

ACCOUNTING INFORMATION SYSTEM AND ORGANIZATIONAL PERFORMANCE: SPECIAL REFERENCE TO THE ANURADHAPURA DISTRICT

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ABSTRACT

The intention of this study is to investigate usefulness of Accounting Information System (AIS) for organizational performance. The AIS plays a significant role in today's dynamic business environment. It is becoming increasingly necessary for all businesses to incorporate information technology to access and utilize reliable information during the decision-making process. AIS is related with collecting, storing and disseminating data for the purpose of planning, controlling, coordinating, analyzing and decision making. Hence, AIS can be considered as element to identify the performance of the organization. The objective of this paper is to examine the relationship between AIS and performance of the service sector organizations, which are located in Anuradhapura District. Accuracy, efficiency and reliability were utilized as predictors grouped under AIS whereas profitability, liquidity and effectiveness were the outcome variables. To collect the data, researcher used structured questionnaire and convenience sampling method was executed to select participants. The Statistical Package for Social Science (SPSS) was used to analyze and examine the hypotheses. The results of the study indicated that accounting information system and organizational performance have positive relationship. According to the findings of the study, the researcher recommends that continuous improvement of AIS and effective application of AIS are of utmost importance to improve the bottom line.

Keywords: *Accounting Information System, Effectiveness and Organizational Performance*

INTRODUCTION

Accounting Information System (AIS) is a system of collecting, storing and processing financial and accounting data that are used by decision makers. That plays significant role in today's environment. Every business must keep track of financial information that relates to its business activities for making decisions which steer the organizations towards the attainment of their objectives. By maintaining highly accurate and up to date accounting system, organizations can track the relevant information of accounting transactions (Soudani, 2013). With the changes in business environment and new markets, it is vital to maintain up to date information system to keeps pace with constant changes in information technology.

AIS is vital to all the organization either profit or nonprofit oriented. This system has remarkable impact on the productivity and performance of the organization (Boulianne,2007). The appropriate design of AIS supports business strategies in ways that increasing the organizational performance. Therefore, AIS is play significant role in the performance of the organization.

The AIS also involve with the relevant administration process to accomplish the task and achieve goals. Because, AIS helps to successful operation of administration operations through available information while support to meet the different needs of the organizations (Almbaidin,2014).

Organizational performance refers to how well an organization is doing to reach its vision, mission, and goals. Assessing organizational performance is a vital aspect of strategic management (Elena, 2011).

The purpose of this study was to examine the association between accounting information system and business performance of service sector organizations. Quality of accounting system can be evaluated by examining the reliability and

accuracy of accounting system, faster process and analysis, user-friendly of accounting system etc. Impact of accounting system can be evaluated by its impact on decision making process.

Several studies have analyzed the role of AIS and effect on the organizational performance. In this study, researcher is trying to find out the relationship between AIS and performance of the service sector organizations.

Based on that, this paper collected primary data through the questionnaire method and companies selected by using convenience sampling method. The data is sourced from the participants those who are working at sector service organizations from the Anuradhapura district.

Problem Statement

The application of AIS is becoming increasingly important for service sector. Because, competition and innovations are increasing the range and complexity of the service sector organizations.

In this study, researcher is trying to find out the relationship between AIS and performance of the service sector organizations which are located in Anuradhapura district.

Mainly the researcher considers Anuradhapura district due to, the most of organization maintain incomplete records and unauthorized access of data by unsuitable accounting packages and applications. Therefore, this study was concerned to analyze the usefulness of the effective accounting system on organizational performance.

Objective of the Study

to investigate the relationship between AIS and Organizational Performance in service sector organizations in Anuradhapura District.

LITERATURE REVIEW

At the present time, AIS is used by most of the companies to operating their data and measure their performance. The main purpose of this study is to appraise the usefulness of AIS on organizational performance. There are different studies related to AIS and performance of the organization.

