



EFFECT OF ACCOUNTING INFORMATION SYSTEM ON FINANCIAL PERFORMANCE: A STUDY OF SELECTED REAL ESTATE COMPANIES IN JORDAN

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Abstract

Accounting information system is an information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business. It is designed to record accounting transaction and events of a business and account for them in a way that complies with its policies and procedures. It is based on the database of the organization which generates information for the people in the organization to achieve the corporate objective of the organization. It is a set of records, procedures, and equipment that routinely deals with the events affecting the financial performance and position of the organization. Taking this into cognizance, the present research has been conducted to examine the impact of accounting information system on the financial performance of selected real estate companies in Jordan. Data was collected through questionnaires from 175 employees and analyzed with the application of linear regression. The findings highlighted that there is a significant impact of accounting information system on the financial performance in the company under study.

Keywords: accounting information, system, financial, performance, real estate companies, regression.

system designed to record accounting transaction and events of a business and account for them in a way that complies with its policies and procedures. It is a consistent way of organizing, recording, summarizing and reporting financial transactions. It carries out its functions with laid down rules, regulations, methods, procedures and techniques. Besides, it is a system that provides people with either data or information relating to an organization's operation to support the activities of employees, owners, customers, and other key people in the organization's environment by effectively supplying information to authorized people in a timely manner. It is a system, an assemblage of various facilities and personnel, providing information to support managerial decision-making process. Accounting information system is a financial information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business. Its main function is to acquire, process, and communicate data that is essential to the operation of the organization. It is a network established in an organization to provide managers with information that will assist them in decision making. It plays a vital role in the success of the business organisation. It is a routine and an automatic system used for gathering and communicating data for the ends of assisting and coordinating collective decision in view of the overall objectives of a firm.

Accounting information system is the process of collecting, analyzing and converting data into action. The effectiveness of an organization depends upon how well the information system performs its functions. It is an assembly of several sub systems which deal

Section-A

Introduction and Literature Review

Introduction

Accounting information system is a blend of principles, practices and theories of the accounting, information, and system. It is the

with data collection, transaction, processing, validating, analyzing and storing the information in databases. It is designed within a framework that emphasizes profit planning, performance planning and control at all levels. It contemplates the ultimate integration of required business information subsystems both financial and non-financial within the company. It is a structured approach which provides organization past, present and future accounting information to support the functions of the organization and to assist in taking appropriate administrative decisions. Moreover, it varies from one organization to another and from time to time depending on the beneficiary and the purpose of the system. The successful accounting information system would lead to the success of the organization in achieving its objectives but the unsuccessful information system could lead to the failure of the organization in achieving its goals meaning thereby an inability to grow and survive (Khan, 2017).

Literature Review

Al-Shaefee (2007) examined the impact of accounting information systems on the performance of selected petroleum companies in Yemen. He found that most of the petroleum companies in Yemen haven't applied modern Accounting Information system because the training courses provided to employees in the petroleum companies' weren't sufficient to run and treat with modern accounting information system. The author suggested that continuous training should be provided to the accountants in petroleum companies to make them familiar with advanced accounting information systems (AIS). **Sambasivam & Assefa (2013)** evaluated the effectiveness of AIS on the performance of Ethiopian manufacturing industries. The results revealed that AIS design and implementation enhances the quality of financial reports and financial transaction processes which leads to better decision making by managers and bring efficiency in internal control systems. The study suggested that policy makers should pay attention towards the current actual performance and future improvement of accounting information system of manufacturing firms. **Samuel (2013)** in the project entitled, *"Impact of Accounting Information Systems On Organizational Effectiveness Of Automobile Companies in Kenya"* find out the impact of Accounting Information Systems on the

organizational effectiveness in selected Automobile Companies in Kenya. The findings of the study show that there exists a relationship between AIS and organizational performance. However, the author highlighted challenges faced by automobile organizations like lack of proper training, high staff turnover, and lack of proper system documentation. **Ahmad & Alrjoub (2014)** in the research paper entitled, *"The Extent of the Application of the Commercial Banks in Aqaba for Modern Methods of Accounting Information Systems"* examined the relationship of accounting information systems on the performance of commercial banks and found that accounting information systems has a significant impact on administrative decisions taken by managers in selected banks. Therefore, there is need for continuous improvement in accounting information systems because of its positive role in the decision-making and investment. **Neogy (2014)** investigated the efficiency of Accounting Information Systems in selected mobile telecommunication companies in Bangladesh. It has been revealed that existence of internal control system through safeguarding of assets, reliability and accuracy of accounting information, prevention of frauds increases the efficiency of AIS. **Khan (2017)** in the research titled, *"Impact of Accounting Information System On The Organizational Performance: A Case Study Of Procter And Gamble"* examined the impact of accounting information system on the organizational performance in Procter and Gamble. Data was collected through questionnaires designed on five point likert scale. The sample size of the study is 174 employees. Simple linear regression was used as the statistical tool for analysis. The findings highlighted that there is a significant impact of accounting information system on the organizational performance in the company under study.

