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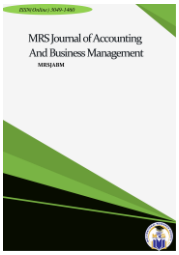

Management Accounting Practices and Financial Performance of Small and Medium Sized Enterprises in Rivers State

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Abstract: *This study investigates the relationship between management accounting practices and financial performance among small and medium-sized enterprises (SMEs) in Rivers State, Nigeria. The study adopts a descriptive research design to identify the relationship between the variables under investigation. The population consists of 74 SMEs registered with the Port Harcourt Chamber of Commerce, with a scientifically determined sample size of 63 firms, selected through convenience sampling. Primary data were obtained using structured questionnaires administered to management accountants, budget officers, and finance managers, while secondary data were sourced from corporate records of the Corporate Affairs Commission, Federal Inland Revenue Services, and private accounting firms. The analysis employed both parametric and non-parametric statistical techniques, with multiple regression analysis as the primary tool to examine the relationship between management accounting practices, specifically activity-based costing (ABC) and budgeting (BGT), and financial performance indicators, namely return on assets (ROA) and return on equity (ROE). The models specified for the study tested the impact of ABC and BGT on ROA and ROE, respectively. Reliability and validity of the research instruments were ensured through expert reviews and the computation of Cronbach's alpha. The findings revealed a significant positive relationship between management accounting practices and financial performance among SMEs in Rivers State. Both activity-based costing and budgeting were found to enhance operational efficiency, resource allocation, and financial performance. The study concludes that adopting advanced management accounting practices is crucial for improving the financial performance of SMEs. It recommends that SMEs' management should prioritize the adoption of robust accounting techniques and provide necessary training to enhance decision-making and operational success.*

Keywords: *Management Accounting Practices, Financial Performance, Small and Medium-Sized Enterprises (SMEs), Activity-Based Costing (ABC), Budgeting (BGT).*

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1. Introduction

Business organizations are growing more aggressive and active in their search for methods that will guarantee a successful survival as the current business environment becomes more competitive. Strategic management has become essential for business managers to attain long-term firm sustainability and superior financial performance. A strong management accounting system, the caliber of which is determined by the organization's management accounting practices, is necessary for the efficient and successful design and implementation of strategic management. According to Adeniji (2013), information is an organization's lifeblood. Decisions about how to run a business must be guided by management accounting practices. According to Anthony & Govindarajan (2004), management control choices are made within the parameters set by the organization's plans. Therefore, an organization's management practices are a vital instrument for guaranteeing effective and efficient resource allocation in the

pursuit of the company's strategic goal. Among the many strategic management choices that have a direct effect on the company's financial success are those pertaining to pricing, operational continuity, product/service portfolio, profit planning, and outsourcing. Good management accounting techniques like activity-based costing and budgeting can improve the caliber of these choices. The precision of the variable overhead estimates determines how reliable the information managers utilize in this respect is (Holland, 2005; Bartle, 2008).

It is stated that small and medium-sized businesses, or SMEs, constitute the foundation of both developed and developing countries. Therefore, regardless of a nation's level of development, the growth of the SMEs sector is crucial because it has the ability to yield the greatest socioeconomic advantages for the nation with the least amount of investment. To make sure that the financial resources of SMEs are used effectively and efficiently, management accounting procedures are required. Richardson (2003) asserts that small and medium-sized businesses' (SMEs') incapacity to effectively implement fundamental management accounting procedures is the primary cause of this high failure rate. In a similar vein, Wijewardena (2008) contended that inadequate managerial skills, including the inability to solve accounting problems, are among the causes of company failure. According to Adler, Everett, and Waldron (2012), the high failure rate of SMEs at the moment may be caused by their failure to implement management accounting techniques in a manner similar to that of their larger counterparts, based on data from Japanese companies. Due to the economic crisis, market challenges, and intense competition, the majority of SMEs are looking for new strategies and tactics to help them flourish. Additionally, studies have demonstrated that management accounting procedures play a significant part in guaranteeing the effectiveness of the organization's management and may even enhance performance. Additionally, management accounting techniques lower the risk of business failure and enable companies to compete in the marketplace (Liaqat, 2006).

