

The Impact of Accounting Information System on the Organizations Financial Performance



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Abstract In the face of fast technological progress, increasing knowledge, and difficult demands from businesses and customers, an accounting information system is an essential instrument in the hands of managers seeking to sustainable competitive advantage. The impact of accounting information systems on organizations financial performance is investigated in this study. The primary goal of this paper is to review the theoretical and conceptual basis as well as research findings on accounting information systems and company financial performance. According to the findings of the review, previous studies on the impact of accounting information on financial performance focused on the cost implications of accounting information systems as they relate to corporate financial performance. The vast majority of studies used a survey study methodology to investigate this link, and the rest of the researches were conducted in industrialized economies where accounting information systems technologies have been extensively adopted. As a result, this study suggests that further research should done in this area to close this research gap.

Keywords Accounting information system · Financial performance

1 Introduction

The constantly expanding dependency for growth, expansion and development in the business field in the modern time had made it a necessity for managers to seek management strategies that are more advanced with the aim of improving the process of decision making within the organization. Many of these strategies are specifically made with the goal of maintaining a business throughout the continuance innovation in technology, customers increasing awareness, and customers' demands challenges.

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The main strategy that is majorly adopted by organizations within the business field is the information system adoption strategy (Davoren 2019).

Information systems is the capability of the organization that defined by the data, policies, protocols, processes, software, hardware, and responsibilities (Borhan and Bader 2018). An information system is method the delivers important information with the purpose of improving decision making within the organization in organizing, planning, leading, directing and controlling the activities. There are multiple information syst type, which are the Management information system (MIS.), office automation system (OAS.), Transaction processing system (TPS.), Decision support system (DSS.), Expert system (ES.), Executive information system (EIS.), delivery system (DS.), Procurement system (PS.), enterprise resource planning system (ERPS.), knowledge work system (KWS.), and lastly the accounting information system (AIS.) (Yaser et al. 2014; Rainer 2007).

The Accounting Information System (AIS) is intended to be a system that has an important role in the daily management process and operations as the other information systems are intended to be within the organization. In the process of decision making, controlling, planning, and organizing with the aim of efficient utilizing of recourses, the accounting information system is considered to be as one of the supporting information systems in handling these functionalities for managers (Samer 2016). The accounting information system is a system that handles accounting data about a specific entity to a specific group, and these accounting data are identified, accumulated, measured, prepared, analyzed, communicated, and interpreted which is done by the system (Borhan and Bader 2018). Accounting information system is a tool the act for sources such, which is designed to gather the aimed financial data to deliver the aimed information for making management decisions in a specific needed time (Bodnar and Hopwood 2010).

The Accounting Information System (AIS) is a highly important system to all firms and organizations. It is developed with the aim of helping in the collection of data and helping the management in making decisions from the reported financial data the were transformed by the system from the raw and ordinary state (Harash et al. 2014). Accounting information system is a system that assists in detecting any event that has an impact that is economical on the organization by collecting and recording all the data and information required. As well it assists the internal and external stakeholders in the processing and communicating these data and information (Olusola et al. 2013). AIS has a huge effect on the organization and provides a drastic help by providing the needed reported data, financial statements, and analysis.

The accounting information system is expected to be associated and aligned with the financial status of the organization and its outcomes. The most important thing for a firm is its financial performance, which is the core for a healthy business, to provide the capability to meet the firm's commitments and obligations for the long-term. In other words, the level of financial objectives accomplishments is a financial performance. The financial objectives are determined by the manager through evaluating the past financial performance through the collected accounting and financial data by the AIS. The AIS mainly provides financial reports for the management and stakeholders to support them in the decision-making process and to prepare a strategic

response to the firm's operations. The financial information needs to be presented in great details and highly analyzed by the AIS. AIS is a computerized system that modernize the accounting process and practices through an end user application.

This research is aiming to provide a review on the impact of accounting information system on the organizations financial performance. The research will shed light on the gap in the impact of accounting information system on the organizations financial performance for a future study.

2 Accounting Information System

The Account information system is computerized system that assists the firm in the decision-making process that is done by generating the financial statements that are the result of the system's collecting, communicating, and processing the accounting data (Manchilot 2019). Computers provides a platform for storing accounting information and to functionalized environments for the information systems. Regarding the accounting information system, it operates in an associated allocation software, that is used through the computer hardware.

