

**THE IMPACT OF DIGITAL ACCOUNTING TECHNOLOGIES ON FINANCIAL
REPORTING ACCURACY IN CAPITAL SHOPPERS LIMITED AND OTHER
SMALL AND MEDIUM ENTERPRISES SME's**

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J22B05/119

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT FOR THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF
BACHELOR OF BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

August, 2024



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DECLARATION

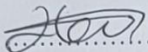
I, Marc Paul Wamono declare that this Research Dissertation is presented in its original form and has not been presented to any other University or Institution for any academic award.

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APPROVAL

This is to certify that this Research Dissertation titled “**The impact of digital accounting technologies on financial reporting accuracy in capital shoppers limited and other small and medium enterprises (SME’s)**” has been done under my supervision and submitted for examination with My approval.

Signature ..  Date. 27/8/2024

MR. ALEX AHABWE

DEDICATION

This Research is dedicated to my family and friends who have guided me through this journey of life most especially my mother Ms. Charity Nduhukire Musamali for her unending guidance, support, comfort, care and love.

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to everyone who has supported and guided me throughout the journey of this dissertation.

First and foremost, I extend my heartfelt thanks to my supervisor, Mr. Ahabwe Alex, for their unwavering support, insightful guidance, and valuable feedback. Their expertise and encouragement were instrumental in shaping this research.

I am also profoundly grateful to the management and staff of Capital Shoppers Limited for their cooperation and willingness to participate in this study. Their insights and experiences were crucial to the success of this research.

Special thanks to my family and friends for their continuous encouragement, patience, and understanding throughout this demanding process. Your belief in me has been a constant source of motivation.

Lastly, I would like to acknowledge Uganda Christian University for providing the necessary resources and a conducive environment for conducting this research.

Thank you all for your invaluable contributions and support.

ABSTRACT

This study investigates the impact of digital accounting technology on financial reporting accuracy among SMEs in Uganda with a specific focus on Capital Shoppers Limited. The adoption of digital accounting technologies has become increasingly critical for improving financial accuracy and transparency within the organization. The objectives of this research are to; Establish the level of adoption of digital accounting technologies by SMEs, the accuracy level of financial reporting accuracy among SMEs, Explore the relationship between the adoption of digital accounting technologies and the accuracy of Financial reporting within SMEs. A descriptive research design was adopted, focusing on a sample size of 20 respondents from capital shoppers limited Uganda. Both quantitative and qualitative data collection methods were utilized involving surveys, interviews to gather comprehensive insight from financial managers, accountants and other relevant personnel. The study revealed a moderate level of adoption of digital accounting technologies among SMEs with a corresponding improvement in Financial reporting accuracy. However there were challenges including limited access to advanced technology and inadequate training. The research recommends that SMEs invest in modern digital accounting technologies, provide adequate training for their Staff, and develop policies that support effective use of these technologies to enhance Financial reporting. The abstract provides a concise overview of the study, highlighting the critical aspects of the research and the recommendations made to improve accounting practices within SMEs.

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SHORT FORMS AND THEIR MEANING

Short Form	Meaning
DAT	Digital Accounting Technologies
SMEs	Small and Medium-sized Enterprises
ERP	Enterprise Resource Planning
TAM	Technology Acceptance Model
RBV	Resource-Based View
e	Margin of error
N	Population size

CHAPTER ONE

GENERAL INTRODUCTION

1.0. Introduction

This chapter introduces the study on adopting digital accounting tools in SMEs like Capital Shoppers Limited in Uganda. It identifies various benefits and challenges associated with adopting these tools, their impact on financial reporting accuracy and it also states the study's objectives. It outlines the scope of the study, the significance of the study, and the definition of key terms that set a basis for understanding how digital accounting technologies can enhance financial reporting in SMEs.

1.1. Background Of The Study

Financial institutions such as banks have a critical role to play in managing transactions and group activities for the sole reason of making profits and providing relatively affordable services to their clients. The Ugandan retail sector to which companies like Capital Shoppers Limited belong is repeatedly faced with similar challenges as they try to manage transactions as well as ensure that services are provided efficiently.

Before the use of DAT, companies like Capital Shoppers Limited had to face challenges such as customer service liability and inefficiency in managing and balancing financial statements because of the manual accounting practices that were used. Currently, most companies have fully incorporated DAT to ensure that all the diversified customer needs are met in terms of effectiveness and efficiency in retail services.

DAT has provided an opportunity for companies like Capital Shoppers Limited to manage their operations with increased efficiency, proper management of information, and increased speed with accuracy in related financial services (Simmons et al., 2011). Generally, DAT has different advantages such as enhancing the speed of transaction processing, ensuring accuracy, and increasing the reporting ability (Gelinas et al., 2005). Nevertheless, challenges such as the security of financial data integrity were also associated with the adoption of DAT (Musa et al., 2005).

Despite the advantages of DAT, Capital Shoppers Limited and other organizations still face problems related to financial reporting and system reliability (European Union Audit Report.,

2003). Even though its slight or gradual, there is a shift from manual to digital accounting technologies since some organizations still find difficulty in reaping maximum advantages of digital accounting technologies but its still an indispensable resource for efficiency in decision making in business organizations such as Capital Shoppers Limited.

The best business decisions for growth are based on good financial reporting which is particularly true for companies like Capital Shoppers Limited which is operating a chain of supermarkets in Uganda and relying on such reports to remain competitive and plan accordingly.

With the introduction of digital technology, organizations have now utilized digital means in order to utilize and manage finances more effectively. This helps Capital Shoppers in maintaining records of money transactions, inventory input (purchases) and output (sales), minimize errors and therefore increase the speed towards accessing major financial information.

This research will focus on Capital shoppers limited and other similar companies, identifying how the application of digital tools increase financial reporting accuracy and business decision making.

Overall digital accounting technologies have restructured the retail business in Uganda by offering opportunities for efficiency and enhanced service delivery. The remaining challenges are directed towards reliability on the system and data security, which need further improvement if we are to maximize the benefits of digital accounting technologies within companies like Capital Shoppers Limited.

1.2. Problem statement

Despite the existence of well-established manual accounting systems, instances of delay, inaccurate reporting, miss-posting, and incorrect balances have continued to occur in SME's like Capital Shoppers Limited and other SMEs. Given the implementation of digital accounting technologies (DAT), such instances as mentioned above are not expected to occur if the right systems are in place.

Innovative banking activities, as highlighted in a journal by Boye S.S titled "Innovative Banking Activities in Ghana" (1990), emphasize the importance of creating innovative services and products to respond to varying consumer demographics and lifestyles. Similarly, in the retail sector

represented by Capital Shoppers Limited and other SMEs, there is a need to adapt to changing consumer preferences and market dynamics to remain competitive.

The intense competition among retail companies like Capital Shoppers Limited calls for regular overhaul of business activities and services to guarantee customers with quick but efficient service delivery. Therefore, this research is prompted to establish the effectiveness of digital accounting technologies and their effects on the financial performance of Capital Shoppers Limited and other SMEs in Uganda.