The extent and direction of the well-established relationship between management accounting procedures and business financial success are not well understood, despite association claims, particularly for small and medium-sized businesses in Rivers State. This creates a substantial information vacuum, especially when it comes to comprehending how the application of management accounting techniques affects the financial performance of the SMEs sector. Thus, this study offers fresh information on the effect of MAPs usage on financial performance in comparatively smaller organizations and is the outcome of an attempt to provide further evidence in this field. Singer et al. (2006) conducted empirical research on the relationship between management accounting methods and performance, including productivity measurement and management accounting methods. According to that study, the accounting profession's disinterest in measuring productivity appears to stem from the idea that variations calculated using the company's standard cost system—specifically, usage variances—are adequate for gauging an organization's efficiency. In fact, the effectiveness of management and enterprise accounting was emphasized in the study. Waters, Abdullah, and Richardson (2003) recently conducted research on the importance of management accounting methods in decision-making. The study's conclusions identified a few significant management accounting instruments that can be used while making decisions. There is a gap in the literature from these earlier studies since management accounting technique and performance have not always been studied, particularly on manufacturing firms in Rivers State. This clearly indicates where the current study departs from the earlier research and a knowledge gap in the accounting literature. Furthermore, the complexity and individuality of people make it difficult to fill this void. Although some countries have seen significant gains in their performance due to Management Accounting Techniques (MAT), there is currently little accounting literature on the subject of MAT and performance. Thus, this study's issue goes beyond what (Aham, 2000) calls an unnerving intellectual difficulty. However, there is a question of whether management accounting methods and performance are related in both theory and practice. Additionally, the government has implemented a number of economic initiatives to address the issues related to performance decline, but have they produced the intended outcomes? Debates in recent years have focused on the significance of Traditional Management Accounting Techniques (TMAT) and their capacity to carry out their functions efficiently (Innes et al., 2018). According to some experts, these organizations' poor performance may be caused by their persistent dependence on traditional management accounting practices rather than helping contemporary manufacturing efforts flourish. They contend that management accounting methods provide managers inaccurate information about product costs and fail to set appropriate goals, implement performance measurements, or reward systems. This can lead to managers making decisions that could be detrimental to the company's competitive strategy (Krumwiede, 2012). According to one of the harshest opponents, the main adversary of performance is the cost accounting data that such a system provides (Innes et al., 2008). This study's primary goal is to close the gap by investigating the relationship between management accounting practices and the performance of small and medium-sized businesses in Rivers State.

1.1 Conceptual Framework

The variables used in this investigation are displayed in the diagram below. There was discussion of three variables. The independent, dependent, and moderating variables are among them. Activity-based costing and budgeting are two aspects of management accounting techniques, which comprise the study's independent variable. Financial performance is the dependent variable, and it is quantified by return on equity and return on assets. Technology is the contextual component that modifies the relationship between the independent and dependent variables.

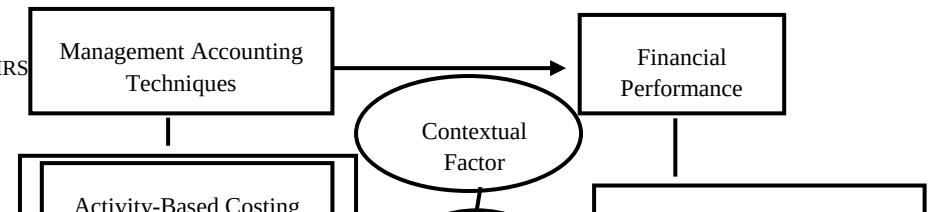

Figure 1 Conceptual framework highlighting the relationship between management accounting techniques and financial performance of small and medium sized firms in Rivers State.

2. Literature Review

2.1 Theoretical Framework

2.1.1Contingency Theory

Burns, Ezzamel, and Scapens (1999) explored why management accounting practices vary across organizations, particularly those operating in different industries or sectors. Otley (2008) further applied contingency theory to management accounting, emphasizing that there is no universal standard accounting practice applicable to all organizations. Instead, each organization adopts management accounting practices suited to its unique operational environment. The theory identifies several influential factors that guide management in selecting appropriate accounting practices. These factors include technological advancements and the organizational infrastructure. For instance, a food manufacturing company seeking to modernize its production process may invest in automated systems for handling, processing, and packaging food. However, the adoption of such complex technologies necessitates specialized personnel, which in turn influences the choice of management accounting practices and the associated production costs.

