that didn't found that out of 366 SME respondents who use financial plan that over two –thirds maintained a Computerized Accounting System (CAS). On this Gorton (1991) quantified the importance of planned financial management through the setting of financial plans and the maintenance of comprehensive accounting systems. There is a relationship between the use of CAS and strategic orientation (Gorton,1999; Smith,1999). The use of CAS instils controls in the SMEs. McMahon (2001) argued that improved financial control in growing SMEs can and should come about through a significant upgrading of financial reporting system. This view is supported by (Hans & Valeri,2010) who stated that when accounting information is a good description of credit risk firms can rely on performance covenants which create access to debt financing. Their research also proved that when accounting information is poor description of credit firms resort to the more robust capital covenants which align incentive by restricting debt financing and therefore limit credit market access. It is conclusive, therefore, that accounting-based covenants create market access through the use of performance covenants.

Mohd and Syamsuriana (2013) also carried out a study on evaluating the impact of various innovation dimensions on the performance of SMEs in Malaysia. A survey design was used for this study and sample for the study comprised (284) two hundred and eighty-four small and medium enterprises in Malaysia. The sampling technique used was stratified random sampling method to select the SMEs owners. Consolidating existing theory was the instrument used. It was designed to source information on the study. For the analysis, a hierarchical regression statistics was adopted and chi square was used to test the hypotheses. the analysis of the data, results of the following conclusion were made, that innovation attributes to the success performance of entrepreneurial activities.

Adeyeyetolulope (2014) carried out a study on organizational performance of Nestle Foods Nigeria Plc. A survey research design was used for this study and the sample for the study comprised of one hundred and thirty-seven (137) respondents were used in Nestle Foods Nigeria Plc. The sampling technique used was stratified selection respondents, the employees of Nestle Foods Nigeria Plc. A questionnaire was the instrument used for data collection. It was designed to sources information on the study. For the analysis, regression (F-statistic) was used to test the hypotheses.

From the analysis of data and results of findings the following conclusions were made, that 137 respondents had job satisfactory on the organizational performance of the Nestle Foods Nigeria Plc. It’s obvious that employees were satisfied on the organizational performance.

Rukevwe (2015) carried a study on innovation effects on business performance in Lagos and Ibadan of Nigeria. A survey research design was used for this study and the sample for the study comprised two hundred (200) SMEs in Lagos and Ibadan of Nigeria. The sampling technique used was convenient sampling method to select the SMEs owners. A three parts questionnaire was the instrument used to for data collection. It was designed to source for information on the study. For the analysis, a descriptive statistic was used to test the hypotheses. From the analysis of data, results of findings had the following conclusions, that firm’s innovation was 0.82 and firm’s performance was 0.86 had some forms of innovation performance. It was quite obvious that the innovation attributed to their business performance.

Obamuyi (2007) carried out a study on loan delinquency of some SMEs in Ondo State of Nigeria. An exploratory research design was used for the study. It was used to source for information on the study. From the analysis, SMEs were not different from those for large enterprises. SMEs faces difficulties to meet the criteria for accessing bank loan. A Standard criterion was put in place to measure the solvency of borrowers, including monetary asset, success, track record, organization value, and disbursement records with other banks, commercial forecasts, commercial dangers and security safeties. The standards weren’t good valuations without adequate accounting information. It is because of improper record keeping by SME that guarantee the banks to claim on collateral as a must for SMEs. It is quite obvious that the banks demanded for security as an extra obligation requiring for SME access to loans and the monetary working slides of SME little of their accounting values were deprived.

Grablowsky and Rowell (1980) carried out a study on credit management in Northern America. An exploratory research was used for the study. It was intended to source for information on the study. From the analysis, the following conclusion were made, that SMEs business has poor credit management and only few of the SMEs employed credit officers. It is fairly understandable that the achievement of SMEs attributable to credit management. Okafor (2012) carried out a study on financial information of SMEs in Nigeria. An exploratory research design was used for the study in Nigeria. It was used to source for information on the study. From the analysis and results of findings, the following conclusion were made, the firms faced increasing pressure from banks and other financial institutions as well as economy regulators in providing financial information of their business activities.

Ojeka and Mukoro (2011) in the topic titled, International Financial Reporting Standard (IFRS) and SMEs in Nigeria Perception of Academic found that there is still need to enlighten people especially the SME operators on the usefulness of the IFRS for SMEs. The accountant will really have a lot of work to do to implement the IFRS for SMEs in Nigeria. The listed advantages of IFRS for SMEs includes; improving the comparability of information presented in financial statement, increasing confidence in global annual invoices, SMEs reduce cost associated with maintaining accounting standards, presence of a complete set of accounting principles simplified for each type of entity; increased satisfaction of the needs of users of financial statements (Marion, 2009; AICPA,2011; & Ojeka and Mukoro,2011). Empirically demonstrated that the IFRS for SMEs will help to gain more capital for growth and expansion. This is because such standard will attract investors and the fact that some banks like; GTB Bank, Access Bank, Zenith and First Bank, have embraced the IFRS for SMEs is evidence to the assertion (Naomi,2010).

