

**DISSERTATION TITLE: ANALYZING THE ROLE OF AUTOMATED FINANCE MANAGEMENT
SYSTEMS IN IMPROVING EFFICIENCY, REPORTING, AND STRATEGIC POSITIONING OF SMES
IN KENYA**

BY

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Declaration

I hereby declare that this work has not been submitted for any other degree at this University or any other institution and that, except where reference is made to the work of other authors, the material presented is original.

Signed :

A handwritten signature in black ink, appearing to read 'Blyusk', written in a cursive style.

Date: **MARCH 2026**

Abstract

Background: Small and Medium Enterprises play a central role in Kenya's economy, contributing significantly to employment and GDP. Despite their importance, many SMEs use manual or fragmented financial management techniques that impede productivity, reporting accuracy, and strategic decision-making. Automated Financial Management Systems are becoming more available, however their qualitative strategic impact on Kenyan SMEs is unknown.

Aim: This study examined how components of Automated Financial Management Systems influence efficiency, financial reporting, and strategic positioning among SMEs in Kenya. Specifically, it investigated the effects of automated transaction processing, finance automation, and system integration on strategic performance outcomes.

Methodology: Guided by interpretivist philosophy, the study used a qualitative explanatory design. Semi-structured interviews were conducted with thirteen purposively selected participants drawn from Kenya-based SMEs and finance-related professionals. Data were analysed using reflexive thematic analysis, following iterative stages of coding, categorisation, and theme development to ensure analytical depth and alignment with the research questions.

Findings: The findings reveal that AFMS adoption enhances operational efficiency through faster reconciliation, reduced errors, and standardised workflows. Automation improves financial visibility, enabling real-time monitoring of cash flow, margins, and performance trends, thereby supporting more informed decision-making. System integration emerged as a critical determinant of strategic value, with fully integrated platforms generating greater cross-functional insight than fragmented systems. Automation also strengthened professional legitimacy through improved reporting credibility and regulatory compliance. However, the strategic benefits of AFMS were mediated by managerial capability, digital skills, infrastructure reliability, and organisational readiness.

Conclusion: AFMS improve SME efficiency, reporting reliability, and strategic positioning in Kenya. These benefits are realised most strongly when systems are well integrated and supported by adequate managerial capability and enabling infrastructure.

Keywords: Automated Financial Management Systems (AFMS); Small and Medium Enterprises (SMEs); Financial Reporting; Operational Efficiency; System Integration; Strategic Positioning.

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Chapter 1: Introduction

1.1 Background of the Study

Small and Medium enterprises (SMEs) are crucial to the global economy, representing 90% of enterprises and employing over half of workers, contributing 60% of GDP in emerging economies (Tetteh et al., 2025; World Bank, 2022). Despite their importance, SMEs face financial management challenges, mainly reliance on outdated accounting practices that impair financial control, compliance, and strategic decision-making (Apoga & Petrovska, 2022; Nazir and Khan, 2022). Many still use manual systems, which are labour-intensive, prone to errors, and hinder access to vital growth information (Nsoke et al., 2021; Abdullah et al., 2023).

Recent studies have shown how digital technology helps organizations increase their productivity through the automation of processes, improved data management, as well as informed decision making (Nurwanah, 2024; Thottoli & Ahmed, 2021). Due to this, many businesses have now moved from paper-based financial reporting systems to Automated Financial Management Systems (AFMS) tools for accounting and financial reporting (Xicang et al., 2024; Tetteh et al., 2025). Abdullah et al. (2023) state that “ICT-enabled accounting systems enhance data processing speed and accuracy, providing managers with timely, reliable financial insights for informed decision-making.” Additionally, ICT protects against unwanted access, minimizing the danger of intentional data tampering (Tetteh et al., 2025; Gyamera, 2023).

Globally, classification often relies on quantitative criteria such as the number of employees or financial metrics. The World Bank, for example, categorises SMEs based on employee count (fewer than 300), asset valuations, and annual sales levels. Similarly, the European Commission distinguishes between micro, small, and medium enterprises using a blend of staff numbers and turnover thresholds. In Kenya, SMEs—referred to collectively as Micro, Small and Medium Enterprises (MSMEs)—are defined as firms employing between 1 and 99 people with annual revenues up to KES 50 million. These enterprises, typically characterised by limited resources, informality, and simple management structures, form the backbone of Kenya’s entrepreneurial ecosystem and contribute substantially to socio-economic development. In Kenya, SMEs account for about 80 per cent of the labour force and contribute nearly 30 per cent to GDP (KNBS, 2021). Oduor et al. (2025) estimate that roughly fifteen million Kenyans work within this sector, yet many enterprises remain informal, with only a small share formally registered (Gitari & Koori, 2023).

Manual financial management is still widespread, creating delays, errors, and limited real-time visibility. These constraints weaken financial transparency and decision making. As more SMEs adopt tools such as Digital solutions like QuickBooks, POS, and inventory systems improve accuracy and support better financial management (Musa & Njeru, 2023; Oduor et al., 2025). SMEs are vital to economic growth, but poor financial management limits them (Okeke et al., 2024). AFMS can help, but cybersecurity, power, and infrastructure costs hinder adoption. Kenyan SMEs still rely on manual accounting and fragmented records, causing inefficiencies, operational risks, and reduced competitiveness (Natarajan, 2025; Kamau & Kyalo, 2022). This study examines how automated finance systems can boost efficiency, reporting, and strategic positioning. Although cloud-based and integrated platforms are more available and affordable, adoption is cautious due to costs, digital literacy, security, and capacity issues. The true impact of AFMS on Kenyan SMEs remains under-researched.

1.2 Problem Statement

Inadequate financial management systems still plague a large number of SMEs in Kenya. Their reliance on manual bookkeeping and disjointed records, which cause errors, slow reporting, and diminish accountability, is mostly to blame for this (Musa & Njeru, 2023). Despite their vital role in economic development and job creation, this challenge jeopardizes their growth, competitiveness, and long-term sustainability (Nkwinika & Akinola, 2023). Due to obstacles related to digital literacy, infrastructure, cybersecurity, and financial restraints, automated financial management solutions continue to be adopted slowly (Okeke et al., 2024; Natarajan, 2025). Since it impacts reporting accuracy, operational efficiency, and strategic decision-making throughout the SME sector, this issue needs to be looked at. Consequently, this study will be guided by the exploratory question: *“How does AFMS adoption influence efficiency, reporting accuracy, and strategic performance among SMEs in Kenya?”*

1.3 Research Objectives

1.3.1 General Objective

The aim of this study is to examine how various components of automated financial management systems influence the overall performance and financial reporting of SMEs in Kenya.

1.3.2 Specific Objectives

The study’s objectives are to:

1. Examine how Kenya's SME sector experiences with AFMS integration and decision-support features and how these shape their strategic positioning and competitiveness
2. To Evaluate how automated financial reporting and analytics influence the strategic performance, operational efficiency and decision-making of SMEs.
3. To Examine the impact of system integration and decision-support features on the strategic performance of SMEs.

1.4 Research Questions

Main question: How do various components of automated financial management systems influence the overall performance of SMEs in Kenya?

The sub questions for the study are:

1. What is the effect of automated transaction processing on the strategic performance of SMEs in Kenya?
2. What is the relationship between finance automation, operational efficiency and strategic outcomes (decision quality, growth orientation) in SMEs?
3. What is the impact of system integration and decision-support features on the strategic performance of SMEs?

1.5 Justification for the study

This study was inspired by the notion that SMEs constitute the backbone of most economies, especially developing and growing markets like Kenya. In emerging nations, official SMEs contribute for up to 60% of total employment and 40% of GDP, and informal SMEs would make up even more (The World Bank, 2022). The World Bank forecasts 600 million new workers in Asia and Sub-Saharan Africa in the next 15 years (The World Bank, 2022). Strengthening financial management tools such as AFMS is therefore essential for supporting SME resilience and competitiveness. Understanding how automation can address persistent financial management gaps will help inform interventions aimed at sustaining SME performance in Kenya.

1.6 Research Significance

Practical Significance: The study offers insights that can help SMEs improve financial management by adopting automated systems that enhance reporting accuracy, operational efficiency, and strategic decision-making. This study also builds on existing research by examining how automated finance management systems influence the day-to-day operations and long-term strategic outcomes of SMEs in Kenya. By focusing on actual system users as well as non-users, the study seeks to provide a

comprehensive understanding of the benefits, challenges, and value proposition of AFMS within the Kenyan SME ecosystem

Theoretical Significance: The research extends understanding of AFMS adoption by applying TAM and RBV within the Kenyan SME context, contributing evidence on how digital financial tools influence performance outcomes

Chapter 2: Literature Review

2.1 Introduction

This study aims to examine how automated financial management systems influence SME performance. This chapter presents a review of literature that is relevant for the study. It includes theoretical, conceptual, and empirical literature.

2.2 Conceptual Clarification

2.2.1 Definition of SMEs

Small and Medium Enterprises (SMEs) vary in context, size, sector, segment, operations, and resources that a single definition applicable across all economies is difficult to develop. The significance of the definition of SMEs is indisputable, notwithstanding the definition's lack of universality and the criteria's lack of coherence. In order to prepare statistics and track the sector's health over time, benchmark against other economies and between regions within an economy, establish arbitrary thresholds for the imposition of taxes or other regulations, and determine eligibility for specific types of public support, it is crucial and helpful to define small and medium-sized businesses.