Mills (2008) examined the management accounting practices most commonly used in manufacturing organizations and found that budgeting played a dominant role in cost control and performance evaluation. His findings indicated that budgeting is essential for organizational planning and direction, helping managers anticipate costs over a given budget period while preparing for seasonal fluctuations that could impact cash flows and revenues. This underscores the importance of budgeting as a preferred management accounting practice. Additionally, Mills (2008) emphasized that budgeting enables organizations to plan and develop strategies to achieve their goals effectively. Similarly, Obadan and Uga (2004) observed that budgeting is integral to managing and controlling costs, particularly in the manufacturing sectors of countries such as the UK, South Africa, and Australia.

2.1.2Resource Dependency Theory

Resource dependency theory suggests that an organization's survival is contingent on its ability to acquire and maintain resources. Weygandt et al. (2012) argue that organizations must actively manage their external dependencies to secure critical resources necessary for their continued existence. This theory explains why organizations engage in resource exchanges and how they navigate demands from various interest groups upon which they depend. Organizations are viewed as members of dynamic coalitions that continuously evolve. These coalitions, also referred to as claimants (Wood, 2016), include both internal stakeholders (such as shareholders, managers, and employees) and external stakeholders (such as investors, suppliers, and regulators). Each group holds some degree of influence over the organization. Shareholders, for example, may exert power through ownership stakes, while managers in critical departments may control the allocation of key resources. Additionally, certain stakeholders may influence access to external resources vital for organizational success.

A key component of the resource dependency model is director interlocks, where individuals serve on multiple boards. Directors can be valuable resources, attracting managerial or financial support and offering expertise that the firm might otherwise lack. Uyar (2010) argues that directors enhance an organization's legitimacy and prestige, making it more attractive to investors and increasing resource acquisition opportunities. Moreover, an organization's external environment can serve as a resource by generating revenue and attracting investment. Consequently, resource dependency theory suggests that organizations must not only secure essential resources but also establish relationships that facilitate continued resource access, blurring the distinction between direct and indirect dependencies.

2.1.3Stewardship Theory

Stewardship theory posits that managers are driven by a sense of responsibility and derive intrinsic satisfaction from achieving challenging goals. Unlike agency theory, which assumes managers prioritize self-interest, stewardship theory suggests that managers integrate their personal goals with those of the organization, striving for long-term success rather than short-term personal gains (McKiernan & Morris, 2018). The theory emphasizes that business owners should grant managers sufficient autonomy, authority, and governance mechanisms to enable effective decision-making. This empowerment fosters a culture of trust, allowing managers to focus on maximizing shareholder returns while minimizing liability. Stewardship theory assumes that managers act in good faith and are motivated to protect their professional reputation by ensuring the organization operates efficiently and achieves strong financial performance (Hongren et al., 2003). According to Haniffa and Cooke (2006), managers are motivated to make choices that improve financial performance because they want to keep their professional status. Five

fundamental elements of stewardship philosophy were highlighted by Waters et al. (2003): empowerment, open communication, trust, long-term orientation, and performance improvement. In order to ensure long-term growth and organizational success, managers are expected to apply management accounting techniques that improve financial performance with little intervention from business owners.

2.2 Conceptual Review

2.2.1Management Accounting Practices

Management accounting techniques are essential for organizational decision-making, cost control, and performance evaluation. The Institute of Cost and Management Accountants emphasizes that management accounting practices vary across firms but remain dynamic tools for financial decision-making. Key techniques include project evaluation, budgeting, cost reduction, forecasting, activity-based costing, and decision-aid techniques (Garrison, Noreen & Seal, 2018). Project evaluation, particularly return on assets, is a major focus as it determines a firm's ability to utilize its resources effectively. The Institute of Chartered Accountants of Nigeria (1992) asserts that management information enhances productivity by providing reliable data for decisions on work standards, performance awards, resource allocation, and contract pricing.

Empirical studies in the U.S., Europe, and Japan indicate that corporate success is linked to accurate record-keeping, reporting systems, capital project evaluation, and staff motivation. However, management accounting practices vary across regions. For instance, in the U.K., companies commonly adopt absorption costing, while firms in the U.S. prefer quantitative techniques for capital project evaluation and long-range planning (Otley, 2008). Despite regional differences, management accounting information must be relevant and reliable for effective decision-making at strategic, tactical, and operational levels (Hope, 2006). Management accounting practices extend beyond traditional cost and revenue measures to include backlog analysis, demand forecasting, and non-financial performance indicators (Abdel-Kader & Luther, 2006). These practices are crucial for planning, directing, and controlling costs to achieve profitability.