Ojeka and Mukoro (2011). added that, the fact that the SME owners are amateur in business management creates varieties of opportunities for external services providers like the accountant, this view was in line with (Yusoff,2006). He optional that accountants play a key role in advising SMEs, because they provide the most frequent source of advice, especially in matters relating to regulation and compliance.

Following the changing of global business environment, the accountants' services to SME have changed from mere regulation and compliance work (Chaston et al, 2002). CPA Australia (2007) points out that service and product mixes will change and that public practitioners will need to review their levels of knowledge, and training, and then management strategies in order to meet the demand for business advisory services. Devi and Smith (2010) concluded that due to the fact that accountants have not noticed the need for them to acquire peculiar mindset towards the SMEs that Accountant are not used as supposed by the SMEs. It is, therefore, reasonable for the accountant to prepare for the emerging tasks. There is need to increase time with the SME and also there is need to bring down the level of interaction to be compatible with the level of SME- operators. In line with this, Okafor (2012) asserts that the importance of financial information to SMEs cannot be overemphasized. The research points out that SME face increasing pressure from banks and other fund providers, as well as, economy regulators to provide all sorts of financial information about their operations. The paper concludes that financial challenges of SMEs will be drastically reduced if the SMEs access the services of competent accountant as this would enhance their accessibility to quality financial information.

It is quite obvious that financial challenges of SMEs would drastically reduce if the SMEs access the services of competent accountant as it would enhance their accessibility to quality financial information.

From the empirical works reviewed, it could be deduced that some works have been done on SMEs. But most of these works are in other areas such as, utilization of formal management technique in accounting in Quebec Canada, progressive SMEs in Georgia, effective financial reporting in the State of Michigan, North Carolina, innovative dimension on the performance of SMEs in Malaysia, organizational performance of Nestle Foods Nigeria Plc and loan delinquency in Ondo State, Nigeria, credit management in Northern America and financial information of SMEs in Nigeria. This study, therefore seeks to fill this gap by assessing accounting information and loan acquisition by SMEs in Nasarawa State of Nigeria.

2.3 Theoretical framework

Those relating to Bank practice/Bank-SME relationship include; Bank capital channel model, Bank capital constraint model of lending behavior, Financial Statement Rule, Asset Based Rule, Credit Scoring and Relationship Lending. Other models from emerging economies include: Indian model, Bangladesh the Gramen model and Brazilian model. Some emergent theoretical underpinnings relating to SME financing are discussed under this heading.

2.3.1 Stakeholder Theory

The term stakeholders refer to groups of constituents who have a legitimate claim on the firm (Pearce, 1982, Freeman, 1984). This legitimacy is established through the existence of an exchange relationship. Stakeholders include stockholders, creditors, managers, employees, customers, suppliers, local communities, and the general public. According to March and Simon (1958). Groups can be seen as supplying the SMEs with critical resources contributions and in exchange each expects its interests to be satisfied by inducements. Stockholders provide the SMEs with capital. In exchange, they expect the SMEs to maximize the risk-adjusted return on their investment. Creditors provide the SMEs with finance and in exchange expect their loans to be repaid on schedule. Managers and employees provide the SMEs with time, skills, and human capital commitments. In exchange, they expect fair income and adequate working conditions. Customers supply the SMEs with revenues and expect value for money in exchange. Suppliers provide the firm with inputs and seek fair prices and dependable buyers in exchange. Local communities provide the firm with locations, a local infrastructure, and perhaps favourable tax treatment. In exchange, they expect corporate citizens who enhance and or do not damage the quality of life. The general public, as tax payers, provides the firm with a national infrastructure.

In exchange, they expect corporate citizens who enhance and or do not damage the quality of life and do not violate the rules of the game established by the public through their legislative agents.

SMEs Asset Investments Stakeholders differ with respect to the size of their stake in the firm. The magnitude of an individual actor stake is a function of the extent to which that actor exchange relationship with the firm is supported by investments in specific assets (Williamson 1984, Williamson 1985). The specific assets that cannot be redeployed to alternative use without a loss of value. For example, employees with general-purpose skills and knowledge can leave the firm and be replaced without productive loss to either the worker or the SMEs, assuming efficient labour markets. In such cases, their stake in the SMEs is low. Alternatively, employees with skills that are uniquely tailored specialized to the requirements of the SMEs cannot leave without bearing substantial exit costs in the form of the lower rent stream that their skills can earn in the next best application.

The stake of such employees in the SMEs is high. This distinction is important compared to actors with a low stake in the SMEs, actors with a high stake will demand more comprehensive incentive mechanisms and governance structures in order to safeguard their asset-specific investments in the firm.

2.3.2 The Entity Theory

The entity theory outlooks the entity as somewhat distinct from those who provide capital to the entity. (Riahi-Belkaoui,2004) postulated that, the business is focus of bookkeeping responsiveness. The business component possesses the resources of the enterprise and is liable to both the claims of the owners and the claims of the creditors. Following this theory, Assets = Equities

Assets = Liabilities + Stockholder's Equity

The entity theory provides the framework that income taxes and interest on loans, debentures, are distributions of income, just like the payment of dividend to ordinary and preference shareholders. The entity theory applies mostly to corporate firms that are meant to be distinct from its owners. However, modern business involvements have made it possible for SME to be body corporate in the form of private limited liability companies. Accounting functions following this theory is to present the books of the accounts to show that the business is completely different from the owners. It helps the prospective capital providers to focus attention on the worth of the business as an entity while making funds available to the SMEs. This is because the owners of the business only suffer that which they have invested in the case of liquidation. The owner's private assets are not part of the business and cannot be used to settle the obligations of the business.

