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Review Paper

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Effect of Technological Innovations on the Accounting Practices Efficiency in Kenya

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Abstract

The landscape of accounting procedures in businesses is undergoing a profound transformation due to technological innovation. Technology has emerged as a catalyst for enhancing financial management through increased efficiency and accuracy. This comprehensive review explores the multifaceted impact of technological innovations on accounting practices, focusing on three key variables: the adoption of accounting software, inventory management systems, and the integration of online payment systems. It scrutinizes the efficiency of accounting practices through the lenses of time efficiency and error rates, dissecting the interplay between these variables. A systematic evaluation of the empirical literature reveals the transformative influence of technology on modern accounting procedures, providing critical insights into best practices and areas for future research. The empirical literature provides compelling evidence of the transformative power of technology-driven innovations, enhancing data accuracy and real-time insights into financial metrics. However, research gaps persist, such as the integration of accounting software with online payment systems, the impact on compliance and reporting requirements, and the unique challenges faced by small businesses. This review highlights the need for balanced exploration of both the advantages and potential challenges of technological innovation in accounting practices. By addressing these research gaps and fostering a nuanced understanding, organizations can make informed decisions and leverage technology effectively to enhance accounting efficiency.

Keywords: Technological Innovations, Accounting Practices Efficiency, Inventory management system, online payment systems

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1. Introduction

Accounting procedures across numerous businesses are changing as a result of technological innovation. The use of technology in accounting procedures has enhanced financial management through increased efficiency and accuracy (Mosteanu, & Faccia, 2020). Both small businesses and larger companies can see how this transition has significantly changed their accounting procedures.

In the past, manual processes which took a lot of time, were prone to mistakes, and had little capacity for data analysis were the mainstay of accounting methods. However, the accounting environment has experienced a paradigm shift with the introduction of accounting software, enterprise resource planning (ERP) systems, and other technology alternatives.

Real-time financial reporting, simplified data administration, automated repetitive operations, and

improved inventory management are some of the benefits that accounting software offers. These technologies help companies save time, increase accuracy, and obtain a deeper understanding of their financial data. Accounting software helps save time and resources by automating processes like data input, invoice processing, and reconciliation, freeing accountants to concentrate on more strategic and value-added work (Kaya, Türkyılmaz, & Birol, 2019).

Data management and analysis have advanced due to technological progress. Collaboration between accounting professionals and other stakeholders is facilitated by cloud-based solutions, which provide secure storage and convenient access to financial data from any location. Large financial data sets can be processed by advanced analytics technologies, which can also find trends and offer useful insights for decision-making (Sarker, 2021). These tools enable organizations to streamline financial planning and budgeting procedures and make data-driven decisions.

Financial transactions have been streamlined and made more convenient for both individuals and businesses owing to the integration of online banking and payment systems. The payment process has been streamlined, the reliance on cash transactions has decreased, and cash flow management has improved through the use of online payment gateways, mobile payment platforms, and electronic invoicing (Perera, & Dewagoda, 2021).

2. Problem Statement

Accounting processes across industries have seen a rapid transformation because of technological innovation, which has the potential to boost productivity, accuracy, and financial management. However, there is still a need to comprehend the special difficulties and advantages connected with technology integration into accounting operations, particularly in small businesses.

While larger firms have incorporated technological breakthroughs into their accounting procedures, small businesses may face particular challenges and opportunities in implementing and making use of these developments (Salijeni, Samsonova-Taddei, & Turley, 2019). The issue at stake is the dearth of thorough research and understanding on how technology innovation affects small-scale firms' accounting procedures, especially how it affects effectiveness, decision-making, and overall financial management.

3. Literature Review

The literature review is coverage of the existing findings from previous authors who also made coverage on the scope of the study that was being evaluated in this research. This is guided by the research objectives that are covered in this study. Additionally, the study made coverage theories that is related to the study and in the context of the objectives being evaluated.

3.1. Theoretical framework

Some of the theories that will be covered in this study are; technological acceptance model (TAM), Institutional model, and resource-based view (RBV).

3.1.1 Technological acceptance model

The Technological Acceptance Model (TAM) explains why people embrace and use technology. TAM, which Fred Davis developed in the 1980s, offers insights into the elements affecting consumers' attitudes, intentions, and actions toward embracing and utilizing technology breakthroughs (Putra, 2019).