Management accounting provides a competitive advantage by guiding managerial actions, motivating behavior, and supporting strategic objectives (Parker, 2006). The Institute of Management Accountants (IMA) defines management accounting as a process of identifying, measuring, analyzing, and interpreting financial information to facilitate decision-making and accountability (Smith, 2009). Good management accounting information possesses three attributes: technical (enhancing understanding and decision-making), behavioral (aligning with organizational goals), and cultural (promoting shared values) (Yeshmin et al., 2001). The field evolves with technological change, globalization, and shifting customer demands (McWatters, 2008). To remain competitive, firms adopt diverse management accounting techniques such as budgeting, variance analysis, standard costing, marginal costing, target costing, and breakeven analysis (Folk et al., 2008).

2.2.1.1 Activity-Based Costing (ABC)

Globalization and competition have led firms to adopt advanced cost management techniques, including Activity-Based Costing (ABC). ABC is a cost management approach that identifies activities in an organization and assigns costs based on actual consumption rather than arbitrary allocation (CIMA, 2001). Scholars like Bhimani and Pigott (2012) and Nachtmann and Al-Rifai (2004) highlight ABC's role in addressing inefficiencies in traditional costing systems. The method enhances cost accuracy by linking costs directly to activities and their respective outputs. Wood and Sangster (2005) argue that ABC reduces arbitrariness in overhead allocation, ensuring that costs are attributed naturally. This approach is particularly useful in modern manufacturing environments where labor-intensive processes have been replaced by capital-intensive production (Tanis & Hasan, 2012).

2.2.1.2 Budgeting

Budgeting is a core management accounting technique that ensures resource allocation aligns with financial objectives. It facilitates planning, monitoring, and control of financial activities. Merchant (2020) emphasizes that budgeting not only verifies income and expenditure against targets but also identifies changing patterns that may necessitate corrective action. Klause-Rosinska and Rynca (2011) argue that budgeting forces management to anticipate future financial conditions, promoting structured decision-making. In expanding businesses, budgeting supports decentralized control by setting financial and operational targets for individual units. Effective budgeting aligns financial planning with organizational goals, ensuring profitability and financial stability.

2.2.1.3 Financial Performance

Financial performance is a measure of a firm's ability to utilize its assets efficiently and generate revenues from its core business activities (Mills, 2008). It serves as an indicator of a firm’s overall financial health over a period and allows for comparisons within the same industry or across different industries. Performance measurement suggests that firms can enhance their financial value by increasing future cash flows, accelerating their receipt, or reducing associated risks (Cadbury, 2018). Key financial performance indicators include net profit, return on equity, liquidity ratios, asset management ratios, profitability ratios, leverage ratios, and market value ratios. Carreta and Farina (2010) argue that financial performance reflects managerial decision-making and incorporates elements such as accounting profits, productivity, and cash flow. Other determinants of financial performance include profits, revenues, costs, and stock market indicators like share prices. Small and medium-sized enterprises (SMEs) often define their objectives in financial terms and measure success through profitability. Given these considerations, financial performance in this study is assessed using return on assets (ROA) and return on equity (ROE).

2.2.2.1 Return on Assets (ROA)

ROA is one of the most widely used profitability ratios, originally developed by DuPont in 1919. It is calculated as profit divided by total assets, or alternatively as the product of profit margin (profit/sales) and capital turnover (sales/total assets) (David & Kogan, 2004). ROA is extensively covered in financial textbooks and is a critical component of business failure prediction models, such as Aham’s (2000) Z-Score and Beaver’s study, which used net income to total assets as a failure prediction metric (Ndiritu, 2007; Bhimani & Pigott, 2012). Analysts frequently use ROA to evaluate a firm’s financial position, performance, and future prospects (Omolehinwa, 2000).

ROA measures a company's ability to generate profits from its assets and reflects managerial efficiency in asset utilization (Haniffa & Cooke, 2006). It also assesses the effectiveness of capital employed, offering investors insight into a firm's earnings potential from capital assets (Amoako & Acquaah, 2008; Brown & Atkinson, 2001). A higher ROA indicates better asset utilization and operational efficiency. Liaqat (2006) emphasizes ROA's role in evaluating corporate governance effectiveness and management efficiency. It is calculated as:

$$\text{ROA} = \frac{\text{Annual Net Income}}{\text{Total Assets}}$$

2.2.2.2 Return on Equity (ROE)

ROE measures how well a company generates profits from shareholders' equity and is regarded as the true bottom-line measure of performance (Weygandt et al., 2012). It is also known as return on net worth, reflecting the profitability of owners' investments (Yuen, 2004). ROE is a key indicator of financial success, as firms with higher ROE tend to have stronger stock prices over time (Rowe et al., 2008). ROE is calculated as:

$$\text{ROE} = \frac{\text{Net Income After Taxes}}{\text{Sharesholders Equity}}$$