Section-B

Research Design

Objectives of the Study

1. To explicate the concept of accounting information system in brief.
2. To examine the impact of accounting information system on the financial performance of Noor Capital.
3. To evaluate the impact of accounting information system (AIS) on the financial

- performance of Jordan International Investment Company (JIIC).
4. To analyze the impact of accounting information system on the financial performance of Ihdathiat Coordinates.
 5. To find out the impact of accounting information system on the financial performance of Real Estate Development.
 6. To examine the impact of accounting information system on the financial performance of Afaq Holding.

Hypotheses of the Study

H₀₁: There is no significant impact of accounting information system on the financial performance of Noor Capital.

H₀₂: There is no significant impact of accounting information system (AIS) on the financial performance of Jordan International Investment Company (JIIC).

H₀₃: There is no significant impact of accounting information system on the financial performance of Ihdathiat Coordinates.

H₀₄: There is no significant impact of accounting information system on the financial performance of Real Estate Development.

H₀₅: There is no significant impact of accounting information system on the financial performance of Afaq Holding.

Research Methodology

Size of the Sample

The population of this study consists of all employees working in selected five companies.

Quota sampling has been applied to collect data from selected employees. The sample size of the study is 175.

Tools of Data collection

A well designed questionnaire has been used for collecting data from employees working in the companies namely Noor Capital, Jordan International Investment Company (JIIC), Ihdathiat Coordinates, Real Estate Development (RED), Afaq Holding. The study has two variables i.e. financial performance and accounting information system (AIS). Figure 2 highlights the research model of the study. Financial performance is taken as dependent variable whereas AIS is used as independent variable. Both the variables were rated on five-point Likert scales in a structured format with the verbal statements 'strongly disagree' and 'strongly agree' anchor to the numerals 1 and 5 with response options ranging from strongly agree to strongly disagree. The questionnaire was pre-tested several times. A total of 250 questionnaires were distributed among employees of selected companies. 75 questionnaires were rejected and 175 were accepted for analysis.

