INFLUENCE OF ELECTRONIC ACCOUNTING ON SERVICE DELIVERY IN FINANCIAL INSTITUTIONS A CASE OF WAKENYA PAMOJA SACCO IN KISII TOWN

BY

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DECLARATION

This research Project is my original work and has not been presented for the award of any degree in any other institution.

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This project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my beloved parents Mr. and Mrs. Onyancha and other family members.

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TABLES OF CONTENTS

CHAPTER TWO

LITERATURE REVIEW

CHAPTER THREE

RESEARCH METHODOLOGY

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

ABS	-	Australian Bureau of Statistics
AIS	-	accounting information system
CAS	-	E-Accounting System
DC	-	District Commissioner
IT	-	Information Technology
TCT	-	Information and Communication Technology

ABSTRACT

Accounting is the art of systematically identifying, measuring, recording, classifying summarizing in a significant manner and in terms of money, transactions and event which are in part at least, of financial nature, and communicating, analyzing and interpreting the results there of. Sacco's are associations of people who have come together with common goals geared at improving their livelihood economically. Sacco's as Wakenya Pamoja through E-Accounting provide customers with some functions such as receiving deposits from customers for savings and onward money transfer as well as credit services. Electronic accounting is therefore the use of computers to carry out accounting exercises. The purpose of this study was to evaluate the influence of electronic accounting on service delivery in Wakenya Pamoja Sacco. The study was guided by the following objectives: to establish the relationship between the application of the manual accounting system and the electronic accounting system in service delivery in banking system, to influence of electronic accounting system in enhancing service delivery in Kenya pamoja sacco , to assess how internal control and audit influence service delivery in Wakenya Pamoja and to examine the benefits and obstacles facing Wakenya pamoja sacco in the adoption of the electronic accounting system in Wakenya Pamoja Sacco. The study adopted a descriptive survey design which targeted a population of 126 employees of Wakenya Pamoja Sacco. The sample size was 56 respondents. The sample size was randomly selected using simple random sampling. Data was collected using standardized questionnaires and interview guide. Data was analyzed using descriptive statistics. The researcher used the Statistical Package for Social Sciences (SPSS) software version 18.00 for effective analysis of data. Percentages and frequency distributions were used to present data and the results of data analysis presented in frequency tables and percentages. The study revealed that the employees encounter problems in supply of electricity with the frequency breakdown of their accounting systems. The study also revealed that E-Accounting adoption would ensure proper accounting practices. It is recommended that Wakenya Pamoja Sacco and other organizations that are still in the operations of manual system of accounting to adopt specifically the Electronic accounting system and this will in no small way aid in quick customer services delivery.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

E-accounting is the application of online and Internet technologies to the business accounting function. Similar to e-mail being an electronic version of traditional mail, e-accounting is "electronic enablement" of accounting and accounting processes which are more traditionally manual and paper-based. E-Accounting is a term originally coined by Joanie Mann at InsynQ one of the founders of the ASP industry, and was introduced in 1998 along with InsynQ's hosted QuickBooks offerings under the banner of InsynQ Accounting Solutions, and later CPAASP.

The International Cooperative Alliance (ICA 2004) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. A cooperative is meant to embody the values of self-help, honesty, openness, self-responsibility, social responsibility, democracy, equality, equity, solidarity, mutual caring, efficiency, effectiveness, transparency and accountability. ICA identifies seven principles that ought to guide the formation, organization and activities of cooperatives, namely: Voluntary and open membership, Democratic member control, Member economic participation, Autonomy and independence, Education, training and information, Cooperation in Cooperatives, and Concern for Community.

Beside opportunities of this channel, banks and financial institutions across the world face new challenges to the ways they operate, deliver services and compete with each other in the financial sector. Driven by these challenges, banks and financial institutions have implemented services delivery using internet accounting (Chan and Lu, 2004). The objectives of launching internet accounting include cost reduction, performance improvement, wider coverage, revenue growth, and customer convenience (Bradley & Stewart, 2002; Chau and Lai, 2003). From the customer's perspective, E-accounting intervenes and facilitates a convenient efficient and accurate transactions which effects E-banking by managing personal finances in a 24 hours a day and 365 days in a year without visiting the bank and from any locations (Rotchanakitumunai & Speece, 2003).

The increase in the demand for financial services has brought changes to cooperative societies as a factor in financial, economic and social science disciplines to the extent that over the years, local and international organizations have continued to explore the best modalities in the application of cooperative concept to almost every area of the economic needs of individuals at urban and rural areas (Munyiri, 2006). This may have necessitated the declaration of the year 2005 as the international year of microcredit and the year 2012 as the international year of cooperatives by the United Nations General Assembly (Co-operative and Policy Alternative Center (COPAC). 2012).

760 million people around the world are members of Sacco's. Sacco members make up 29% of the population of Argentina, 33% of Norway and 40% of the USA. Sacco's provide 100 million jobs worldwide. Sacco businesses are in the largest and most successful in the world. Cooperatives play a major role in resources mobilization, agro-

processing and marketing of agricultural produce. The movement plays an important role in wealth creation, food security and generation of employment and therefore alleviating poverty (Ofei, 2001). From the foregoing it is evident that the cooperative movement is of strategic importance in encouraging national savings and development of the country. Changes that occur in the co-operative sector therefore affect the development of the country and the general welfare of the members (Muruana, 2007).

1.1.1 SACCO

It is a democratic, unique, member driven cooperative which is owned and governed by its members who have the same common bond of saving money together and make loans to each other using a reasonable interest rate. It is owned, governed and managed by its members who have the same common bond: working for the same employer, belonging to the same church, labor union, social fraternity or living/working in the same community (Olubendi, 2012). A Savings and Credit Co-operatives membership is open to all who belong to the group, regardless of race, religion, color, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other.

According to Olubendi (2012) Savings and Credit Co-operatives are democratic organizations and decisions are made in a structured democratic way. Members elect a board that in turn employs staff to carry out the day-to-day activities of the SACCO. The

number of board members is between nine and fifteen. Members also elect a supervisory committee to perform the function of an internal audit.

Savings and Credit Co-operative (SACCO) is a democratic, unique member driven, self-help co-operative. It is owned, governed and managed by its members who have the same common bond: working for the same employer, belonging to the same church, labour union, social fraternity or living/working in the same community. COPAC (2005) defines a co-operative as an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly-owned and democratically-controlled enterprise organized and operated on co-operative principles. A Savings and Credit Co-operatives membership is open to all who belong to the group, regardless of race, religion, colour, creed, and gender or job status. These members agree to save their money together in the Sacco and to extend credit to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other (Hartungi, 2007).

All Sacco's operate Back Office Service Account and have been able to mobilize over Kenya shillings (Kshs) 180 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 120 billion. Sacco's have registered tremendous growth since mid 70s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. Sacco's have also created employment for Kenyans thus contributing to the government's efforts of achieving the goals of vision 2030. Sacco's

have grown tremendously and currently have 3.7million members. The 200 Sacco's with FOSAs have diversified into specialized bank like activities which include deposit taking, saving facilities, debit card business (ATM) and money transfers both local and international. According to Kenya Union of Saving and Credit Cooperative society (KUSCO, 2012), the shift of the most bank lending behaviour in the recent past to include unsecured loans has affected the operation of Sacco's. These services offered by the Sacco's compete with those offered by Wakenya Pamoja which are: savings accounts, credit cards, ATM networks, Safe Deposits boxes, night safes, debit cards, deposit accounts, personal loans, business loans and custodial and trustee services (Kinuthia, 2007).

In Kenya, the SACCO sub-sector has witnessed rapid growth in the last few years at the rate of about 25% per annum and now boasts of a savings mobilization of Shs.180 billion and an asset base of over KShs.200 billion. The savings mobilized by SACCOs represent 31% of the national savings. SACCOs have therefore played a key role in mobilization of financial resources and will be a major player in realization of the national Vision 2030. This sub-sector occupies a strategic position in the socio-economic development of Kenya.

SACCOs are different from Banks and cannot operate under the same legislation. For instance, SACCOs are often formed by individuals who are the depositors, borrowers & owners to provide financial services hitherto inaccessible to those individuals; are not for-profit institutions and have no external shareholders thus have limited ability to raise

capital and no access to capital markets. The SACCO Board of directors is democratically elected from inst the members.

SACCOs are also different from MFI in the sense that SACCOs have an intermediate broad array of financial services beyond credit. Unlike MFIs, they mobilize voluntary public deposits from their members on a much greater scale and are community-owned by individuals with equal ownership**.** And because of the kind services SACCOs offer they are different from other co-operatives. Unlike other co-operatives societies SACCOs specialize in financial intermediation, which necessitates adherence to prudential financial standards and supervisory oversight. They require access to liquidity mechanisms (Central bank or legal mechanisms as well as to payment, settlement and clearing networks and they are required to maintain capital base from retained earnings from operations (Njuguna, 2011).

The uniqueness of the Sacco movement is its geographical distribution across Kenya. In all the 47 counties there are numerous Sacco's providing financial access to hitherto financially excluded Kenyans. As envisioned in Kenya's development blueprint, Vision 2030, Sacco's are already playing their critical role of savings mobilization for investments. Many rural and urban Kenyans now own homes and other business enterprises courtesy of funds through their Sacco's (Ombado,2010).