This ratio is widely used to compare firms within an industry and evaluate the effectiveness of management in utilizing shareholders' funds. It serves as a primary measure of investor returns and is a critical factor in financial decision-making (Pandey, 2005). The DuPont identity further decomposes ROE into three components:

$$\text{ROE} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

This breakdown allows firms to analyze profitability drivers, asset efficiency, and financial leverage. The DuPont model provides a comprehensive approach to financial performance analysis, helping firms identify areas for improvement (Rowe et al., 2008). Weygandt et al. (2012) note that while the DuPont system effectively assesses financial performance, it may not fully capture the impact of micro-level operational factors.

2.2.2.3 Empirical Review

Weygandt et al. (2012) surveyed Activity-Based Costing (ABC) adoption among Nigerian manufacturing firms, finding that the main driver was the inadequacy of traditional cost systems in providing relevant cost information. Around 60% of respondents adopted ABC due to increased product diversity, competition, and overhead costs, while 40% cited implementation cost and complexity as barriers. Larger firms were more likely to adopt ABC due to their diverse product mix. The study recommended ABC adoption despite its costs, as it improves resource allocation and efficiency. Reza, Mohammadali, and Mostafa (2011) surveyed New Zealand manufacturing management accountants on management accounting techniques. Traditional methods, such as full and standard costing, were more widely used than advanced techniques like strategic management accounting. Their findings align with Adler et al. (2012), Ainikkal (2016), and Horngren et al. (2012), except for certain individual techniques. Australian firms widely adopted ABC and cost-of-quality techniques, especially larger firms.

Wijeywardena and Zoysa (2008) compared management accounting practices in Australia and Japan, surveying 1,000 top manufacturing firms in each country. Australian firms emphasized cost control tools (budgeting, standard costing, and variance analysis), while Japanese firms focused on cost planning and reduction (e.g., target costing). These findings support Nachtmann and Al-Rifai (2004), which suggested Japanese firms manage costs at the product planning stage rather than during full-scale production. Abdel-Kader and Luther (2006) examined management accounting practices (MAPs) in the UK food and drinks industry through a survey of 245 executives. They found that as market uncertainty increased, companies adopted more sophisticated MAPs. However, MAPs in the industry were not highly developed, with little evidence of direct value creation.

Liaqat (2006) studied contemporary management accounting practices in Indian firms, surveying 530 financial executives. Findings showed that cost reduction and profitability motivated MAP adoption, with ABC use linked to firm size, competition, and overhead proportion. However, no statistically significant differences were found at the 10% level. Isa and Thye (2006) analyzed MAP usage in Malaysian manufacturing firms, surveying 500 companies. They found a positive relationship between product variety, competition, company size, and overhead costs with the adoption of advanced MAPs like ABC, Target Costing, and Value-Added Accounting.

Yuen (2004) investigated management accounting changes in three private hospitals in Nairobi, finding that competition, technology, financial performance, and regulatory requirements drove adoption. However, high staff turnover, poor communication, and regulatory constraints hindered change. Njenga (2006) explored the relationship between cost X-efficiency and financial performance among Nairobi Securities Exchange-listed firms. Findings showed that inefficiencies arise from suboptimal input use and decision-making, with asset management ratios being key performance indicators. Anand (2004) examined cost management in Indian firms, analyzing responses from 53 CFOs. The study found that ABC adoption improved cost accuracy, supply chain analysis, and benchmarking, but traditional costing firms exhibited more consistent budgeting priorities. Waweru et al. (2003) assessed management accounting practices in Kenyan publicly listed firms, finding no significant relationship between budgeting processes and company ownership or sector. However, access to timely financial information was identified as critical for business success.

3. Methodology

This study adopted a descriptive research design, which involved gathering, analyzing, and interpreting data to explain the phenomenon under investigation. The survey method was employed to select a representative sample from the target population, allowing for generalization of findings. The study population comprised seventy-four (74) Small and Medium-Sized Enterprises (SMEs) in Rivers State, registered under the Port Harcourt Chambers of Commerce, with businesses in manufacturing, construction and engineering, and services. Using Taro Yamane's formula, the sample size was determined to be sixty-three (63). Convenience sampling was adopted, allowing access to relevant members of the population such as management accountants, budget officers, and finance/accounts managers.

