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### RESEARCH ARTICLE

#### AN ASSESSMENT OF THE ROLE OF AUDITING SKILLS ON THE BUSINESS PERFORMANCE OF SMALL BUSINESS OPERATORS IN THE SOUTH-EAST OF NIGERIA

Musa, S. Urama<sup>2</sup> and Charles U. Usuh<sup>2</sup>

1. Department of Business Education, Federal College of Education, Eha Amufu, Enugu State, Nigeria.
2. Federal College of Education, Eha Amufu, Enugu State, Nigeria.

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#### Abstract

The present study aimed to assess the role of auditing skills on the business performance of small business operations in South-East Nigeria. The study adopted a cross-sectional survey. A total of one hundred and five (105) small business operators were randomly selected from Aba and Onitsha business hub in the South-East of Nigeria participated in the study. A self-developed instrument was used as a measure. Simple linear regression analysis was used for data analysis, and it was found that auditing skills significantly predicted positive business performance. Implications and recommendations are discussed.

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#### Introduction: -

Over the years, small-scale business has proved to be an essential driver of the economic development of any Nation because it forms the majority of business activities in a growing economy like Nigeria (Ekwe & Abuka, 2014). SMEs are the key to improved living standards because it creates jobs at relatively low capital cost, especially in the fast-growing service sector (Mukaila, 2011). Small scale business denotes a one-person business with the capability of engaging few individuals. Accordingly, Planhollz and Flamholt (2000) refer to a small-scale business as a business unit where one person is the owner but may employ few or more people. Still, there is one owner who takes either the profit or loss accruing from the business. While Osize (2006) considers a small business enterprise as owned, managed, and controlled by one or two persons, a small business could involve more people operating on a lower scale.

The place of auditing in any business, irrespective of its size, cannot be overemphasized. Auditing a business unit indicates areas that require improvement in businesses. Accuracy is a measure of controls and also efficiency. In order words, fewer steps mean less room for error. Thus, identifying and eliminating errors in the course of auditing leads to improve productivity. Auditing lends credibility to enterprises' financial statements (Iwisi, Kitindi, & Basson, 2002). Regular business auditing empowers employees and business managers to take the initiative and responsibility to improve controls describes employee's roles and responsibilities. This gives employees more of an idea of what their commitment is to the organization. An audit helps us detect errors and fraud at an early stage and offers actual views about financial information (Muhammad, Satar, Hussain & Naseem, 2011). Nevertheless, auditing small and medium enterprises has proven to be among the most worrisome for professional accountants because of the internal controls' inadequacy (Olatunji, 2013). It is observed that most small and medium enterprises barely consider the effectiveness of auditing, accounting, and risk assessment, hence the imminent and untimely collapse of much small-scale business in Nigeria.

**Corresponding Author: - Musa**

Address: - Department of Business Education, Federal College of Education, Eha Amufu, Enugu State, Nigeria.

Clement (2012) noted that the auditing process is an essential mechanism through which business establishments progress because it encourages business entities to pursue and attain their various established objectives. Business development requires different provisional control levels to enable supervision and checking, avoid and identify sporadic transactions, assess current progress, keep up satisfactory trade records and advance operational efficiency. Auditing survey the plan of the periodic control, and casually propose change and record any materials abnormalities to empower advance examination by the administration if it is justified beneath the circumstances.

An observation of SMEs operation in Nigeria shows that small business operators engage in the business's daily management. Thus, one person foresees the entire business process, including financial and other activities to expand it. For instance, opening a new shop/business characterizes an average small business operator. Whereas small business enlargement is dependent on the successful management of transaction activities. However, when the business grows to a point where the owner can no longer make all the operative decisions due to extensions, it becomes imperative to engage other people to manage their business. Engaging others in a small business is the most challenging part of business growth because of the accompanying implications, and it poses serious vulnerability for business if not checked. This is a critical period for any business and may carry on for an extended period during the growth phase (Baker Tilly, 2010). During this period, it becomes imperative for a small business operator to acquire auditing skills.