Wickramasainghe et al. (2017) found that accounting systems are critical to the production of quality accounting information on a timely basis.

And also researchers indicate that, effective Accounting system helps to communicate relevant information and through that help managers to make decisions to achieve their objectives. To find the result this paper used service quality dimensions like user-friendly, reliability and efficiency of AIS and through that they revealed that there is a strong relationship between accounting software system and business performance.

It implies that access to accounting information will lead to organizational effectiveness.

Daw (2015) explored that the accounting information system can positively impact on the organization by the following; better adoption to changing environment, better management of arm's length transactions and a high degree of competitiveness. And also the researcher elaborates that the appropriate design of AIS also supports to organizations' business strategies. Further the researcher mention that an increase in the investment in AIS investment will result in achieving a stronger, more flexible culture to face constant changes in the environment.

Qatanani et al (2015) discovered a positive association between AIS design and

organizational performance. The successful implementation of AIS could save shareholder's money and time. The paper revealed that the need to work on improving the level of the basic components of accounting system to improve the quality of accounting information, through that improve the decision making process of the organization.

By referring above all the details it is revealed that this study is very useful for management and non-management staff to take awareness about the importance of the AIS on organizational performance. In this study researcher aimed to generate finding that would relevance to and expand current knowledge.

By referring to the literature, following hypotheses were built-up,

H1: Accuracy of AIS affects organizational performance.

H2: Efficiency of AIS affects organizational performance.

H3: Reliability of AIS affects organizational performance.

RESEARCH METHODOLOGY

In this study researcher is trying to find out the role of AIS on performance of the service sector organizations which are located in Anuradhapura district. Mainly the researcher considers Anuradhapura district since the most of organization at Anuradhapura maintains incomplete records and unauthorized access of data by unsuitable accounting packages and apps.

Based on that, this paper collected primary data through the questionnaire method and companies selected by using convenience sampling method. Participants were 100 employees who work in service sector organizations.

Measures

The questions were on the five point likert scale, with a choice of strongly agree to strongly disagree. According to that the first section was focused on demographics of target audience and second section covers main questions

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 regarding the objectives of this paper. The questionnaire consisted of nineteen
 questions, which were carefully designed to collect relevant data.

Latent Variable	Measurement	Sources
AIS	<ol style="list-style-type: none"> 1. The firm is able to maintain the financial reports timely, reliably and accurately because of accounting system 2. Data processing and analysis are faster and more accurate which meets the managers need for decision making 3. The system has the ability to facilitate the process of the company's transaction 4. The system has the tendency to reduce cost and enhance clerical works 5. Accounting system is user-friendly for all staff to process transactions 6. It leads to higher integration across an entire organization to design effective strategies 7. The automated data collection speed up the process to generate financial statements and overcome human weaknesses in data processing 	Marshall and Paul (2006) Zulkarnain, (2009)

<p>Organizational Performance</p>	<ol style="list-style-type: none"> 1. Accounting system can provide instant report on profit and loss, customer accounts, payroll and sales analysis 2. Because of its efficiency and ease of use, systems allow you to improve payment collection and cash flow 3. The accounting system will help protection of assets records and measurement of its performance 4. The accounting system helps to provide comparative report and through that managers can identify the area in which profitability they lack and excelling 5. Successful organizations show respect to each employee and customer. It ensures the long-term survival of the organization 6. An effective measurement and reporting process can improve performance and lower the cost 	<p>Borthick and Clark (1990)</p> <p>Boulianne (2007)</p>

Data Collection

The target population for this study was the service sector organizations in Anuradhapura District. This study was used primary data collection method and companies selected by using convenience sampling method. Totally 187 questions were distributed among 25 service organizations and respondents were categorized into non-management, middle management and top management of the firms sampled. Among that 100 questionnaires were completed and returned within one month (June, 2018).

