



The Impact of Accounting Information Systems on Organization Performance in Malaysian Small and Medium Sized Enterprises

Yousif Mousa Sabti¹, Nael Jaafar Ali Alqudhayeb², Kawthar Mowaffak Jaber Al-Mousawi³ & Buppachat Taengkliang⁴

¹*Department of Health Administration, College of Health & Medical Technology, Sawa University, Iraq.*

²*Lecturer, Nursing College, Basra University, Basra, Iraq*

³*College of Health & Medical Technology, Sawa University, Samawah, Iraq.*

⁴*Faculty of Management Technology, Rajamangala University of Technology Srivijaya, Nakhon Si Thammarat Campus, Thailand.*

Corresponding Author: Yousif Mousa Sabti, **Email:** dr.yousef@sawa-un.edu.iq

Received: 15th April 2023

Accepted: 19th May 2023

Published: 3rd June 2023

ABSTRACT

This study aims to attain a set of goals that is the most significant of which are: identifying the factors causing the success of accounting information systems (AIS) and their repercussions on the performance of organizations in Malaysian small and medium sized enterprises. This paper utilised 101 small and medium enterprises from 2015 to 2020. The results show there are a positive effect of AIS on organizations performance. The AIS supporting the performance and raise the quality of the organization's performance. The study recommended the need to give special priority to attention to the quality of the AIS and the importance of developing AIS continuously in line with the needs and desires of the beneficiaries.

Keywords: Malaysia, accounting information systems, organization performance

INTRODUCTION

The AIS, which are systems in charge of consisting statistical and financial reports that help in administrative decision-making, either within the institution or with the external works that deal with it, for instance investors and creditors. AIS are defined as systems accountable for the financial reporting of trading parties, whether external or internal. Additional definitions of AIS are systems that process financial transaction data. In order to arrange for information to the relevant departments, the types of these systems differ due to many factors, for instance business volume, environment of business activity, amount of data, and further factors.

The check trail is considered one of the best significant means of defensive (precedent) control, the capacity to confirm the way of accounting processes in the institution, opening with the unique documents and finish with the expose of information in financial disclosure. In other words, the audit channel allows the administration to know the destination of the operational data during its different stages of processing, whether under manual or electronic accounting. Where it is possible to discover and correct errors when carrying out accounting treatments. With electronic accounting information systems, the audit trail becomes irrelevant, data is processed internally in computers and difficult to trace. This problem is compounded when companies use substations (inbound and outbound documents in one place - processing and outbound in another). In order for the auditor to successfully follow the audit trail.

The success of an AIS means that it is a high quality system and meets all the goals and requirements of the beneficiaries in such a way that it covers all the necessary work procedures now and in the future, and works in a technically correct way without errors (Azize, 2016). On the one hand, and on the other hand, the failure of AIS does not only mean stopping it, but also not using it effectively, and this is due to design, cost, data and operation problems (Sultan, 2014 & Abdullah et al., 2021). Based on the above, this research is directed to investigate the impact of AIS on “organizational performance” in “small and medium enterprises” in Malaysia.

RESEARCH PROBLEM

Most enterprises face some difficulties resulting from contemporary financial crises, which makes these enterprises unable to manage their financial and human resources efficiently, in addition to that they cannot build effective organization axes towards supporting the organizations performance, and to overcome these crises and problems, it was necessary to have a system that provides information characterized by quality, form, location and time, and

successful management in conducting its requires the presence of sufficient and appropriate information in a way that helps rationalize the “decision-making process”, and since information is the main source of “information systems” (Zeina et al., 2016 & Alikhani et al., 2013), accounting information represents one of the tools to provide the necessary information to face the successive changes in the environment business to enable the various departments to take rational decisions to support the organization performance (Yang et al., 2011 & Abbas, Ahmad-Zaluki, & Waqas Mehmood, 2023).

Based on the foregoing, the research problem can be identified in "Lack of clarity of vision about the impact of the use of AIS in organizations in general, in order to support the organization performance, and from here the issue of the study can be formulated in the next questions.

RESEARCH IMPORTANCE

The importance is one of the important topics in service organizations at the present time, as information is one of the requests that simplify the work of information systems, particularly the successful AIS. The data and information required be processing and storing, especially since information systems and their outputs have become indicative of supporting the organizations performance (Scott et al., 2012 & James et al., 2013). Supporting and directing the research field to deal with such important topics in order to benefit from them in improving their performance and contributing to achieving the competitive advantage of organizations by providing information to many parties, especially decision makers, in order to ensure for support the organizations performance.

This research seeks to achieve a number of objectives, characteristics, and objectives of AIS. Monitoring the most important factors of success or failure of AIS and their repercussions on the organization performance. Clarifying the comprehensive concept of the organization's strategic performance and the importance and requirements of its development. An attempt to improve a framework to improve the work of AIS in service organizations in a way that enables these organizations to achieve maximum benefit.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Organization performance is the main reflector of the organization's ability to serve its objectives, and others (Robins & Wiersema, 1995) are convinced that performance is the ability of the company to achieve its goals in the long term, they consider that performance results

from the ability of the organization to make optimal use of the resources it does not dispose of and directs it against prior interest in things.