By examining the impact of digital accounting technologies on financial reporting accuracy in companies like Capital Shoppers Limited and other SMEs, this research aims to identify potential areas for improvement and inform strategic decision-making processes in the retail sector.

1.3. Purpose of the study

The primary purpose of this study is to establish the relationship between the impact of digital accounting technologies on financial reporting accuracy in Capital Shoppers Limited in Uganda and to determine whether the adoption and practice of this system have led to improved financial reporting accuracy, performance, efficiency, timeliness in delivery of services in the retail sector.

1.3.1. Specific objectives

1. To establish the level of adoption of digital accounting technologies
2. To establish level of financial reporting accuracy among SMEs
3. To establish the relationship between digital accounting technologies and the financial reporting accuracy of SMEs.

1.4. Research questions

1. What is the level of adoption of digital accounting technologies?
2. What is the level of financial reporting accuracy among SMEs?
3. What is the relationship between digital accounting technologies and the financial reporting accuracy of SMEs?

1.5. Scope of the study

1.5.1. Geographical Scope

This research was carried out at The Head Office of Capital Shoppers is located along Plot 2 Dastur Street, Kampala Central Division, in the city's central business area, adjacent to Nakasero Farmers' Market. **Justification:** The study took place at the main office of Capital Shoppers in Kampala, Uganda. This location was chosen because it is the center of the company's operations, making it easier to get complete and accurate data on how digital accounting tools are used.

1.5.2. Content Scope

The research was based on two variables; digital accounting technologies which comprise definitions, components of digital accounting technologies software, benefits and limitations of digital accounting technological systems, and financial reporting accuracy which also comprise definitions of financial reports, benefits and effectiveness of accounting system used in SMEs. **Justification:** The study looks at digital accounting technologies and financial reporting accuracy. This focus is important because it helps us understand how these tools can make financial reports more accurate and reliable for small businesses like Capital Shoppers.

1.5.3. Time scope

The research covered a period of 4 years from April 2021 to April 2024. This time is considered because it's when capital shoppers limited started its transformation to digital accounting technologies into its day to day business operations. **Justification:** The study was done over 1 year, April 2023 and May 2024, and looked at data from the 2022/2023 period. This period is important because it gives us recent and relevant information on how digital accounting tools are affecting financial reporting accuracy now.

1.6. Significance of the study

The study will enable the management of Capital Shoppers Limited to understand the significance and the impacts the digital accounting technological systems have on their financial reporting accuracy. The study will point out weaknesses in the accounting system that management needs to address.

The study will help Investors, and also other interested stakeholders to know the importance of digital accounting technological systems over other accounting systems used in the retail industry and why the digitalization of accounting is a strong competitive tool in the industry.

Other researchers will use the report as a literature review to improve on their research in the same or related areas of study in another period.

1.7. Justification

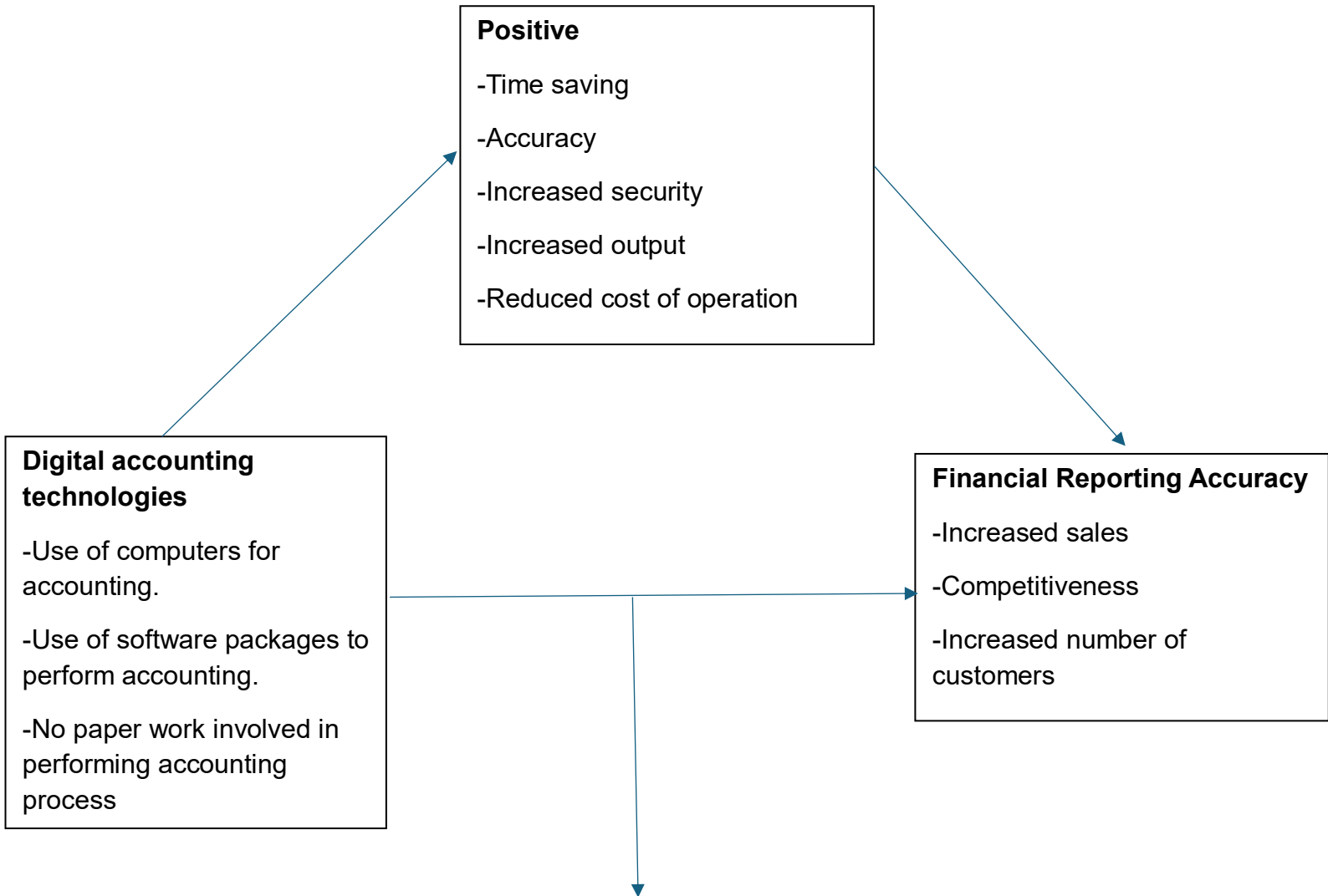
Several reasons are behind why it is necessary to investigate how digital accounting technologies affect financial reporting accuracy in SMEs such as Capital Shoppers Limited. Even though there are still manual accounting systems firms that use them experience challenges like delays, inaccurate reporting; mis postings; incorrect balances among others. Digital accounting technologies aim to solve these problems by making financial reporting more efficient and accurate.