2.3.3 The Fund Theory

This theory concerned with the foundation of accounting, is neither the proprietor nor the entity, but a group of assets with related responsibilities and restrictions, called fund, that manages the use of the assets. Therefore, the fund theory views the business component as economic resources (fund) and related obligations and restrictions the use of these resources. The accounting equation is Assets = Restriction of Assets.

Fund theory is useful to government and governmental organization that maintain specific funds. However, SMEs also maintains specific fund through the process of domiciliation of cash proceeds in project financing (ICAN, 2009). The accounting focus is the stream of income accruing to particular provider, for example, Bank. Therefore, while provider, funds to the SME, the financier evaluates the viability by looking at the expected stream of incomes of the project.

2.3.4 The Agency Theory

The agency theory is concerned with how agency affect the form of contract and the way they are minimized, particularly, when contracting parties are asymmetrically informed (Obamuyi, 2007). Lenders normally don't know the borrowers in persons. The process as in the diagram below: shows that banks and other financial houses are the agents of the lenders.

Lender (Depositors) Bankers ---- SMEs (Borrowers)

Problems likely to arise due to agency theory include systematic bias, among others (Akerlof, 1970; kitchen, 1972; Fracer, 2004; Srinivas; 2005). Lenders are imperfectly informed about the characteristics of potential borrowers, and it may be impossible as a result for lenders to distinguish 'good' borrower from 'bad' ones. This also implies asymmetries of information (Akerlof,1970, and Obamuyi,2007) argues that small businesses, especially in developing countries, are regarded as "high – risk", and the level of risk associated with the riskiest small business tends to be applied to all small businesses. There are also relevant models based on agency frame work which banks who provide finance for the SMEs build their practice. These models also provide theoretical base for this research. They include bank capital channel model, capital constraint model and model of lending behavior (Obamuyi, 2007). The bank capital channel views a change in interest rate as affecting lending through bank's capital, particularly when banks' lending is constrained by a capital adequacy requirement. Thus, an increase in interest rates will raise the cost of banks' external funding, but reduce banks' profits and capital. The tendering is for the banks to reduce their supply of loans, if the capital constraint becomes binding. However, banks could also become more willing to lend during certain periods because of an improvement in their underlying financial condition. This bank behaviour is explained by the capital constraint models.

Basically, banks are subjected to both market and regulators generally require banks to maintain capital at not less than a stated fraction of the bank’s total assets. For instance, banks are expected to meet the capital adequacy requirement of Basel Accord of ten percent. Also in Nigeria, banks are expected to maintain a minimum of 40 percent liquidity ratio of total deposits. Thus, the ability of banks to grant loans is constrained by the amount of financial resources at their command, based on the capital requirement. Owing to information asymmetries which the research has reviewed above, Ogujiuba et al, (2004) enlisted some lending rules by the banks to accommodate the aberrant characteristics of SMEs and their owners.

2.3.5 Decision Usefulness Theory

Decision usefulness is an approach to the preparation of financial accounting information that emphasizes on theory of investor decision making in order to infer the nature and types of information that investors need (Decision Usefulness Approach 2009). It is an approach usually adopted to satisfy the information needs of primary users of the financial reports. Decision usefulness accounting theory emphasizes the recording of business transaction for the purpose of effective decision making in business. Decision usefulness recognizes that usefulness is defined contingent upon the user. The nature of information and designated relevance is the primary standard to be used in selecting among accounting alternatives because it reduces “uncertainty about the actual state of affairs of concern to the user”. Revenue authorities’ in-charge of tax collection in a country and financiers of SMEs demand to inspect the records of accounts and financial statements in order to make informed decision. Accounting professionals retain the responsibility of determining which information provides the most utility to accounting users because users often are not competent to determine what information is most useful to them or at least not articulate in stating their needs.

According to Wild (2008) accounting is viewed as the measurement activity that provides financial reports in support of decision makers and their business decisions. Financial reporting is the communication of financial information useful for making investment, credit and other business decisions (Chiappetta, Show and Wild, 2009). Williams (2009) states that accounting research for the past four decades has focused heavily on the concept of decision usefulness which has become the agreed guide for judging the effectiveness of accounting and financial reporting.

The agency theory and stakeholder's theory mention above, are in line with this study in the area of SME access additional fund as a means of collecting loan from the banks and other financial institutions as part of their additional sources of capital with the presentation of a quality accounting information and collateral requirement. The theories are most concerned for this study and directly affect the form of contract between the banks/financial institutions in terms of loan accessibility by the SMEs particularly when contracting parties are asymmetrically informed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study used descriptive survey research design. It was adopted to enable investigation on the different characteristics of the variables. A descriptive research looks into present going-on in education and in educationally relevant situations. The research seeks to answer the question as what is? As the name implies. The researcher attempted to describe events and situations as they appear. In descriptive research, data are usually collected, organized, analyzed and then described as they exist, without interfering with them (Momoh,2015). As a descriptive design, this study focused on eliciting the opinions of the quality of accounting information and loan acquisition by small and medium enterprises in Nasarawa State.