The most universal way of distinguishing between large and small businesses is on the number of the staff. The world bank uses three quantitative criteria of number of employees (less than 300), total assets (less than \$3,000,000), and annual sales (less than \$3,000,000) (Gherghina et al., 2020). The European Commission uses a criteria that has the number of staff and a financial aspect (Berisha & Pula, 2015). In this regard, an entity with less than 10 employees and annual turnover of less than two million euros is considered as Micro, one with less than 50 employees and less than 10 million euros turnover as Small, and one with less than 250 employees and about 50 million euros in turnover as medium-sized (Figure 2.1).

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ €50 million	or	≤ €50 million
Small	< 50	≤ €10 million	or	≤ €10 million
Micro	< 10	≤ €2 million	or	≤ €2 million

Figure 2.1: Definition of Small and Medium Enterprises with European Union standards

A small firm in Kenya is considered a SME if its yearly sales are less than Ksh. 1 million. Companies with fewer than ten employees are known as micro companies, whilst those with ten to forty-nine

employees are known as small firms. In contrast, a medium-sized business employs between 50 and 99 people. These various SMEs in Kenya are together referred to as micro, small, and medium-sized firms (MSMEs), which are companies with one to ninety-nine employees and a yearly revenue of fifty million Kenyan shillings (State Department for MSME Development, 2023). SMEs are usually run and operated by a single person or a small group of people who combine their meagre resources to launch a business. Typically, these tiny businesses operate in a relaxed manner.

2.2.2 Automated Financial Management Systems

An automated financial management system uses cutting-edge technology like robotic process automation to optimise and streamline a company's financial processes (Bedford et al., 2025). Financial reporting, planning, spending management, payment tracking, invoice processing, and reconciliation are automated. Automating financial management tasks improves accuracy, productivity, compliance, and real-time financial insights (Okeke et al., 2024). This improves financial decisions (Akisheva et al., 2025). Data-driven financial management solutions are increasingly essential to SMEs' growth and survival (Okeke et al., 2024; Otoo, 2024). This study used AFMS indicators such as automated transaction processing, finance automation, and system integration. Technology and data analytics are used in "data-driven financial management" to help firms make sound decisions based on current, reliable data. Data-driven systems have many benefits (Okatta et al., 2024). They considerably improve financial data accuracy by reducing human data entry and processing errors (Okeke et al., 2024). Finance teams can spend more time on strategic tasks by automating repetitive tasks. Data-driven solutions give SMEs immediate financial performance insights, allowing them to adjust operations and strategy (Ajiga et al., 2024). This proactive approach to financial planning, risk assessment, and organisational flexibility prepares small and medium-sized firms for success (Nwaimo et al., 2024).

2.2.3 SME Performance

Organizational performance refers to the degree to which a firm succeeds in attaining its goals (Otoo, 2024). Financial performance indicators can objectively assess corporate goals and objectives, but non-financial indicators can be subjective. Enterprise performance encompasses marketing, management, accounting, economics, sociology, and psychology. Performance for SMEs depends on "corporate governance, sales revenue growth, access to finance, market share, assets, human resource capacity, technology (mobile banking), outputs and costs." For this study, SME performance will be examined through three key concepts: Efficiency, financial reporting, and strategic positioning (Table 2.1)

Table 2.1: Conceptual definitions of key elements of performance in SMEs

Concept	Definition
Efficiency	Efficiency refers to the extent to which AFMS streamline SME operations by reducing manual workload, minimizing errors, accelerating transaction processing, and saving time in financial tasks.
Financial Reporting	Financial reporting reflects the accuracy, timeliness, and completeness of financial statements generated through AFMS, supporting better compliance, transparency, and decision-making.
Strategic Positioning	Strategic positioning refers to how AFMS strengthen SME competitiveness by improving data-driven decisions, forecasting, resource planning, and the ability to respond effectively to market changes.

2.3 Theoretical Framework

2.3.1 Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM), created by Davis in 1989, explains how humans accept and use technology. It highlights two key components: perceived usefulness (PU), or tech that improves performance, and perceived ease of use (PEOU), or tech that's easy to use. Perceived usefulness measures how much a person believes using a system boosts performance, while perceived ease of use indicates how little effort is needed (Davis, 1989).

TAM has been used in studies on financial management software usage, such as Qader et al. (2022), who assessed its impact on accounting software adoption. They examined variables like technological, human resource, customer, content, instructional, leadership, and cultural preparedness using quantitative methods in seven SMEs in Erbil. The survey, randomly distributed to 120 staff members, saw 104 participants from SMEs in Kurdistan. Technology readiness was more influential than human resources in the installation process. TAM is crucial to this study's concept of AFMS adoption in Kenyan SMEs, as perceived ease of use increases the likelihood of adoption.

2.3.2 Resource-Based View (RBV)

The Resource-Based View (RBV) explains how firms achieve competitive advantage by effectively deploying internal resources and capabilities (Barney, 1991; Zhou & Pacala, 2025). According to

RBV, sustainable performance depends on resources that are valuable, rare, inimitable, and non-substitutable (VRIN). Firms possess physical, human, and organizational resources, whose strategic configuration determines performance outcomes (Ramon-Jeronimo et al., 2019). Many SMEs face constraints in innovation, scaling, and market adaptation due to limited access to such strategic assets. In volatile environments where timely and accurate financial decisions are critical, these limitations are amplified. Digital technologies can mitigate these constraints by enabling firms to enhance operational capabilities. From an RBV perspective, AFMS represent strategic organizational resources that strengthen financial control, data accuracy, and decision-making capacity. When effectively adopted, AFMS can evolve into distinctive capabilities that support SME competitiveness, resilience, and long-term sustainability (Estensoro et al., 2021).

2.3.3 Technology–Organization–Environment (TOE) Framework.

Tornatzky and Fleischer (1990) developed the "technology–organization–environment" (TOE) framework, which methodically examines how organizational, technological, and environmental elements interact to affect businesses or organizations when they implement tech innovations. Originally concentrating on the development of information technology, its great adaptability and methodically have allowed it to become a universal analytical instrument for interdisciplinary research (Wang & Zhang, 2025). The TOE framework categorizes factors affecting organizational technology adoption and innovation into three dimensions, applicable in current study (Table 2.2):

Table 2.2: TOE Framework Dimensions and Descriptions

TOE Dimension	Description	Application in the Current Study
Technological Dimension	Includes the characteristics of the technology itself and the organization's existing technological foundation.	Assesses how AFMS features such as automation, system reliability, integration capability, and analytics influence efficiency and financial reporting accuracy among SMEs.
Organizational Dimension	Includes organizational structure, scale, management style, human resources, and internal processes.	Examines how SME size, staff competence, managerial support, and internal controls affect the adoption and effective use of AFMS for strategic decision-making.

Environmental Dimension	Covers external market conditions, policies, regulations, industry competition, and socio-cultural factors.	Evaluates how regulatory requirements, competitive pressure, vendor support, and data protection expectations shape AFMS adoption and use in Kenyan SMEs.
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2.4 Empirical Studies on AFMS and SME Performance

2.4.1 Global Studies on AFMS and SME Performance

Research consistently shows that automation enhances the accuracy, efficiency, and strategic value of financial management in enterprises. According to widyaningsih and Fadii (2024), SMEs face significant challenges in financial misreporting. Through mixed-methods approach, the study explored Southeast Asian, Sub-Saharan African, and South American SMEs' AI adoption. Results show that AI implementation dramatically reduces financial reporting errors, with regional adoption rates and efficacy impacted by technology infrastructure, government regulations, and organizational readiness. Southeast Asia has the highest adoption rate and advancements, while Sub-Saharan Africa and South America have high implementation costs and little digital literacy. However, the study did not isolate country-specific dynamics, creating a gap in understanding how Kenya's regulatory, skills, and cost structures shape AFMS outcomes.

Raza (2025) examined the role of AI-based automation in improving operational performance of SMEs. The study used a systematic literature review approach. According to the study, cloud-based ERP systems with AI enhancements make the shift from reactive to proactive financial management easier. The researchers identify significant, quantifiable benefits, including 60–70% accounts payable cost reductions, an average 30-day return on investment of 312% for early automation projects, and a two-week acceleration of month-end close. In order to lower risk and promote a data-driven culture, we also provide a strategic framework for adoption that emphasizes the critical role of cloud solutions, progressive implementation, and a "human-in-the-loop" technique. These findings are largely derived from mature digital environments, leaving uncertainty about their applicability to Kenyan SMEs with constrained resources and uneven digital maturity.

White and Roberts (2022) found that accounting software improves financial reporting accuracy by automating calculations, enabling real-time data updates, consolidating records across departments, and adding validation checks that reduce discrepancies and enhance accountability. According to

Jiang (2024), automated invoicing, payments, and reconciliations lower transaction errors and processing times, improving cash flow and allowing employees to focus on strategic tasks. Zhou and Pacala (2025) found automation boosts compliance, efficiency, and strategic financial skills in SMEs, reduces manual work by about 40%, and lowers operational risk by limiting human data entry. Despite strong evidence, these studies mainly use quantitative indicators and lack insights into how SMEs in Kenya implement automation in daily financial operations routines.