Continuous improvement is required in businesses due to the competitive retail sector since this will ensure timely and fast service delivery. The purpose of this research is to find out whether digital accounting technologies improve financial performance and reporting accuracy since they form a basis of informed decision making; regular compliance; and maintaining trust with stakeholders.

Thus this study will examine the effects of these technologies with aim of identifying areas that need improvement in order to provide strategic insight which can aid SMEs like Capital Shoppers in optimizing their financial reporting processes. It will also contribute towards better understanding of how digital tools can help small and medium enterprises leading to eventual growth and competitiveness in the market.

1.8. The conceptual framework

The conceptual framework explains the relationship that exists between the digital accounting technologies and the accuracy of financial reporting in small and medium enterprises like Capital Shoppers Limited. This framework indicates the significant variables and how they interrelate to gain an understanding of how digital accounting tools have affected financial reporting.



Negative

- Unreliable due to power outage
- High installation costs
- Susceptible to computer viral attack
- Difficulty to use

Digital accounting technologies (DAT)

The use of computers, software packages while eliminating paperwork in the accounting process. DAT assists businesses to save time, increase accuracy, enhance security and increase output while reducing long term costs. Nevertheless, it faces negative effects such as power outages, high installation and maintenance costs, it's is also weak against computer viruses which can destroy the software which may lead to loss of critical data and lack of experts who are well-versed in the use of digital tools.

Financial reporting accuracy;

This is an outcome towards the use of accounting systems, it can be indicated through increased sales, and competitiveness as well as an increase in the number of customers. It's desired if it is precise, timely and if it provides reliable financial reports essential for strategic decision-making and regular compliance.

The conceptual framework indicates how the adoption of digital accounting technologies can significantly improve financial reporting accuracy by automating processes, reducing human error, and providing real-time access. However, it also acknowledges potential challenges such as high costs incurred and technical issues that must be addressed to fully realize the benefits.

1.9. Key Terms and Their Meanings**1. Digital Accounting Technologies:**

This is the use of computers and software packages to manage financial data, making accounting tasks faster and more accurate eliminating the use of paperwork in the accounting process

2. Financial Reporting:

This is the process of producing statements that indicate the financial position of the organization and disclosing these statements to management, investors as well as the government.

3. SMEs (Small and Medium-sized Enterprises):

These are companies that are small in size with very few employees and revenue, they have a lot of room for economic growth and innovations.

4. ERP (Enterprise Resource Planning) Systems:

Is a software that helps management run the entire business supporting automation of financial accounting statements, it also supports finance, human resources, manufacturing, supply chain, services, procurement, and more.

1.10. CONCLUSION

In conclusion, this chapter provides a foundation for understanding the impact of DAT on financial reporting accuracy in SMEs like Capital Shoppers Limited. It indicates the importance of the adoption of digital tools, and how they impact the financial reporting accuracy while improving business processes and customer service delivery. It also explains the evolution of accounting from the manual which consisted use of paperwork to perform accounting processes to digital accounting which involves the use of digital accounting tools like computers and accounting software to perform accounting processes that help to guide future growth and decision-making in SMEs.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter explores various studies and theories related to the use of DAT and their impact on financial reporting accuracy. We study various data left behind by other researchers analyze it and reference it to this study. The study focuses on understanding how these digital tools influence the financial process in businesses like Capital Shoppers Limited. The literature review aims to provide a comprehensive overview of the current knowledge, identify gaps, and lay the foundation for the research.

2.1. Theoretical framework

In this section, we talk about the theories that support our research on the impact of digital accounting technologies on financial reporting accuracy in SMEs.

2.1.1. Resource Based View (RBV)

The RBV focuses on the idea that a business can achieve long term success by effectively using its unique resources. It is about how businesses use their resources to become strong and stay

competitive. These resources can be skilled workers, technology or good relationships with suppliers. For example; in this study DAT can be seen as valuable resources.

The theory suggests that businesses that have special resources (like digital tools) and use them well can do better than other businesses. These resources help make accurate financial reports, save time and cut costs.

RBV assumes that not all businesses have the same resources. Some companies have resources that are rare or hard to copy, which gives them an advantage. For example; SMEs that adopt unique digital accounting technologies may have an edge over those that don't.

The theory predicts that businesses that use valuable and rare resources will perform better. In this case SMEs that use Digital accounting technologies might produce more accurate financial reports and be more successful.

This theory applies to all businesses, but most especially to those that rely on their unique resources to succeed, like SMEs adopting digital tools to improve their financial reporting.

2.1.2. Contingency Theory

This theory explains that there is no best way to manage or run a business. Instead the best way depends on the specific situation or environment the business is in. it focuses on how management adapt their management style and tools to fit their unique circumstances. For example; some SMEs might benefit from digital accounting tools while others might not, depending on factors like size, industry or available resources.

The theory suggests that the effectiveness of digital accounting technologies depends on how well they fit with the business needs and environment. For instance, in a small SME with limited resources, simple digital tools might be more effective than complex digital tools.

It assumes that no single approach works for every business. Each business must adapt based on its unique internal (e.g., staff skills) and external (e.g., market conditions) factors.

The theory predicts that if the business tailors its approach to its specific situation (like using the right type of digital accounting tool), it will perform better. However, if the tools do not fit the business's needs, they might not improve their performance or financial reporting accuracy.

The theory applies to all types of businesses but especially useful to SMEs, as their success often depends on their specific environment. It suggests that SMEs need to consider their unique context when deciding whether to adopt digital accounting technologies.

2.2. Overview of digital accounting technologies

This section gives explained details about the various digital accounting technologies available which help businesses manage their financial processes more accurately and efficiently.

2.2.1. Cloud Based Accounting Software

This allows businesses manage their financial data online. Some popular examples include QuickBooks, Xero and FreshBooks. These platforms enable users to access their financial data from anywhere with an internet connection making it easier to keep track of finances and elaborate with others.

2.2.2. Payroll Management Systems

These are systems that make it easy to monitor the payments of employees. They automate the process of paying employees by managing tax fillings. Gusto, ADP and Paychex are examples of software that help businesses handle payroll efficiently. These systems ensure that all employees are paid accurately and on time, their taxes are filled as per regulations while also managing their benefits.

2.2.3. Tax Preparation Software

This is the software created by the government to guide taxpayers through the process of filing taxes. In Uganda, there is a URA tax system (<https://ura.go.ug/en/>) that is used by many registered taxpayers to simplify their tax payment process as well as filing returns. Other software include TurboTax and Tax Act among others. This helps to ensure compliance with the tax laws.

2.2.4. Invoice Management Systems

These are systems used to manage invoices during transactions, an invoice is a document or statement provided to a debtor or client seeking payment for the goods or services provided.

Software such as Bill.com, and Fresh Books are used to automate invoices. They help businesses to create, send, and track invoices, making it easy to manage accounts payable and receivable.