3.2 Population, Sample and Sampling Techniques

Small and medium enterprises in Nasarawa State can be classified into trade and services within thirteen local government areas across the State (Nasarawa South, comprises of Lafia, Obi, Doma, Awe and Keana Local Government Arears, Nasarawa North comprises of Akwanga, Nasarawa Eggon and Wamba Local Government Arears and Nasarawa West comprises of Keffi, Karu, Nasarawa, Kokona and Toto Local Government Areas) The small and medium enterprises development agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS) collaborative survey (2013), revealed that small enterprises were 1,098 and medium enterprises were 22 totaling 1,120 small and medium enterprises in Nasarawa State. The statistical review of SMEs in Nigeria as for the 21st Nigerian Economic Summit (NES#21), 13th -15th October, 2015 gathered that Small-68,168, and Medium-4,670, and are mainly sole proprietorships and 55% of SMEs are wholesale and retail trades.

Nasarawa State has a total of 1,120 SME across the three senatorial zones. In this study, the population size has a total of 1,120 SME in Nasarawa State. Business sectors of trade and services would be considered most appropriate for this study. The subdivisions of skills and services were deemed suitable based on the position of Sekaran (2000) pointed out that those specific sections can be focused on for ease gathering and achievement meaningful result. The population for this study was 1,120 SME owners in Nasarawa State on trading license registered in the three senatorial zones of the state. **Table 1**

S/NO	Senatorial Zone	Population	Sample
1.	Nasarawa South	429	113
2.	Nasarawa North	102	27
3.	Nasarawa West	589	155
	Total	1,120	295

Source: Researcher's Design

(NB: According to Taro Yamane's formula (1969) Sample is the ratio of the population of the local government to total population multiplied by the calculated sample.

Table: 1 shows that out the 1,120 SMEs owners in the three senatorial zones in Nasarawa State, only 295 was sampled for the study and respondents to the questionnaire.

The researcher adopted the Taro Yamane's (1969) formula to obtain the sample size. This is demonstrated as follows;

Formula: Sample size (n) $= \dfrac{N}{1+N\,(e)^{2}}$

N = 1,120

n = ? (Unknown)

e = 5%

Therefore, sample size (n) is obtained thus:

$$n = \frac{1,120}{1+1,120(0.05)^2}$$

$$\frac{1,120}{3.8}$$

$$= \mathbf{295}$$

The research adopted the Taro Yamane's (1969) formula for sampling technique which made it possible for all the local government areas in the state to be represented in the sample size determined below.

Figure: 2

Distribution of the population and sample for the study by local government

S/NO	L.G.C.	POPULATION	SAMPLE
1	Lafia	350	92
2	Doma	35	9
3	Keana	13	3
4	Awe	16	4
5	Obi	15	4
6	Nas/Eggon	30	8
7	Akwanga	45	12
8	Wamba	27	7
9	Keffi	45	12
10	Karu	454	120
11	Kokona	30	8
12	Nasarawa	40	11
13	Toto	20	5
	Total	**1,120**	**295**

Source Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics (NBS). (2013). Figure 2 showing SME sample across the thirteen Local Government in Nasarawa State. Sample is the ratio of the population of the local government to total population multiplied by the calculated sample)

3.3 Methods of Data Collection

The primary source of data collection was used of questionnaire in this study. The questionnaire was fully structured. A total of two hundred and ninety-five (295) questionnaires were distributed, two hundred and forty-three questionnaires were returned (243) and fifty-two questionnaires were unreturned. A total of twenty-three questions were asked in the question. It developed in such a way as to acquire respondents' opinion on quality of accounting information attributes and their effect on SMEs loans acquisition in Nasarawa State. The questionnaire was developed using four-point numeric scale (Likert scale), starting from strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD) to capture a range of options. The response to each statement; (strongly agree, agree, disagree, and strongly disagree) is scored from 4 to 1 respectively. The variables in the study were measured using these scales adopted in earlier studies and tested for reliability.

Reliability and Validity

An instrument is said to be dependable when it has the ability to produce reliable and consistent measurements. Reliability of this instrument was evaluated via Cronbach Alpha which measured the internal uniformity of the instrument. Cronbach Alpha value is widely used to authenticate the dependability of a construct. The results are presented in **Figure 3**

Variables	**Cronbach's Alpha**
Accuracy of AIS	0.9527
Reliability of AIS	0.9804
Relevance of AIS	0.9696
Understandability of AIS	0.9475
Loans Acquisition	0.9349

The findings on figure 3 indicated that Accuracy of AIS, Reliability of AIS, Relevance of AIS, Understandability of AIS and Loans Acquisition had Cronbach alpha of 0.9527, 0.9804, 0.9696, 0.9475 and 0.9349 respectively. The widely acceptable threshold is 0.7 and since all variables depicted an Alpha value above 0.7 the study was considered reliable. This represented significant degree of reliability and on this basis, it was supported that the scales used for the study were reliable to capture the variables. The most common reliability coefficient is Cronbach's alpha which assesses internal dependability by defining how all variables on a test relate to each other and to further test- internal consistency or coherence of data. The reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient, the more dependable is the test.