Savings and Credit Co-operatives (Sacco's) are associations of people who have come together with common goals geared at improving their livelihood economically. They are an important part of the financial sector in Kenya, providing savings, credit and insurance services to a large portion of the population. The Kenya Sacco sub-sector comprises both

deposit taking and non deposit taking Sacco's (Ndung'u, 2010). There were 5,544 registered Saccos in Kenya as at December 31st 2010. Out of the 3,983 active Sacco's in Kenya 218 or 6% operate FOSAs that is they are deposit taking. The rest or 84% do not have FOSAs.

1.2 Statement of the Problem

Many studies in this area had concentrated on efforts on the shortcomings of the cooperative Laws in general and the lending policies in particular in the promotion, development and operations of the Sacco's and their negative effect, on the Sacco role and impact in the mobilization of savings (Sharma, 2006; Muruana, 2007). They have ignored the aspect of Electronic accounting on service delivery which has brought new changes which has made the financial sector more competitive. Also Muruana (2007) indicated that the Sacco's have shown a constant level of increased performance in both the profitability and membership, Okundi (2011) observed that Sacco suffered challenges as Members of the Sacco's preferred loans from the bank to the ones from the Sacco's because the amount of loan awarded is not pegged on saving as is the case in Sacco's.

Locally, Okundi (2011) did a study on the financial challenges facing savings and credit cooperative societies in Kenya the case of Sacco's in Nairobi, Lwanga (2011) did a study on the strategic responses of Sacco's to changing competitive business environment: a study of KUSSCO affiliated Sacco's in Nairobi County while Njoroge (2012) did an analysis of factors influencing adoption of innovation strategy in Sacco's registered in Nairobi with the Sacco societies regulatory authority and Mwangi (2013) studied effects of unsecured commercial bank loans on services offered by Sacco's with FOSAS in

Kenya. None of these studies focused on the influence of electronic accounting on services delivery in Sacco's in Kisii County. The main objective was to establish whether the electronic accounting have effects on the financial services provided by Sacco's with a view of coming up with recommendations that could help the Sacco's to develop strategies and policies to enable it compete effectively with Wakenya Pamoja.

SACCO movements are facing major challenges in their operations to date due to the emergence of stiff competition from banks and m-banking within the mobile networks. There has been a decline in membership within the SACCOs due to lack of enough flexibility to meet members' diverse credit needs and lack of speed in product/service delivery due to lengthy decision making procedures. There is therefore needed to come up with innovative products within the SACCOs in order to face and overcome this competition. The main purpose of SACCOs is to offer loans at reasonable interest rates to its members. The society is moving towards entities that are multi functional. Banks offer loans and credit facilities and the mobile networks are also moving towards providing banking services.

SACCOs therefore need to incorporate banking services among its other services in order to remain competitive. This can only be achieved by increasing the service touch points so as to reduce the congestion and delays experienced in their halls. SACCOs are usually small organizations compared to other financial institutions and therefore need to save on its capital expenditure and investment

1.3 Purpose of the Study

The purpose of this study was to examine the influence of electronic accounting on service delivery in financial institutions, case of Wakenya Pamoja Sacco.

1.4 Objectives of the Study

The objectives of the study were guided by the following;

1. Examine how e-accounting influence preparation and presentation of financial statements on service delivery in Wakenya Pamoja Sacco.
2. Establish the influence of E-Accounting systems software in enhancing service delivery in Wakenya Pamoja Sacco.
3. Investigate how E-accounting influence funds transfer on service delivery in Wakenya Pamoja.
4. Establish how E-Accounting influence internal control and audit on service delivery in Wakenya Pamoja Sacco.

1.5 Research Questions

To achieve the above objectives, the study sought to answer the following research questions.

1. What extent does e-accounting influence preparation and presentation of financial statements on service delivery in Wakenya Pamoja Sacco?
2. To what extent does adoption E-Accounting systems software influence service delivery in Wakenya Pamoja Sacco?
3. How do E-accounting influence funds transfer on service delivery in Wakenya Pamoja?

4. How does E-Accounting influence internal control and audit on service delivery in Wakenya Pamoja Sacco?

1.6 Significance of the Study

The study findings will be significant in availing information on the status of electronic accounting in Wakenya Pamoja and by extension other accounting institutions such as Commercial Banks in the country, and providing ways of improving electronic accounting services in all accounting institutions in the country. The results from the study will be significant to all financial institutions in Kenya for it will give insights for the improvement of electronic accounting in the country. It will also add to the body of scholarly literature.

1.7 Basic Assumptions of the Study

The study assumed that electronic accounting renders faster accounting services in Wakenya Pamoja. Most employees of Wakenya Pamoja Sacco used electronic accounting services. Those Sacco's associated with delays in service delivery don't use electronic accounting. Electronic accounting is inconveniencing especially due to net work delays, failures, power breakouts and government policy which need be controlled.

1.8 Limitation of the Study

According Orodho (2008) any research must have some boundaries and a researcher cannot do everything. He adds that limitations of the study refer to the constraints or draw backs, both theoretical and practical that the researcher has little control over. The study therefore was limited to Wakenya Pamoja Sacco. Financial matters was considered confidential, and getting information from the respondents was proved challenging.

Therefore, respondents were thoroughly informed of the purpose of the questionnaires prior to answering the questions as a way of assuring them.

1.9 Delimitation of the Study

The study was confined to only Wakenya Pamoja Sacco's which the Headquarter situated in Kisii Town, Kisii County, whereby other Sacco's were not included in the study. Only Bank workers of the Wakenya Pamoja were included in the study. Therefore generalization of the study to Sacco throughout the country should be done with caution.

1.12 Operational Definition of Terms

Accounting: The art of analyzing and interpreting the results of financial nature.

Banks: Financial institutions that provide customers with savings and credit services.

Computer: An electronic device that can store, organize and find information and do calculations and control other machines.

Electronic: Having or using many small parts such as microchips that control and direct a small electronic current.

E-accounting: Accounting is involved with identifying these transactions measuring (attaching a value) and reporting on these transactions using website or internet.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section covers a review of the pertinent literature that is related to the problem studied. It entails a review of literature on the impact of electronic accounting on service delivery in Wakenya Pamoja in Kisii Town. It reviews the literature of other scholars in a global, continental and the Kenyan contexts. Each context has been reviewed under the following; to establish the factors that influence of e- accounting on service delivery of Wakenya Pamoja in kisii town, to investigate the extent to which e-accounting influence preparation and presentation of financial statement on service delivery and to assess the extent to which e-accounting practices influence tax filling on service delivery of Wakenya Pamoja. It also presents a theoretical framework and conceptual framework.

2.2 Preparation and presentation of financial statements on service delivery

In order to survive, SME owners and managers need updated, accurate and timely accounting information (Lohman, 2000; Amidu and Abor, 2005). Accounting systems are responsible for analyzing and monitoring the financial condition of firms, preparation of documents necessary for tax purposes, providing information to support the many other organizational functions such as production, marketing, human resource management, and strategic planning. Without such a system it will be very difficult for SMEs to determine performance, identify customer and supplier account balances and forecast future performance of the organization. The primary purpose of an accounting information system (AIS) is the collection and recording of data and information regarding events that have an economic impact upon organizations and the maintenance,

processing and communication of such information to internal and external stakeholders (Stefanou, 2006). When organizations adopt e-accounting, they usually discover that even though E-Accounting systems handle financial data efficiently, their true value is that they are able to generate immediate reports regarding the organization (Hotch, 1992).

Small businesses remain an important part of the business environment ((Holmes & Nicholls, 1988; Norwell, 1998; Mitchell, Reid & Smith, 1998). Mitchell, Reid & Smith (1998), underscoring the strategic importance of accounting to firms, noted that the use of management accounting information could be linked to the success or failure of an SME.

E-Accounting refers to Electronic Accounting, a term used to describe an accounting system that relies on computer technology for capturing and processing financial data in organizations. In the literature, two more terms have been used to describe E- accounting: computer-based Accounting System and Accounting Information System (AIS). Stefanou (2006) observed that although accounting information system does not require a computer to function, the computerization of the accounting function, the term AIS is used primarily to denote the computer-based AIS. In this study the terms E- Accounting and financial information system are used to refer to any accounting system that depends on Information and Communication Technology (ICT) for performing its information system functions.

The manual accounting system in Wakenya Pamoja as sourced from customers and management makes accounting with the banks very dull, unpleasant and uncompetitive. But with the introduction of e-accounting customers can use mobile accounting in order to make either a deposit or withdrawal, or of ATMS cards without necessarily visiting

their banks. To come up with a system model that is able to link SACCOs within a centralized banking system with a countrywide branch network by the use of visa based cards. This will utilize the Automated Teller Machines (ATM) services provided by banks. This will be achieved using an ATM bridge whose function is to ensure that transactions accepted by the ATM are routed to the ATM Bridge which authenticates the PIN and interacts with a third party which in this case is the SACCO database. It accepts the response and handles the responses to the ATM (Olubendi, 2012). With online accounting, individuals can check their account balances and make payments without having to go to the bank hall. This is gradually creating a cashless society where consumers no longer have to pay for all their purchases with hard cash. Bank customers can pay for airline tickets and subscribe to initial public offerings by transferring the money directly from their accounts, or pay for various goods and services by electronic transfers of credit to the sellers account (Connel and Saleh, 2004).