### **Small Business and Auditing Skills**

We refer to Auditing skill as the tendency of a business operator to evaluate systematically, monitor, and examine business transactions to identify and counteract possible ambiguities that can impede business growth and hinder the potential expansion of the operation. Auditing services are essential for a small business's running or operation in as much as financial and human resources are involved (Bojuwon, Mobolaji & Abdul-Ganiyy, 2017). For instance, the roadside drug store or business center operator has to keep track of the business's activity records to progress amidst competitors. Consequently, small business operators may lack adequate resources to engage the services of accredited auditors. Based on this, it calls on small business operators to equip themselves with the basic auditing principles to enable them to manage both human and operational conditions. An audit helps us detect errors and fraud early and gives actual views about financial information.

Previous research has focused on external and independent auditors' role in developing business organizations (e.g., Eklov, 2001; Quick, 2012; Greg, Starliper, & Wood, 2015). For instance, Lucy et al. (2016) studied the effect of auditing on a company's financial performance, and their results supported the link between auditor's independence and financial performance. However, experts have faulted the importance of external auditors in organizational assessments (e.g., Siegel, 2020). It is pointed out that external auditing is disruptive and costly. Perhaps, despite the relevance of independent auditors in assessing business financial positions, the trend may not be suitable for small-scale businesses, therefore justifying the present study. Perhaps, this study aimed to determine the role of auditing skills on small business operations' business performance in Nigeria's South-East. We hypothesized that auditing skills would significantly predict small business operations in the South-East of Nigeria.

### **Method: -**

The study adopted a cross-sectional survey design. The population included small business operators in Onitsha Anambra state and Aba in the Abia state of Nigeria. However, the study samples were randomly selected. A total of one hundred and five (105) small business operators participated in the study. Sixty-two (62) were chosen from the Onitsha business environ while the other forty-three (43) were drawn from the Aba business hub. There are many small business enterprises in these states. The operators or entrepreneurs are struggling daily to make their enterprises successful. However, most of these enterprises often collapse after few years of inception

### **Measures: -**

The instrument for data collection in the study was a structured questionnaire. The questionnaire items were developed from the literature review and designed to ascertain relevant data relating to auditing skills and business progress on a four-point scale. The questionnaire was divided into two parts: A and B. Part A contains questions about auditing processes, while part B includes questions about business progress. The scale's reliability was ascertained following a pilot study using participants outside the study population, and the Cronbach Alpha 0.89 coefficient was obtained, indicating that the instrument was reliable.

### **Result: -**

**Table 1:** - Simple linear regression analysis for the predictive effect of auditing skills on business performance.

	B	Std. Error	Beta	t	Sig.
(Constant)	-1.897	.085		-22.361	.000
Auditing Skill	.948	.033	.944	29.073	.000
R <sup>2</sup>	89.1				

a. Dependent Variable: Business Performance

The result presented in the simple linear regression table above indicates that our assumption that auditing skill would significantly and positively predict business performance was confirmed at  $\beta = .944$ ,  $p < .05$ , with  $R^2$  of .891. Indicating that auditing skill significantly predicted business performance among small business operators in southeast Nigeria.

### Discussion: -

The current study was aimed to examine the predictive role of auditing skills on the business performance of small business operations in the South-East of Nigeria. From the simple linear regression result, it was found that auditing skills accounted for 89.1% of the variance in business performance among the participants. Thus, the assumption that auditing skills will significantly predict small business operations' business performance in the South-East of Nigeria was confirmed. This means that traders who possess requisite independence skills of financial and transaction auditing perform better in business than their counterparts who lack audit skills. The finding supports previous findings (e.g., Sika & Bonaventure, 2020). For instance, Lucy et al. (2016) found a positive relationship between financial performance success and auditor's independence. This presupposes that small business does not necessarily have to depend on the professional auditors' role but could instead adopt auditing skills.

### The Implication of the Study

The perceived financial struggles hindering business sustainability among small business operators could be attributed to ineffective business and financial management approaches. Perhaps, professional auditors are responsible for providing audit services for business entities. The external auditors' services could be harming small business operators concerning its cost and logistics. This study implies that possessing the relevant auditing skills will increase business performance and effective business operation.

### Conclusion: -

The present study examined auditing skill as a previously unexplored variable capable of predicting business performance. The result revealed that auditing skill is an effective mechanism in the smooth running a business and proper financial management. The study recommends that small business operators acquire the requisite skills associated with auditing. Also, professional auditors should seek to audit business activity and provide training for small business operators. Furthermore, the study suggests that future researchers extend the current study's scope to ensure generality.

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