3.4 Technique for Data Analysis and Model Specification

The data collected from the respondents through questionnaire will be presented in the tables and figures and analyzed. As previous mention, the quality of accounting information system on loans acquisitions of SMEs in terms accuracy of quality of accounting information, reliability of quality of accounting information, relevance of quality of accounting information and understandability of quality of accounting information will be tested using multiple Regression with the aid of STATA.

Thus, multiple Regression Models are given below:

$LOAQ_i = f(ACU_i, REL_i, RLV_i, UND_i)$……………………………………1

Equation 1 can be written in more detail form as follows:

$LOAQ_i = \alpha_0 + \beta 1ACUi + \beta_2 REL_i + \beta_3 RLV_i + \beta_4 UND_i + \mu_i$......................2

Where:

LOAQ= Loan Acquisition

ACU = Accuracy of quality of accounting information

REL = Reliability of quality of accounting information

RLV= Relevance of quality of accounting information

UND= Understandability of quality of accounting information

α=Intercept or Constant

β= Slope of the Regression Line

i= denotes cross-sectional dimension

μ_i= individual specific disturbance effect (error term), do not vary over time

3.5 Justification of Methods

The choice of the descriptive research design was reasonable by the fact that the study is based on the sample of a specified target population of interest which the study wishes to generalize the results obtained from the samples to the population from which the sample was drawn and sought to establish link between two variables. Likewise, the Regression Model became the suitable model of the study because; there is only one explained and four explanatory variables involved.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1. DATA PRESENTATION

4.1.1. Response Rate and Demographic statistics

The number of questionnaire distributed was 295 out of which 243 were appropriately completed and returned. The results for the respondent rate are displayed below.

Table 4.1 RESPONSE RATE

Response	Frequency	Percent
Returned	243	82
Unreturned	52	18
Total	**295**	**100**

Source: Author's computation

Table 4.1 above showed a total positive response rate of 78%. According to Mugenda (2003) a response rate of above 50% is sufficient for descriptive study. Babbie (2004) also posited that the response rates of above 50% are considered adequate for analysis and publication. He concluded that 60% is considered good, 70% very good while 80% and above is excellent. Built on these affirmations from well-known scholars, 78% response rate is considered appropriate for this study.

4.1.2. Frequency Table

Table 4.2: Frequency Table of Forms of Participant SMEs

S/NO	Variables	Frequency	Percentage %	Cumulative Percentage	
1	Loan Acquisition	65	23.05	23.05	
2	Relevance	56	18.99	42.04	
3	Accuracy	60	20.32	62.36	
4	Reliability	56	18.99	81.35	
5	Understandability	55	18.65	100	
	Total	**295**	**100%**		

Table 4.2 presents the result of the frequency table on the variables. The result indicated that loan acquisition has 68 or 23.05% of the respondents that loan acquisition is of paramount significant SME access to loan for additional capital in boosting their business activities for economic growth and development of Nasarawa State at large while relevance has 56 or 18.99% of the respondents shows that quality of accounting information SME provide is very relevance in accessing to loan. Accuracy has 60 or 20.32% of the respondents, shows that accuracy of quality of accounting information is the higher the secure SME managers can rely on in making a decision and reliability has 56 or 18.99% of the respondents, which shows that SME data conforming underlying transactions verifiable, neutral, and free from error and significances to

represent while understandability has 55 or 18.65% of the respondents shows that SME quality of accounting information statement it should be presented in such a way that it is readily understandable.

4.1.3 Regression Diagnostic

Correlation Coefficient Matrix

The table 4.3 shows the Pearson correlation coefficients between all combinations of dependent and independent variables. The correlation matrix is used to determine the relationship between the dependent and independent variables of the study.

Correlation Matrix of the Independent and Dependent Variables Table 4.3

	LACQ	RACCINF	ACACCIFO	REACINFO	UNACCI~O
LACQ	1.0000				
RACCINF	0.0488	1.0000			
ACACCIFO	0.0364	0.2070	1.0000		
REACINFO	0.0634	0.3343	0.1485	1.0000	
UNACCINFO	0.0762	0.2384	0.2294	0.3589	1.0000

Source: Regression Result Using STATA

The result of Table 4.3 indicate that the dependent variable has a positive relationship with the independent variables. It also shows that the independent variables also have a positive relationship among themselves. This indicate low positive relationship and a sign of absence of auto correlation.

Multicollinearity Test

Multicollinearity is a statistical situation where some independent variables in a multiple regression model are highly correlated. When multicollinearity occurs the correlated predictors provide redundant information about the responses (Lauridsen & Mur, 2005). It is important to undertake a multicollinearity test to help reduce the variables that measure the same things (O'Brien, 2007). According to O'Brien (2007), the Variance Inflation Factor (VIF) measures the impact of collinearity among the variables in a regression model. Values of VIF that exceed 10 are often regarded as indicating multicollinearity problem.