Henderson and Miller (2021) first defined financial reporting accuracy as the extent to which financial statements accurately reflect a firm's financial status and performance. By accurately reporting revenues, expenses, assets, and obligations, accurate reporting boosts investor confidence, creditor trust, and regulatory compliance. Automation improves reporting accuracy, operational efficiency, and strategic capacity, however most empirical studies use quantitative designs, so they don't show how SMEs use these systems. Their work, however, does not empirically examine AFMS adoption in SMEs or account for contextual constraints faced by firms in developing economies such as Kenya.

Sooriyakumaran et al. (2022) reviewed earlier studies and consulted experts to construct a conceptual model of how financial management practices affect SME performance. Accounting records, financial reporting and analysis, accounting information systems, working capital management, investment decisions, and financing were linked to firm success in their study. The evidence showed favourable, negative, and negligible SME context correlations. They advised empirically testing hypotheses and a route model and using exploratory and confirmatory factor analyses to validate measuring methods and analyse moderating influences such practitioner education, gender, and business age. The absence of empirical validation and country-specific application highlights the need for context-driven studies examining AFMS components within Kenyan SMEs.

Global studies largely agree that automation improves financial reporting accuracy, operational efficiency, and strategic financial capability among SMEs. While Widyaningsih and Fadli (2024) and Raza (2025) report substantial gains from AI and ERP-driven automation, they also highlight contextual differences driven by infrastructure readiness, regulatory environments, and digital skills. White and Roberts (2022), Jiang (2024), and Zhou and Pacala (2025) consistently report reduced errors and processing time, yet most rely on quantitative metrics, offering limited insight into how SMEs operationalize these systems in practice.

2.4.2 Empirical Studies in Africa and Developing Economies

Nwankwo et al. (2025) examined how automated accounting software affects Nigerian SMEs' financial operations. Descriptive and inferential statistics were used to analyze 370 Nigerian SMEs' survey responses. With a mean score of 4.20, a t-statistic of 20.45, and a p-value of 0.000, automated accounting software considerably improves financial reporting accuracy and reliability, rejecting the null hypothesis. It also significantly improved financial activity timeliness and efficiency, with a mean of 4.15, t-statistic of 19.85, and p-value of 0.000. With a mean of 4.10, t-statistic of 18.73, and p-value of 0.000, the study shows that SMEs have severe issues adopting and using automated accounting software.

In a South Africa study, Matekaire and Siriram (2025) investigated the adoption of IoT enabled payment systems among SMEs. The paper used a review approach, through which it developed a conceptual framework to explain factors that influence technology adoption. The findings closely corroborate another South African study, Telukdarie et al. (2024), which noted that adoption of digital solutions in African SMEs face notable challenges, that include limited skills, financial constraints, and lack of alignment.

Okeke et al. (2024) studied data-driven financial systems in Nigerian SMEs across manufacturing, retail, and service sectors. Their qualitative research showed automation and real-time data improved cash flow, profitability, and financial reporting, leading to better operational efficiency, cost reduction, and strategic decisions. Results indicate these systems help SMEs compete through quick, informed decisions and transparency.

In Cross River State, Nigeria, Elom and Atah (2025) found computerized accounting enhances SME finances via surveys of 351 out of 4,289 SMEs. Automated transaction recording, report generation, and income-expenditure tracking boost performance. The study recommends government and development groups promote such systems.

African research confirms automation improves efficiency and reporting but faces adoption barriers like high costs, limited skills, weak system integration, and organizational readiness (Nwankwo et al., 2025; Telukdarie, 2024). Okeke et al. (2024) also highlight how real-time data supports strategic decisions, noting Kenya's unique regulatory and digital environment affects adoption, calling for further research.

2.4.3 Empirical Evidence in Kenya

In Mombasa, Kenya, Okeyo and Kaplelach (2022) looked at the financial performance and management techniques of a few chosen SMEs. The target group for this study, which employed a descriptive research methodology, consisted of 206 respondents from certain SMEs in Mombasa County. A sample of 62 respondents was chosen using the stratified sampling technique, and 60 of them filled out and returned the questionnaire. It was found that all SMEs employed financial management strategies in their day-to-day activities. According to the report, most SMEs' financial performance is impacted by their financial management strategies.

Musa and Njeru (2023) assessed the effect of digital financial innovation on the performance of SMEs in Nairobi City, Kenya. Data was analyzed using a descriptive research approach on SME owners in the retail business in Nairobi City Centre. A sample of 300 SMEs was selected using a simple random sampling technique to ensure a representative view of firm size and sector. The core research tool is a questionnaire to collect quantitative and qualitative data on SMEs' digital financial innovation usage and experiences. Digital payment systems, mobile banking, and agent banking did not significantly impact SMEs' financial performance, as shown by their respective p-values (0.773, 0.090, and 0.405). SMEs' financial outcomes are not considerably impacted by digital financial services uptake and consumption alone.

Tsuma (2025) studied Kenyan manufacturing SMEs' accounting systems and financial performance, finding technologies enhance compliance, reporting, and planning, but high costs, skill gaps, and resistance hinder adoption. Kinyua (2024) showed mobile accounting improves efficiency, transparency, and financial health, emphasizing its growing importance. Kenyan studies give mixed results: Okeyo and Kaplelach (2022) and Kinyua report gains from management practices and automation, but Musa and Njeru (2023) see limited impact from digital financial innovations alone. This suggests digital tools vary from integrated AFMS. Most studies are descriptive and quantitative, highlighting the need for qualitative research on AFMS's effect on efficiency, reporting, and strategy positioning.

2.5 Identified Research Gaps

Current empirical research on automated financial management systems and SME performance is limited in scope and depth. Most studies are mainly quantitative, with few qualitative insights into user experience, challenges, and implementation. There's a lack of Kenya-specific research examining how AFMS components influence reporting, efficiency, and strategic positioning

simultaneously. Few studies also consider system integration, automation, and analytics as key performance factors. These limitations highlight the need for the current investigation.

Table 2.3: Summary of Empirical Evidence on AFMS and SME Performance

Study	Aim	Research Design	Key Findings	Identified Gaps
White & Roberts (2022)	To assess the effect of accounting software on financial reporting accuracy	Conceptual and secondary data review	Automation reduced human error, improved data consolidation, and enhanced reporting accuracy	No firm-level empirical testing; lack of qualitative firm experiences
Jiang (2024)	To examine digital transformation trends in SME financial management	Empirical survey	Automation improved productivity, reduced errors, and enhanced cash flow management	Focused on process outcomes only; limited strategic analysis
Zhou & Pacala (2025)	To assess automation effects on SME operations	Quantitative assessment	Automation reduced manual work by 40%, improved compliance and reporting accuracy	No behavioral or managerial decision insights
Sooriyakumaran et al. (2022)	To link financial management practices with SME performance	Conceptual model and literature synthesis	Six FMP indicators influenced SME performance with mixed effects	No empirical validation; recommended future CFA and path modeling
Nwankwo et al. (2025)	To assess automated accounting software and efficiency in Nigerian SMEs	Survey, regression analysis	Automation significantly improved accuracy and timeliness; adoption challenges persisted	Purely quantitative; no qualitative adoption insights
Okeke et al. (2024)	To examine data-driven financial management systems in SMEs	Case study approach	Improved cash flow, profitability, and strategic decision-making	Limited generalizability due to small case sample
Elom & Atah (2025)	To assess computerized accounting and	Survey, regression	Automated transaction recording and	No strategic positioning analysis

	SME financial performance		reporting improved financial performance	
Okeyo & Kaplelach (2022)	To examine financial management practices and SME performance in Kenya	Descriptive survey	Financial management practices influenced SME performance	Did not isolate automation effects
Musa & Njeru (2023)	To assess digital financial innovation and SME performance in Nairobi	Descriptive survey	Digital payments and mobile banking had no significant performance effect	Did not examine internal AFMS
Tsuma (2025)	To assess AIS and SME performance in manufacturing sector	Literature review	AIS improved compliance and reporting but faced cost and skills barriers	No primary empirical data
Kinyua (2024)	To examine mobile accounting software and SME performance in Mombasa	Empirical survey	Automation improved efficiency, transparency, and financial performance	No strategic positioning analysis

2.6 Chapter Summary

This chapter examined the theoretical, conceptual, and empirical underpinnings of the research on the relationship between SME performance and automated financial management systems. It made important ideas like SMEs, AFMS, and the performance aspects of financial reporting, strategic positioning, and efficiency more understandable. The theories that support the study include the TOE, the RBV, and the TAM. Empirical insights show an inadequacy of local literature, especially in-depth qualitative research.

Chapter 3: Methodology and Philosophy

3.1 Introduction

This study aims to explore how automated finance management systems (AFMS) shape SME performance. This chapter gives an overview of the methods and techniques used to collect and analyse data. It includes the research philosophy, the research design, population and sample, data collection procedures, and data analysis.