Perceived usefulness (PU) and perceived ease of use (PEOU) are two fundamental concepts in TAM. A user's perception of how using a certain technology will improve their ability to perform their work or make it easier to accomplish their goals is referred to as perceived usefulness. The user's assessment of the amount of effort needed to learn and operate the technology efficiently is related to perceived ease of use (Tahar et al., 2020). TAM claims that these two elements have a major impact on a person's intention to use and actual utilization of technology.

According to TAM, people are more inclined to accept a technology if they believe it would be helpful and simple to use. According to the framework, a person's attitude toward using a technology directly determines how useful they consider it to be, which in turn shapes their behavioral intention to use it. Through its effect on perceived usefulness, perceived ease of use also directly influences attitudes and indirectly influences behavioral intention (Chen, & Aklikokou, 2020).

Organizations looking to encourage the adoption and utilization of technology must understand how people view the utility and usability of technical developments. Through the application of TAM, researchers and practitioners may pinpoint the elements that affect users' acceptance of technology, build interventions to get around perceived obstacles, and create plans to boost user happiness and implementation success.

3.1.2 Institutional Model

The Institutional Model, commonly referred to as Institutional Theory, is a theoretical framework that investigates how social norms, expectations, and norms influence organizational behavior and practices. The Institutional Model, created by sociologists like Meyer and Rowan, DiMaggio and Powell, and Scott, stresses how institutions shape how organizations act and make decisions (Fligstein, 2021).

Institutions are the predetermined rules, norms, and principles that direct and control conduct within a society or field of activity. Government laws, professional organizations, industrial norms, cultural values, and social expectations are some examples of these institutions. The

Institutional Model contends that in order to earn approval and support from stakeholders, organizations must submit to these institutional constraints in order to appear legitimate (Onsongo, 2019).

The Institutional Model explains how external variables affect the adoption and application of technology in businesses in the context of technological innovation and accounting practices. For instance, the usage of specialized accounting software or electronic reporting systems may be required by industry standards and laws. For the purpose of upholding their validity and guaranteeing compliance, businesses involved in that sector adhere to certain requirements.

3.1.3 Resource Based View

The Resource-Based View (RBV) is a framework of theory that places a strong emphasis on how resources and capabilities affect an organization's performance and competitive advantage. According to the RBV, a company's distinctive collection of resources tangible and intangible contributes to its capacity to establish and maintain a competitive edge in the market.

Resources, according to the RBV, can be divided into a variety of groups, including tangible assets, financial capital, human capital, organizational skills, technological advancements, and knowledge. When a company can take advantage of opportunities, overcome obstacles, and add value for customers, those resources are deemed valuable (Katsikeas, Leonidou, & Zeriti, 2020). Additionally, in order to maintain a competitive advantage, resources must be scarce, which means they must be difficult for rivals to obtain.

The RBV contends that resources need to be challenging for rivals to copy or duplicate. The "imitability" or "inimitability" element refers to this. Competitors are more likely to find it challenging to copy resources that are special, complex, or socially complex. This may be the result of things like patents, trademarks, confidential information, corporate culture, or particular connections to clients or suppliers (Afuah, 2020).

The RBV also emphasizes how crucial it is for resources to be non-substitutable. The competitive advantage of a company is increased by resources that lack direct alternatives in the market. Combining particular skills, specialized knowledge, or exclusive assets that are difficult to duplicate or replace can accomplish this.

The RBV can be used to determine how technology-driven resources contribute to an organization's competitive advantage in the context of technological innovation and accounting processes. An organization's financial management capabilities, decision-making procedures, and operational efficiency, for instance, can be improved by the effective use of accounting software, data analytics tools, or advanced financial reporting systems (Ameen et al., 2018). When combined with complementary resources like

talented workers, a strong IT infrastructure, and organizational processes that encourage innovation and adaptation, these technology-driven resources can be a source of competitive advantage.

3.2. Technological Innovations and Accounting practices

3.2.1 Adoption of Accounting Software

The adoption of accounting software plays a crucial role in the assessment of the impact of technological innovation on the efficiency of accounting practices. First and foremost, the types of accounting software chosen by organizations significantly influence their efficiency gains. In a study conducted by Kamau et al. (2023), it is strongly recommended that entrepreneurs, especially those who are involved in small and medium-sized enterprises (SMEs), should wholeheartedly embrace the utilization of technology in their operations, specifically advocating for the adoption of freely available mobile applications that can be downloaded and utilized for their accounting and bookkeeping needs.