Variance Inflation Factor Measure of Multicollinearity Test

Variable	VIF	1/VIF
REACINFO	1.91	0.523534
UNACCINFO	1.50	0.666642
ACACCIFO	1.59	0.628917
RACCINF	1.66	0.602409
Mean VIF	6.66	

Source: Regression Result Using STATA

Table above shows that VIF and tolerance value for all the variables had mean VIF of less than 10 and tolerance of higher than 0.05 it therefore implies that there was no multicollinearity among the independent variables.

Homoscedasticity Test for Loan Acquisition

Homoscedasticity means that the previous error terms influence other error terms and hence violating the statistical assumption that the error terms have a constant variance. But, Homoscedasticity suggests that the dependent variable has an equal level of variability for each of the values of the independent variables (Garson, 2012). A test for homoscedasticity is made to test for variance in residuals in the regression model used. If there exists equal variance of the error terms, we have a normal distribution. Lack of an equal level of variability for each value of the independent variables is known as heteroscedasticity, the Breusch-Pagan test developed by Breusch and Pagan (1979) was used to test for homogeneity in a linear regression model. The rule is that if p-value is greater than 0.05, Ho is accepted and H1 is rejected, if the p-value is less than 0.05, Ho is rejected and H1 is accepted.

Test for Heteroscedasticity in the response and residuals.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of LACQ

chi2(1) = 28.02

Prob > chi2 = 0.2481

The result of the test shown in the table above indicate that the test statistic is 28.02 p-value = 0.2481. since the p-value is greater than 0.05. The null hypothesis was accepted and concluded that there is homoscedasticity in the data (that is, the data is not heterogeneous in variance), which satisfies the assumption of the regression.

4.2 Result and Analysis

Table 4.1: Summary of Multiple Regression Results

Variables	Statistics	p-values
R Square	0.9670	
Adj. R square	0.9665	
F. statistics	1745.83	0.0000
Variables	Coefficient	P-Value
Accuracy	0.2207299	0.000
Reliability	0.0799541	0.036
Relevance	0.1686753	0.000
Understandability	0.4928648	0.000

Source: STATA OUTPUT

This section analyses and presents the regression results of the model of the study. The result of the multiple regression in the table below indicate R2=0.9670. The R-squared value of 0.9670, gives an indication that there is a strong linear relationship between the dependent and independent variables. The R-squared indicates that the explanatory power of the independent variables is 0.9665. This means that about 96% of the effectiveness of loan acquisition explained by the independent variables while the remaining 4% is explained by variables not included in the model. The adjusted R-squared which is lower than the R-squared value is a precise indicator of the strength of the relationship between the dependent and the independent variables because is sensitive to the addition of irrelevant variables.

The table 4.1 also showed the model is fitted as indicated by the F-Statistics of 1745.83 which is significant at 1% level of significance (as evidenced by the p-value of 0.0000).

4.2.2 Test of Hypotheses

Hypothesis One

Ho1: There is no significant relationship between accuracy of quality of accounting information and loan acquisition of SMEs in Nasarawa State.

Table 4.1 showed that accuracy of quality of accounting information has a coefficient of 0.2207299 and a p-value of 0.0000. Based on the p-value which is less than the t-statistic of 0.05, the study therefore rejects the null hypothesis which states that, there is no significant relationship between accuracy of quality of accounting information and loan acquisition of SMEs in Nasarawa State.

Hypothesis Two

Ho2: There is no significant relationship between reliability of quality of accounting information and loan acquisition of SMEs in Nasarawa State.

From the table above, reliability of quality accounting information has a coefficient of 0.0799541 and p-value of 0.0036. Based on this finding which is evidenced by a p-value of 0.0000 we reject the null hypothesis which states that, there is no significant relationship between reliability of quality accounting information and loan acquisition of SMEs in Nasarawa State.

Hypothesis Three

Ho3: There is no significant relationship between relevance of quality of accounting information and loan acquisition of SMEs in Nasarawa State.

The result in the table above showed a coefficient of 0.1686753 and a p-value of 0.0000. Considering the p-value which is less than the t-statistics 0.05, the study rejects the null hypothesis which states that relevancy of quality accounting information and loan acquisition of SMEs in Nasarawa State.

Hypothesis Four

Ho4: There is no significant relationship between understandability of quality of accounting information and loan acquisition of SMEs in Nasarawa State.

The result of the regression indicated a coefficient of 0.4928648 and a p-value 0.000. Considering that the p-value is more than the t-statistics we reject the null hypothesis which states that understandability of quality of accounting information has no significant relationship with loan acquisition of SMEs in Nasarawa State.

4.3 Discussion of Findings

4.3.1 Accuracy of Accounting Information and SMEs Loans Acquisition

The first objective of the study was to ascertain the relationship between accuracy of quality of accounting information and SMEs loan acquisition in Nasarawa State. The first hypothesis was on accuracy of quality of accounting information and it specifically stated that; There is no significant relationship between accuracy of quality of accounting information and loan acquisition of SMEs in Nasarawa State. The result of the regression shows that accuracy of quality of accounting information has a positive and significant relationship with loan acquisition in the area covered by the study.