The accounting information system is defined as a system that includes data that are managed, processed, and controlled by resources and components to provide the needed important information for the process of decision making within the firm (Borhan and Bader 2018). The accounting information system must go through a much-needed process to provide the needed functionality as an information system does, it provides a needed connection between components and resources such as the staff, finances, equipment, and etc. and this connection is utilized to achieve the firms goals that is done through an established framework.

The accounting information system is a data collection, analysis, and conversion process into an actionable act. The system is defined as a computer system that provide output and results by processing, collecting, analyzing data (Borhan and Nafees 2018).

It was stated that a conclusion of policies, procedures, staff and equipment that works in an alignment in transforming the collected data into information that is important is an accounting information system process (Kashif 2018). AIS is data and information of the firm's operations that are provided to the employees to support them within the firm's environment by submitting the needed information in time to the authority.

The primarily functionality of the AIS is the organization's accounting information that is based on events throughout the past, present and, future (Rehab 2018). Every firm makes decisions regarding their prices, productions, policies, outsourcing, services, and investments; the AIS assists in making these decisions through information that is driven by the reports and analysis.

The Accounting information system is a highly important system that drives to implement the functionalities such as the planning process and controlling process that are sought by management of the firm (Samer 2016). The planning functionality,

the data that is related to planning is analyzed to achieve the firm objectives and goals is provided by the AIS. As well, the system provides information of the cost and profit relationship, and sheds light on the volume aspect which are all necessary to establish the amount of their interactions. The AIS in assisting the planning functionality, it sets up a path for future firm's requirements, which the firm will plan the cash flows for the development budgets; all of it is translated into financial standards with an aim towards a representation of the firm's activities, plans and policies throughout the departments within the organization (Frezatti et al. 2011). In the meanwhile, in the control functionality, a plan that is specific and clear is needed that demonstrate the aimed objectives and the core that the analyzed results are based upon to establish the needed path and steps. The control functionality is considered to be a tester for the already implemented aspect and already taking decisions, which is considered as a follow up the alignment of the implementation with firm's plans, standards, and policies. With this process the firm can find out if there is a need for correction of deviated aspects that should meet the interest of the shareholders and stakeholders, and to shedding light on the activities of the firm is aligned with the firm's goals with the assurance of the effectiveness of the operations (Onaolapo and Odetayo 2012; Merza Radhi and Sarea 2019; El Khoury et al. 2021).

There are accounting tools that are computerized with in the AIS are mainly associated with the organization's financial and economic results (Urquía et al. 2011). The benefits of adopting and using the AIS is the firm's flexibility in adopting environmental change, improved internal transactions management, and competitiveness surgency. Another benefit is the ultimate form of the organization achievement in a high level information flow, which handled between the employees that can help them in gaining new opportunities with the external environment, as in building external relationships (Pérez et al. 2010).

3 Financial Performance

The financial performance is a representation of the firm's health within the financial aspect, and the firm's capability to meet commitments of a financial nature to provide the intended services in the future (Weber 2008; Kamal 2017). The act of conducting an activity that is financial is considered to be a financial performance. In other words it is the level of achievement of financial objectives, and it is the process of the organization's policies and operations being measured in a financial and monetary manner.

The ability and capability of the organizational actions to align with financial objectives is a financial performance. There are two main factors that indicates the firm's financial performance, and these indicators are the accounting earnings and investors' earnings. The accounting earnings is looked upon in the firm's perspective of returns as a response of the decision-making process done by the management, while the investors' earnings are looked upon with the shareholders' perspectives (Ofoegbu 2003).

Financial performance is a measurement of a financial health of an organization throughout a time period (Farah et al. 2016). Moreover, it can be looked at as a financial decision that are followed with an aim of generating greater sales, profits, and a higher share value by the management and handling of the assets, funding, revenue, expense, and equity. The primarily aim is to provide all of the shareholders and stakeholders the needed financial information to provide them with the ability of making decisions in an investments matter. The financial performance reports can be used as a comparison financial health between multiple organizations.