There is a wide range of accounting software available, ranging from basic spreadsheets to advanced, cloud-based solutions. The choice of software should align with an organization's specific needs, size, and complexity (Sastararuji et al., 2022). For instance, smaller businesses might find basic accounting software like QuickBooks sufficient for their requirements, while larger enterprises may opt for more comprehensive systems like SAP or Oracle. The adoption of the right software can streamline accounting processes, automate repetitive tasks, and provide real-time financial insights, ultimately enhancing efficiency in data entry, reconciliation, and financial reporting.

Secondly, the frequency of software updates and upgrades is a critical variable that impacts the efficiency of accounting practices. Technological innovation in accounting software is ongoing, with regular updates and upgrades introducing new features, security enhancements, and improved usability. Organizations that embrace and implement these updates and upgrades tend to stay ahead in terms of efficiency. Frequent software updates help in addressing bugs, enhancing software performance, and ensuring compliance with changing accounting regulations, thereby reducing the risk of errors and improving the overall efficiency of financial processes (Jha, 2023). However, organizations must strike a balance between staying current with technology and avoiding disruptions in their operations due to frequent software changes. Therefore, carefully managing the timing and implementation of software updates is essential to maximize efficiency gains while minimizing potential disruptions. In conclusion, the adoption of the right accounting software and the judicious management of software updates and upgrades are vital components in the research topic of the effect of technological innovation on the efficiency of accounting practices.

3.2.2 Inventory management systems

Inventory Management Systems represent a fundamental technological innovation employed within the bakery industry to optimize inventory control (Azadi et al., 2019). These systems encompass a range of software and hardware solutions designed to automate and streamline inventory-related processes. By implementing Inventory Management Systems, firms seek to improve the overall efficiency of their accounting practices, as these systems provide real-time data on stock levels, purchase orders, and product demand. This main variable serves as the linchpin for investigating how the integration of technology can influence and enhance accounting practices in the unique context of Kenyan firms.

Within the domain of Inventory Management Systems, two vital sub-variables come to the forefront: Inventory Tracking Accuracy and Inventory Turnover Rate. Inventory Tracking Accuracy delves into the precision and reliability of inventory monitoring achieved through the adoption of technological innovations (Kareska, 2023). This sub-variable examines whether Inventory Management Systems lead to more accurate record-keeping, thereby reducing discrepancies between recorded and actual inventory levels. It highlights the critical role technology plays in ensuring that firms can account for its stock accurately.

Simultaneously, the sub-variable of Inventory Turnover Rate becomes pivotal in understanding how Inventory Management Systems impact the bakery's overall efficiency (Silva & Tilakasiri, 2022). This sub-variable delves into the rate at which products are purchased, sold, and restocked within the bakery. By evaluating the Inventory Turnover Rate, researchers can assess whether technological innovations contribute to a swifter turnover, potentially decreasing holding costs and improving cash flow. In essence, it scrutinizes whether the adoption of Inventory Management Systems aligns with more efficient accounting practices, as faster inventory turnover often correlates with improved financial performance. These sub-variables together provide a comprehensive picture of how technology-driven enhancements in inventory management influence the efficiency of accounting practices among Kenyan firms, shedding light on the broader implications of technological innovations in this specific industry sector.

3.2.3 Integration of Online Payment Systems

The integration of online payment systems is a pivotal variable to explore within the context of the impact of technological innovation on the efficiency of accounting practices. Firstly, the number of payment systems integrated by an organization plays a crucial role in enhancing efficiency. Technological innovations have led to the proliferation of various online payment methods, including credit card processors, digital wallets, and crypto currencies (Hashemi et al., 2020). Crypto currency is a recognized form

of payment that finds utility as one of the existing payment systems. Moreover, organizations may additionally contemplate the possibility of incorporating it into their operations (Kamau & Yavuzaslan, 2023). Organizations that integrate multiple payment systems can provide customers with a wider range of payment options, thus increasing convenience and potentially boosting sales. Moreover, integrated systems can consolidate transaction data from different payment sources into a single platform, simplifying the accounting process. This consolidation reduces the likelihood of errors and streamlines reconciliation, enabling accounting professionals to work more efficiently and accurately.