Methodology Justification Matrix

Gap Identified in Chapter Two	Evidence from Literature Review	Methodological Choice	Justification
Overemphasis on quantitative methods in SME financial systems research.	Most studies reviewed primarily used surveys, regression analysis, and performance metrics, with only limited qualitative research.	Qualitative research approach	A qualitative method allows for a deep exploration of meanings, experiences, and interpretations that cannot be captured by numerical data alone.
Absence of strategic insight in financial automation research	Literature highlighted operational efficiency and cost saving, with limited emphasis on strategic planning.	Focus on strategic positioning as a core theme	Shifts focus from operational results to strategic utilisation of automated financial systems.
Lack of managerial and decision-maker insights	Existing research has largely overlooked the lived experiences of SME owners and managers.	Unit of analysis: SME decision-makers	Decision-makers influence system adoption and strategic use, making their perspectives vital to understanding the impact.
Use of inflexible data collection tools.	Structured questionnaires dominated prior studies	Semi-structured interviews	Offers flexibility to explore emerging issues while staying aligned with research objectives.

Weak connection between research questions and data collection.	Previous studies lacked clarity on how instruments fulfilled research objectives.	Thematic interview guide linked to research questions	Ensures coherence among research questions, data collection, and analysis.
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3.2 Research Philosophy

The study will adopt an interpretivist research philosophy. Interpretivism is appropriate where the aim is to understand how actors make sense of a phenomenon, how meanings are formed in context, and how those meanings shape actions and outcomes. In SME settings, the “impact” of AFMS is rarely only technical. It is mediated by user competence, trust in the system, routine work practices, and how owners interpret costs, benefits, and risk. Thus, an interpretivist approach will allow the study to examine how SME owners and financial staff explain efficiency gains or losses, evaluate reporting accuracy and compliance, and apply system outputs in strategic decisions. Philosophical positioning should reflect the research issue and knowledge sought, especially when researching organizational practises and human judgement (Creswell & Creswell, 2023; Saunders et al., 2023).

3.3 Research Design

The study uses an explanatory qualitative design to explore automation's impact on processing time, error rates, reporting quality, compliance, analytics, and decision-making in Kenyan SMEs. While previous research mainly focuses on quantitative metrics like error reduction and cost savings, this study aims to gain practical and organizational insights, especially within the Kenyan context. It investigates these relationships across different SME sizes, sectors, and AFMS maturity levels, following guidance that emphasizes analytical explanations rooted in organizational practice (Creswell & Creswell, 2023; Saunders et al., 2023). By linking AFMS components to work processes, the study will assess whether automation reduces manual reconciliation, system controls cut posting errors, and dashboard outputs aid decisions in pricing, procurement, and credit, while considering how organizational factors, user skills, and managerial interpretation influence outcomes.

3.4 Research Approach

The research will construct its theory using an inductive method. When a researcher wants to develop patterns and explanations from empirical data, induction is a suitable method, particularly when previous evidence is disjointed or too broad. While previous studies have shown that automation can increase efficiency and reporting, they frequently fail to identify the key system features that SMEs

value most or how users convert system outputs into strategic actions. The study will be able to produce context-based explanations of AFMS value creation, restrictions, and trade-offs thanks to the inductive approach. This method is also in line with interpretivism, which places a strong emphasis on context and meaning-making and where conclusions are drawn from careful consideration of participant narratives and organizational procedures (Creswell & Creswell, 2023; Saunders et al., 2023).

3.5 Population and Sample Size

The target population includes Kenyan SMEs using or attempting AFMS solutions like integrated finance platforms, mobile apps, POS systems, and accounting software. Primary informants are SME owners, finance officers, accountants, and operations personnel including ICT staff involved in financial recording. The SME as an organization is the unit of analysis, focusing on how AFMS integrates into routines, controls, reporting, and strategic decision-making. The study examines how system features, capabilities, and management choices influence efficiency, reporting quality, and strategy. Purposive sampling will select retail and service SMEs with varying automation levels, using saturation to determine sample size for rich, relevant data.

3.6 Methods of Data Collection

3.6.1 Primary Data

Primary data will be collected through semi-structured interviews. This method allows alignment with the study objectives while enabling probing of practical experiences with AFMS implementation and use. Interviews are widely used to collect data in qualitative research to understand the experiences of individuals and groups of individuals pertaining to a particular social phenomena. An interview is “an interaction between two people on a particular occasion, where one acts as an interviewer and another as an interviewee. Thus, the interview is defined as an *inter-view*, an interchange of views between two persons conversing about a theme or a topic of mutual interest.” In the semi-structured interview, an interviewer generally has a framework of themes to be explored. Rubin and Rubin (2005, p. 171) suggest that “good interviews usually consist of a balance between main questions, follow-ups, and probes.” In this study, semi-structured interviews will be done with SME owners or managing directors, finance officers/accountants, IT staff and operations managers.

3.6.2 Secondary Data

Secondary data will be used to triangulate interview findings and strengthen interpretation. Sources may include sample system-generated reports, dashboards, internal procedures, training materials, and vendor documentation. Relevant regulatory guidelines will also be consulted where they inform reporting practices. These materials will be used as contextual evidence to confirm, qualify, or challenge interview accounts, consistent with guidance on qualitative triangulation.

3.7 Data Collection Instruments

This study uses semi-structured interviews and document review protocols as main data collection tools. These address Chapter Two's limitations, where surveys dominated and lacked context and strategy insights into AFMS in SMEs. The tools capture organizational, decision, and implementation behaviors aligned with study objectives and research questions. Four sections guide the interviews: SME background (sector, size, AFMS type), operational efficiency (transactions, reconciliation, workflows, errors, reporting), financial accuracy, compliance, and controls, and strategic positioning (pricing, procurement, credit management) via analytics, forecasts, system integration, and decision support. Document review collects system reports, dashboards, internal processes, and vendor documents to triangulate data and enhance analysis.

3.8 Data Collection Procedures

Data collection will proceed in five stages (Table 3.1).

Table: Data Collection Procedure

Stage	Activity Description
Stage 1: Institutional Approval	The researcher will obtain ethical clearance, institutional approval, and any required permissions from relevant authorities before commencing data collection.
Stage 2: Identification and Screening of SMEs	Potential SMEs will be identified through business networks, professional associations, and referrals.

Stage 3: Participant Engagement and Consent	Eligible participants will be contacted, the purpose of the study will be explained, and informed consent will be obtained prior to scheduling interviews.
Stage 4: Data Collection and Documentation	Semi-structured interviews will be conducted in participant-preferred settings, either face-to-face or via secure online platforms. Interviews will be audio-recorded with permission and supported by field notes capturing context, non-verbal cues, and initial analytic insights.
Stage 5: Transcription and Data Management	Interviews will be transcribed verbatim. Transcripts will be anonymised by removing identifying details and assigning participant codes. Any shared documents will be securely stored and separated from identifying information to protect confidentiality.

3.9 Data Analysis

Data will be analysed using reflexive thematic analysis. This approach is suitable since it permits interpretation that is sensitive to context and meaning while facilitating the methodical detection of patterns in qualitative material (Braun & Clarke, 2021; Braun & Clarke, 2023). Themes explaining how AFMS features translate into efficiency, reporting quality, and strategic positioning—as well as how restrictions disrupt or change that translation—will be developed through the application of reflexive thematic analysis. In accordance with current guidelines on thematic analysis practice, the analysis will follow an iterative process of familiarization, initial coding, topic creation, review, definition, and interpretative writing (Table 3.2).

Table 3.2: Thematic Analysis Procedures Based on Braun and Clarke

Step	Phase	Description and Application in the Study
1	Familiarisation with the data	The researcher will repeatedly read interview transcripts and field notes to gain an in-depth understanding of participants' experiences with AFMS, while recording initial analytic observations.
2	Generating initial codes	Initial coding will be conducted using both deductive codes derived from the study objectives (e.g. automation, reporting accuracy, system integration) and inductive codes emerging from the data.

3	Searching for themes	Related codes will be grouped to form preliminary themes that explain patterns in how AFMS influence efficiency, reporting, and strategic positioning across SMEs.
4	Reviewing themes	Themes will be reviewed against the coded data and the full dataset to ensure internal coherence, clear boundaries, and alignment with the research questions.
5	Defining and naming themes	Final themes will be refined, clearly defined, and labelled to capture their analytical essence and relevance to SME performance and AFMS adoption.
6	Producing the report	The researcher will interpret themes in relation to the literature and theoretical framework, using illustrative excerpts to support credible and coherent findings.

Following the six analytic phases, theme development will be explicitly anchored to the study's research questions and objectives to ensure analytical coherence and explanatory focus. Three overarching thematic domains will guide interpretation (Table 3.3)

Table 3.3: Thematic Domains Aligned to Research Questions

Thematic Domain	Focus of Analysis	Linked Research Question
AFMS and Transaction Automation	Examines how automated transaction processing affects financial workflows, reconciliation, error reduction, and reporting, and how these impact strategic performance.	RQ1
Finance Automation and Operational Efficiency	Analyzes how finance automation enhances operational efficiency via workflow redesign, time savings, and validation controls, and how these impact decision quality and growth.	RQ2

System Integration and Decision Support	Explores how system integration, dashboards, analytics, and forecasting tools support pricing, procurement, credit management, and strategic planning.	RQ3
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3.10 Quality Assurance and Trustworthiness

The study will apply established qualitative criteria for trustworthiness (Table 3.4), focusing on credibility, transferability, dependability, and confirmability (Ahmed, 2024; Creswell & Creswell, 2023).