Other delivery channels today in Kenya electronic accounting are telephone accounting, smart cards, internet accounting etc. Personal computers in the accounting industry were first introduced into Kenya by Barclays bank and since then internet is increasingly used by Bank's as a channel of delivering the products and services to the numerous customers (Kariuki , 2005). Recently, the accounting industry was highly affected by the technology evolution that transformed the way banks deliver their services, using technologies such as automated teller machines, phones, the Internet, credit cards, and electronic cash. In line with global trends, electronic accounting in Pakistan has been undergoing many changes. Electronic accounting is a term for the process by which a customer may perform accounting transactions electronically without visiting the bank itself. E-

Accounting refers to systems that enable bank customers to access accounts and general information on bank products and services through a personal computer (PC) or other device. There are many benefits of e-accounting as it provides easy way to monitor an account, we can shop, pay bills, buy item, take part in auction e.g. Amazon.com and E-Bay, and transfer money from anywhere at any time, it reduces costs, it saves time, and vice versa . This study focuses on growth and awareness of electronic accounting in Pakistan.

The primary purpose of an accounting information system (AIS) is the collection and recording of data and information regarding events that have an economic impact upon organizations and the maintenance, processing and communication of such information to internal and external stakeholders (Stefanou, 2006). When organizations adopt e-accounting, they usually discover that even though E-Accounting systems handle financial data efficiently, their true value is that they are able to generate immediate reports regarding the organization (Hotch, 1992).

Prior to the advent of personal computers, businesses were limited to two methods for keeping track of financial data (Tavakolian, 1995). One method was to install a mainframe computer and set up a data processing department. This approach had its own difficulties: the mainframe computer was expensive and many qualified ICT personnel were required to handle the various tasks involved in processing the accounting data. In most cases, large corporations were the only organizations that could afford such an expensive system. The other option was to have a manual accounting system. Such a system consisted of paper ledgers, typewriters and calculators. Each customer or vendor

was on a separate ledger card which contained all the transactions for that company. Typewriters were used to type invoices and cheques, and all calculations were performed using calculators. The key drawback of the manual system was that it was possible for errors to be introduced into the system and that the error could go undetected for quite some time.

Initially SMEs had no option but to adopt manual systems since the mainframe accounting system was not within their means. However, with the introduction of PC-based Accounting Systems, both the computer hardware and the accounting software have become cheaper, creating an opportunity for SMEs to adopt e-accounting. Nevertheless, there are several factors that determine whether an organization adopts e-accounting or not. Such factors have created a division between e-accounting adopters and non adopters. Although the proliferation of accounting software and PC has created an opportunity for SMEs to adopt e-accounting, it also creates problems for innovation adoption. Accounting is a critical application in companies of all sizes, computer managers are hence caught in a no-win situation. They are encouraged to embrace new technologies or face obsolescence. On the other hand, experimenting with new technologies at the expense of the accounting data can be a risky proposition (Preston, 1993). Changing accounting systems to fit new technology can be a very difficult task: data needs to be converted from the existing system to new system; accounting staff and all users need to be retrained and sometimes source documents and reports need to be redesigned.

Studying the factors that influence computer adoption, internet adoption and accounting software adoption, Taragola et al (2001) concluded that the probability of computer adoption is significantly influenced by business size, importance of creativity and innovation, education level and computer training of the firm manager and the partner. However, internet adoption is positively related to computer training of the firm manager, creativity and innovation, growth, stabilization and negatively related to intrinsic objectives (being independent). Nevertheless, the intention to adopt accounting software is positively related to a favorable attitude towards accountancy and 'intrinsic objectives'. The conclusion of the study shows that factors determining e-accounting adoption are actually different from those determining ICT adoption in general.

Agent networks in Peru are concentrated in urban areas. The concentration of agents in urban areas provides an indication of how banks tend to use agents in Peru. Their main role is to reduce congestion in bank branches, by moving low-value transactions away from costly branches. Therefore, many agents are located within a block or two of a branch of the same bank (Oxford Policy Management, 2011). Different financial institutions engage in agency accounting for variant reasons. The costs of bank service distribution can be reduced, while still effectively controlling accounting risks (Ignacio et al, 2008).

Mwangi (2013) in an evaluation of the role of agency accounting in the performance of Wakenya Pamoja in Kenya concluded that infrastructure cost and security influence the performance of Wakenya Pamoja attributable to agency accounting to a very great extent. Agency accounting should be given more attention on security measures including risk

based approach and that the banks should find better ways of screening their agents to ensure that the large cash transactions handling is effectively carried out on their behalf. It is also recommended that the banks should explore other services other than money transfer only to improve their performance through agency accounting which include: secure operating system capable of carrying out real time transactions, generating audit trail, and protecting data confidentiality and integrity.

Agent accounting refers to the delivery of financial services outside conventional bank branches, often using non-bank retail outlets that rely on technologies such as point-of sale (POS) devices or mobile phones for real time transaction processing (Modupe, 2010). Globally, retailers and post offices are increasingly utilized as important distribution channels for financial institutions. The points of service range from post offices in the Outback of Australia where clients from all banks can conduct their transactions, to rural France where the bank Credit Agricole uses corner stores to provide financial services, to small lottery outlets in Brazil at which clients can receive their social payments and access their bank accounts (Kumar et al, 2006).

2.3 E-Accounting systems software in enhancing service delivery

Prior `to the advent of personal computers, businesses were limited to two methods for keeping track of financial data (Tavakolian, 1995). One method was to install a mainframe computer and set up a data processing department. This approach had its own difficulties: the mainframe computer was expensive and many qualified ICT personnel were required to handle the various tasks involved in processing the accounting data. In

most cases, large corporations were the only organizations that could afford such an expensive system.

Lately, Vitez (2010) reviewed that paper ledgers, manual spreadsheets and hand-written financial statements have all been translated into computer systems that can quickly present individual transactions into financial reports. E-Accounting Systems follow the same logic of journal, ledgers, reports and statements in a manual system. Computerized systems simply consolidate posting functions and other basic tasks into a "behind the scenes" system. Companies can also generate reports and financial statements easier, allowing for better performance management reviews. E-Accounting System is therefore a computer based system which combines accounting principles and concepts as well as the concept of information system to record, process, analyze and produce financial information to its users for making economic decisions (Gelinas et al., 2005).

A Journal written by Boye S.S titled *"Innovative Accounting Activities in Ghana"* (1990) indicated that in any industry with which the accounting industry is of no exception, there is the need to create innovative services and products to respond to the varying consumer demographics and their lifestyles. The intense competition in Ghanaian banks calls for regular overhaul of the accounting activities or services in order to guarantee customers with quick but efficient service delivery.

Meigs et al., (1998) defined E-Accounting system as a system that uses computers to input, process, store and output accounting information inform of financial reports. Marivic (2009) described E-Accounting system as a method or scheme by which financial information on business transactions are recorded, organized, summarized,

analyzed, interpreted and communicated to stakeholders through the use of computers and computer based systems such as accounting packages.

All transactions that take place between customers and the bank instantly reflect in the bank's mainframe computer system for the necessary changes to be effected on the customer's account. With the introduction of the E-Accounting software into the bank by practically eradicating the manual accounting system, all the accounting transactions are made available to customers or managers without any delay. Customer opening an account with the bank can be enlisted in the bank's file of customers instantly. All what the customer has to do is to make available your particulars to the accounts opening manager and everything is done. The account opening manager would immediately enter your details into the computer terminal and through an online cabling, your details would then be stored in the bank's mainframe computer system for business to start from there. Baren (2010) E-Accounting Systems are important to businesses in various ways. The use of computers is time-saving for businesses and all financial information for the business is well organized, using E-Accounting Systems saves companies time and money. The use of a computer makes inputting accounting information simple. Transactions are entered into the system and the system processes and posts transactions accordingly. E-Accounting Systems reduce staff time preparing accounts and reduce audit expenses as records are neat, up-to-date and accurate. Better use is made of resources and time; cash flow should improve through better debt collection and inventory control. More importantly, the system helps present financial reports on time to aid in the economic decision making process of external users.

E-Accounting System enables businesses to stay organized. When information is entered into the system, it makes finding the information easy. Employees can look up any financial information whenever it is needed (Baren 2010). There is less room for errors as only one accounting entry is needed for each transaction rather than two (or three) for a manual system. The accounting records are automatically updated and so account balances (e.g. customer accounts) will always be up-to-date.

Storing information is vital to a business. After information is entered into the system, the information is stored indefinitely. Companies perform backups on the system regularly to avoid losing any information. The introduction of E-Accounting Systems provides the ability to see the real-time state of the company's financial position. E-Accounting Systems allow companies to distribute financial information easily. Financial statements are printed directly from the system and are distributed internally and externally to those needing the information. Reports can be produced which will help management monitor and control the business, for example the aged debtors analysis will show which customer accounts are overdue, trial balance, trading and profit and loss account and balance sheet. In effect, E-Accounting Systems enable financial statements to be prepared and presented to meet the relevance and faithful representation criteria of financial statements (Baren 2010).

2.4 How E-Accounting influence funds transfer on service delivery

The informal systems of money transfer such as individuals carrying money on themselves or sending drivers and conductors are susceptible to highway robberies and thefts (Kim et al., 2010 and Hughes and Lonie, 2007). Sander (2003) also noted that

money sent through friends and relatives is sometimes misused and at times never reaches its destination while money sent through letters and parcels of the courier companies may be stolen. Other challenges associated with the formal and semi-formal systems, include delays and long queues, network limitations, insolvency of branches, unreliable communication and misdirected parcels (Au and Kauffman, 2008).

This situation has changed dramatically in the last few years with the introduction of mobile phone-based money transfer (MMT) services. The introduction of prepaid cards of low denominations and the fallen prices of mobile handsets have lead to a rapid spread of mobile phones in the developing countries (Orozco et al. 2007). This has opened up diverse opportunities for it to be used beyond voice communication. At the centre of this experience is money transfer. MMT service is an aspect of a broader concept emerging in the electronic payment and banking industry referred to as Mobile banking (Orozco, 2003, Orozco et al. 2007). Even though MMT has not been well defined in literature it can be said to include all the various activities (long-distance remittance, micro-payments, and informal air-time battering schemes) that bring financial services to the unbanked using mobile technology. Jenkins (2008) simply defined MM as money that can be accessed and used via mobile phone. The primary function of MMT services is to reduce the costs of making remittances from one individual to another, especially across large distances (World Bank, 2009).