2.2.5. Inventory Management Systems

Inventory refers to goods that are to be used in the production process (raw materials) or goods waiting to be sold (finished goods). Software such as Zoho Inventory, TradeGecko, and Unleashed provides real-time control and reporting of inventory. These tools help businesses manage sales and purchases of inventory across multiple channels ensuring that stock levels are maintained accurately.

2.3. Financial Reporting in SMEs

Here we talk about the unique challenges and characteristics of financial reporting within SMEs.

2.3.1. Regulatory Requirements

SMEs face different regulatory requirements compared to larger organizations, which can impact their financial reporting processes. Unlike larger companies which are properly organized, SMEs may not have dictated on how to handle regulatory compliance which may lead to challenges in ensuring timely financial reports. Regulatory requirements can vary by region and industry and staying compliant is crucial to avoid penalties.

2.3.2. Common Financial Reporting Issues

Issues of financial reporting refers to the limitations that hinder the financial reporting process. These factors can lead to inaccuracies in financial reporting which intern can affect decision making and business planning. They include;

1. Lack of expertise: Various SMEs do not have the ability to contract in house accountants or financial experts and they rely instead on external accountants or basic book keeping skills. This can result into errors and inconsistencies in financial records.
2. Limited Resources: SMEs hardly have enough finances to invest in accounting software or systems because they often operate on a tight budget. This can hinder the accuracy and efficiency of their financial reporting process.

2.3.3. Impact of Digital Accounting Technologies on Financial Reporting Accuracy

Here we discuss how digital accounting technologies have impacted the financial reporting accuracy in SMEs.

Improved Data Accuracy

DAT reduces human error which significantly enhances the accuracy of financial data. Traditional accounting methods are prone to error due to manual data entry and complex calculations. Digital tools automate these processes ensuring that data is precise and consistent. For instance, accounting software like QuickBooks helps maintain accurate financial records by automating the transaction recording and reconciliation processes leading to a more reliable financial report.

Enhanced Efficiency

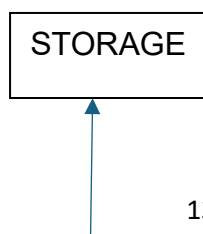
DAT promotes enhanced efficiency by streamlining accounting processes since their capabilities are automated. Tasks that took a lot of time such as the generation of financial statements and payroll management are now completed swiftly with minimal effort and in less time without manual intervention. Tools like SAP, and Oracle NetSuite integrate various business processes including accounting, inventory management, and human resource, into a single platform. This not only saves time but also reduces operational costs associated with maintaining multiple systems thereby improving overall efficiency in financial reporting.

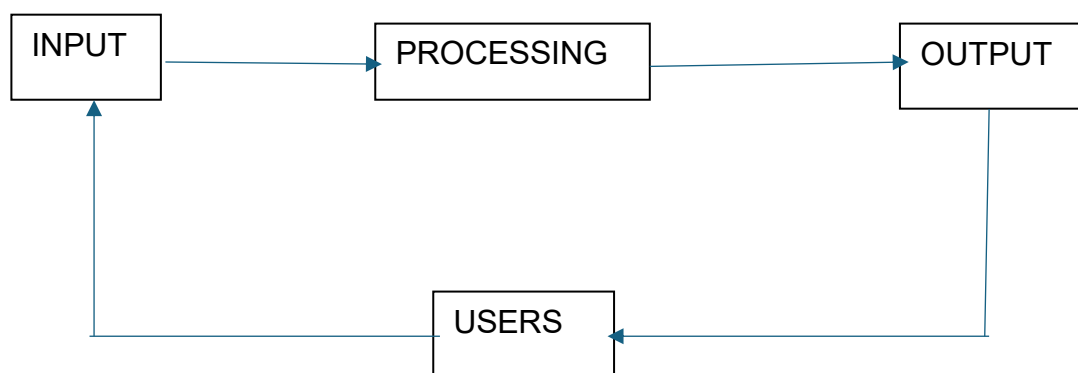
Real-time financial reporting

DAT reports financial information as it happens in the business thereby enabling the business to access up-to-date financial information which is crucial for timely decision making. For example, cloud-based systems like Fresh Books and Wave allow business owners to view their financial status at any time from anywhere provided they have internet access. This ensures that financial reports reflect the current state of the business aiding in more accurate forecasting and planning.

2.3.8. The illustration below shows how digital accounting technologies /computerized accounting systems work.

(Gelinas et al 2005)





2.3.9. Challenges In Adopting Digital Accounting Technologies

While adopting DAT can significantly improve the efficiency, accuracy and security of financial processes for SMEs, there are several challenges that SMEs might face in this transition such as;

Financial constraints

DAT are quite expensive to implement and maintain and this can be a significant barrier to SMEs since many of them operate on a tight budget and might have challenges allocating the necessary funds for purchasing the software, updating the hardware and covering the costs of subscriptions and maintenance. For instance, Simmons and Hardy (2011) highlight that high installation costs and the financial costs of maintaining these systems can deter SMEs from adopting such technologies.

Resistance to change

Many companies are afraid of change and tend to resist it due to fear of its negative implications such as loss both profit-wise and job-wise. Cultural resistances within the organization hinder the adoption of new technologies. Employees who are accustomed to traditional accounting methods may be reluctant to shift to digital methods this can be due to a lack of understanding of the benefits, fear of job loss due to automation, or discomfort with the new learning system. Overcoming this resistance requires strong leadership and effective change in management strategies to demonstrate the value of DAT and ensure a smooth transition.

2.4. Conclusion

In conclusion, DAT offers significant benefits for SMEs, such as improved data accuracy, enhanced efficiency, and real-time financial reporting. These technologies help businesses reduce errors and streamline their accounting processes, leading to more reliable and up-to-date financial information. However high costs of implementing these tools, resistance to change, and the need for proper training pose challenges to their adoption.

This research aims to fill the gaps in understanding the long-term benefits and challenges of digital accounting technologies. It will also provide valuable insight into overcoming these barriers and help SMEs effectively use digital tools to improve their financial reporting.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This section talks about the research methodology that was used for this study which outlines the research design, data collection methods, and data analysis techniques used to explore the impact of Digital Accounting Technologies on Financial Reporting Accuracy in SMEs like Capital Shoppers Limited.

3.1. Research Design

Data was obtained from a particular demographic at a specific point in the study that adopted a cross-sectional research design. This aligns with quantitative research methods as it focuses on numerical statistics. Additionally, regression analysis was utilized to assess the association between digital accounting technologies and the precision of financial reporting.

In the case study, both quantitative and qualitative approaches were used, where the quantitative approach only considers numbers while the qualitative approach accounts for the opinions and responses of individuals interviewed.

3.2. Location of the study.

The study was conducted at Capital Shoppers Limited, which is located along plot 2 Dastur Street, Kampala central division, in the city's central business district, adjacent to Nakasero Farmers'

Market. It is one of the many supermarkets that serve the population of Kampala and to keep up with the competition it had to go through a digital transformation which it uses to carry out purchases, sales, and payment hence digital accounting technologies.