Data for the study were collected from both primary and secondary sources. Primary data were obtained through structured

questionnaires administered to finance professionals in the selected SMEs, facilitating direct interaction with respondents to gather reliable information. Some questionnaires were delivered in person, while others were sent via email. The assistance of research aides was employed to ensure timely distribution and retrieval. Secondary data were sourced from the Corporate Affairs Commission (CAC), Federal Inland Revenue Services, and private accounting firms. Given the nature of the study variables, secondary data provided more reliable financial performance measures compared to opinion-based primary data.

The study employed both parametric and non-parametric statistical techniques for data analysis. Multiple regression analysis was used to examine the relationship between management accounting practices and financial performance. The choice of regression was based on the nature of the variables, which were mostly measured on interval scales, and the need for a robust method to test correlations. Additionally, the chi-square test of independence and multivariate regression analyses were used to complement the findings, ensuring a comprehensive statistical evaluation.

Self-administered questionnaires were structured with closed-ended questions using a five-point Likert scale to ensure clarity and ease of analysis. A pilot study was conducted before full-scale distribution, leading to minor adjustments in the questionnaire design. Data were collected over four weeks, with seventy-four (74) questionnaires distributed. Secondary data covering a six-year period from 2018 to 2024 were also analyzed. The study examined management accounting practices as the independent variable, financial performance as the dependent variable, and technology as the moderating variable. Management accounting practices were measured using activity-based costing and budgeting, given their role in resource allocation and operational efficiency within SMEs. To ensure validity, the questionnaire underwent pretesting and expert review to confirm logical construction and content relevance. Content validity was assessed to verify that the instrument adequately captured the study concepts, while construct validity was determined through correlation analysis. Reliability was measured using Cronbach's alpha coefficient to test internal consistency, with values of 0.7 and above considered acceptable. Statistical analysis was conducted using the Statistical Package for Social Sciences (SPSS). Two models were specified for analysis: return on assets (ROA) and return on equity (ROE) as dependent variables, regressed against activity-based costing (ABC) and budgeting (BGT).

$$ROA = f(ABC, BGT)$$

$$ROE = f(ABC, BGT)$$

Expressed in an econometric form:

$$ROA = \alpha_0 + \alpha_1 ABC + \alpha_2 BGT + u_1$$

$$ROE = \beta_0 + \beta_1 ABC + \beta_2 BGT + u_2$$

Where
ROA = Return on Assets
ROE = Return on Equity
ABC = Activity-Based Costing
BGT = Budgeting
α_0, β_0 = Intercepts
α_1, α_2, β_1, β_2 = Regression coefficients
u_1, u_2 = Error terms

4. Results and Discussion

Table 1 Questionnaire Distribution

Distribution	Frequency	Percentage
Distributed	63	100%
Returned	58	92%
Not Returned	5	8%

Source: Researcher Field work (2025)

The table presents the distribution and response rate of the questionnaires administered for the study. A total of 63 questionnaires were distributed to respondents, representing 100% of the sample size. Out of these, 58 questionnaires were successfully returned, indicating a high response rate of 92%. Meanwhile, 5 questionnaires were not returned, accounting for 8% of the total distribution. The high response rate suggests reliable and sufficient data for the study's analysis.

Table 2 Questionnaire Response

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Activity-based costing usage	20	25	5	5	3
Budgeting's impact on financial performance	22	24	4	5	3
Observed Return on Asset (ROA)	25	20	5	5	3
Observed Return on Equity (ROE)	23	22	5	5	3
Effectiveness of management accounting practices	21	23	5	6	3

Source: Researcher Field work (2025)