Table 3.4: Strategies for Ensuring Trustworthiness in the Study

Trustworthiness Criterion	Description	Application in the Current Study
Credibility	Refers to the confidence in the truth and accuracy of the findings from the participants' perspective	Credibility is strengthened through triangulation of interview data and documents, iterative probing for examples, and member checking of key summaries where participants confirm accuracy.
Transferability	Concerns the extent to which findings may be applicable to other contexts	Transferability will be supported by providing thick descriptions of SME characteristics, sector context, AFMS type, and usage practices, enabling readers to assess relevance to other settings
Dependability	Focuses on the consistency and traceability of the research process	Dependability will be ensured by maintaining a detailed audit trail of sampling decisions, interview guide refinements, coding procedures, and theme development stages.
Confirmability	Addresses the degree to which findings are shaped by participants rather than researcher bias	Confirmability will be strengthened through reflexive memoing to record assumptions and analytic decisions, and by clearly separating

		participant accounts from the researcher's interpretive analysis
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3.11 Ethical Considerations

The study will adhere to research ethics principles, clearly explaining objectives, participation, voluntariness, and withdrawal rights. Informed consent will be obtained before data collection. Confidentiality will be protected through anonymisation, restricted access, and secure, password-protected storage. Audio files and transcripts will be stored separately from consent forms and identifiers. The study will avoid collecting unnecessary confidential financial data, opting for templates, sample outputs, or redacted reports when using documents. If operational challenges are disclosed, findings will be presented in aggregated or anonymised form to prevent reputational harm. Ethical practices include respectful interviewing, avoiding coercion, and transparency about recordings and quotations, following social research ethical guidelines.

3.12 Time Horizon

The study will be cross-sectional because the data collection will be done once and will only take place for a specified period.

Research Plan and Timelines of Thesis Submission

Table 3.4 Research Plan

Phase	Key Activities	Duration
1. Preparatory	Finalize research proposal; conduct comprehensive literature review; develop and pretest interview guide; obtain ethical approval.	Month 1
2. Data Collection Preparation	Identify study participants using purposive sampling; schedule and organize interviews; refine data collection logistics.	Month 2
3. Data Collection	Conduct semi-structured interviews; record, transcribe, and store data securely; continue until data saturation is achieved.	Month 3

4. Data Analysis	Perform qualitative data coding and thematic analysis; identify emerging patterns and relationships; validate findings through member checking.	Month 4
5. Thesis Writing	Write and revise Chapters 1–3 (Introduction, Literature Review, Methodology); draft Chapters 4 and 5 (Findings, Discussion, and Conclusion).	Month 5
6. Finalization and Submission	Incorporate supervisor feedback; finalize editing, proofreading, and formatting; submit thesis.	Month 6

3.13 Research Timeline Gantt Chart

Table 3.6 Gantt Chart

Phase	Key Activities	Month					
		1	2	3	4	5	6
Preparatory	Finalize research proposal; conduct comprehensive literature review; develop and pretest interview guide; obtain ethical approval.						
Data Collection Preparation	Identify study participants using purposive sampling; schedule and organize interviews; refine data collection logistics.						
Data Collection	Conduct semi-structured interviews; record, transcribe, and store data securely; continue until data saturation is achieved.						
Data Analysis	Perform qualitative data coding and thematic analysis; identify emerging patterns and relationships; validate findings through member checking.						
Thesis Writing	Write and revise Chapters 1–3 (Introduction, Literature Review, Methodology); draft Chapters 4 and 5 (Findings, Discussion, and Conclusion).						

Finalization and Submission	Incorporate supervisor feedback; finalize editing, proofreading, and formatting; submit thesis.						
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4. Data Collection, Analysis and Findings

4.1 Introduction

The study examined how AFMS influence overall performance and financial reporting in SMEs in Kenya. A qualitative methodology was adopted, utilizing the use of semi-structured interviews. This chapter presents the analysis of the qualitative insights that were obtained through the use of thematic approach.

4.2 Participant Details

Thirteen Kenyan-based SMEs and financial experts provided qualitative data for the study. Participants included business owners, operations managers, finance officers, accountants, outsourced bookkeepers, IT specialists, and financial software experts. SMEs in retail, wholesale, hospitality, services, and consulting varied from three-person microbusinesses to 45-person medium-sized enterprises. Most enterprises were 5-10 years old. Digital adoption and its strategic ramifications could be compared throughout automation levels, from entirely manual bookkeeping to partially automated systems and fully integrated platforms. Table 4.1 summarizes participation characteristics.

Table 4.1: Summary of Participant Characteristics

Participant	Role	Business Sector	&	Size & Years	Systems Used & Integration	Automation Level
P1	Owner	Retail Household Goods	–	9 staff, 8 yrs	POS + QuickBooks + M-Pesa (Integrated)	Integrated
P2	Owner	Mini Supermarket Retail	–	7 staff, 8 yrs	POS + Excel (Not Integrated)	Partial
P3	Accountant	Wholesale Distribution FMCG	& –	45 staff, 8 yrs	Sage ERP + Inventory + Sales (Fully Integrated)	ERP
P4	Operations Manager	Electronics Retail		15 staff, 7 yrs	Integrated POS + Accounting	Integrated
P5	Finance Officer	Hardware Distribution		30 staff, 10 yrs	POS + Excel (Separate Systems)	Partial
P6	Operations Manager	Cleaning Facilities Services	&	25 staff, 6 yrs	QuickBooks + Online Billing (Partially Linked)	Semi-Integrated

P7	Owner	Marketing Consultancy – Services	12 staff, 7 yrs	QuickBooks Online + Bank Feed	Cloud-Based
P8	Owner	Restaurant & Bar – Hospitality	20 staff, 5 yrs	POS + QuickBooks (Kitchen/Stock Linked)	Integrated
P9	Owner	Small Retail Shop	3 staff, 6 yrs	Manual Books Only	Manual
P10	Bookkeeper	Multi-Sector SME Clients	6 years	QuickBooks/Sage (Client-Based)	Mixed
P11	Software Consultant	SME Software Installation	—	QuickBooks, Tally, POS Setup	Implementation
P12	IT Support Provider	SME IT & Systems Support	—	QuickBooks, Sage Support	Support Role
P13	Accounting Practitioner	SME Accounting Practice	—	QuickBooks & Hybrid Systems	Mixed

Note: P means Participant.

The participant profile sought to collect financial management automation experiences from SMEs of various sizes, sectors, and digital engagement levels. Most participants came from SME firms and worked in financial decision making, accounting, or operational management, bringing unique insight into automated financial management systems. A few finance practitioners, software consultants, and IT support professionals were included because they regularly assist SMEs with system implementation, maintenance, and advisory services and offer complementary perspectives on AFMS adoption and operational challenges.

4.3 Data Analysis Overview

Data from the semi structured interviews were analysed using reflexive thematic analysis following Braun and Clarke as detailed in Chapter 3. This strategy was chosen because it permits systematic qualitative data interpretation while respecting participants' experiences and environment. The interview transcripts were analysed iteratively, first with data familiarisation, then code creation, topic development, then theme refinement. Coding combined deductive and inductive reasoning. Deductive attention was guided by study questions about automation, reporting quality, and strategic positioning, whereas inductive coding revealed unexpected insights from participant narratives. Through repeated transcript reading and case comparison, meaning patterns were organized into logical themes. This ensured that the findings were anchored in participants' empirical reports and aligned with the study's analytical aim.

4.3.1 Familiarisation and Initial Coding

Deep familiarization with the interview data was the initial step. To comprehend the context of participants' experiences with automated financial management systems, all thirteen transcripts were reviewed many times. During these readings, notes were made in order to document first thoughts, recurrent themes, and possible lines of inquiry. Following familiarisation, initial codes were generated across the dataset. To gain insight from participant responses, coding was done line by line. Many codes were close to participant language to preserve meaning and avoid hasty interpretation. Over 100 descriptive codes were generated for automation maturity, reconciliation processes, financial reporting routines, system integration, and decision support functions. These codes provide the groundwork for theme creation. Table 4.2 presents illustrative examples of the initial coding process.

Table 4.2: Illustrative Examples of Initial Coding

Participant	Verbatim Extract	Initial Codes
P1	“Before automation, we wrote receipts... it was time-consuming and sometimes figures did not match.”	Manual receipt writing; Time-consuming processing; Mismatched figures
P4	“Reconciliation is now maybe 80% faster than before.”	Reduced reconciliation time; Efficiency improvement

P5	“The systems don't talk to each other, so I still double-check in Excel.”	Lack of integration; Continued manual verification
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4.3.2 Generating and Reviewing Themes

To detect meaning patterns, all interviewees' codes were reviewed after first coding. Initial topic clusters were formed from conceptually similar codes. The researcher continuously compared codes between SMEs to see if similar occurrences occurred in multiple organizations. Codes for manual receipts, delayed reconciliation, and fragmented records were categorized under pre-automation operational inefficiencies. The transaction processing efficiency pattern clusters codes for automatic billing, faster reconciliation, and reduced processing time. Profitability tracking, financial reports, and real-time monitoring codes were bundled under financial visibility and reporting patterns. These clusters were repeatedly compared to the complete dataset to ensure they adequately reflected participant experiences and that potential theme borders were conceptually obvious.