Four companies provide mobile phone services in Kenya. These include Safaricom, Airtel (formally Zain), YU and Orange (formally Telkom Kenya). Safaricom was the first company to provide mobile services and MMT services in Kenya. In partnership with the

Commercial Bank of Africa and a micro-finance company, Faulu Kenya, Safaricom designed and tested a micro-payment platform called M-PESA in 2004. 'Pesa' means 'money' in Kiswahili and the prefix 'M' refers to the use of a mobile phone to facilitate banking transactions. M-PESA began by using Safaricom's airtime retailers (agents) to issue microloans that borrowers would repay at an interest rate reduced by eliminating the overhead conventional microloans carried. However, the skilled worker in Kenya soon began using the facility to transfer cash from working relatives in the city to their families in the rural areas (Hughes and Lonie, 2007). Consequently, M-PESA money transfer service was officially launched in March 2007 as a MMT service. MMT service in Kenya is almost synonymous with M-PESA. Meanwhile, Airtel - the second largest mobile phone company launched its MMT service called Airtel-Money (formally ZAP) in February 2009 while YU mobile phone company introduced its services named and YU-CASH in December 2009. Orange (formally Telcom and Posta) is the fourth and latest entrant to introduce its MMT service called Orange Money in November 2010

MMT operates in a very easy and simple way. MMT services allow customers to use their phone like a bank account and a debit card. These customers credit their accounts at a local authorized agent and can then transfer the money to another person's phone or use for different transactions such as making loan repayment, paying bills or redeeming it as cash. MMT is still at an early stage of development in Kenya but ahead of the world: it is designed to bring the economic advantages of having a savings and money transfer facility to those with small, irregular or cyclical incomes (Pulver, 2009).

Recent evidence suggests that there is an increase in penetration and use of MMT services in Kenya (Mason, 2007). In early 2011, Safaricom had an M-PESA subscription base of about 16 million and about 17,000 agents (outlets) countrywide (Central Bank of Kenya, 2011). Figures for the other MMT service players were not immediately available. This represents substantially more points of service than the combined number of bank branches (1063) and Automated Teller Machines (ATMs) (1979) (Central Bank of Kenya, 2010). Statistics from the Central Bank of Kenya indicate that Safaricom's M-PESA users moved more than Ksh. 728 Billion (approximately $8 Billion) in 2010 as compared to only Ksh. 50 Million by Orange-money (Central Bank of Kenya, 2010). This amount was moved in the more than 306 Million transactions conducted in the service. The report further puts daily movement of cash to more than Ksh 2.3 Billion. Revenue from M-PESA in 2010 stood at Ksh 12 Billion, up from Ksh 8 Billion in 2009 (Central Bank of Kenya, 2010). M-PESA remains the most widely used method of mobile money transfer as evidenced by the number and value of transactions effected.

MMT has a clear edge over banks especially because it is fast and cost-effective. For instance, to send KSh. 35,000 ($ 350) within the country using a classic money transfer company such as Western Union would cost KSh. 1,200 ($ 12), but using MMT method, such as M-PESA, to send the same amount would cost only Ksh. 75 ($ 0.75) which is 6 times cheaper (Central Bank of Kenya, 2010). Classic money transfer methods requires that one must visit a given post office or bank (which could be a long distance away) to receive the remitted cash. Most banks and post offices are associated with long queues and fixed times of operation hence the opportunity cost of time spent while waiting to obtain the cash and other transaction costs are usually high (Mason, 2007).

Successes in Africa (and particularly in Kenya's M-PESA) are being tried out elsewhere in the world. A recent inventory by the social venture credit SMS suggests that that there are at least 23 distinct MMT, operating or pending in 20 countries following the success of MPESA (Mas and Morawczynski, 2009). Some, like MTN's Mobile Money, and airtel's airtel money operate across multiple countries; others are country-specific. Some of these applications include: a Greenefield deployment in Indonesia launched in 2009 and the SMART Communications' Island Activations Program in the Philippines (Pulver, 2009). The leading Afghan mobile network operator, Roshan, anticipate building an M-PESA-like infrastructure in Afghanistan by end of 2010.

Using E-Accounting Systems saves companies time and money. The use of a computer makes inputting accounting information simple. Transactions are entered into the system and the system processes and posts transactions accordingly. E-Accounting Systems reduce staff time preparing accounts and reduce audit expenses as records are neat, up-to-date and accurate. Better use is made of resources and time; cash flow should improve through better debt collection and inventory control. More importantly, the system helps present financial reports on time to aid in the economic decision making process of external users (Marivic, 2009).

Meigs et al., (1998) defined E-Accounting system as a system that uses computers to input, process, store and output accounting information inform of financial reports. Marivic (2009) described a E-Accounting system as a method or scheme by which financial information on business transactions are recorded, organized, summarized,

analyzed, interpreted and communicated to stakeholders through the use of computers and computer based systems such as accounting packages.

All transactions that take place between customers and the bank instantly reflect in the bank's mainframe computer system for the necessary changes to be effected on the customer's account. With the introduction of the E-Accounting software into the bank by practically eradicating the manual accounting system, all the accounting transactions are made available to customers or managers without any delay. Customer opening an account with the bank can be enlisted in the bank's file of customers instantly. All what the customer has to do is to make available your particulars to the accounts opening manager and everything is done. The account opening manager would immediately enter your details into the computer terminal and through an online cabling, your details would then be stored in the bank's mainframe computer system for business to start from there.

2.5 Internal control and audit role of electronic accounting on service delivery

A number of scholars have shown that many accountants, particularly members of the Institute of Chartered Accountants of Nigeria (ICAN), have been responsible for the crisis in the accounting and manufacturing sectors in Nigeria (Okike, 2004; Bakre, 2007). These studies show that the regulatory framework in Nigeria is weak, because members of the professional firms implicated in a number of anti-social practices in Nigeria have not yet been sanctioned (Okike, 2004; Bakre, 2007). The studies have suggested that the accounting profession in Nigeria and other regulators (such as the Central Bank of Nigeria, the National Deposit Insurance Corporation, and the Nigerian Accounting

Standards Board) must continue to monitor developments in both the external and internal reporting environments

There's a better way to get organized without filling up those old filing cabinets. You can choose to access your account documents, such as statements, as Adobe Portable Document Format (PDF) files within Online Accounting, versus receiving paper documents in the mail. Electronic Statements, or e-Statements, look the same as paper statements and offer you even more value, convenience and security with benefits such as anytime/anywhere access and secure 7-year statement archiving. Reconciling your bank account is a quick and easy task that tells you more about the state of your accounting system than any other single task you perform. However, because it is often thought of as an onerous task, it may be put off or delegated to the bookkeeper. If the owner of the business is not the person reconciling the bank account, the owner should be reviewing the printed reconciliation report since it is the quickest way to get an overview of your accounting system's accuracy. When the bank discovers an error, they don't just erase the error; they make an offsetting entry to correct the error. You should make an entry to record the error and a separate entry to record the error correction. The guiding principle is to record everything that happened to your account in your check register. Your register will then show your correct current balance and when the bank makes the correction to your account, you will have a corresponding entry to make your reconciliation come out properly (Snyder, 2008).

A study carried out in Nigeria by Bernard Adomako (2013) about rural banks, identified the following problems associated with the use of manual accounting system: It was

realized that processing of customer information takes a very longer period of time. Customers waste precious time in joining long queues at the bank for their accounting activities. There is also huge labor cost, in terms of salaries and its related cost. Errors of commission and omission are very prone in the bank.

Initially SMEs had no option but to adopt manual systems since the mainframe accounting system was not within their means. However, with the introduction of PC-based Accounting Systems, both the computer hardware and the accounting software have become cheaper, creating an opportunity for SMEs to adopt e-accounting. Nevertheless, there are several factors that determine whether an organization adopts e-accounting or not. Such factors have created a division between e-accounting adopters and non adopters.

Although the proliferation of accounting software and PC has created an opportunity for SMEs to adopt e-accounting, it also creates problems for innovation adoption. Accounting is a critical application in companies of all sizes, computer managers are hence caught in a no-win situation. They are encouraged to embrace new technologies or face obsolescence. On the other hand, experimenting with new technologies at the expense of the accounting data can be a risky proposition (Preston, 1993). Changing accounting systems to fit new technology can be a very difficult task: data needs to be converted from the existing system to new system; accounting staff and all users need to be retrained and sometimes source documents and reports need to be redesigned.

Studying the factors that influence computer adoption, internet adoption and accounting software adoption, Taragola et al (2001) concluded that the probability of computer

adoption is significantly influenced by business size, importance of creativity and innovation, education level and computer training of the firm manager and the partner.

2.6 Theoretical Framework

Accounting information system is based on and can do more than E-Accounting. With a comprehensive use of modern information technology as computers, internet and intranet, and communication technology, accounting information system is open to other business resource system, has a high degree of integration and shared information and makes deeper and more extensive use of accounting information resources, and real–time reporting can be achieved (Liyan, 2013).