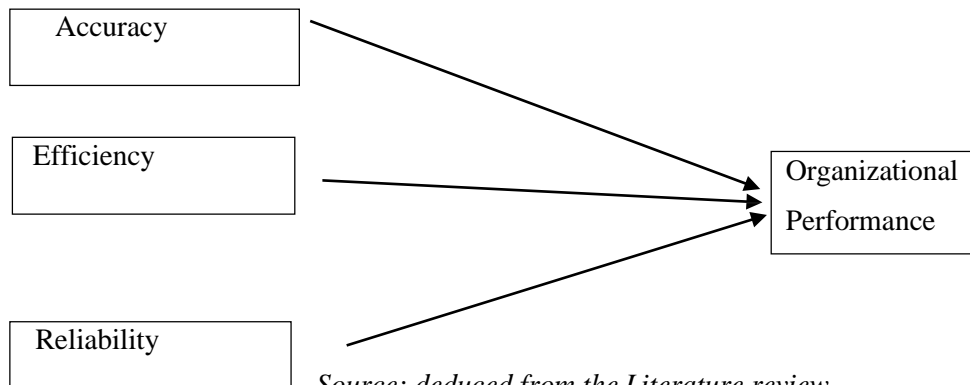
Overall, five (5) chief officers, twelve (12) managing directors, eighteen (18) general managers, twenty-two (22) managers and forty-three (43) others (non-management) answered the questions.

The distribution of business types in this sample included 42% in Banking and Insurance companies, 35% in Hotels, 8% in private hospitals and 15% in other government sectors (Ceylon Electricity Board and Road Development Authority).

Data Analyzing

After collecting the data, it should be analyzed using appropriate statistical tool. The information gathered was analyzed using the SPSS software. Descriptive analysis is composed of mean, standard deviation, range, minimum, maximum and variance. In addition to that, we can find out the relationship between two variables by using SPSS. According to that, SPSS software is very useful software and it enable researcher to analyze the data more effectively and accurately.

Conceptual Framework



DATA ANALYSIS

Legal status of the respondent’s firm

Table 1: Company Type

		Frequency	Percentage
Valid	Non-Government Organization	43	43.0
	Government Organization	47	47.0
	Other	10	10.0
	Total	100	100.0

For this study, researcher used above organizations which are located in Anuradhapura District. According to that, majority of respondents were from Government sector organizations.

years’ experience of respondents in the department

Table 2: Respondent’s year of experience in the department

		Frequency	Percentage
Valid	Less than 5 years	36	36.0
	6-10 years	36	36.0
	11-15 years	25	25.0
	More than 10 years	3	3.0

Total	100	100.0
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By referring the table 2, it shows that majority of respondents have worked for their company for more than five years. This indicates that most of the respondents have a comprehensive understanding about their company.

years of experience of the respondents with the Accounting Information system

Table 3: Respondents' year of experience with the AIS

		Frequency	Percentage
Valid	Less than 2 years	21	21.0
	3-6 years	32	32.0
	6-10 years	33	33.0
	More than 10 years	14	14.0
	Total	100	100.0

Majority of the respondents have more than three years' experience with accounting software packages. According to that, most of the respondents have thorough understanding and practice with the Accounting package. Therefore, researcher was able to collect reliable and accurate information to analyze the objectives of this study.

Descriptive analysis

Descriptive statistics were used to identify the nature of the research variables. The mean value and standard deviation of the research variables are as follows,

Table 4: mean value and standard deviation

Variables	Mean	Std Deviation
Accuracy	1.99	.694

Efficiency	2.24	.817
Reliability	2.27	.798
Organizational Performance	2.28	.813

Table 4 shows the mean and standard deviation of the independent variables and dependent variables. Mean value provides the idea about the central tendency of the values of the variables. Mean value of all selected variable were relatively high and that indicates that the respondents are highly agreed with the statements.

Reliability test

This test was performed to identify the reliability of each construct which was used to measure the research variables. Cronbach Alpha was used as the measure of reliability in this study. Cronbach indicates how well the items in a set are positively correlated with one another.