This outcome is in support of the agency theory by form of contracting parties and supports the findings of Rukevwe (2015); Obamuyi (2007); Ojeka and Mukoro (2011) and Okafor (2012).

4.3.2 Reliability of Quality of Accounting Information and SMEs Loans Acquisition

The study also investigated the relationship between reliability of quality of accounting information and SMEs loan acquisition in Nasarawa State. The hypothesis formulated was that There is no significant relationship between reliability of quality of accounting information and loan acquisition of SMEs in Nasarawa State. The result indicated that reliability of quality of accounting information has a positive and significant relationship with SMEs loan acquisition. This outcome also supports the agency theory which is one of the theories underpinning this work. And also supports the findings of Mohd and Syamsuriana (2013) and Adeyeyetolulope (2014).

4.3.3 Relevancy of Quality of Accounting Information and SMEs Loans Acquisition

The third objective was to assess the relationship between relevancy of quality of accounting information and SMEs loan acquisition in Nasarawa State. The hypothesis formulated stated that; There is no significant relationship between relevance of quality of accounting information and loan acquisition of SMEs in Nasarawa State. The result of the analysis revealed that relevancy of quality of accounting information has a positive and significant relationship with SMEs loan acquisition in Nasarawa State. This is evidenced by a large proportion of the respondents who strongly agreed that these attribute can go a long way in assisting SMEs obtain loans. This finding supports the agency theory. This finding is in tandem with those of

Kurniawati (2013); De Thomas and Fredenberger (1985); Thomas and Evason (1987); Mamahon and Holmes (1991).

4.3.4 Understandability of Quality of Accounting Information and SMEs Loans Acquisition

The fourth objective of the study was to determine the relationship between understandability of quality of accounting information and SMEs Loans Acquisition in Nasarawa State. The fourth hypothesis was on understandability of quality of accounting information and it specifically stated that; There is no significant relationship between understandability of quality of accounting information and loan acquisition of SMEs in Nasarawa State. The result of the regression shows that understandability of quality of accounting information has a positive and significant relationship with SMEs loans acquistion in the area covered by the study. This result is in support of the agency theory which is one of the theories underpinning this work. It also collaborates with findings of Ohachosim, Onwuchekwa and Ifeanyi (2012); Karunananda and Jayamaha (2011); Amoako (2013).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study: "Quality of Accounting Information and Loan Acquisition by Small and Medium Enterprises (SME) in Nasarawa State, Nigeria", surveyed the economically vibrant Nasarawa state to evaluate the nature of SMEs quality of accounting information and loan acquisition. SME have proved very relevant in stimulating economic growth in Nasarawa State. However, SMEs' progress is seriously frustrated by loaning acquisition facing them which have defied all efforts of the SME and government themselves. On the bases of the Analyses and Tests carried out in this study, the following major findings were made:

SME in Nasarawa State have very poor in keeping records of quality of accounting information and this has compounded their loan acquisition by limiting their financial strength, SME that have maintained high level of quality of accounting information are known to access loans in banks and other financial institutions in good time. The level at which SME access the service of accountants mitigate their quality of accounting information is poor and this further accounts for the chronic nature of their loan acquisition. The SME are aware that by analyzing quality accounting information, they can overcome their loan acquisition. Other relevant findings made include, higher proportion of SME has post-primary education, higher proportion of SME engaged in trading, more than half of SME die after fifteen years of commencement, the few SME that survived the first fifteen years have tendencies to stay longer having understood the Nasarawa State's business environment and they have been identified with dependable quality of accounting information, higher proportion of SME make-up their start-up capital from personal savings, the SME have much chances of accessing loans with collateral as with dependable quality of accounting information. The best way to identify and evaluate a genuine and viable business is to look into their books which reflect their business activities.

Relevant theoretical and empirical literature was reviewed. Empirical review reveals that previous studies in this area of research were blemished indecisive and allow for further research findings. The differences in findings could be attributed to methodological approaches regarding measurement of the independent and dependent variables, disparity in research domains and differences in economic systems where these studies were conducted. Fund theory, propriety theory, entity theory, agency theory and the decision theory are the ones used in the study, regression and correlation where the model used in revealing the rates of access to loan by SME. Stratified random procedure was used in selecting sample for the study. The model used for the study examined the association between four independent variables of quality of accounting information (relevant, reliability, comparability and understandability) while the dependent variable loan acquisition (access to credit, interest rate and collateral). Primary and secondary data were the instruments used for the study.

5.2 Conclusion

Contrary to the generally believed notion or assumption, this research found out that access to loan or the additional capital is not the greatest problem facing SMEs in Nasarawa State of Nigeria. The greatest or worst problem confronting SMEs in Nasarawa State of Nigeria is managerial capacity. Access to loan is necessary but not a sufficient condition for successful entrepreneurial development. If one has the entire funds in the world and does not have the capacity to manage that fund and does not have the necessary quality of accounting information as to what he/she should do, the money would go down the drain.

Many of the SMEs do not keep records for fear of tax obligations and also in a bid to conceal their performance from competition or even staff.