Table 4.3: Example of Code Clustering during Theme Development

Sample Initial Codes	Candidate Theme Area	Linked RQ
Manual receipts; multi-day reconciliation	Pre-Automation Inefficiencies	RQ1
Faster reconciliation; Immediate invoices	Transaction Processing Efficiency	RQ1
Profitability tracking; Real-time monitoring	Financial Visibility & Reporting	RQ2
Lack of integration; Excel adjustments	Integration & Capability Constraints	RQ2, RQ3

4.3.3 Defining and Finalising Themes

The third stage refined potential themes to verify that each topic represented a consistent data pattern and that the collection of themes explained the study questions. To ensure analytical relevance, each theme was compared to coded extracts and the dataset. Six primary themes emerged from this iterative method (Table 4.4). These themes illustrate how automated financial management systems affect SME operating efficiency, financial visibility, organizational control, and strategic decision making. The themes also incorporate contextual elements like skills gaps and system integration issues that define automation's strategic value.

Table 4.4: Final Themes Derived from the Analysis

Thematic Area	Final Theme	Linked RQ(s)
Manual reconciliation burden; fragmented systems	Theme 1: Transition from Manual Control to System-Based Control	RQ1
Automated capture; reduced reconciliation time; error reduction	Theme 2: Acceleration and Standardisation of Transaction Processing	RQ1
Real-time reporting; profitability tracking; financial monitoring	Theme 3: Financial Visibility and Organisational Awareness	RQ2
POS–Accounting linkage; ERP functionality; cross-system integration	Theme 4: System Integration as a Strategic Multiplier	RQ3
Professional reporting; compliance readiness; reporting credibility	Theme 5: Automation as a Tool for Legitimacy and Professionalisation	RQ1, RQ2
Skills gaps; infrastructure constraints; underutilised reports	Theme 6: Human Capability and Structural Constraints Mediating Strategic Value	RQ2, RQ3

4.3.4 Producing the Report

The final phase involved writing the thematic analysis, weaving together analytic narrative, participant extracts, and interpretive commentary. Writing was treated as integral to analysis rather than a separate reporting stage, with ongoing reflection ensuring that themes were presented coherently and supported by sufficient evidence. The themes that were generated are discussed in the section that follows.

4.4 Thematic Findings

4.4.1 Theme 1: Transition from Manual Control to System-Based Control

The participants reported a shift from fragmented manual financial practices to structured system-based control after implementing automated financial management systems. Most SMEs used handwritten records, manual calculations, and spreadsheet summaries before automation. These methods needed extensive manual verification and caused financial record errors. Several

interviewees said financial transactions were first recorded on handwritten receipts and then in spreadsheets or accounting records. One participant described the routine process as follows:

“Before automation we used to write receipts manually and the cashiers would total the sales at the end of the day. After that we would enter the totals into Excel. It was a long process and sometimes the figures would not match, so we had to go back through the receipts to identify where the mistake was.” (P1)

Another participant similarly described how handwritten documentation created administrative challenges during daily operations:

“When a customer bought something we wrote it in a receipt book, and at the end of the day someone had to sit and enter all those sales into an Excel sheet. It was very slow and there were many mistakes because of poor handwriting or forgetting to record something.” (P4)

These explanations show that manual recording methods needed multiple processing levels to obtain reliable financial data. Participants reported that this procedure often delayed reconciliation and increased computation errors. The challenge was most apparent during reconciliation. Several participants said reconciling bank statements, sales records, and internal finances was laborious. One accountant described the time required to complete routine reconciliation:

“When everything was manual it could take me two or even three days just to complete reconciliation for one month because I had to check every entry line by line. If there was a mismatch, I had to trace it back through the receipts and spreadsheets.” (P3)

Another described a similar experience from the perspective of a service-based SME:

“Before we started using the system, reconciliation could take almost a week because we had to compare the physical files with the records. If a document was missing the process would delay even more.” (P6)

These accounts show how manual processes burdened SME financial staff with administrative tasks. Financial monitoring was reactive, therefore errors were often found after transactions were logged many times. Participants also noted that partial digitization without system integration could not solve these issues. Some SMEs employed spreadsheets or point-of-sale systems without accounting records, requiring manual cross-checking. The quotes from participants below illustrate this further:

“The POS helps count the sales faster, but because the systems don't talk to each other I still spend a lot of time double-checking for typing mistakes in Excel.” (P5)

“The inventory people had their Excel sheets, sales had their own records, and I had to manually enter everything into the accounting system. There were always differences between what sales said and what inventory showed.” (P3)

These instances show that system integration was still needed to avoid inconsistencies even after digital technologies were partially deployed. Participants reported that integrated automated systems transformed these operations. System-generated reports and automated transaction recording minimized manual verification.

Moreover, it was noted from the participants that automation reduces reconciliation time and simplifies financial monitoring.

“Reconciliation is now maybe 80 percent faster than before. What used to take a whole day now takes two or three hours because the system records transactions automatically.” (P4)

“Now every sale goes through the POS and it reflects directly in the accounting system. At the end of the day we just print the sales report instead of trying to match receipts and spreadsheets.” (P1)

Participants viewed automation as moving financial control from human record reconstruction to system-based transaction monitoring. Automated systems recorded financial data during transactions instead of reconstructing it later. Manual computations, retrospective revisions, and frequent financial record verification were reduced. Thus, for many SMEs in the survey, switching to automated systems changed their financial control..

4.4.2 Theme 2: Acceleration and Standardisation of Transaction Processing

Participants in the interviews described how automated financial systems accelerated routine financial tasks and introduced greater consistency in transactional workflows. Invoicing, reconciliation, and financial recording were manual before automation, causing delays and calculation errors. Automation made transactions recorded immediately in the system, speeding processing and reducing manual verification. Integration greatly shortened the time needed to reconcile financial information and perform transactions, according to one participant:

“Reconciliation is now maybe 80 percent faster than before. What used to take a whole day now takes two or three hours. Processing time for transactions is instant instead of waiting for someone to enter data manually. Errors have reduced significantly because the system doesn’t make calculation mistakes like humans do. The system also requires manager approval for discounts or refunds, so there is a proper record of who approved what.” (P4)

This shows how automation speeds up transaction processing and standardizes approvals. Through preset approval procedures and automated transaction recording, financial control is built in the system rather than monitored by personnel. Another participant said automated accounting software improved reconciliation and billing:

“Reconciliation is much faster now. What used to take two or three days now takes maybe half a day. The system shows which transactions don’t match so I focus on those. Invoicing has also improved because we can send invoices immediately after finishing a project instead of waiting hours or even days.” (P7)

Automation saves administrative delays by automatically finding discrepancies and generating standardized bills. Participants reported enhanced operational efficiency due to faster financial information and shorter billing cycles. Accounting system users from diverse SMEs also stressed the importance of automation in easing normal accounting procedures. However, participants also noted that automation did not completely eliminate human errors, particularly those related to incorrect data entry or classification of transactions. One participant explained that while automated systems improve speed and accuracy, mistakes can still occur when users enter incorrect information:

“Errors have reduced because the system handles calculations, but we still have mistakes when staff enter wrong quantities or select the wrong product code. So the system helps a lot, but it still depends on how people use it.” (P4)

These findings imply that automated financial management systems speed up transaction processing and standardize invoicing, reconciliation, and approvals. Staff must enter data correctly and use the system properly for these systems to work. Automation increases financial operations efficiency and consistency, but human monitoring is still needed to assure data integrity and financial information interpretation.

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4.4.3 Theme 3: Financial Visibility and Organisational Awareness

Automated financial systems increased financial visibility and awareness across enterprise activities, according to participants. Reviewing financial data retrospectively was common before automation. Managers used monthly summaries or manually generated reports to assess business performance. Automation gave management continual financial information to track transactions. One participant said automation uncovered hidden cost patterns in aggregated financial records. The participant explained that the system made it possible to trace expenses and margins at a product level, which

led to a reassessment of inventory and pricing strategies: *"We discovered one product line wasn't profitable because we could track all costs properly... now we can see margins clearly, and that changed how we price and what we restock."* (P3). Financial visibility goes beyond faster reporting to deeper analysis. The system showed the relationship between sales and costs, helping participants make better business decisions.

Additionally, participants emphasized how real-time information improved managerial control over day-to-day operations. One restaurant owner, for instance, mentioned that the point of sale system gives them rapid access to performance data, saying that *"the POS shows daily sales instantly, and I can check it even when I'm not at the restaurant."* (P8). This feature made it possible for managers to monitor operational performance directly through the system interface and lessened the need for staff reports. Financial monitoring consequently became less reliant on intermediary reporting and more instantaneous.

Visibility helped operations respond more quickly. One participant said real-time expenditure data helped the organization uncover waste and alter spending. The participant stated that the system made it easier to identify rising expenses and immediately adjust operational processes. Here, financial data was kept and actively used to track expense patterns and make short-term operational decisions.

However, participants also acknowledged that the availability of financial information did not always translate into systematic strategic analysis. One participant admitted that *"the reports are there, but sometimes we don't use them for strategic decisions."* (P7). This suggests that while automated systems make financial data more accessible, the extent to which that information influences managerial decisions depends on how actively managers engage with the available reports.

4.4.4 Theme 4: System Integration as a Strategic Multiplier

It emerged from the interviews that, while basic automation improved the speed of individual financial tasks, the most substantial organisational changes occurred where financial systems were fully integrated. In these cases, point of sale systems, inventory records, accounting platforms, and banking feeds were interconnected, allowing transactions to flow automatically across multiple operational functions. This integration reduced the need for repeated data entry and enabled financial information to move seamlessly between operational and accounting processes.