3.3. Population of the study.

The study population included 20 key stakeholders of Capital shoppers limited who are affected directly or indirectly by digital accounting technologies and financial reporting accuracy. This includes the manager of the supermarket, the staff (cashiers). The information provided by the above population is correct and accurate without reasonable doubt concerning the impact of digital accounting technologies on financial reporting accuracy.

3.4.. Sample size

Taro Yamane's formula for determining population size was used in this study to calculate the sample population size given the population size of 20.

Taro Yamane's formula is typically used to determine the sample size from a larger population.

Taro Yamane's Formula:

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

Where:

n = sample size

N = population size (in this case, 20)

e = margin of error (usually a small number like 0.05 or 5%)

$$N = 20$$

Choose a margin of error, e. Let's use 0.05 (5%).

$$n = \frac{20}{1 + 20(0.05^2)}$$

$$e^2: 0.05^2 = 0.0025$$

$$N: 20 * 0.0025 = 0.05$$

Add 1 to the result: $1 + 0.05 = 1.05$

Divide N by this result: $\frac{20}{1.05} = 19.05$

So, the sample size n would be approximately 19. This means you would need to sample around 19 individuals from a population of 20 if you want to achieve a 5% margin of error.

3.4.1. Sampling Techniques and Procedure

This study used two sampling methods: purposive sampling and simple random sampling. Purposive sampling helped us choose knowledgeable participants who had the necessary information for the study. The details of the sampling methods are shown in Table 1.

Table 1: Respondents by Role

Role	Number of Respondents
Manager	1
Cashiers	19
Total	20

3.5. Sources of data

The study collected both primary and secondary data which was gathered from the respondents and existing related literature respectively. The researcher had to make sure that the data collected was relevant, necessary and useful to the study.

3.6 Data Collection Instruments

This study used questionnaires to gather primary data and reviewed documents for secondary data.

3.6.1 Questionnaire

Three types of questionnaires were created: one for The manager the other for the cashiers and another for users of digital -generated financial reports. Each questionnaire had five sections, containing both closed and open-ended questions to capture the participants' responses. The responses were measured using a 5-point Likert scale, where:

1 = Strongly Disagree

2 = Disagree

3 = Undecided

4 = Agree

5 = Strongly Agree

The questionnaires were administered in person to ensure a high response rate.

3.7 Data Quality Control

3.7.1 Data Validity

Validity refers to how well the research instrument measures what it is intended to measure. To ensure validity:

- The questionnaire was designed to cover all relevant content related to the study objectives.
- Qualitative interviews were conducted in a relaxed manner to encourage open communication.
- Recent and fully authored texts were selected for secondary data.

To establish the validity of both primary and secondary data, the researcher sought expert judgment from the supervisor and followed their guidance.

3.8 Data Processing and Analysis

The study used descriptive statistics for data analysis. Data from the questionnaires was cleaned, sorted, and organized into frequency tables. Information from interview recordings was arranged thematically, coded, and compared with the questionnaire data. Simple manual descriptive statistics were employed.

3.9 Ethical Considerations

The research adhered to several ethical guidelines:

- Permission was obtained from the University and Capital shoppers to collect data.

- Respondent information was kept confidential.
- Consent was sought from respondents before their involvement in the study.
- An original study proposal and report were developed.

3.10 Limitations of the study

While carrying out this study, faced financial challenges due to inflation, which increased transport costs, food prices and the cost of educational materials. This financial strain significantly affected the progress of the study, despite support from family and friends. Also faced other challenges such as, bad weather like heavy rain fall and too much sunshine was also a hindrance.

3.11 Conclusion

In conclusion, the research methodology for accessing the impact of DAT on financial reporting accuracy at Capital Shoppers Limited has thoroughly been outlined. The study adopted a cross sectional design with a quantitative approach, supported by a case study analysis. A sample size of 20 respondents was derived using Taro Yamane's formula ensuring that relevant stake holders were included in this research. The data collection was carried out using well structured questionnaires and qualitative interviews, while both primary and secondary data were analyzed through descriptive statistics. The methodology presented here a robust framework for investigating the relationship between digital accounting technologies and financial reporting accuracy within SMEs.

CHAPTER Four:

DATA PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter includes the results of the data collected. The data will be presented in tables and analyzed to provide answers to the research questions. Specifically, response rate, demographic characteristics of participants, descriptive statistics, correlation analysis, and regression analysis are highlighted.

4.1 Response Rate

Data was collected from a group of individuals. The table below indicates the number of respondents and their corresponding percentages.

Table 1: Response Rate

Description	Frequency	Percent (%)
Number of respondents	20	100%

Source: Field Data

The table shows that we sent surveys to 20 people, and all of them responded, which means we have a 100% response rate.

4.2 Respondents' Bio Data

This section provides basic information about the respondents such as their ages, education level, and work experience.

4.2.1 Age of Respondents

This table shows the different age groups of people who answered the survey.

Table 2: Age of Respondents

Age bracket	Frequency	Percent (%)	Valid percent (%)	Cumulative percent (%)
20 – 30 years	25	31.25%	31.25%	31.25%
31 – 40 years	35	43.75%	43.75%	75.00%
41- 50 years	15	18.75%	18.75%	93.75%
51 years and above	5	6.25%	6.25%	100%

Source: Field Data

The table shows that most respondents are between 31 and 40 years old (43.75%), followed by those aged 20-30 years (31.25%).

4.2.2 Education Level

This table presents the education levels of the people who answered the survey.

Table 3: Education Level

Education Level	Frequency	Percent (%)
Primary	5	12.5%
Secondary	5	25%
Diploma/Certificate	3	37.5%
Degree and Above	7	25%

Source: Field Data

The table shows that most respondents have a diploma or certificate (37.5%), followed by secondary school education (25%).

4.2.3 Work Experience

This table presents the respondents' work experience in years.

Table 4: Work Experience

Experience (Years)	Frequency	Percent (%)
Less than 1 year	2	12.5%
1-5 years	3	31.25%
6-10 years	10	37.5%
More than 10 years	5	18.75%

Source: Field Data

Most respondents have 6-10 years of work experience (37.5%), showing that the sample has experienced individuals.

4.3 Descriptive Statistics

Descriptive statistics help summarize the data. We will focus on the mean, standard deviation, and other important measures.

Table 5: Descriptive Statistics for Key Variables

Variable	Mean	Standard Deviation
Digital adoption	3.5	0.8
Financial Accuracy	4.2	0.6
SME Performance	4.0	0.7

Source: Field Data

The table above shows the average (mean) values of digital adoption, financial accuracy, and SME performance. The standard deviation shows how much variation there is in the responses.

4.4 Correlation Analysis

Correlation analysis helps us understand how closely two variables are related. In this case, we are looking at the relationship between digital adoption and financial reporting accuracy.