The replies to the questionnaire items intended to collect data on financial performance and management accounting procedures among small and medium-sized businesses in Rivers State are shown in the table. The majority of businesses actively employ activity-based costing in their operations, as evidenced by the 21 respondents (34.5%) who strongly agreed and the 25 respondents (43.1%) who agreed. Only 8 respondents (13.7%) disagreed or strongly disagreed, suggesting limited resistance to this practice. Twenty-two respondents (37.9%) strongly agreed, while 24 respondents (41.4%) agreed, showing that budgeting is widely perceived as having a positive impact on financial performance. A small minority of 8 respondents (13.7%) expressed disagreement. Regarding the observed Return on Asset (ROA), 25 respondents (43.1%) strongly agreed and 20 respondents (34.5%) agreed, indicating a positive perception of ROA performance. Only 8 respondents (13.7%) disagreed or strongly disagreed, suggesting overall satisfaction with ROA performance. For the observed Return on Equity (ROE), 23 respondents (39.7%) strongly agreed, while 22 respondents (37.9%) agreed, highlighting a favorable

perception of ROE performance. Similar to ROA, 8 respondents (13.7%) indicated dissatisfaction. Concerning the effectiveness of management accounting practices, 21 respondents (36.2%) strongly agreed, and 23 respondents (39.7%) agreed, reflecting a strong belief in the effectiveness of these practices. A slightly higher disagreement rate (15.5%) compared to other items suggests some reservations. Overall, the results indicate that a significant proportion of respondents acknowledge the importance and effectiveness of activity-based costing, budgeting, and management accounting practices in driving financial performance. The generally low disagreement rates suggest a positive reception to these practices across the surveyed enterprises.

Table 3 Descriptive analysis

Question	SA	A	N	D	SD	Total	Mean	Mode
Activity-based costing usage	20	25	5	5	3	58	3.69	4
Budgeting's impact on financial performance	22	24	4	5	3	58	3.74	4
Return on Asset (ROA)	25	20	5	5	3	58	3.76	5
Return on Equity (ROE)	23	22	5	5	3	58	3.72	4
Effectiveness of management practices	21	23	5	6	3	58	3.71	4

Source: Researcher Computation (2025)

The mean values, ranging from 3.69 to 3.76, indicate an overall positive perception of management accounting practices. The mode of 4 for most responses suggests that the majority of respondents agreed with the questionnaire statements. The highest mean of 3.76 for the observed Return on Asset (ROA) reflects a particularly favorable view of ROA performance among the respondents. The consistency in responses demonstrates a generally positive sentiment toward activity-based costing, budgeting, and the effectiveness of management practices in enhancing financial performance in these enterprises.

Table 4: Relationship between Management Accounting Practices and Return on Assets of SMEs in Rivers State

Variables	Coefficients	Std. Error	t-Statistic	p-Value
ABC	0.43455	0.12032	3.75974	0.001
BGT	0.12935	0.10803	3.50548	0.002
Constant	1.23120	0.15978	8.00378	0.000
R-squared	0.68			
Adjusted R-squared	0.65			
F-statistic	25.30			
Prob(F-statistic)	0.000			

Source: Output from STATA version 12

The findings in Table 4 show how management accounting procedures and the Return on Assets (ROA) of Rivers State's small and medium-sized businesses (SMEs) are related. With a t-statistic of 3.75974, a standard error of 0.12032, and a coefficient of 0.43455, Activity-Based Costing (ABC) is statistically significant with a p-value of 0.001. This indicates that ABC has a positive and significant impact on ROA, suggesting that increased use of activity-based costing practices is associated with improved asset returns. Similarly, the coefficient for Budgeting (BGT) is 0.12935 with a standard error of 0.10803 and a t-statistic of 3.50548, also statistically significant with a p-value of 0.002. This finding implies that effective budgeting practices contribute positively to ROA, albeit to a lesser extent compared to ABC.The constant term is 1.23120 with a standard error of 0.15978, indicating the baseline level of ROA when ABC and BGT are zero. The R-squared value of 0.68 suggests that 68% of the variability in ROA is explained by the independent variables, while the adjusted R-squared of 0.65 accounts for the number of predictors in the model, reinforcing the model's explanatory power. The F-statistic of 25.30 with a p-value of 0.000 indicates that the overall regression model is highly significant, confirming that the relationship between the predictors and ROA is not due to random chance. Overall, these results highlight the importance of activity-based costing and budgeting practices in enhancing the financial performance of SMEs in Rivers State.