Secondly, the impact of integrating online payment systems on transaction processing time and accuracy is a critical consideration. Technological innovation has significantly reduced the time required to process transactions. Integrated payment systems facilitate faster authorization, verification, and settlement of payments, leading to quicker cash flows and reduced accounts receivable cycles. Furthermore, automation and integration can enhance transaction accuracy (Sandner, Lange, & Schulden, 2020). For instance, integrated systems can automatically reconcile payments with invoices and update accounting records in real-time, minimizing manual data entry and the associated risk of errors. This not only saves time but also improves the accuracy of financial reporting. In summary, the integration of online payment systems, both in terms of the number of systems integrated and its impact on transaction processing time and accuracy, is a pivotal variable when evaluating how technological innovation influences the efficiency of accounting practices. Such integration can streamline financial operations, reduce errors, and expedite cash flow, all of which contribute to improved efficiency in accounting processes.

2.2.4 Accounting Practices Efficiency

Efficiency of accounting practices, as the dependent variable in the context of technological innovation, can be classified into two critical dimensions: time efficiency and error rate. These dimensions are influenced by various independent variables related to technological innovation within the accounting domain in this research.

Firstly, the adoption of accounting software significantly impacts the time efficiency of accounting practices. Implementing software automates many manual tasks, such as data entry and reconciliation, which reduces the time required for these processes. Moreover, accounting software enables real-time data processing, analysis, and reporting, further enhancing time efficiency. The specific types of accounting software chosen by organizations are also crucial. More advanced software often offers features that streamline workflows and reporting, leading to greater time savings (Gitta, 2023). Additionally, the frequency of software updates and upgrades can directly affect time

efficiency. Regular updates may introduce new features, optimizations, and security enhancements that further expedite accounting processes.

Secondly, error rates in accounting practices are substantially influenced by the same independent variables. The adoption of accounting software tends to decrease error rates, as automated processes are less prone to human mistakes (Kokina, & Blanchette, 2019). However, the choice of software types plays a role; more sophisticated software often incorporates advanced error-checking mechanisms. Frequent software updates and upgrades can also mitigate errors by addressing software bugs and vulnerabilities. Current accounting practices, particularly the decision between manual and automated data entry, have a pronounced impact on error rates. Manual data entry is inherently more error-prone, whereas automation reduces the risk of data entry mistakes. Likewise, the choice between cloud-based and on-premises accounting systems can impact error rates, with cloud systems generally providing more up-to-date and accurate data.

Lastly, the integration of online payment systems can influence both time efficiency and error rates in accounting. Integrating multiple payment systems can accelerate transaction processing times, reducing the time it takes for payments to be recorded and reconciled. This can lead to faster cash flows and more efficient accounts receivable management. Furthermore, integrated payment systems can improve accuracy by automating reconciliation processes and minimizing manual data entry errors. However, the number of payment systems integrated must be managed carefully, as integrating too many systems can lead to complexity and potential errors.

In summary, the efficiency of accounting practices, as measured by time efficiency and error rates, is intricately linked to various independent variables related to technological innovation. The adoption of accounting software, the choice of software types, the frequency of software updates, current accounting practices, the integration of online payment systems, and the number of payment systems integrated all play pivotal roles in shaping the efficiency and accuracy of modern accounting processes.

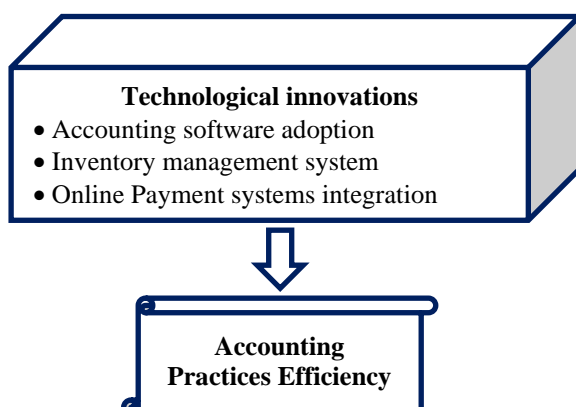


Fig 1: Technological innovations and accounting practices

Figure 1, which is depicted in the illustration, serves as a visual representation of the intricate and interconnected relationship that exists between the efficacy of accounting practices and technological innovation. This figure, through its graphical depiction, seeks to elucidate and shed light upon the complex and multifaceted nature of this association. By visually capturing and presenting this connection, Figure 1 aims to provide a comprehensive and comprehensive understanding of the inherent interplay and interdependence between these two crucial elements within the realm of accounting.