The performance can be measured, and these measurements are the results relations, as in the outputs and outcomes of the firm and its financial performance, and the measurement by concentrating on the results determinants as in the inputs of the firm, such as the innovations, utilized resources, quality, and flexibility. Therefore, the results and the results determinants can be used as tools for the measurement of the performances of firms. Also, systems with the aim of performance measurement can be looked at as financial systems that can provide an evaluation of the firm's performance (Zuriekat et al. 2011).

The firm's performance measurements can be done by multiple ways. It is stated that the company's repayment capacity, efficiency, solvency, and liquidity can be used to measure a financial performance (Fiori et al. 2009). Also, it was stated that financial ratios are dependent on in determining the financial performance of a firm (Lin and Liu 2005). Normally all the information of the firm's financials as a result of their operations are reported in a financial statement on a yearly basis, and the generated financial ratios are mainly used as a reference and an analytic source to determine the organization's performance.

The organization's performance measurement depends on the financial ratios, due to the simplification of description regarding the financial performance of a company with a past comparisons to assist the managements.

4 The Impact of Accounting Information System on the Organizations Financial Performance

The accounting information system impact on the financial performance has been researched by many.

The purpose of this research is to see how AIS features influence the efficiency of a company's performance. Internal control is expected to lead to the development of trustworthy financial reports for decision-making and financial performance improvement. On February 2020, 90 questionnaire forms were prepared and sent to participants; 80 forms were returned. Due to its capacity to provide critical information for decision-making reasons and to assure the quality of accounting information, this study shed light on the importance of accounting information systems (AIS) for businesses. The goal of the study is to see if internal control has a role in the relationship between AIS and fraud detection (Al-Waeli et al. 2020).

It was studied in Jordan about the effect of AIS on financial performance with some of the real estate firms. A questionnaire has been used in this study to collect the needed data for employees that are working within the Ihdathiat Coordinates company, Afaq holdings, Real Estate Development, and Jordan International Investment company. a questionnaires were handed to two hundred and fifty, seventy five of which were rejected and one hundred and five of which were approved for examination. The data was analyzed using linear regression statistics in this study. According to the findings, The Jordan International Investment Company has reaped the biggest benefits from AIS, although the impact of AIS has no effect on Ihdathiat Coordinates as a result of the study (Al-Dalaïen and Khan 2018).

The impact of accounting information systems on financial and non-financial metrics of Nigerian businesses is investigated. Researchers gathered qualitative and quantitative data from sixteen businesses. In 2014, the data was finalized and gathered using surveys and the Nigerian Stock Exchange. With the use of a statistical software (SPSS), the data is analyzed using multiple linear regression approaches. Accounting information systems have a substantial beneficial influence on financial and even the non-financial measuring indicators of firms in Nigeria, as stated by the empirical search (Ironkwe and Nwaiwu 2018).

The influence of accounting information systems on the financial performance of a group of real estate businesses that are located in Jordan is investigated. The research has used a survey research approach and the gathered data was from one hundred and seventy five employees from five Jordanian firms via questionnaires. The data is analyzed in this study and it was done by using linear regression statistics. The findings indicated that accounting information systems had a substantial influence on the financial performance regarding the studied firms (Borhan and Nafees 2018).

Examines the financial performance of selected FMCG firms in India using accounting information systems. The study used a survey with a 400 people sample size, and data was collected completed and valid questionnaires from 177 participants. The data was analyzed using the basic method of linear regression analysis, a 95 percent confidence level with the study hypotheses that were evaluated. The study's findings indicated that accounting information systems had a substantial influence on the financial performance of the ample companies in India (Kashif 2018).

The influence of accounting information systems on firm's performance is investigated. The study analyzed the data and evaluated the research hypotheses after collecting data from businesses in Saudi Arabia that are small and medium, which were 137. The findings and results indicated that there is a substantial influence on overall organizational performance when adapting the AIS, alongside its characteristics, such as cost reduction, improvement in the quality, and making decisions effectively (Rehab 2018).

The influence of accounting information systems on multiple commercial banks that are located in Jordan performance and profitability is investigated in this study. The study used a survey design, with data obtained from Jordanian bank workers that are a sample of 206 banks using a questionnaire. The data was analyzed and it is using linear regression as the method of analysis in the research. The findings show

that the AIS has a great influence on the profitability of the institutions that are part of the sample (Borhan and Bader 2018).