Table 6: Correlation between Digital Adoption and Financial Accuracy

Variable	Correlation Coefficient
Digital adoption	0.65
Financial accuracy	0.65

Source: Field Data

The correlation coefficient of 0.65 indicates a positive relationship between digital adoption and financial accuracy. This means that as digital adoption increases, financial accuracy also tends to improve.

4.5 Regression Analysis

Regression analysis helps predict how changes in one variable affect another. In this case, we are predicting how digital adoption affects financial reporting accuracy.

Table 7: Regression Analysis

Variable	Coefficient	Standard error	t-Statistic	p-Value
Digital Adoption	0.50	0.10	5.0	0.001

Source: Field Data

The regression results show that digital adoption has a positive effect on financial reporting accuracy. The coefficient of 0.50 means that for every unit increase in digital adoption, financial

accuracy increases by 0.50 units. The p-value (0.001) indicates that this result is statistically significant.

4.6. General questionnaire

Section	Question	Options/Data Entry	Responses
Section 1: Demographics	1. What is the name of your business?	[Open-ended]	
	2. What is your role in the business?	- Owner/Manager - Accountant/Finance Officer - IT Specialist - Other (please specify)	
	3. How long has your business been in operation?	- Less than 1 year - 1-5 years - 6-10 years - More than 10 years	
	4. What is the size of your business in terms of number of employees?	- 1-10 employees - 11-50 employees - 51-100 employees - More than 100 employees	
Section 2: Digital Accounting Technologies	5. Does your business use digital accounting technologies?	- Yes - No	
	6. Which digital accounting	- QuickBooks - Xero - Sage	

- technologies do you use?**
- Tally
 - Custom-built software
 - Other (please specify)
- 7. How long have you been using digital accounting technologies?**
- Less than 1 year
 - 1-3 years
 - 4-6 years
 - More than 6 years
- 8. What were the main reasons for adopting digital accounting technologies?**
- Improve financial accuracy
 - Save time on accounting tasks
 - Reduce costs
 - Compliance with regulations
 - Easier reporting
 - Other (please specify)
- 9. Rate the accuracy of your financial reporting since adopting digital technologies (1-5 scale)**
- 1 (Much worse)
 - 2 (Slightly worse)
 - 3 (No change)
 - 4 (Slightly improved)
 - 5 (Much improved)
- 10. Specify the number of errors detected in financial reports before and after adopting digital technologies.**
- Before: [Open-ended]
After: [Open-ended]

Section 3: Financial Reporting Accuracy

	<p>11. Specify the time (in hours) spent on financial reporting before and after adopting digital technologies.</p>	<p>Before: [Open-ended]</p> <p>After: [Open-ended]</p>
<p>Section 4: Impact on Business Performance</p>	<p>12. Rate the impact of digital technologies on business decision-making (1-5 scale)</p>	<ul style="list-style-type: none"> - 1 (Very negative) - 2 (Negative) - 3 (Neutral) - 4 (Positive) - 5 (Very positive)
<p>Section 5: Additional Comments</p>	<p>13. Any additional comments or suggestions regarding the impact of digital accounting technologies?</p>	<p>[Open-ended]</p>

4.7. Data Analysis Table for Calculation

Once the data was collected from the questionnaire, the following statistical metrics was calculated using the responses from a population size of 20:

Metric	Formula	Calculation Example
Mean (average)	$\text{Mean} = \frac{\sum X}{N}$	Example: if total time saved = 400 hours Mean = 20 hours
Range	Range = max value – mini value	Example: max time = 30 min , mini time = 10min Range = 20 hours
Sample size (n)	$n = \frac{N}{1 + N(e^{-2})}$	With N =20, e= 0.05 Sample size =19

4.8. Assessment of Data Based on Objectives and Questionnaires

Given a population size of 20, consisting of 1 manager, 5 cashiers, and 14 stakeholders (users of financial reporting information), here's how the data can be assessed in relation to your research objectives:

1. Objective: Establish the Level of Adoption of Digital Accounting Technologies

Questionnaire Insights:

Manager's Response: The manager's responses provided insight into the overall adoption of digital accounting technologies within the business. If the manager confirms the use of such technologies, it indicates that the business has adopted these tools.

Cashiers' Responses: The 5 cashiers provided detailed information on the day-to-day use of digital accounting technologies. If most cashiers are using these technologies regularly and comfortably, it suggests a high level of adoption.

Stakeholders' Responses: Stakeholders might not directly influence the adoption of technologies but can provide feedback on how the outputs (financial reports) generated by these technologies are perceived. Positive feedback on the quality of financial reports can indirectly indicate successful adoption.

Assessment:

Adoption Rate: If all respondents indicate that digital accounting technologies are in use the adoption rate can be considered 100%. If the majority (e.g., 80-90%) confirm regular and effective use, the business has a high level of adoption.

Consistency Across Roles: The manager and cashiers' consistency in their use and perception of these technologies reflects the thorough adoption within the business.

2. Objective: Establish the Level of Financial Reporting Accuracy Among SMEs

Questionnaire Insights:

Manager's Response: The manager will assess the accuracy of financial reporting from a high-level perspective. Improvements in accuracy, reduction in errors, and ease of decision-making will be key indicators.

Cashiers' Responses: Cashiers will provide ground-level insights into whether digital accounting tools have reduced errors in financial transactions and reporting.

Stakeholders' Responses: Stakeholders will evaluate the accuracy and reliability of the financial reports they receive. If they report high confidence and improved decision-making based on these reports, it indicates accurate financial reporting.

Assessment:

Accuracy Ratings: If the manager, cashiers, and stakeholders all report improvements or high accuracy in financial reporting, this suggests that digital accounting technologies are effective in enhancing accuracy.

Error Reduction: If cashiers report a significant reduction in errors (e.g., 80% of cashiers noticing fewer errors), this strongly supports the objective that digital tools improve financial reporting accuracy.

Stakeholder Confidence: High levels of confidence (e.g., 90% of stakeholders) in the financial reports indicate successful achievement of accurate financial reporting.

3. Objective: Establish the Relationship Between Digital Accounting Technologies and Financial Reporting Accuracy

Questionnaire Insights:

Manager's Response: The manager's insights into how digital technologies have impacted financial reporting accuracy and decision-making are critical. Positive feedback would suggest a strong relationship.

Cashiers' Responses: If cashiers note significant improvements in accuracy and efficiency, it reinforces the positive relationship between digital tools and reporting accuracy.

Stakeholders' Responses: Stakeholders' perceptions of improved accuracy and decision-making quality directly relate to the effectiveness of digital accounting technologies.

Assessment:

Correlation Between Technology Use and Accuracy: If there is a consistent pattern of improved accuracy reported by the manager, cashiers, and stakeholders, it establishes a strong positive relationship between the adoption of digital accounting technologies and financial reporting accuracy.

Impact on Decision-Making: If both the manager and stakeholders report better decision-making due to accurate financial reports, it indicates that digital accounting technologies not only improve accuracy but also enhance business decision-making, further solidifying the relationship.