3.3. Empirical literature review

With the ability to increase the effectiveness of accounting processes, accounting software has emerged as an important tool for modern enterprises. This review of the literature intends to investigate the current studies on the impact of accounting software adoption on the effectiveness of accounting procedures inside firms (Azudin, & Mansor, 2018). We can learn more about the advantages and difficulties of adopting software and its effects on various elements of accounting operations by combining the results of earlier studies.

The deployment of accounting software has been shown in numerous studies to improve process effectiveness. Automation elements have been proven to greatly save manual work and improve accuracy, such as automated data entry, transaction processing, and report generating (Madakam et al., 2019). For instance, Smith it has been found that small businesses' adoption of accounting software increased data accuracy and decreased time spent on manual data entry chores.

By offering integrated modules for diverse procedures, accounting software facilitates the efficiency of accounting workflows. This interface allows for seamless data flow between various phases of the accounting cycle, lowers errors, and removes the need for data duplication (Belli et al., 2019). Organizations who used accounting software reported significant time savings in duties including financial reporting, budgeting, and accounts payable/receivable management, according to research.

Accounting software provides sophisticated reporting and data analysis features that allow businesses to gain valuable insights from their financial data. Decision-makers can take prompt, well-informed actions if they have access to accurate, real-time financial information. The use of accounting software, according to studies, has a favorable impact on financial analytical capabilities, enabling firms to spot patterns, evaluate profitability, and make data-driven decisions (Ferraris et al., 2019).

Inventory management is a critical component of businesses across various industries, including the bakery sector. This literature review examines the empirical evidence regarding the impact of inventory management

systems, particularly in terms of inventory tracking accuracy and inventory turnover rate, on the efficiency of accounting processes within the context of Kenyan firms. Technological innovations have significantly transformed inventory management in recent years, making it essential to investigate their implications for accounting practices.

Firstly, studies have consistently demonstrated a positive relationship between inventory tracking accuracy and accounting efficiency. When firms implement advanced inventory tracking systems that leverage technologies like bar coding or RFID, it leads to more accurate and real-time data on stock levels. This accuracy reduces the chances of errors in financial reporting and allows accountants to reconcile accounts and conduct audits more efficiently. A study by Caraban et al.,(2019) found that bakeries that invested in accurate tracking systems experienced fewer discrepancies in their financial statements and saved time on reconciliations, contributing to overall accounting efficiency.

Secondly, inventory turnover rate, when optimized through technology-driven inventory management systems, can significantly impact accounting processes. Higher inventory turnover indicates that products are sold more quickly, reducing carrying costs and increasing cash flow. This has a direct impact on financial statements, as lower inventory carrying costs lead to improved profitability and working capital management. Research by Tan et al. (2023) in the bakery industry has shown that firms employing inventory management systems tailored to optimize turnover rate have experienced enhanced efficiency in their accounting processes, as they are better equipped to monitor and report on financial metrics like cost of goods sold and gross margins.

In conclusion, the empirical literature suggests that the implementation of inventory management systems, with a focus on accuracy and turnover rate optimization, can positively influence the efficiency of accounting practices in firms in Kenya. These systems enhance data accuracy, streamline processes, and provide real-time insights into inventory-related financial metrics. Consequently, firms that adopt technological innovations in inventory management are likely to experience improved accounting efficiency, ultimately contributing to better financial performance and decision-making.

While existing research consistently highlights the positive impact of accounting software adoption on automation and accuracy, some studies fail to address potential challenges during the implementation phase. These challenges could include data migration issues, software compatibility, and the learning curve for employees. A more comprehensive analysis should delve into both benefits and potential hurdles to provide a balanced perspective.

Studies in this domain often focus on time savings and process streamlining, yet they may overlook the influence of organizational size and complexity. Larger organizations

might face different challenges in integrating software across various departments, potentially impacting the uniformity of streamlined processes. A refined approach could consider the scalability and adaptability of software solutions to different organizational structures.

While research frequently emphasizes improved data analysis capabilities with accounting software, few studies adequately address the significance of data quality and interpretation. Mere access to data does not guarantee effective decision-making if professionals lack the skills to extract actionable insights. A more thorough investigation should delve into the correlation between data utilization skills and the actual impact on strategic decision-making.