The theory and methods of traditional accounting are based on manual accounting. However, they are and will go on changing with the inference of information technology. It is known that accounting cycle includes the following steps: journalizing the transactions, posting to ledger accounts, preparing trial balance, making adjustments and preparing adjusted trial balance, preparing financial statements and appropriate disclosure. In manual accounting era, accountants have to perform the whole accounting cycle manually. Voucher classification and summary, control ledger and subsidiary ledger posting, and accounts checking are basic theories in manual accounting. While in the accounting information system, the only thing that accountants do is to record transactions into the computers which processes the other steps automatically or by a request, without worrying about posting or adding mistakes (Liyan, 2013).

The fundamental qualitative characteristic of accounting is relevance to decision. Limited by manual accounting, traditional accounting stresses materiality principle, or

accountants must consider the relative importance of any transactions, which reduces the precision of accounting information and limits the service capability of accounting information to management. In the information era, the data collection, processing and utilization are all through computers, which have much greater data processing ability, and the accounting information resources are broadened and deepened, fine and detailed management is possible. For instance, traditional inventory system include specific identification method, first-in-first-out method, last-in-first-out method, and average cost method, but specific identification method is only used to value expensive goods; in the accounting information system, specific identification method is possible for most goods except fresh commodities and can bring more accurate information.

Besides all mentioned above, accountants have to keep paper accounting files as well as digital accounting records in an information accounting system. From tangible to intangible files, digital records broken up means great damage to businesses. Thus, management of accounting files is more complex and high demanding than before. Review from the history, it is learned that the functions of accounting was essentially reflecting and supervision, which are passive and backward, forecasting before the event and controlling in the process are just wishful thinking. Information technology promotes the business information processing capability and capacity.

Liyan (2013).In manual accounting, internal control are achieved by separation of duties, by checking whether the numbers from different sources can be matched, and by checking seals and signatures, etc; auditors begin from source documents, auditing up to trial balance, or begin from financial statements to source documents or carry out a

selective examination to find errors and cheatings. In accounting information system, as more accounting processes are now done by computers or through internet, anything wrong with application program or system, or operation authority unreasonably set, will cause serious consequences, the audit trail and focus has changed. As most procedures are automatically finished, so it is important to identify the operator and make proper authorization controls; hardware and software security , voucher auditing and the separation of duties are key points of internal control and the accounting records storage has changed from paper to electronic memory, which is easily corrected and altered, thus how to prevent unauthorized modification of data and commit crime through computer are important factors to consider in accounting information system. And the audit of internal control system is necessary, in order to ensure accounting information system safe, reliable, effective and in efficient use.

2.7 Conceptual Framework

In the conceptual framework below, service delivery, customer satisfaction successful accounting is a dependent variable of the Banks and Electronic Accounting is the independent variable. Bank workers characteristics are the intervening variables which may interfere negatively.

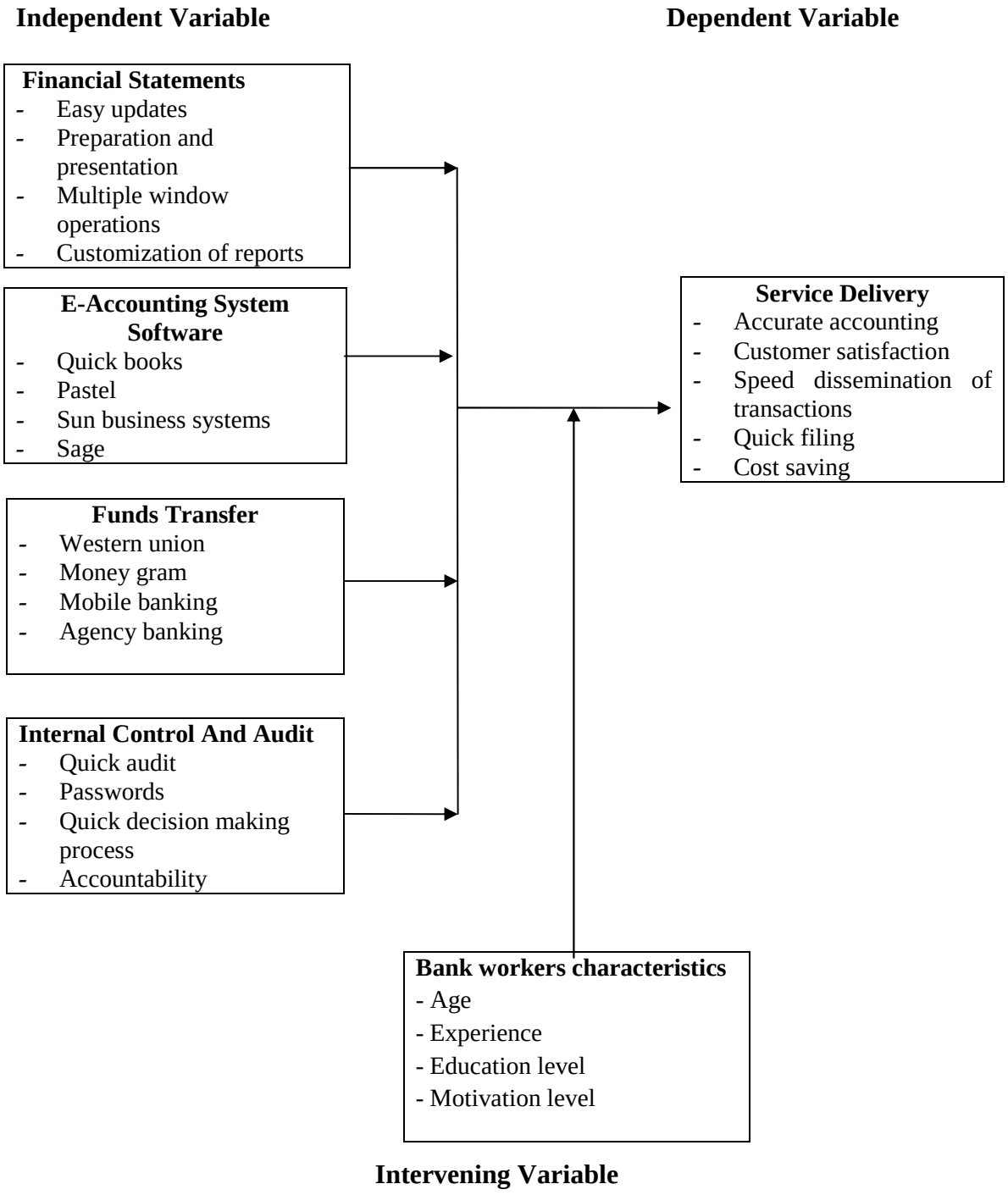

Figure 2.1: Conceptual Framework

In the conceptual framework above Electronic Accounting in Wakenya Pamoja as one is the independent variable (IV) Accurate, effective and successful service delivery will highly depend on electronic accounting impressed by Wakenya Pamoja. Accurate, effective and successful service delivery is therefore the dependent variable (DV). There is also another kind of variable that will either interfere of support the two variables this is the intervening variable (int. v). The intervening variable in this conceptual framework is the Bank workers characteristics. These characteristics include the age, experience, Educational level and motivational level of bank workers. This type of variable will interfere with other variable especially the dependent variable either negatively or positively.

The theory of diffusion of innovations (Rogers, 1995) offers a conceptual framework for analyzing the adoption of ICT by firms. According to the theory, besides external variables, personal characteristics of the firm manager and firm characteristics do have an impact on the adoption of innovations. One issue that remains is whether adopters of e-accounting make maximum use of the system. Marriott and Marriott (2000) noted that companies used computers for the preparation of management accounting information, but usually not to their full potential. It is therefore important that the research in e-accounting adoption is not limited to adopters and non-adopters, but that for even adopters the extent to which e-accounting is used to the maximum be studied.

2.8 Summary of literature review

The literature reviewed in this study gives information on the impact gives information on the impact of electronic accounting on service delivery in Wakenya Pamoja. It has

reviewed literature of other scholar on the effectiveness of electronic accounting on service delivery, in Wakenya Pamoja, factors that influenced the use of electronic accounting in the accounting sector, effects of electronic accounting on service delivery and the challenges that are facing electronic accounting on service delivery in Wakenya Pamoja. The findings from this study will add to the contribution made by other scholars.

CHAPTER THREE

RESEARCH METHOLOGY

3.1 Introduction

The research methodology focused on: research design, target population, sample and sampling techniques, research instruments, instrument validity, reliability, data collection procedures and data analysis techniques.

3.2 Research Design

This study was qualitative in nature in which descriptive research was used to investigate the accounting in service delivery, Jacobs, Sorensen and Razavieh (2009) note that qualitative research seeks to understand a phenomenon by focusing on the total picture rather than breaking it down into variables. Consequently, this research aimed at achieving an in-depth understanding of the influence of electronic accounting skills in service delivery within an organization especially in the banking sector. Wakenya Pamoja Sacco provided the necessary data for this study.

In addition, Cooper and Schindler (2010) contend that qualitative research includes techniques which seek to describe, decode, translate and otherwise come to terms with the meaning of naturally-occurring phenomena in the social world. This method focused on the quality of data rather than its quantity. A qualitative study method was used in collecting information from respondents at Wakenya Pamoja described and analyzed the contribution of electronic accounting in service delivery.

In order to successfully meet the objectives of this study, a descriptive study was carried out. Cooper and Schindler (2010), state that a case study is suitable for descriptive

research and hence Wakenya Pamoja was used in this study. Accordingly, Kombo and Tromp (2006) note that a descriptive study was concerned with fact finding which results in the formation of important principles of knowledge and solutions to investigations associated with a study. Therefore, a descriptive study was carried out in the measurements, classification, analysis, comparison and interpretation of the data that was collected. Data was collected through the use of interviews and questionnaires relating to Wakenya Pamoja in which first-hand information on the influence of electronic accounting practices in creating best service delivery for the Sacco was collected.