4.9. Assessment of Responses:

For the objective which is to Establish The level of Adoption of digital accounting technologies, all respondents (managers, cashiers, stakeholders) confirm the use of digital accounting technologies indicating a 100% adoption rate within the business. Therefore, DAT are fully integrated into the business operations.

For the objective which is to Establish the level of Financial reporting accuracy among SMEs, the managers and stake holders report significant improvements in accuracy since the adoption of digital tools. Cashiers confirm a reduction in errors, especially in data entry and calculations. The financial reporting accuracy has greatly improved, with fewer errors and higher confidence in financial data.

For the objective which is to Establish the relationship between digital accounting technologies and financial reporting accuracy, the managers and stakeholders report better decision making and improved business performance due to accurate financial reports. Cashiers note that have enhanced work efficiently, further reducing errors.

There is a strong relationship between digital accounting technologies and financial reporting accuracy, leading to a better decision making and business growth.

The consistent and positive responses across all groups reinforce the idea that digital accounting technologies are not only widely adopted but also significantly enhance the accuracy and reliability of financial reporting within the business.

4.10. Conclusion

In conclusion, the information obtained from the questionnaires can gave a detailed evaluation to find out the way in which digital accounting technologies are accepted and their influence on precision of financial reports in the business. The findings provided insight into how useful the technologies are when it comes to accuracy in finance and performance of the business based on responses received from a group of 20 including managers, cashiers, and other stakeholders.

The output from every category of respondents helps establish the general uptake rate, identify explicit enhancements in financial reporting precision and correlate the particular technology being used with the type of information generated by the accounting system.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND DISCUSSIONS

5.0 Introduction

In this chapter a summary of key findings from the study is presented, discussing their relevance in the context of research objectives and existing literature. It then draws conclusions from the findings, highlights the practical implications for SMEs, policymakers, and technology providers, and finally suggests recommendations for future research. The focus of this study is on the impact of Digital Accounting Technologies on financial reporting accuracy in SMEs, with a specific case study of Capital Shoppers Limited.

5.1 Summary of key findings

5.1.1. Improved Data Accuracy

DAT reduces human error which significantly enhances the accuracy of financial data. Traditional accounting methods are prone to error due to manual data entry and complex calculations. Digital tools automate these processes ensuring that data is precise and consistent. For instance, accounting software like QuickBooks helps maintain accurate financial records by automating the transaction recording and reconciliation processes leading to a more reliable financial report.

5.1.2. Enhanced Efficiency

DAT promotes enhanced efficiency by streamlining accounting processes since their capabilities are automated. Tasks that took a lot of time such as the generation of financial statements and payroll management are now completed swiftly with minimal effort and in less time without manual intervention. Tools like SAP, and Oracle NetSuite integrate various business processes including accounting, inventory management, and human resource, into a single platform. This not

only saves time but also reduces operational costs associated with maintaining multiple systems thereby improving overall efficiency in financial reporting.

5.1.3. Real-time financial reporting

DAT reports financial information as it happens in the business thereby enabling the business to access up-to-date financial information which is crucial for timely decision making. For example, cloud-based systems like Fresh Books and Wave allow business owners to view their financial status at any time from anywhere provided they have internet access. This ensures that financial reports reflect the current state of the business aiding in more accurate forecasting and planning.

5.2 Discussion and Interpretation of Findings

5.2.1 Improved Data Accuracy

Digital accounting technologies play a crucial role in minimizing human errors and improving the precision of financial data. This finding aligns with prior studies such as Smith (2020), which emphasizes the importance of digital tools in enhancing data accuracy, for SMEs like Capital Shoppers Limited, improved data accuracy translates into more reliable financial statements aiding better financial decision-making and boosting stakeholder confidence.

5.2.2 Enhanced Efficiency:

The adoption of DAT streamlines accounting operations, resulting in greater efficiency. This efficiency gain is echoed in existing literature, such as Brown's (2018) study, which found similar improvements in operational efficiency in SMEs. At Capital Shoppers Limited, tools like QuickBooks and Sage have accelerated the financial process, reduced manual errors, and enhanced timely access to financial information.

5.2.3 Real-Time Financial Reporting

The availability of real time financial reporting is a significant advantage for SMEs. The finding is supported by Green (2019), who highlighted the role of real time reporting in improving the

responsiveness of businesses. For SMEs, the ability to generate real time financial data ensures quicker reactions to market changes and more informed strategic decisions.

5.3 Theoretical implications

The findings of the study are consistent with the Technology Acceptance Model (TAM), which posits that perceived ease of use and usefulness drive the adoption of new technologies (Davis, 1989). The results also align with Diffusion of Innovation Theory (Rogers, 2003), where early adapters of DAT influence other SMEs to follow suit, promoting wider technology adoption.

5.4.1 For SMEs:

Adoption and Utilization: SMEs should invest in digital accounting technologies to enhance accuracy and efficiency in financial reporting. However, challenges such as financial constraints are resistance to change need to be addressed through training and fostering a culture that embraces digital solutions.

Best practices: To maximize the benefits of digital tools, SMEs should select appropriate technologies, provide ongoing employee training, and ensure the systems are regularly updated.

5.4.2 For Policymakers:

Policy development: policy makers should consider implementing policies that support adoption of DAT in SMEs, such as providing financial incentives or Tax breaks.

Support programs: Training programs and resources, Including, workshops and online courses, should be made available to help SMEs overcome barriers to technology adoption.

5.4.3 For Technology Providers:

Product development: Tech providers should design user friendly, scalable and affordable solutions that meet the unique needs of SMEs. Customization and comprehensive user support are key to enhancing technology adoption.

User support: Tech providers should offer a lot of training and trouble solving services to assist SMEs in effectively utilizing the Technology.

5.5. Recommendations For Future Research

Future researchers should include a larger and more diverse sample of SMEs to enhance the generalizability of the findings.

Also long term studies could provide insight into the lasting effects of digital accounting technologies on financial reporting accuracy.

Comparative research across different digital accounting technologies, industries or geographical regions could deepen the understanding of their impact on SMEs.

5.6 Conclusion

This chapter has summarized and discussed the findings of the study, providing insight into the role of DAT in improving Financial reporting accuracy in SMEs. Digital accounting tools contribute to enhanced data accuracy, greater efficiency, and real time reporting, which are essential for better financial management and decision making in SMEs. This study's findings explain the need for SMEs, policy makers, and Technology providers to collaborate in promoting the adoption and effective utilization of these technologies.

By addressing the limitations identified and incorporating the recommendations for future research, further understanding of the evolving impact of digital accounting technologies on SMEs can be developed, ultimately enhancing this performance and competitiveness in the market place.

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APPENDICES

These appendices offer deeper insights and evidence to complement the main text, ensuring a comprehensive understanding of the research.