One participant described how system integration changed the way transactions and approvals were handled within the organisation. According to the participant, the system not only recorded transactions automatically but also embedded approval controls within the workflow: *"Processing*

time for transactions is instant instead of waiting for someone to enter data manually. For approvals, the system requires manager approval for discounts or refunds, so there is a proper trail." (P4). This illustrates how integrated systems shift financial control from manual supervision to structured system protocols. Rather than relying on individuals to verify transactions, the system itself enforces procedural rules and records approval histories.

Another participant described the constraints of partial automation: *"The POS helps count the money in the drawer much faster. However, because the systems don't talk to each other, I still spend a lot of time double-checking for typing mistakes in Excel."* (P5). This contrast shows how partial automation limits strategy. Manual data transfers slow cross-functional visibility and require verification. SMEs without integration cannot quickly price, replenish, or discount due to a lack of connectivity between stock levels, sales trends, and financial performance. ERP-level users reported even broader integration benefits. One participant noted: *"We discovered one product line wasn't profitable because we could track all costs properly."* (P3).

Thus, by integrating cost data, sales performance, and margin analysis into a single view, integration enhances analytical power. This makes it possible for SMEs to turn unstructured data into strategic action that is well-coordinated. ERP-driven automation facilitates SMEs' transition from transaction processing to strategic analytics.

4.4.5 Theme 5: Automation as a Tool for Legitimacy and Professionalisation

Automation improved internal financial efficiency and their organizations' exterior credibility and professionalism, participants said. Many SMEs used spreadsheets, handwritten records, or fragmented documentation before implementing automated systems, making it difficult to deliver consistent financial information to external stakeholders. Participants claimed that automated financial systems delivered more structured, accurate, and easier-to-present reports to auditors, tax authorities, and financial institutions. A summary of the insights generated through the participant quotes is presented in table 4.5.

Table 4.5: Illustrative Quotes on Legitimacy and Professionalisation

Participant	Quote	Key Insight
P3	<i>"Before, our reports were just Excel sheets that could easily be questioned. Now when we</i>	System-generated reports enhance perceived

	<i>generate reports from the system, they look professional, and even auditors trust them more."</i>	credibility and auditor confidence
P4	<i>"VAT reports are easier now because the system already calculates everything. We just review and file. Before, we had to calculate manually, and sometimes we made mistakes."</i>	Automated calculations reduce compliance errors and streamline tax filing
P7	<i>"The system generates VAT reports automatically, so we know exactly how much we owe KRA each month."</i>	Real-time tax tracking improves regulatory accuracy
P8	<i>"It is much easier to pay the KRA taxes like VAT and ETR since the machine records everything."</i>	Integrated recording supports seamless tax compliance
P10	<i>"The system can generate reports that match what KRA wants for iTax. Before, I would spend hours preparing VAT returns manually."</i>	Time savings and format alignment improve compliance efficiency
P13	<i>"Compliance is easier—systems generate iTax reports, and audits are smoother. Some systems don't fully integrate with iTax, needing manual adjustments."</i>	Partial integration remains a challenge despite overall improvements

As shown above, automation produces professional, dependable reports that satisfy external stakeholders, boosting legitimacy across participants. The quote from Participant 13 demonstrates that system integration with regulatory platforms is insufficient, necessitating manual changes that may induce errors. IT-enabled accounting systems boost SME performance through operational efficiency and institutional legitimacy.

4.4.6 Theme 6: Human Capability and Structural Constraints Mediating Strategic Value

Even as technology improved efficiency, visibility, and integration, human capability and structural conditions mediated automation's strategic usefulness. Participants consistently said managerial skills, infrastructure reliability, and organisational culture were more important than system

functionality in decision quality and strategic performance. Organized financial data did not automatically increase strategic outcomes; managerial ability and analytical perspective were needed to turn knowledge into effective strategy. Technological dispersion increased manual dependency and hindered automation's potential. Cost constraints, internet instability, and subscription fees were structural concerns, supporting the idea that contextual digital hazards greatly impact SME sustainability in emerging nations. Some intuition-driven decision-making maintained despite system availability, showing that technology deployment alone does not instantaneously transform strategic cognition; appraisal and managerial judgment are still crucial.

Table 4.6: Illustrative Quotes on Human Capability and Structural Constraints

Participant	Quote	Key Insight
P7	<i>"The reports are there, but sometimes we don't use them for strategic decisions."</i>	Visibility–capability gap: access to data does not ensure strategic utilisation
P5	<i>"The POS helps count the money in the drawer much faster. However, because the systems don't talk to each other, I still spend a lot of time double-checking for typing mistakes in Excel."</i>	Technological fragmentation increases manual dependency and limits strategic value
P4	<i>"The system generates a lot of reports, and sometimes we get overwhelmed with data but still make wrong decisions because we don't interpret it correctly."</i>	Data overload without interpretive capacity undermines decision quality
P8	<i>"The biggest problem is my staff—some are not very good with computers and fear they are being watched too closely."</i>	Staff competence and organisational culture mediate effective system use
P10	<i>"Skills is a big constraint. Many of my clients don't know how to use the system themselves, they depend on me completely."</i>	Reliance on external intermediaries reflects internal capability gaps

P13	<i>"Some owners ignore reports on unprofitable services and staff performance. The system works, but strategic decisions aren't acted on."</i>	Managerial inaction persists despite system-generated insights
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The quotes above show that the strategic benefits of automation are not only defined by digital technologies but by organizational competencies that support them. Participants consistently noted a gap between financial information technical availability and strategic interpretation or application. Automatic systems generated thorough data and performance indicators, but several SMEs lacked the analytical capacity, managerial attention, and organizational processes to turn these insights into strategic decisions. Staff sometimes relied on external accountants or consultants to interpret system results, showing that internal expertise had not grown alongside technological adoption. Sometimes fragmented systems or poor digital abilities prompted staff to conduct manual verification duties, diminishing automation's productivity gains. These findings imply that automation alone does not change SME decision-making. Instead, human competences, organizational culture, and system integration make automated financial management systems valuable. Automated tools may be utilized for normal operational recording rather than strategic financial analysis and planning without personnel training, managerial engagement, and supporting infrastructure.

5. Conclusion and Recommendations

5.1 Summary of Findings

This study examined how AFMS influence efficiency, financial reporting, and strategic positioning among SMEs in Kenya. Guided by three research questions, the qualitative analysis of thirteen semi-structured interviews generated six interrelated themes that explain the mechanisms through which AFMS affect SME performance.

The first research question explored how automated transaction processing affects SME strategic performance. The results reveal that automation changes internal financial control, according to the research. Financial settings before automation included handwritten receipts, fragmented spreadsheets, delayed reconciliations, and frequent discrepancies. Manual methods required a lot of administration and produced incorrect financial data. Nsoke et al. (2021) also find that manual accounting methods weaken financial control and decision accuracy in SMEs.

Automation replaced these fragmented processes with structured workflows that logged and evaluated transactions in the system. Bank matching, automatic validation checks, and approval protocols integrated financial controls into daily operations. Bedford et al. (2025) claim that digitalisation improves financial management by transferring control from manual to system architecture. This study found that automated transaction processing decreases reconciliation responsibilities, standardises methods, and lets managers focus on financial performance rather than error correction.

The second research question examined finance automation, operational efficiency, and strategic outcomes. Participants regularly reported financial process efficiency benefits after AFMS deployment. Faster invoice production, shorter reconciliation processes, and more predictable reporting routines. ICT-enabled accounting solutions speed up and eliminate calculation errors in SMEs, according to Abdullah et al. (2023). Kenyan SMEs' efficiency improvements are confirmed by these data.

The results show that automation's value goes beyond operational efficiency. Reduced reporting delays let managers monitor financial circumstances and respond to operational changes faster. Participants reported using real-time financial data to track cash flow, expenditure, and pricing. Okeke et al. (2024) also found that digital financial systems increase financial information availability and organizational awareness. Many interviewees stated that system-generated reports were not

always strategically analyzed. Nunden et al. (2022) stress that managerial capability is necessary to turn financial facts into good planning.

The third question examined how system integration and decision assistance affect strategic performance. Integration depth distinguishes operational efficiency from strategic advantages, according to the research. Integrated point-of-sale, inventory, and accounting systems gave SMEs better financial insights than separate technologies. According to Apoga and Petrovska (2022), interconnected digital systems optimize digital transformation by coordinating information flows across organisational activities.

Managers may track sales, inventories, and finances via integrated systems. This made pricing, procurement, and resource allocation choices faster and more coordinated. SMEs with fragmented systems used spreadsheets to reconcile operational and financial records. Henderson and Miller (2021) say fragmented reporting systems lower financial information credibility and usefulness. Integration is a strategic multiplier that boosts automated financial system analysis.

The data showed another institutional legitimacy and contextual constraints pattern. Automation gave auditors, lenders, and regulators more confidence in financial reports. Automated reporting formats simplified compliance and minimized errors. Limited digital skills, infrastructural instability, and system expenses were also mentioned as impediments. Telukdarie et al. (2024) note that organizational and environmental factors often limit SMEs' digital transformation. These data imply that AFMS adoption has strategic potential, but its value depends on managerial ability, system integration, and SMEs' institutional framework.