3.3 Target Populations

Welman and Kruger (2001) note that a population entails the object of a study. It comprises of individuals, objects, organizations, events and products. This study focused on the experience of decision-makers actively involved in the development and implementation of competitive strategies at Wakenya Pamoja in Kenya. The target population of the study comprised 126 employees of Wakenya Pamoja Sacco.

3.4 Sample Size and Sample Selection

This section dealt with sample size and sample selection of the study.

3.4.1 Sample Size

The sample size of the study was 56 employees of Wakenya Pamoja Sacco. The sample size was computed by using the (Nassiuma, 2000) formula:

$$n=\frac{NC^2}{C^2+(N-1)*e^2}$$

$$n=\frac{126*0.5^2}{0.5^2+(126-1)*0.05^2}$$

$$\frac{126 * 0.25}{0.25 \quad + (126 - 1) * \ 0.0025}$$

$n = 56$

Where: n=sample size

N=target population

C=coefficient of variation (0.5)

e=is the level of precision (0.05)

3.4.2 Sample Selection

Sampling is a procedure that a researcher used to select a number of individuals or objects from a population to be the subject of a study (Kombo and Tromp 2006). She noted that the selected group should contain representative characteristics of the entire group. In this view, typical case purposive sampling was applied in identifying the target population. The method which was applied because it is believed to be reliable in providing the typical information required for the study (Kombo and Tromp, 2006). The target population involved in this study comprised of 2 chief cashier, 4 ICMT department, 6 Credit department, 10 finance department, 8 internal audit department, 5 system administrators department, 7 senior clerks, 14 junior clerks. The sample of the top executives selected based on their job description.

The intention was to ensure that typical or representative subjects that could provide the required information were chosen as suggested by Krishnaswamy, Sivakumar and Mathirajan (2009). The research respondents selected comprised of people who are

actively involved in the development of E-Accounting strategies that may directly determine the best service delivery of Wakenya Pamoja.

3.5 Data Collection Methods and Techniques

In order to meet the objectives of this study, both secondary and primary data sources were used. Secondary sources included Wakenya Pamoja publications, journals, books, periodicals, newspapers and the internet. The primary data was obtained through interviews and questionnaires. In addition there was approval from the Sacco to collect the data.

3.5.1 Questionnaires

A questionnaire was a set of questions or statements that assessed attitudes, opinions, beliefs, and biographical information. In order to collect data that precisely meets the objectives of the study, both open-ended and closed-ended questions were included in the questionnaire (Kombo and Tromp, 2006)

The open-ended questions were intended to give respondents room to give more information and express themselves to their satisfaction while the closed-ended questions were expected to produce the kind of answers expected by the researcher. In addition Mugenda and Mugenda (2003) note that closed-ended questions enable a researcher to form an opinion and make a valuable conclusion. These authors contend that structured or closed-ended questions are easier to analyze, administer and are more economical in terms of time and finances. On the other hand, unstructured questions are simple to formulate, they encouraged in-depth response and they permitted the respondents to respond in their own words.

The questionnaires was presented and administered to the respondents in a flexible way. Flexibility in data collection was applied by allowing the respondents to choose either to discuss the questionnaire in the process of filling it in or when the questionnaire was collected. This was preferred in order to reduce bias as well as allow room for probing to elicit more information.

3.5.2 Interview Guide

An interview guide was an oral administration of a questionnaire and it gave a general plan to follow for data collection (Mugenda and Mugenda, 2003). An interview guide was preferred because it encouraged face to face interaction with the respondents so that issues were clarified therefore gaining in-depth information on the subject. However, the interview guide was time consuming which limited responses to just a small number of respondents. In addition, the interview guide was used to supplement the information given in the questionnaires.

3.6 Validity of Instruments

Krishnaswamy *et al.* (2009) contend that validity was the degree to which the sample of test items represented the content the test is designed to measure. Content validity, which is employed by this study, was a measure of the degree to which data collected using an instrument such as a questionnaire represented a specific domain or content of a particular concept. Krishnaswamy *et al*. (2009), argue that the usual procedure in assessing the content validity of a measure was used a professional and an expert in a particular field. To establish the validity of the research instrument, opinions of experts in the field of study, especially the research supervisor, was sought. This led to the revision

and modification of the research instrument thereby enhancing the overall validity of this study.

3.7 Reliability of Instruments

Reliability refers to the consistency and stability with which an instrument measures and supplies consistent results (Krishnaswamy *et al*. 2009). These authors note that this aspect can be assessed using the test-retest reliability method. Hence reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. This was taken into consideration in the preparation and presentation of the questionnaires. In an effort to test the reliability of the research instrument, a pilot group of five individuals from the target population was selected.

The pilot study was given a chance for pre-testing of the research instrument so as to establish the clarity of the instrument's items to the respondents and thereby enhance the instrument's validity and reliability. The pilot study was also provided a chance to become familiar with the research and its administration procedures as well as the chance to identify items that required modification. The results facilitated the correction of inconsistencies arising from the instruments so that they could pinpoint the electronic accounting practices that resulted in the best service delivery at Wakenya Pamoja.

For the purposes of reliability and validity of the data, the measures below were taken into consideration: A pilot study involved five managers was carried out; the respondent was each given a letter explaining the nature of the research project. The letter also was assured the respondents of the confidentiality of the information as well as guaranteeing

their anonymity and Purposive sampling was used in which the people who were directly linked with the developing and implementing of electronic accounting at Wakenya Pamoja targeted for data collection.

3.8 Data Analysis and Interpretation

The raw data collected was sorted and edited was the first step towards its analysis. The questionnaires were organized and classified according to the patterns which were given by the respondents and their homogeneity. The responses from the questionnaires were organized in line with the research questions and descriptive narratives were used to reflect the situation as it occurred at Wakenya Pamoja.

Qualitative data was used to analyze findings of respondents' views and issues not arithmetically calculated. The respondents were categorized into various classes and analyzed thematically by the help of other analyzed to bias (fraenkel and wallen, 2006). Consequently, statistical packages for social science (SPSS) was used to analyzed items qualitatively and closed-ended items analyzed using descriptive statistics, interpretation conducted and conclusion arrived at (MacMillan, 2008). Data were presented using frequency tables.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This section presents findings of the study under five themes namely: socio demographic attributes of the respondents, electronic accounting, deposits and withdrawals, funds transfer and internal audit and control and their relationship to service delivery among Wakenya Pamoja Sacco in Kisii County. The study targeted 126 respondents and data was collected from 56 respondents indicating 100% response rates.

4.2 Response rate

There was 100 percent response rate as all the targeted 56 respondents were reached. The snowball technique meant that there was no chancing in selecting the respondents and the researcher therefore went to only those who should have been in the sample. They were persuaded to fill the questionnaires or respond to the interviews there and then, and this reduced cases of non responses.

4.3 Demographic characteristics of respondents

The demographic characteristics were collected on the gender of the respondents, age of the respondents, the level of education of the respondents and the level of experience on the service.

The demographic characteristics are always proxy determinants of a person's capacity to perform a functionality of E-Accounting. They were therefore sought in order to determine and describe their relationship to E-Accounting on service delivery.

4.3.1 Distribution of Respondents by Gender

The respondents were asked to state their gender. It was important that there is gender balance among the respondents and the views reflected was that gender imbalance existed among the employees. The responses obtained are summarized in table 4.1.

Table 4.1: Responses on Gender

Gender	Frequency	Percent
Male	37	66.1
Female	19	33.9
Total	56	100

The results in table 4.1 shows that majority of respondents 37 (66.1%) were males and 19 (33.9%) were found to be female. The results indicated an unbalanced distribution in terms of the respondents in terms of gender. Such a difference can only be attributed to chance but it could not occur because of the way the sample was selected. Researcher has a clear understanding about gender balance in the Wakenya Pamoja and its possible influence on participation on E-Accounting. This was also important as masculinity and feminist affects interpretation of issues.

4.3.2 Distribution of Respondents by Age

The researcher was keen to determine the age of the respondents. To a greater extent age affects the perception of individuals on varied issues on E-Accounting and it has a positive correlation with conceptualization and manipulation with staff of Wakenya

Pamoja Sacco. The finding was that people aged 31 to 40 years were responsive at 35.7% than any other age.

Table 4.2: Age of Respondents

Age bracket	Frequency	Percent
21-30	16	28.5
31-40	20	35.7
41-50	13	23.2
Above 50	7	13.5
Total	**56**	**100**

The age bracket with the least number was 40-50 Wakenya Pamoja sacco employees in this age bracket make up only 23.2% of the entire population. Employees in this age bracket were mainly drawn from the top management.

4.3.3 Distribution of Respondents by Marital Status

This part sought to establish the marital status of the respondents. The respondents were asked to indicate their status single, married, divorced and widowed. The results are presented in the table below which shows that married persons were the majority at 79 percent.

Table 4.3: Marital Status Response

Marital Status	Frequency	Percent
Single	7	13
Married	44	79
Divorced	2	3
Widowed	3	5
Total	**56**	**100**

4.3.4 Distribution of Respondents by Employees' Experience

The respondents were asked to indicate the number of years in service. The number of years in service of employees in Wakenya Pamoja Sacco is a significant variable when dealing with application of E-Accounting systems because the more experience in operations of the software the faster and accurate is the operations.