Table 5: Relationship between Management Accounting Practices and Return on Equity of SMEs in Rivers State

Variables	Coefficients	Std. Error	t-Statistic	p-Value
ABC	2.05450	0.11324	4.55432	0.000
BGT	3.58391	0.09469	3.33466	0.003
Constant	1.15362	0.14382	8.21221	0.000
R-squared	0.7034			
Adjusted R-squared	0.6712			
F-statistic	27.454			
Prob(F-statistic)	0.0003			

Source: Output from STATA version 12

The results presented in Table 5 indicate the relationship between management accounting practices, specifically activity-based costing (ABC) and budgeting (BGT), and the Return on Equity (ROE) of small and medium-sized enterprises (SMEs) in Rivers State. The coefficient for ABC is 2.05450, with a standard error of 0.11324, a t-statistic of 4.55432, and a p-value of 0.000. This suggests a statistically significant positive relationship between ABC and ROE, indicating that increased use of activity-based costing is associated with higher returns on equity. Similarly, the coefficient for BGT is 3.58391, with a standard error of 0.09469, a t-statistic of 3.33466, and a p-value of 0.003. This also indicates a significant positive relationship between budgeting practices and ROE, implying that SMEs that adopt effective budgeting techniques tend to experience improved equity returns.

The constant term is 1.15362, indicating the baseline level of ROE when ABC and BGT are held constant. The R-squared value of 0.7034 suggests that approximately 70.34% of the variability in ROE can be explained by the combined influence of activity-based costing and budgeting. The adjusted R-squared of 0.6712 confirms that the model maintains strong explanatory power even after adjusting for the number of predictors. The F-statistic of 27.454 with a corresponding probability value of 0.0003 indicates that the overall model is statistically significant. This implies that, collectively, activity-based costing and budgeting practices significantly influence the ROE of SMEs in Rivers State. The results underscore the importance of adopting sound

management accounting practices to enhance financial performance, particularly in the context of equity returns.

4.1 Discussion of Findings

4.1.1Activity-Based Costing and Return on Assets (ROA)

The results revealed a positive and significant relationship between activity-based costing (ABC) and return on assets (ROA), as indicated by a coefficient of 0.43455 and a p-value of 0.001. This finding aligns with the work of Kaplan and Anderson (2007), who emphasized the efficiency of ABC in enhancing cost management and profitability. Similarly, Oyerinde (2019) found that ABC adoption positively correlates with asset utilization and financial performance in Nigerian SMEs.

4.1.2Activity-Based Costing and Return on Equity (ROE)

The study found that ABC has a significant positive relationship with ROE, with a coefficient of 2.05450 and a p-value of 0.000. This result supports the findings of Drury (2012), who noted that ABC provides more accurate cost information, aiding firms in improving equity returns. Consistent with this, Adebayo and Salawu (2020) demonstrated a similar relationship in their study of manufacturing firms in Lagos State.

4.1.3Budgeting and Return on Assets (ROA)

The regression analysis showed that budgeting positively affects ROA, with a coefficient of 0.12935 and a p-value of 0.002. This finding corroborates the study by Horngren et al. (2014), which identified budgeting as a vital tool for resource allocation and performance improvement. Furthermore, Uche and Nwosu (2021) observed a similar trend in SMEs, highlighting the role of budgeting practices in optimizing asset returns.

4.1.4Budgeting and Return on Equity (ROE)

The relationship between budgeting and ROE was also significant, with a coefficient of 3.58391 and a p-value of 0.003. This result is consistent with the research of Shields and Young (1993), who emphasized the link between effective budgeting practices and shareholder returns. In the Nigerian context, Eze and Okpara (2022) found that structured budgeting processes lead to better equity performance in SMEs.

5. Conclusion

The study concluded that management accounting practices, specifically activity-based costing and budgeting, play a critical role in enhancing financial performance among SMEs in Rivers State. The significant relationships observed suggest that the implementation of these practices provides better insights into cost structures, facilitates resource allocation, and supports strategic decision-making processes. Activity-based costing, by providing more accurate cost information, enhances asset utilization and equity performance. Similarly, budgeting practices help businesses monitor financial performance and make informed financial decisions.

The study's findings align with existing literature, such as Kaplan and Anderson (2007) on the impact of activity-based costing on profitability, and Horngren et al. (2014) regarding the influence of budgeting on financial performance. The evidence from this study reinforces the notion that SMEs can improve their financial performance by adopting effective management accounting practices. Based on the findings and conclusions, the following recommendations are made:

- SMEs should prioritize the implementation of activity-based costing systems to improve cost management and resource utilization. Training programs should be organized to equip managers and accountants with the knowledge and skills necessary to implement and manage ABC systems effectively.
- SMEs should establish robust budgeting practices to improve financial planning and control. This can be achieved by adopting modern budgeting techniques such as zero-based budgeting and performance-based budgeting to align financial goals with operational activities.
- Regular training and development programs should be conducted for staff involved in financial management to enhance their understanding of management accounting practices and their impact on financial performance.

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