5.2 Implications of the Study

5.2.1 Theoretical Implications

This study provides theoretical insight into SME technology adoption and performance. First, it extends the Technology Acceptance Model by showing that perceived usefulness and ease of use explain adoption but do not increase strategic performance (Qader et al., 2022). The data show that system integration and managerial capacity moderate the adoption-performance link, so SMEs may implement AFMS for regular accounting without strategic benefits. Second, the results corroborate the Resource Based View by showing that AFMS are only beneficial organizational resources when accompanied by complementary talents that help managers analyze and apply financial information (Barney, 1991; Estensoro et al., 2021). Third, the findings support the Technology–Organization–

Environment framework by showing that organizational competency, infrastructure circumstances, and regulatory pressures affect SMEs' operational and strategic outcomes from AFMS adoption.

5.2.2 Practical Implications

SME owners and managers will benefit from the findings of this study. First, software acquisition is just the start of digital transformation. Phased approaches starting with transaction automation and moving toward system integration are more likely to yield sustainable strategic advantages. Second, staff training and established financial review procedures are necessary to use system-generated insights in pricing, procurement, and credit management. Automation risks staying an operational efficiency tool rather than a strategic asset without these accompanying investments. The findings caution governments and SME support organisations to address systemic hurdles including infrastructure reliability and digital literacy. Financial interpretation training and economical SME-specific digital solutions could boost uptake. SMEs in fragmented partial automation may profit from subsidies or tax incentives for integrated system deployments. Beyond feature richness, the report proposes software suppliers prioritize user-centered design, local compliance alignment, and integration capability. Systems that facilitate financial interpretation, create regulatory reports in Kenyan-accepted formats, and smoothly integrate with SME tools are more likely to be adopted and used.

5.3 Limitations of the Study

Several limitations should be acknowledged when interpreting the findings. The qualitative design and small sample of thirteen participants limit the extent to which the results can be generalised. Most participants were drawn from Nairobi-based SMEs in the retail and service sectors, which may not fully represent experiences of firms in manufacturing or rural regions of Kenya. The study also relied on self reported perceptions, which may introduce recall or social desirability bias. In addition, the cross-sectional design captures experiences at a single point in time, limiting insight into long term effects of AFMS adoption. Perspectives from external stakeholders such as regulators or suppliers were also not directly examined.

5.4 Recommendations for Future Research

1. Longitudinal studies to examine SME performance before and after AFMS adoption and assess how automation benefits evolve over time.
2. Comparative sector studies to investigate whether AFMS generate different outcomes across manufacturing, retail, and service SMEs.

3. Quantitative studies with larger samples to test the influence of system integration, managerial capability, and infrastructure reliability on SME performance.
4. Research on resistance to automation to understand why some SMEs continue using manual financial practices despite the availability of automated systems.

5.5 Conclusion

This study looked at the effects of automated financial management systems on Kenyan SMEs' strategic positioning, financial reporting, and efficiency. The results show that AFMS increases operational efficiency through more accurate financial reporting, quicker reconciliation, and fewer errors. By creating structured financial records that promote compliance and external stakeholder confidence, automation also enhances an organization's reputation. The findings, however, demonstrate that strategic improvement is not guaranteed by technical adoption alone. System integration, managerial proficiency in interpreting financial data, and favourable organizational and infrastructure circumstances are all necessary for AFMS to have strategic value. When these factors come together, automated financial systems serve as both operational tools and instruments that improve the competitiveness and decision-making of SMEs.

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Appendices 1

Appendix 1: Semi-Structured Interview Guide

Study: Analyzing the Role of Automated Financial Management Systems in Improving Efficiency, Reporting, and Strategic Positioning of SMEs in Kenya

Section A: Background Information

1. Can you briefly describe your business in terms of sector, size, and years of operation?
2. What automated financial management systems are currently used in your business (e.g. accounting software, POS, inventory systems)?
3. How long have these systems been in use, and what motivated their adoption?

Section B: Automated Transaction Processing and Strategic Performance (RQ1)

4. How were financial transactions processed before automation, and how are they handled now?
5. In what ways has automation changed transaction recording, reconciliation, or approvals?
6. Have you noticed changes in processing time, error rates, or rework since automation was introduced?
7. To what extent do you think automated transaction processing contributes to the overall performance or competitiveness of your business?

Section C: Finance Automation, Operational Efficiency, and Strategic Outcomes (RQ2)

8. How has finance automation affected daily workflows in accounting and operations?
9. Have time savings or efficiency gains translated into better decision-making or planning?
10. In what ways has automation influenced cost control, budgeting, or cash flow management?
11. Do managers use system outputs when making decisions about growth, expansion, or resource allocation?
12. Are there areas where automation improved efficiency but did not lead to better strategic outcomes?

Section D: Financial Reporting Quality and Compliance

13. How has automation affected the accuracy and consistency of financial reports?
14. What system features support controls such as audit trails, validation checks, or approvals?
15. How reliable do you consider system-generated reports for internal and external use?
16. Has automation affected compliance with tax, audit, or regulatory requirements?
17. Are there reporting challenges that automation has not fully resolved?

Section E: System Integration, Analytics, and Decision Support (RQ3)

18. Are your financial systems integrated with other systems such as inventory, sales, or procurement?
19. How do dashboards, analytics, or summaries support managerial decisions?
20. Can you give examples where system data informed pricing, procurement, credit, or forecasting decisions?
21. To what extent is AFMS used beyond routine reporting, for forward-looking or strategic planning?
22. What limits the effective use of analytics and decision-support tools in your business?

Section F: Constraints, Enablers, and Contextual Factors

23. What challenges have you faced in implementing or using AFMS effectively?
24. How do skills, training, or staff capacity affect system use?
25. To what extent do costs, vendor dependence, or system complexity influence outcomes?
26. How much trust do users have in automated outputs compared to manual records?
27. What conditions enable AFMS to deliver the greatest value in your business?

Section G: Reflection and Closing

28. Overall, how would you assess the value of AFMS to your business?
29. If you were advising another SME, what would you recommend regarding AFMS adoption and use?

30. Is there anything else about AFMS and SME performance that you feel is important but has not been discussed?

Appendix 2

Table Alignment of Participant Evidence with Research Questions

RQ1: Effect of Automated Transaction Processing on Strategic Performance

Participant	Direct Quote
P1	"Before automation, we wrote receipts... It was time-consuming and sometimes figures did not match."
P2	"When we were using the software, reconciliation was easier... reports were faster to generate."
P3	"Sometimes it would take me two or three days to finish one month's reconciliation... now it takes maybe half a day."
P4	"Reconciliation is now maybe 80% faster than before. What used to take a whole day now takes 2–3 hours."
P5	"The POS helps count the money in the drawer much faster."
P6	"Reconciliation is faster, maybe one day instead of one week."
P7	"We get paid faster now because invoices go out immediately after we finish a project."
P8	"The POS shows daily sales instantly, and I can check it even when I'm not at the restaurant."
P9	"I still use a notebook to record everything, and sometimes I only calculate totals at the end of the week."
P10	"Reconciliation is much faster now – what used to take two full days now takes maybe 3–4 hours."
P11	"The daily reconciliation takes 15 minutes instead of 3 hours."
P12	"Reconciliation is faster, especially bank matching. Errors have reduced."

P13	“Automated systems reduce manual posting and minimize arithmetic mistakes in client accounts.”
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RQ2: Relationship Between Automation, Efficiency and Strategic Outcomes

Participant	Direct Quote
P1	“If a product has low margin, I may adjust the price slightly.”
P2	“Planning did not improve much because I still depended on my experience.”
P3	“We discovered one product line wasn’t profitable because we could track all costs properly.”
P4	“We now know our profit margins instantly... we can push profitable products more.”
P5	“The POS is fast, but it doesn't tell me why sales are down.”
P6	“We noticed high fuel costs and adjusted routes.”
P7	“Because we can see expenses in real-time, we've been able to cut unnecessary costs.”
P8	“I look at the reports to see which drinks are the favorites.”
P9	“I just look at my book and see if money is enough to restock.”
P10	“One client realized he was giving too much credit... so he tightened his credit policy.”
P11	“Owners who check reports regularly make better purchasing decisions.”
P12	“They notice high supplier costs early and negotiate.”
P13	“Some SMEs have the reports but do not analyze them deeply for long-term planning.”

RQ3: Impact of System Integration and Decision-Support Features

Participant	Direct Quote
P1	“The POS is connected to inventory and QuickBooks.”
P2	“We have a POS machine for sales, but it is not connected to accounting software.”
P3	“Everything is connected – sales, inventory, procurement, accounting.”
P4	“We can see sales trend, profit margin, and current cash position all in one place.”
P5	“The POS, inventory list, and Excel sheets are all separate.”
P6	“QuickBooks is linked to billing, but not fully to stock.”
P7	“QuickBooks connects to our bank and M-Pesa.”
P8	“The store, the kitchen, and the cash till are all one system.”
P9	“Everything is manual.”
P10	“When systems talk to each other, owners can see the full picture.”
P11	“When linked, the owner knows when to buy more stock without even walking to the warehouse.”
P12	“Some systems are linked to POS and inventory; it improves restocking decisions.”
P13	“Integration reduces duplication of entries and improves overall reporting accuracy.”