The results revealed that at least 41 percent in the Wakenya Pamoja Sacco had served in the Sacco for a period ranging 5 to 10 years, with 32 percent having been there for a period of 0 to 5 years.

Table 4.4 Responses on Employee's Experience

Experience	Frequency	Percent
0-5 years	18	32
5-10years	23	41
10-15 years	9	16
15-20 years	6	11
Total	**56**	**100**

4.3.5 Distribution of Respondents by Level of Education

The respondents were required to indicate their highest attained academic qualification. Education is the key to understanding basic computer applications like E-Accounting concepts and principles and is a key factor to service delivery. It was therefore necessary to determine the level of education in order to relate E-Accounting on service delivery in Wakenya Pamoja Sacco and the relative frequencies of the statistical findings presented in Table 4.5.

Table 4.5 Respondents' highest formal academic qualification

Level of Qualification	Frequency	Percent
Secondary	7	13
Diploma	36	64
Degree	12	21
Post graduate (masters)	1	2
Total	**56**	**100**

The data findings indicate that 64% of the respondents had college certificates/diploma, 21% were bachelor degree holders, and 13% of the respondents had secondary school certificates and 2% masters. This means that majority of the employees in IT sector were certificate and degree holders while minority had post graduate degrees.

4.3.6 Distribution of Respondents by Training Courses

The respondents were asked to indicate whether training courses were offered to enhance them with E-Accounting knowledge. Training enhances employees with personal development. The results are presented in table 4.6

Table 4.6 Backgrounds and Training of CEO

Education of CEO and HODs	Frequency	Percent
Secondary	4	7
Diploma	10	18
Degree or Higher	42	75
Total	**56**	**100**

Table 4.6 and 4.7 illustrates the background and training of the CEOs of Wakenya Pamoja sacco. As shown in Table 2 and 3, 76% of the CEOs have degrees or higher education and 17% have a diploma. CEOs of the Wakenya Pamoja sacco also have professional training in diverse disciplines: accounting and finance (22%), Economics (12%), management (26%), engineering (17%), law (7%), I.T (7%) and human resource (7%).

Table 4.7 Professional training of CEO and HODs

Professional Training of CEO	Frequency	Percent
Accounting & Finance	13	22
Economics	7	12
Marketing	15	26
Human Resources	4	7
Law	5	9
Information Technology	14	24
Total	**56**	**100**

Table 4.8 Background and Training of Accounting Head

Education of Accounting Head	Frequency	Percent
Secondary	8	14
Diploma	8	14
Degree	11	20
Professional Qualification	15	27
Professional Qualification plus degree	14	25
Total	**56**	**100**

Table 4.8 gives a breakdown of the educational level of the accounting head and accounting staff of the firms. Accounting heads with professional qualification make up 27% of valid respondents. Those with a degree are 20%. Accounting heads with both

degrees and professional qualifications are 25% and only 14% of accounting heads have secondary education.

Table 4.9 professional Qualification

Professional Qualification	Frequency	Percent
KATC	12	21
CPA 1	15	27
CPA 2	17	30
CPA –K	11	20
ACCA	1	2
CIMA	0	0
Total	**56**	**100**

The accounting heads have the following professional designation: KATC (21%), CPA1 (27%), CPA2 (30), ACCA (2%), CPA (20%) and CIMA (0%). Corollary to the above is to assess the state of the art of e-accounting systems use among Wakenya Pamoja sacco in Kisii County. The results as indicated in Table 4.10 suggest that almost all the respondents use computers in their operations and that all employees contacted use accounting softwares in their operations. This implies that majority of employees in Wakenya Pamoja have adopted e-accounting systems. The result of this study showed that Pastel, Sun business System, Tally, Sage, Excel and QuickBooks are the kinds of accounting software that employees have adopted. The result revealed that majority of the employees (25%) are interested in excel based accounting system while 9% preferred

the use of Sage accounting software. However, a study is needed to investigate how firm-level characteristics influence the adoption of e-accounting system. On platform of the accounting usage, majority of the respondents have some form of network. While 59% use network, 13% adopt peer-to-peer platform. Sixteen, representing 28% adopt standalone system.

Table 4.10 Status of Computer Use

Use of computers	**Frequency**	**Percent**
Yes	56	97
No	2	3
Total	**58**	**100**

Table 4.11 use of accounting software in operation

Use of accounting software in operation	**Frequency**	**Percent**
Yes	56	100
No	0	0
Total	**56**	**100**

Table 4.12 kinds of accounting software

Kinds of accounting software	Frequency	Percent
Pastel	7	13
Sun business systems	6	11
Tally	13	23
Sage	5	8
Excel	14	25
QuickBooks	4	7
Others	0	0
Total	**56**	**100**

Table 4.13 software platform

Platform	Frequency	Percent
Network	33	59
Standalone	16	28
Peer-to-peer	7	13
Total	**56**	**100**

Table 4.14 shows the goals for implementing E-Accounting systems among Employees Wakenya Pamoja sacco. Out of 56 Employees who use computers in their operations, 44 representing 79% of the respondents reiterated that the use of computer enables them to reduce cost, enhance clerical works, and provide sufficient space to store data and process information for management decision. Two (4%) indicate that the use of

computer has enabled them to effectively manage their cost of operation, 5% mentioned that their computer usage reduces clerical works, 4% use computer to facilitate storage of data while 8% of the respondents use computers to provide timely management information for decision making.

With regard to accounting and finance functions of accounting software, almost all the respondents indicated that they use the software for accounts receivables functions as well as accounts payables, inventory management, payroll, general ledger, fixed assets management, bank reconciliation and cash management. Eighty four percent of the Employees are satisfied with the service delivery of their accounting software. It is only small number of the employees selected who were not very satisfied with the results of their accounting software.

Table 10 Goals of Implementing Computerized Systems

Benefits	**Frequency**	**Percent**
Timely information management	5	8
Large storage capacity	2	4
Reduction of clerical works	3	5
Cost effectiveness	2	4
All the above	44	79
Total	**56**	**100**

Table 4.15 responses on E- accounting Functionality

Functionality	Frequency	Percent
Account receivables	2	4
Account payables	2	4
Inventory management	2	4
Pay roll	2	4
General ledger	3	5
Fixed assets management	1	3
Bank reconciliation and cash management	2	4
All the above	42	75
Total	**56**	**100**

Table 4.16 responses on service delivery

Service Delivery	Frequency	Percent
Very satisfied	22	39
Somewhat satisfied	25	45
Somewhat dissatisfied	6	11
Very dissatisfied	3	5
Total	**56**	**100**

With the issue of the benefits of computerized accounting information in mind, a question was designed to explore the significance, prevalence and potential problems and challenges inherent in most Wakenya Pamoja Sacco Employees. The survey result shows

that majority of the respondents' encounter problems in supply of electricity as 38% of the respondents say they have problems in accessing uninterrupted supply of power. The result shows that 25% of the Employees contacted indicated that frequent breakdown of their accounting system is their next biggest problem. However, only 5 firms representing 8% indicated that they face all the problems listed. These include, inaccurate reports generated by the accounting systems, frequent breakdown of the system, inability of the system to support large volumes of data, lack of constant supply of power, inability to import or / and export data, and inability to fully comprehend and interpret the results from the system.

Table 4.17 Does computerization aid quick customer service decision making process and accountability in your bank?

Options	**Frequency**	**Percent**
Strongly agree	38	68
Agree	14	25
Undecided	-	-
Disagree	4	7
Strongly disagree	-	-
Total	**56**	**100**

The table above shows that 68% representing 38 respondents strongly agree that computerization aids quick customer service decision making process and accountability in bank, 25% representing 14 respondents agree and 8% representing 4 respondents disagrees, while no respondents for strongly disagree and undecided.

Table 4.18 E-Accounting system is an effective means of keeping proper accounting records

Options	Frequency	Percent
Strongly agree	32	57
Agree	24	43
Undecided	-	-
Disagree	-	-
Strongly disagree	-	-
Total	**56**	**100**

The Table above show that 57% representing 32 respondents strongly agree that E-Accounting system is an effective means of keeping accounting records, 43% representing 24 respondents agree while no respondents for strongly disagree, disagree and undecided.

Table 4.19 E-Accounting system help to gain inherent advantage while minimizing risks involved in the daily banking operations.

Options	**Frequency**	**Percent**
Strongly agree	21	38
Agree	18	32
Undecided	-	-
Disagree	17	30
Strongly disagree	-	-
Total	**56**	**100**

The above table shows that 38% representing 21 respondents strongly agree that computerized system help to gain inherent advantage while minimizing risks involved in the daily banking operations 32% representing 18 respondents agree 30% representing 17 respondents disagree while no respondents for strongly disagree and undecided.

Table 4.20. The effect of computerized accounting system enhances service delivery in banks.

Options	Frequency	Percent
Strongly agree	26	46
Agree	23	41
Undecided	-	-
Disagree	7	13
Strongly disagree	-	-
Total	**56**	**100**

The table above shows that 46% representing 26 respondents strongly agree that the effect of E-Accounting system enhances service delivery in banks, 41% representing 23 respondents agree, 13% representing 7 respondents disagree while no respondent for strongly disagree and undecided.

Table 4.21 There is co-ordination and quality performance in banking operations through the use of E-Accounting system.

Options	Frequency	Percent
Strongly agree	24	43
Agree	18	32
Undecided	-	-
Disagree	14	25
Strongly disagree	-	-
Total	**56**	**100**

The above table shows that 43% representing 24 respondent strongly agree that the use of E-Accounting system brings about co-ordination and quality performance in the banking operations 32% representing 18 respondents agree, 25% representing 14 respondents disagree while on respondents for strongly disagree and undecided.