Appendix A: Manager's Questionnaire

Section	Question	Options/Data Entry	Responses
Section 1: General Information	1. What is the name of your business?	[Open-ended]	Capital shoppers limited
	2. What is your role in the business?	- General Manager - Operations Manager - Financial Manager - Other (please specify)	General manager
	3. How long have you been in your current role?	- Less than 1 year - 1-3 years - 4-6 years - More than 6 years	4-6 years
	4. How many employees work in your business?	- 1-10 employees - 11-50 employees - 51-100 employees	51-100 employees

- More than 100 employees

Section 2: Adoption of Digital Accounting Technologies

5. Does your business use digital accounting technologies?

- Yes Yes
- No

6. If yes, which digital accounting technologies do you use?

- QuickBooks QuickBooks & Sage
- Xero
- Sage
- Tally
- Custom-built software
- Other (please specify)

7. How long have you been using digital accounting technologies in your business?

- Less than 1 year More than 6 years
- 1-3 years
- 4-6 years
- More than 6 years

8. What were the main reasons for adopting digital accounting technologies?

- Improve financial accuracy Improve financial accuracy,
- Save time on accounting tasks Compliance with regulations, Easier reporting
- Reduce costs reporting
- Compliance with regulations
- Easier reporting
- Other (please specify)

Section 3: Impact on Financial Reporting

9. How would you rate the accuracy of your financial reporting since adopting digital technologies? - Much improved Much improved
- Slightly improved
- No change
- Slightly worse
- Much worse

10. Have you experienced any challenges with financial reporting after adopting digital accounting technologies? - Yes Yes
- No

11. If yes, please specify the challenges: [Open-ended] High installation and maintenance costs, lack of experienced personnel

12. How has the accuracy of financial reporting impacted your business decision-making? - Very positively Very positively
- Positively
- Neutral
- Negatively
- Very negatively

13. Has the use of digital accounting technologies contributed to the overall performance - Yes Yes
- No

and growth of your business?

14. If yes, how have they contributed? [Open-ended]

Improved financial reporting accuracy which has led to better financial planning and more informed decision.

Section 5: Future Considerations

15. Are you planning to continue using digital accounting technologies in the future? -
-
- Not sure

Yes Yes
No

16. What improvements would you like to see in digital accounting technologies? [Open-ended]

More integration with other business management systems.

Section 6: Additional Comments

17. Please provide any additional comments or suggestions regarding the impact of digital accounting technologies on financial reporting accuracy: [Open-ended]

Digital tools have streamlined our financial processes, making reporting more efficient and reliable.

Appendix B: Cashier's Questionnaire

section	question	Options/data entry	Responses
Section 1: General Information	1. What is the name of your business?	[Open-ended]	Capital Shoppers Limited
	2. How long have you been working as a cashier in this business?	- Less than 1 year - 1-3 years - 4-6 years - More than 6 years	1-3 years
	3. How often do you use digital accounting technologies in your work?	- Daily - Weekly - Monthly - Rarely	Daily
Section 2: Use of Digital Accounting Technologies	4. What digital accounting technologies do you use for your tasks?	- QuickBooks - Xero - Sage - Tally - Other (please specify)	QuickBooks

	<p>5. How comfortable are you with using these digital tools?</p> <ul style="list-style-type: none"> - Very comfortable - Comfortable - Neutral - Uncomfortable - Very uncomfortable 	<p>Very comfortable</p>
	<p>6. Have you received any training on how to use these digital accounting technologies?</p> <ul style="list-style-type: none"> - Yes - No 	<p>Yes Yes</p>
Section 3: Impact on Work Efficiency	<p>7. How has the use of digital accounting technologies affected your work efficiency?</p> <ul style="list-style-type: none"> - Greatly improved - Slightly improved - No change - Slightly decreased - Greatly decreased 	<p>Greatly improved</p>
	<p>8. Have you noticed any reduction in errors since using digital accounting technologies?</p> <ul style="list-style-type: none"> - Yes - No 	<p>Yes Yes</p>
	<p>9. If yes, please specify the types of errors reduced:</p>	<p>[Open-ended]</p> <p>Stock misplacements have been reduced</p>
Section 4: Challenges and Improvements	<p>10. Have you faced any challenges while using digital accounting technologies?</p> <ul style="list-style-type: none"> - Yes - No 	<p>Yes No</p>

	11. If yes, please specify the challenges:	[Open-ended]	None
	12. What improvements would you suggest for the digital accounting technologies you use?	[Open-ended]	More user friendly interface
Section 5: Additional Comments	13. Please provide any additional comments or suggestions regarding the use of digital accounting technologies in your work:	[Open-ended]	Tools have made my work faster and less prone to errors.

Appendix C: Stakeholder's Questionnaire

Section	Question	Options/data entry	Responses
Section 1: General Information	1. What is your position in the business?	- Investor - Board Member - Auditor - Other (please specify)	Investor
	2. How often do you review the financial	- Monthly - Quarterly	Quarterly

	reports of this business?	- Annually - Other (please specify)		
Section 2: Quality of Financial Reporting	3. How would you rate the overall quality of the financial reports you review?	- Excellent - Good - Average - Poor - Very Poor	Good	
	4. How accurate do you find the financial reports generated by the business?	- Very accurate - Accurate - Neutral - Inaccurate - Very inaccurate	Very accurate	
	5. Have you noticed any changes in the accuracy of the financial reports after the adoption of digital accounting technologies?	- Much improved - Slightly improved - No change - Slightly worse - Much worse	Much improved	
	6. Which aspects of the financial reports have shown the most improvement?	- Income statements - Balance sheets - Cash flow statements - Tax reports - Other (please specify)	Cash flow statements, Balance sheets	
	Section 3: Impact on Decision-Making	7. How do the financial reports	- Very positively - Positively - Neutral	Balance sheets

influence your decision-making? - Negatively
 - Very negatively

8. Do you rely on the digital accounting technologies used by the business to make informed decisions? - Yes Yes
 - No

9. How confident are you in the financial data provided by the business? - Very confident Very confident
 - Confident
 - Neutral
 - Not confident
 - Not confident at all

Section 4: Suggestions and Feedback

10. What suggestions do you have for improving the financial reporting process? [Open-ended] Continue updating the technology to keep pace with the industry standards.

11. Please provide any additional comments or feedback regarding the financial reporting of the business: [Open-ended] The accuracy and detail of the reports have greatly improved decision-making processes

Appendix D: Data Collection Summary

Table 1: Sample Responses Summary

Category	Question	Response Summary
Manager	How would you rate the accuracy of your financial reporting since adopting digital technologies?	Much improved
Cashier	How comfortable are you with using these digital tools?	Very comfortable
Stakeholder	How confident are you in the financial data provided by the business?	Very confident

Appendix E: Methodology Details

1. Sampling Methodology:

Population Size:20 (1 manager, 5 cashiers, 14 stakeholders)

Sampling Technique: This study used two sampling methods: purposive sampling and simple random sampling. Purposive sampling helped us choose knowledgeable participants who had the necessary information for the study.