4. Summary and Conclusion

The reviewed literature underscores the transformative impact of technological innovation, particularly the adoption of accounting software, on enhancing the efficiency of accounting processes within organizations. Numerous studies highlight the software's ability to automate tasks, reduce errors, and streamline workflows, leading to significant time savings and improved accuracy. However, a more comprehensive exploration of challenges during software implementation, such as compatibility issues and learning curves, is warranted.

The study on the influence of inventory management systems, specifically focusing on inventory tracking accuracy and inventory turnover rate, on the efficiency of accounting processes in Kenyan firms explores the pivotal role that technological innovations play in shaping accounting practices within these businesses. The empirical evidence gathered indicates a clear positive correlation between the adoptions of advanced inventory management systems and enhanced accounting efficiency. Firms that invest in accurate tracking systems, such as bar coding or RFID technology, experience reduced discrepancies in financial statements, streamlining reconciliation processes and saving valuable time for accountants. Moreover, optimizing inventory turnover rate through technology-driven systems allows firms to improve profitability, better manage working capital, and monitor critical financial metrics like cost of goods sold and gross margins. As a result, these bakeries are better equipped to make informed financial decisions, ultimately contributing to overall accounting efficiency and better financial performance.

The research underscores the transformative impact of technological innovations in inventory management on the efficiency of accounting practices in firms in Kenya. The implementation of these systems not only enhances data accuracy but also provides real-time insights into inventory-related financial metrics, leading to improved financial reporting and decision-making capabilities. As the bakery industry increasingly embraces technology-driven solutions, it becomes evident that firms that leverage these innovations

are more likely to succeed in achieving accounting efficiency, which is vital for sustaining and growing their businesses in a competitive market.

In conclusion, it is evident that technological innovation has had a profound impact on accounting procedures in businesses of all sizes. The adoption of technology, such as accounting software, enterprise resource planning systems, and cloud-based solutions, has led to increased efficiency, accuracy, and improved financial management. Real-time reporting, simplified data administration, and advanced analytics have empowered organizations to make data-driven decisions and streamline financial planning. Additionally, the integration of online banking and payment systems has made financial transactions more convenient.

The adoption of accounting software emerges as a critical variable, with the choice of software type and the management of software updates and upgrades significantly impacting efficiency. Organizations must carefully select software solutions that align with their specific needs and size, ensuring that these tools streamline processes, automate tasks, and provide real-time insights. Equally important is the judicious management of software updates to strike a balance between staying current with technology and avoiding operational disruptions.

Inventory management systems offer a distinct perspective, with inventory tracking accuracy and inventory turnover rate playing pivotal roles. Advanced tracking systems using technologies like barcoding or RFID have demonstrated a clear correlation with improved accuracy, reducing discrepancies in financial statements and streamlining reconciliation processes. Additionally, optimizing inventory turnover through technology-driven systems leads to more efficient accounting practices, as firms can monitor critical financial metrics that contribute to better financial performance and decision-making.

The integration of online payment systems, in terms of the number of systems integrated and their impact on

transaction processing time and accuracy, stands out as another vital variable. The integration of multiple payment systems enhances efficiency by providing customers with more payment options, consolidating transaction data, and simplifying the accounting process. Furthermore, integrated systems expedite transaction processing, leading to faster cash flows and reduced accounts receivable cycles while minimizing manual data entry errors.

The efficiency of accounting practices, as the dependent variable, hinges on various independent variables related to technological innovation. The adoption of accounting software, the choice of software types, the frequency of software updates, current accounting practices, the integration of online payment systems, and the number of payment systems integrated all play crucial roles in shaping the efficiency and accuracy of modern accounting processes.

However, there are some research gaps and areas that require further exploration. These include the integration of accounting software with online payment systems, the impact of technological innovations on compliance and reporting requirements, and an in-depth analysis of the challenges faced by small businesses during technology adoption. Addressing these gaps will provide a more comprehensive understanding of how technological innovation affects the efficiency of accounting practices and will offer valuable insights for businesses and researchers alike.

In conclusion, technological innovation has undoubtedly reshaped the landscape of accounting practices. Embracing the right technological solutions and managing them effectively are key to achieving enhanced efficiency and accuracy in accounting processes, which is vital for the success of businesses in today's dynamic and competitive environment. As technology continues to advance, adapting and innovating in the realm of accounting is essential for organizations to thrive and prosper.

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