The mortality rate among SMEs in Nasarawa State of Nigeria is very high within their first five years of existence. The reasons for the high mortality rate include the following among others. Many prospective entrepreneurs do not have a clear vision and mission of what they intend to do. Many of the SMEs are not business specific and hence have no focus and are easily blown away by the wind.

The rate of growth of SMEs in Nasarawa State of Nigeria is stunted due to the following key reasons. lack of entrepreneurial spirit and drive, fear of failure of the enterprise, fear of starvation for a few months after quitting a paid job, inability to produce or pay for a feasibility study or business plan, mindset that, it will not work or I won’t succeed.

Based on the findings of this study, it was concluded that quality of accounting information has a significant effect on SMEs loan acquisition in Nasarawa State. The study also concluded that accuracy, understandability, relevance and reliability of quality of accounting information have positive and significant relationship with SMEs loans acquisition.

5.3 Recommendations

The study recommended that:

1. The government through the Central Bank of Nigeria should establish the much-awaited National Credit Guarantee Scheme for SMEs, which should guarantee at least 80 percent of loans needed by small and medium enterprises in Nasarawa State of Nigeria.

2. SME should endeavor to consult accountants regularly to be able to maintain high accounting standard by adopting generally accepted accounting practices and ensure that records are well kept so that quality accounting information can be generated. With quality accounting information in place, unwillingness to disclose information will be reduced because they will be sure of what they are disclosing.

3. Accountants should encourage SMEs to access loans and increase their capital base for effective utilization.

4. SMEs and prospective entrepreneurs should appreciate that funding is not the most important element in the successful development of an enterprise. Funding is necessary but not a sufficient condition for success in enterprise development and should not be thinking only about money but should be prepared to learn so that they can enhance their capacity to sustain their enterprises.

5.4 Limitations of the Study

The study may be attributed to the following:

Considering the previous discussion of the major findings and the conclusion of this study, there are possible avenues that can be explored in future research. The study is limited only on quality of accounting information and loan acquisition by small and medium enterprises in Nasarawa State. Respondents unwillingness to reveal information about the businesses activities and doubt might make data gathering difficulties, which might affect the reliability of findings. This was done by convincing people that information was specifically meant for academic purposes and would be handled with privacy. Also Likert Scales were used for measurement in order to rule out the effect on reliability of findings. Financial constrain and time factor. The study is also limited to the period of 2017.

This is the major limitation of this research exercise. However, the above limitations nevertheless, the researcher is hopeful that the present study is passable to serve the purpose for which it is intended.

5.5 Suggestions for Further Studies

This study suggested related areas for further research to include the following:

International financial reporting standard for SMEs, the impact of quality of accounting information in the progress of SMEs, the level of accounting practices on the operative existence of SMEs, among others.

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APPENDEX 1

Faculty of Administration,

Department of Accounting,

Nasarawa State University,

P.M. B1022, Keffi.

Nasarawa State.

Dear Sir/Madam,

QUESTIONNAIRE

Dear Respondent,

I am a post graduate student of the above name department, carrying out a research on the topic **"Accounting Information and Loan Acquisition by Small and Medium Enterprises (SME) in Nasarawa State, Nigeria".**

Please spare a few minutes and help complete the questionnaire on the relevance of the questions to the study variables. All information gathered is confidential and shall be used for academic purposes only.

Thanks for your anticipated co-operation.

Yours faithfully,

Mamuda Mu'awiya
(NSU/ADM/M. Sc/ACC/079/14/15)

APPENDEX ii **QUESTIONNAIRE**

Statement items **SECTION A**	**Strongly Agreed**	**Agreed**		**Disagreed**	**Strongly Disagreed**
RELIABILITY OF ACCOUNTING INFORMATION					
1. Revenue/Expenditure information is collected regularly					
2. Information is free from bias					
3. The information is free from error					
4. Information is not fraudulent					
5. Information can be confidently relied upon.					
ACCURACY OF ACCOUNTING INFORMATION					

1.No items of income are overstated or understated					
2.No items of expenditure are overstated					
3. No business assets are undervalued					
4.No business liabilities are overstated					
5. There is no bias in the presentation of items in the financial statements					
RELEVANCE OF ACCOUNTING INFORMATION SYSTEM					
1. Contents of financial reports affect your opinion of the state of affairs of the business					
2. Contents of financial reports affect economic decisions					
3. Information helps to predict and confirm sales revenue levels					
4. Information helps to predict and confirm expenditure levels					
5. Financial reports are presented annually as required by regulatory bodies of accounting					
UNDERSTANDABILITY OF ACCOUNTING INFORMATION					
1.Information is presented in a readily understandable manner					
2. Sources and level of expenditure can easily be understood					
3. Expenditure items and levels can easily be understood					
4. Business assets are easy to know in terms of value and nature					
5. Business liabilities are easy to know in terms of value and nature					
Section B: LOAN ACQUISITION					
1. Statement of financial position aid SMEs in assessing Loans					

2. Accounting Information System provides the required information needed for loans acquisition.					
3. Accounting Information is viable tool used by SMEs for loans Acquisition					