Accounting is an “information system” whose main purpose is to confirm the gathering and processing of main data in order to make true and “accurate information” on the organization's activity in a unified language. "Accounting as an information system that allows defining, measuring, classifying and recording the operations of the organization with the aim of generating information capable of satisfying the needs of users after processing" (Grande et al., 2011). It is one of the mechanisms of the management information system that is accountable for collecting, classifying and processing financial transactions, transforming them into information and communicating them to the different stakeholders in order to rationalize their decisions. This system is made up of people, procedures and information technology.

The study reviewed the role of computerized AIS practical in cooperative insurance companies operating on the features of the quality of the AIC outputs. In order to attain the objects of the study, the investigative “descriptive approach” was utilised, as the secondary sources represented in books, research, scientific journals, and special reports or related to the subject under study were adopted in order to complete the theoretical framework of the study (Tatters, 2016 & Abdullah et al., 2019). By using 101 small and medium enterprises from 2015 to 2020 to the study sample.

This study determined with a set of findings, the most significant of which were: The AIS practical in the helpful insurance firms operational in Malaysian work to offer the “characteristic” of relevance, by relying on the production of appropriate information in terms of the appropriate time and its predictive ability. The computerization practical in the supportive cover firms operating in works to deliver the characteristic of trust in terms of independence, and the truthfulness of the illustration of this information so that the reports can be read in a way that is as close as possible to reality. The firms utilise of computerized AIS that provide quality features for its outputs. The concept and characteristics of AIS and the determinants of their evaluation.

The role of “accounting information” in supporting the “organizations performance”. Organizations performance is useful in making communications about the strategy of the project and finding motivation among those in charge of it to achieve the “organizations” goals and achieve simplicity and balance through the organization budget that addresses risk problems, interprets the vision, identifies and measures intangible assets such as the quality of

products compared to competitors, the extent to which an appropriate climate is provided, cooperation, team spirit and relations with the parties external, which shows the degree of commitment of suppliers and customer loyalty and the achievement of the goals of shareholders and investors.

Thus, the importance of information with a organizations perspective, which represents the restricted package of knowledge about operations, information systems, products, development, brands, and customer databases, becomes clear. Thus, the current study fills this gap by seeing such association. The next is hypothesised:

H1. The AIS are positive and strong relation with “organizations performance” of Malaysian “small and medium sized enterprises”.

RESEARCH METHODOLOGY

The current study employed the data of “small and medium sized enterprises in Malaysia” from 2015-2020. This paper utilised the data of “Bursa Malaysia” from 2015-2020. There is a different from year-to-year in the number of organizations as per the kind of analysis and time windows expected. “The independent, dependent, and control variables” are utilised in this study, for instance, (cultural stability and knowledge). This study, however, AIS, “organizations performance”, and control methods were utilised, as clarified in below.

Organization performance measured by using ROE. AIS “Measured by using index in annual reports “with a scale of 0 to 1, where a score of 0 is for non-disclosure, 1 for disclosure”. Cultural stability and knowledge by using annual reports 0 for non- indicates and 1 for indicates (Topash, 2014; Abbas et al., 2022 & Al-Saedi & Abbas, 2023).

RESULTS

Table 1 show the “descriptive statistics” in all the variables in the sample of 101 in small and medium enterprises in Malaysia annual reports from 2015 to 2020. The organizations performance displays a mean with 17.703 and while accounting information a system displays 11.890.

Table 1:

Descriptive analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
----------	-----	------	-----------	-----	-----

ROE	101	17.703	5.829	-1.665	1.880
AIS	101	11.890	4.178	0.200	3.780
Cultural Stability	101	6.351	1.861	1.000	12.000
Knowledge	101	0.508	0.121	0.211	0.733

Table 2:*Correlation analysis*

Variables	ROE	AIS	Cultural Stability	Knowledge
ROE	1.000			
AIS	0.194*	1.000		
Cultural Stability	0.862*	0.052	1.000	
Knowledge	0.022	-0.055	-0.259**	1.000

The model is examination the connection among the organization's performance and AIS in small and medium enterprises. This paper utilised an "ordinary least square" (OLS). This study suggested findings by utilising this model to enhance their comparability to that of more reviews. The model under clarifies the connection.

$$OP_{it} = \beta_0 + \beta_1 AIS_{it} + \beta_2 CS_{it} + \beta_3 KNOW_{it} + \varepsilon$$

Table 3:*Regression analysis*

Variables	OLS		VIF
	t.stat	sig	
AIS	0.67	0.051	1.30
Cultural Stability	0.08	0.094	1.14
Knowledge	0.04	0.070	1.05
Constant	0.12	0.107	
n		101	
R2 (%)		58%	
Adjusted R2 (%)		56%	
F-value	0.95		
p-value	0.48		

OLS regression is used in this paper. This study used normality (VIF). In all the cases presented in Table 3, the VIF value is fewer than 10, presenting the absence of “multicollinearity”. The results described for the model displaying a positive and important connection between AIS and organization performance ($t=0.67$, $p\text{-value}=0.051$). The cultural stability and knowledge displays a positive relationship with “organizations performance”.