The impact of accounting information system deployment on commercial bank financial performance in Nigeria is investigated. The study used a specific survey research methodology, with data gathered from respondents from commercial banks who were chosen at random, the respondents are 80 and banks sample are 16. Secondary data within the financial statements of the institutions that are a part of the sample was also used in the study. Within the past years following AIS growth and implementation, return on total asset (ROTA), data on return on capital equity (ROCE), gross profit margin (GPM), and net operating profit (NOP) were gathered. The substantial effect of AIS implementation on bank performance was tested throughout the liner regression method. as to the findings shows, the AIS implementation delivers a favorable correlation with the performance measures (Akanbi and Adewoye 2018).

The influence on bank success in Jordan from accounting information systems is investigated. A survey research design is used in this study. The study gathered information through questionnaires distributed to bank workers within Jordan. The study hypotheses were proven by using multiple regressions and the correlations. Accounting information systems, as shown in the results and findings, have a major impact on the bank's profitability and success (Raed 2017).

The study examines the influence of accounting information systems on business performance in terms of internal control that is effective. The study used a qualitative data gathering approach, with prior literature from the field being evaluated. Secondary data was also employed in the study in order to arrive at dependable findings based on facts. The results indicated that when controlling aspect is handled effectively and efficiently, with performance improvements, accounting information has more credibility, and the internal users and external users may function with more suitable decisions (Teru et al. 2017).

The influence of accounting information systems on managerial performance and firm performance is investigated in this study. The data was obtained from the sampled SMEs, and volume of the sample is 74. The data is analyzed using a research approach survey. Regression analysis was the method used to with the collected data for the investigation. The findings demonstrated that the knowledge of accounting managers with the high-level management support consists of a significant impact on a firm's AIS, and the AIS has as well a significant impact on that firm's performance (Alnajjar 2017).

The influence of a computer-based accounting information system on managerial performance in the Nigerian public sector is investigated in this research. An investigative research path was taken in this study. In the aspect of accounting environment and internal control in the public sectors within Nigeria, the effects of computer-based accounting information system on the associated executive officers from the government agencies, divisions, or authorities were studied. The report identifies some of the issues connected with the deployment of AIS, such as expensive hardware and software installation costs, system maintenance expenses, and the need for specialized skills. The remaining factors consist of a reduction in numbers of staff, insufficient

security, and the high-quality backup that is available and needed equipment. The study also highlighted the benefits of deploying AIS, including lower operational costs, higher efficiency, improved external reporting, improved accuracy, and faster data processing in the system (Isa 2017).

The influence of the accounting information system on Procter & Gamble's organizational performance is investigated in this study. A qualitative methodology was utilized within this investigation. Questionnaires were used to collect data and it was on a Likert scale. The study takes into account a sample of P&G Limited workers and this sample consist of 174 employees. The statistical method for analysis was simple linear regression. Marketing performance was shown to charistrized with the greatest influence by the AIS, following that is the job performance. However, the financial performance, consisted with the least influence. The study found that accounting information systems had a substantial influence on P&G Limited's organizational performance (Khan 2017, Alshurafat et al. 2021).

The influence on the operational performance of Jordan's industrial companies from adapting the Accounting Information Systems is investigated. The search sample contains the businesses in various industries located in Jordan that are included on the Amman Stock Exchange list. The data showed that AISs utilized within the industrial businesses were successful in satisfying planning needs, in particular. The results also indicated that the business choices were made based on the decision-making process of executives, the board of directors has supported, which they were aligning with those ideas (Samer 2016).

5 Conclusion

Many firms have utilized accounting information systems to automate and integrate their company activities, resulting in increased efficiency and gain competitive advantage. This research analyzes the impact of accounting information systems (AIS) on business financial performance. The accounting information system's information technology (IT) component is expected to have the greatest influence on businesses since it allows them to easily track, record, and create financial and accounting data. The bulk of the statistical literature that were examined used a survey study approach to investigate the link between accounting information systems and company performance. For this inquiry, most of the studies used a very small sample size in addition to survey research methodology. Most of the researchers used indicators created by themselves and earlier experts to assess the accounting information system. Lastly, several studies focus on the influence of accounting information systems on overall company performance rather than financial success. In order to solve these concerns, additional study on the subject might be conducted.

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