Table 6: Reliability Statistics

Cronbach's Alpha	N of Items
.849	2

According to given table, 0.849 of Cronbach Alpha is for variable and it is greater than 0.7. It indicates the all the questions which are used to test quality of particular variables have better internal uniformity and it indicates all the questions are highly reliable to analyze.

Hypotheses testing

To test the hypotheses of the study, the Pearson correlation analysis was used. Through the literature survey researcher identified that accuracy, efficiency and reliability are the most suitable factors to measure the AIS. Similarly, profitability, liquidity and effectiveness are the variables used to measure the

Table 7: Results of Pearson Correlation

		Accur acy	Efficie ncy	Reliabi lity	Profitabi lity	Liquid ity	Effective ness
Accuracy	Pearson	1					
	Correlat ion						
Efficienc y	Pearson	.536**	1				
	Correlat ion						
Reliabilit y	Pearson	.588**	.731**	1			
	Correlat ion						
Profitabil ity	Pearson	.436**	.589**	.627**	1		
	Correlat ion						
Liquidity	Pearson	.503**	.599**	.703**	.689**	1	
	Correlat ion						

Effective ness	Pearson	.487**	.541**	.656**	.637**	.798**	1
	Correlat ion						

** . Correlation is significant at the 0.01 level (2-tailed).

Hypothesis 1 (Accuracy of AIS affects organizational performance)

As shown in the table 07, correlation for the relationship between accuracy and profitability was 0.436, accuracy and liquidity was 0.503 and accuracy and effectiveness was 0.487. Hence it is apparent that accuracy of AIS significant organizational performance since P value is less than 0.01.

Therefore, the result supports to the first hypothesis of the study.

Hypothesis 2 (Efficiency of AIS affects organizational performance)

By referring to the table 07, correlation between efficiency and profitability was 0.589, efficiency and liquidity was 0.599 and efficiency and effectiveness was 0.541. Therefore, it is shown that there is a strong relationship between Efficiency and organizational performance. As a result of that, H2 is accepted.

Hypothesis 3 (Reliability of AIS affects organizational performance)

The result shows that there is a 0.627 of correlation between reliability and profitability, 0.703 of relationship between reliability and liquidity and 0.656 of relationship between reliability and effectiveness. It is indication positive relationship and significant as well. Therefore, H3 is accepted.

Overall, AIS appears to have a significant and positive relationship with performance due to the positive correlation between AIS and components of organizational performance.

CONCLUSION AND RECOMMENDATIONS

Conclusion

AIS has significantly been developed during the past 20 years, and the number of the institutions that heavily rely on the computer systems in the electronic operation of their statements has also increased (Ghani,2012). The study carried out to find out the association between implementation of accounting information system and organizational performance. To find out the relationship, hypotheses were tested.

Accuracy, efficiency and reliability were utilized as predictors grouped under AIS whereas profitability, liquidity and effectiveness were the outcome variables used as proxies for measuring the organizational performance. The results show that there is significant relationship between variables of AIS such as; accuracy, efficiency and reliability with components of organizational performance such as; profitability, liquidity and effectiveness. In addition, the implementation of AIS on organizational performance is highlighted due to reliability of financial reporting, accuracy of performance measurement and timely feedback on the achievement of goals. Therefore, researcher can conclude that AIS has a positive association with organizational performance of the service sector organizations which are located in Anuradhapura district.

Recommendations

- To improve the quality of AIS by providing the infrastructure relating to the suitable hardware and software that is required to operate the accounting system.
- To concentrate on training and continuing educational programs for employee to give awareness regarding AIS
- Emphasis on continuous improvement of accounting information system before organizations, which will enable them to keep pace with technological developments in financial and accounting fields.

- Giving more importance for planning of financial and human resources at the organizations because of their importance to success of the organizational performance.

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