The use of advanced information technologies with their continuous updating is one of the factors affecting “the success of AIS, in addition to” the administration's keenness to effectively serve customers, which is one of the pillars of the success of “information-systems”. The tool's rapid response to solve problems and identify error handling is one of the most significant services providing by “information-systems” in pursuit of the determinants of its success.

The completion of the responsibilities entrusted to the sections in the suitable manner, at the suitable speed, and in the specified standard time is one of the factors affecting the achievement of “information-systems” and a significant indicator of helping from the “outputs of the system”.

CONCLUSION AND RECOMMENDATIONS

The need for the officials of the organizations performance in small and medium enterprises under study to give different priority to the quality of its AIS, containing the ease of utilise of the system through the beneficiaries, in addition to the flexibility and reliability that this system must have. The awareness of “the small and medium enterprises” under study of the importance of developing AIS continuously in line with the requirements and needs of the beneficiaries, furthermore to provided that provision and rapid answer to the operators of this scheme.

The AIS is considered as the fundamental pillar of an institution as it is based on the accounting that converts all information and events as per the national accounting pattern, it is also based on the collection, review, monitoring and recording of these data, and his relief. In short, make decisions based solely on the information contained within recent economic changes have forced various institutions to improve their management methods to adapt to current management methods in developed countries (internal control), which facilitates the audit process and ensures management control, and the presence of audit (internal, external) ensures the effective application of internal control procedures and the reduction of possible errors and fraud, and the transition from the semi-manual process carried out by the auditor to the computer age.

Work on correcting the periodic training programs to equip those in charge of the AIS with the necessary skills and knowledge to ensure the success of the system and achieve technical competence in the performance and implementation of operations, as well as providing them with the skills of effective dealing with users. The need for higher management in the organizations performance in small and medium enterprises under study to assume its full responsibilities towards active participation in order to make this system a success, which is in line with technological developments and good planning for the activities of this system.

REFERENCES

- Abdullah, Y., Ahmad-Zaluki, N. A., & Abd Rahim, N. (2019). Supply chain strategy in initial public offering in Malaysia: A review of long-run share price performance. *International Journal of Supply Chain Management*, 8(4), 642-652.
- Abdullah, Y., Ahmad-Zaluki, N. A., & Abd Rahim, N. (2021). Determinants of CSRD in non-Asian and Asian countries: A literature review. *Journal of Global Responsibility*, 12(1), 114-135.
- Abbas, Y. A., Ahmad-Zaluki, N. A., Mehmood, W. (2023). Community and environment disclosures and IPO long-run share price performance. *Journal of Financial Reporting and Accounting*, 29(3).
- Abbas, Y.A., Mehmood, W., Lazim, Y.Y., & Aman-Ullah, A. (2022). Sustainability reporting and corporate reputation of Malaysian IPO companies. *Environmental Science and Pollution Research*, 29(52), 78726-78738.
- Al-Saedi, S. H., Abbas, Y. A. (2023). Sustainability development and organizational performance in a developing economy: Evidence from Malaysia. *South Asian Journal of Social Sciences and Humanities*, 4(2), 91-105.
- Brien, O., James. A. (2013). Introduction to information systems, (New York, The McGraw Hill Co.Inc.
- Esmeray, A. (2016). The Impact of accounting information system on firm performance: Empirical evidence in Turkish small and medium sized enterprises, *International Review of Management and Marketing*, 6(2).
- Hosein, A., Noushin, A., & and Mahdi, M. (2013). Accounting information system versus management information system. *European Online Journal of Natural and Social Sciences*.
- Grande, U. E. Estebanez, P. R. & Colomina, M. C (2011). The impact of accounting information on performance measures: Empirical evidence in Spanish SMEs. *The International Journal of Digital Accounting Research*, 11, 25-43.
- Maya Sari, N.Z., Se, M. (2016). The effect of quality AIS in Indonesian government (BUMD at Bandung Area). *Research Journal of Finance and Accounting*, 17.
- Robins, J., Wiersema, M. F. (1995). A resource-based approach to the multibusiness firm: Empirical analysis of portfolio interrelationships and corporate financial performance. *Strategic management journal*, Wiley Online Library.
- Scott George M. (2012). Principles of management information systems. New York: McGraw-Hill Book Co.
- Topash, N. K (2014). Evaluation of efficiency of accounting information systems: A study on mobile telecommunication companies in Bangladesh. *Global Disclosure of Economics and Business*, 3(1), 40-55.
- Yang, M. H., Lin, W. S., & Koo, T. L. (2011). The impact of computerized internal controls adaptation on operating performance. *African Journal of Business Management*, 5(20), 8204.