Table 4.22 There is an effect of using computer to keep accounting records.

Options	Frequency	Percent
Strongly agree	38	68
Agree	18	32
Undecided	-	-
Disagree	-	-
Strongly disagree	-	-
Total	**56**	**100**

The table above shows that 68% representing 38 respondents strongly agree that there is an effect of using computer to keep accounting records 32% representing 18 respondents agree, while no respondents for strongly disagree and undecided.

Table 4.23 E-Accounting system aids in the examination of banks statements of financial position to ensure agreement with source documents

Options	**Frequency**	**Percent**
Strongly agree	18	32
Agree	17	30
Undecided	-	-
Disagree	15	27
Strongly disagree	6	11
Total	**121**	**100**

The table above shows that 32% representing 18 respondents strongly agree that computerized accounting system aids in the examination of banks statements of financial position to ensure agreement with the source documents 30% representing 17 respondent strongly disagree, 27% representing 15 respondents disagree while no respondents for undecided

Table 4.24 Problems and Challenges of Implementing E-Accounting Systems

Problems	Frequency	Percent
Inaccuracy of reports	1	2
Frequent breakdown of the system	14	25
Inability of the system to support large volume of data	6	11
Lack of constant supply of electricity	21	38
Inability to import or / and export data	5	9
Inability to fully comprehend and interpret the results	4	7
All the above	5	8
Total	**56**	**100**

Table 4.25 shows how Employees can manage and improve upon their accounting systems. Almost all the respondents contacted suggest that the system should be easier to up-date, the use of multiple window operations at the same time should be encouraged and the need to use the Wakenya Pamoja logo on the receipts within the system should be included in the package. In addition, customization of report will solve the problem of the inability of the Employees to fully comprehend and interpret the results generated from the system.

Table 4.25 Ways of Improving the System

Ways of improving the system	Frequency	Percent
The needs to be easier for updates	2	4
Multiple window operations at the same time	2	4
Customisation of report	1	2
All the above	51	87
Total	**56**	**100**

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the research problem and discusses the broader implications of the findings for theory, practice, policy and further research. The structure of the chapter is guided by the research objectives. The chapter attempts to explain why the findings are the way they are and to what extent they are consistent with or contrary to past empirical findings and theoretical arguments.

5.2 Summary of Findings

The influence of E-Accounting on the service delivery of financial institutions was the study carried out by the researcher in this research exercise. Selected Wakenya Pamoja Sacco in Kisii County formed the focus of this study.

The researcher study in consideration of its objectives had made some useful findings from the data collected through personal interviews and questionnaire administration. Based on the outcome of the investigation, a summary of the findings made are as follows:-

There is an influence in E-Accounting functionality on service delivery in Wakenya Pamoja Sacco. This was found to be true because the application of an E-Accounting system in banking operations aids quick customer services decision making process and quality performance than in manual accounting system. Also, the installation of

accounting software in the computer, processes data and creates reports much faster than manual system which is slow.

It is evident that the influence of E-Accounting system enhances higher turnover and profitability in Wakenya Pamoja Sacco. Through this was corroborated by the test carried out, it was observed that Wakenya Pamoja Sacco is yet to take advantage of the excellent benefits provided by it, as such that the use of computer enables them to reduce cost, enhance clerical works, and provide sufficient space to store data and process information for management decision.

It is evident that the E-Accounting system is an effective means of keeping accounting records. This is because computerized accounting system provides a means for them to record; very high volume of transactions with the great speed and financial and prepare a wide range of detailed financial report. It also provides management with current account balance information since balance is posted as the transactions occur. Other findings include: The application of E-Accounting system is effective in strengthening the control system and accountability in Wakenya Pamoja Sacco.

5.3 Conclusion

The study examined the e-accounting practices among Wakenya Pamoja Sacco Employees. The study revealed that almost all the Employees sampled attach a lot of importance to financial information by employing at least degree holders and Chartered Accountants to handle their accounting information. The study also showed that Wakenya Pamoja Sacco put in place accounting software to generate their financial

information. This has the tendency to reduce cost, enhance clerical works, and provide sufficient space to store data and process information for management decision in a timely manner. In terms of functionality, the results of the study showed that almost all the Employees use the software for accounts receivables functions as well as accounts payables, inventory management, payroll, fixed assets management, bank reconciliation and cash management. The results of the study also revealed that majority of the Employees encounter problems in supply of electricity with the frequent breakdown of their accounting system. We found that almost all the customers are generally satisfied with the performance of Wakenya Pamoja Sacco accounting software.

It is recommended that Wakenya Pamoja Sacco has adhered to good and standard accounting principles in their operations. The adoption of E-Accounting would ensure proper accounting practices as good accounting practices have several implications for Sacco's and banks. Good accounting and control systems could assist in evaluating the performance of the organization and its managers. Wakenya Pamoja Sacco with proper books of accounts is often capable of attracting customers easily than those with no good records. Wakenya Pamoja Sacco that maintain good accounting and management information tend to be viewed favorably by their customers.

5.3 Recommendations

From the findings of this study the following recommendations are therefore made to enhance the performance by Wakenya Pamoja Sacco in their banking operations.

The recommendations are:-

Wakenya Pamoja Sacco should take advantage of the excellent benefits derivable from the adoption of well designed electronic accounting system. This will help them to achieve a high and acceptable standard of quality in the performance of their banking operations. They should channel reasonable proportion of their efforts and resources to the training and development of their bankers and accountants personnel (manpower development) through seminars, workshops and the use of computer. Accounting system so as to promote efficiency in banking operatives and in their statement of financial position ensure accurate timely and much easier and reliable for use.

Due to the dynamic nature of computerized Accounting system, and in line with the present global computer trends of events which is now widespread and mostly known as "Computer Age". It is recommended that Wakenya Pamoja Sacco and other banks and organizations that are still in the operations of manual system of accounting to adopt specifically the Electronic accounting system and this will in no small way aid in quick customer services delivery, produce a wide range of detailed report at short interval and provide management with current information to support decision making and aids collection storage, retrieval, communication and adequate security of information from unauthorized persons or fraudulent purpose and for the purpose of efficient performance and management and the achievement of the terms of their objectives.

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APPENDICES

Appendix I: Introduction Letter

MARY ONYANCHA
P.O BOX 1146
KISII
13th JUNE, 2014

WAKENYA PAMOJA SACCO
P.O BOX
KISII

Dear Sir,

RE: REQUEST FOR PERMISSION TO SUBMIT QUESTIONNAIRES

Kindly accept our application to submit questionnaires in your organization in order to carry out a study on "Influence of electronic accounting on service delivery in financial institutions, A case of wakenya pamoja sacco".

I am a student of the University of Nairobi. Attached are my introduction letter and a sample questionnaire.

Yours faithfully,

Mary Onyancha

Appendix II: Questionnaire

1. What is your age group? Please tick appropriately:

A. Less than 26 year B. Between 26 and 45 years C. Above 46 yea

2. What category of account does your account fall? Please tick as below:

A. Private B siness

3. What type of accounts do you maintain with the bank?

A. Savings Account B. Current unt

4. At what time or month was your account opened?

(Specify please).....

5. Why did you choose particular bank?

(Specify please).....

6. Have you exceeded your expectations in choosing this bank in the areas of deposit, withdrawals, loan acquisition and preparation of bank statements?

A. Yes No

If no, what has gone wrong and can you specify please?

.....

7. How is this bank doing in processing of monthly salaries, cash deposits, withdrawals and issuing of bank statements?

A. Very efficient

B. Efficient

C. Inefficient

D. Highly Inefficient

8. What can you say about this bank's preparation and presentation of account balances and bank statements in terms of accuracy?

A. Very accurate ☐

B. Accurate ☐

C. Inaccurate ☐

9. What degree of satisfaction do you attach to this bank's service delivery?

A. Extremely satisfied ☐

B. Satisfied ☐

C. Somehow satisfied ☐

D. Dissatisfied ☐

E. Extremely dissatisfied ☐

10. How long did it take to get your request in the areas of cash deposits and withdrawals services delivered by the bank?

(Specify please).....

11. What do you think has been the rationale behind such time interval?

(Specify please).....

12. What do you think about banks using E-Accounting System in terms of an improved and efficient customer services?

(Please specify).....

13. Comparing manual accounting system and E-Accounting system which one do you think this bank channeled all its resources on and, why?

Please specify).....

14. Do you think automating this bank's operations will benefit the bank in some ways and how?

If yes, explain why? (Specify).....

If no, explain why? (Specify) .....

15. What TWO most important factors would you consider before choosing a bank to save with?

A. Location of the bank ☐

B. Quality and efficiency ☐

C. Efficient customer service ☐

D. Varieties of Services provided by the bank ☐

E. Deposit and Lending rates ☐

F. Manual Accounting System ☐

G. E-Accounting System and ATM machines. ☐

QUESTIONS SECTIONS B

S/NO	Questions	S.A	A	UD	D	S.D
1	To what extent are the operations of your bank computerized?					
2	Does your bank have a specific computer (data base) department?					
3	Does computerization aid quick customer service decision making process and accountability in your bank?					
4	Computerized means of keeping proper accounting records.					
5	E-Accounting system help to gain inherent advantage while minimizing risks involved in the daily banking operations.					
6	The effect of computerized according system enhances					

	service delivery in banks
7	There is co-ordination and quality service banking operations through the use of E-Accounting system.
8	There is an effect of using computer to keep accounting records.
9	E-Accounting system aids in the examination of banks statements of financial positions to ensure agreement with source documents.