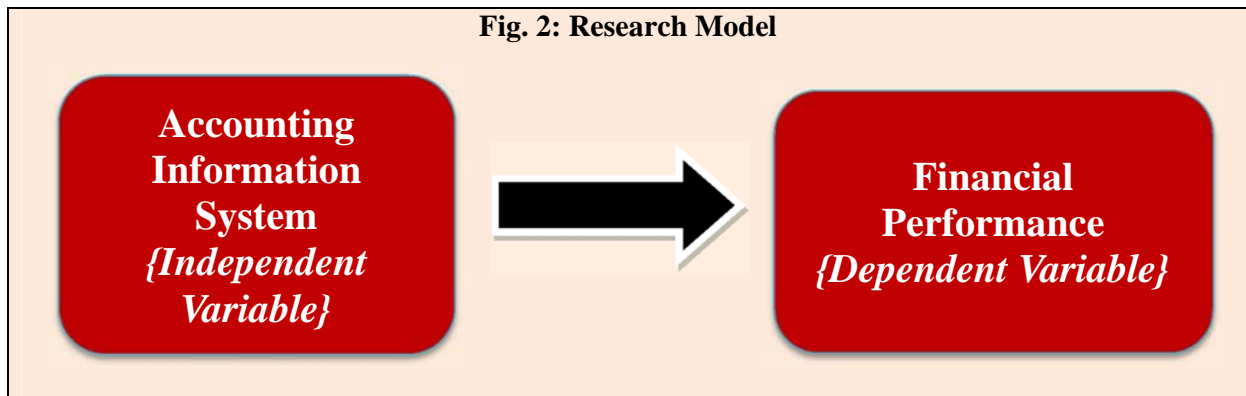
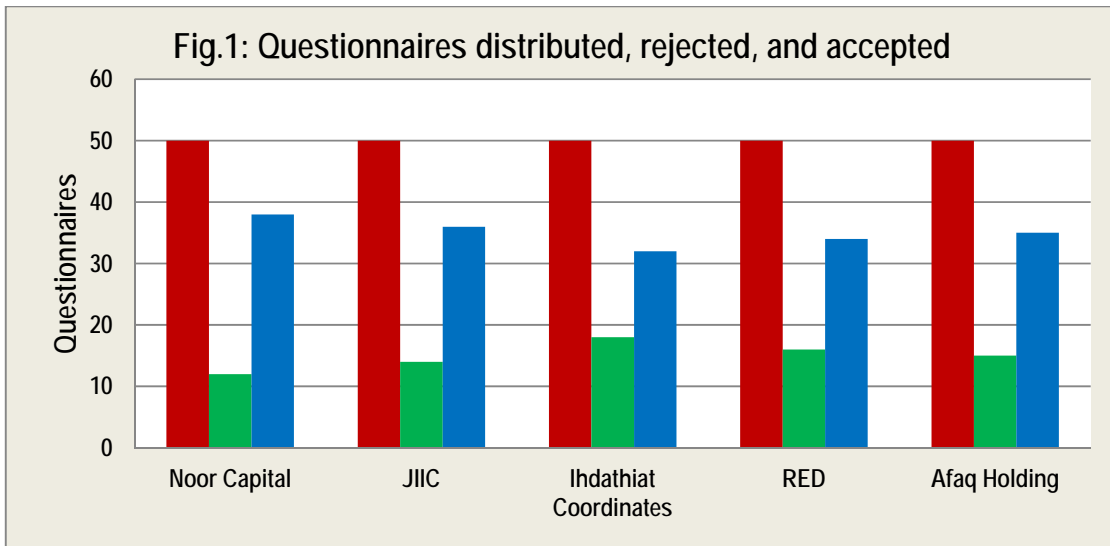
Data collection period and Statistical Tools

The data collection period was four months since September, 2017 to December, 2017. Besides, linear regression was used to analyze the results through Statistical Package for the Social Science (SPSS) 18 version.

Table 1: Sample Size

No	Selected Real Estate Companies	Questionnaires		
		Distributed	Rejected	Accepted
1	Noor Capital	50	12	38
2	Jordan International Investment Company (JIIC)	50	14	36
3	Ihdathiat Coordinates	50	18	32
4	Real Estate Development (RED)	50	16	34
5	Afaq Holding	50	15	35
	Total	250	75	175

Source: Primary Data



Section-C

Hypotheses Testing

H₀₁: There is no significant impact of accounting information system on the financial performance of Noor Capital.

H_{a1}: There is a significant impact of accounting information system on the financial performance of Noor Capital.

The impact of accounting information system on the financial performance of Noor Capital was

measured by applying linear regression. The independent variable is accounting information system and dependent variable is financial performance. The null hypothesis is that there is no significant impact of AIS on the financial performance and the alternative hypothesis states that there is a significant impact of AIS on the financial performance of Noor Capital.

Table 2: Regression Analysis-Noor Capital

Model	R	R Square	Adjusted R Square	Standard Error
1	0.799	0.638	0.634	1.2798

Source: Output of SPSS_18

Table 2 shows the values of correlation, R square, and standard error. R square shows the amount of variation in one variable (financial performance) that is accounted by another variable (accounting information system). The

value of R square is 0.638. It means 63.8 percent variation in financial performance is explained by AIS and the rest of the variation (1-R²) is an unexplained variation in financial performance due to other variables

Table 3: Regression Coefficients- Noor Capital

Model-1	Beta	SE	t	P Value
(Constant)	1.937	1.1403	14.741	0.257
AIS	0.611	0.9443	65.505	0.000

Beta: Unstandardized Coefficient

SE: Standard Error

Dependent Variable: Financial Performance

Source: Output of SPSS_18

Table 3 shows the values of unstandardized beta coefficient, standard error and t value. The value of unstandardized beta coefficients is 0.611 which means that if AIS increases by one unit, then financial performance will increase by 0.611 times. Besides, this impact is strong and statistically significant as the P value is 0.000 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Noor Capital.

H₀₂: There is no significant impact of accounting information system (AIS) on the

financial performance of Jordan International Investment Company (JIIC).

H_{a2}: There is a significant impact of accounting information system (AIS) on the financial performance of Jordan International Investment Company (JIIC).

The impact of accounting information system on financial performance in JIIC was measured by applying linear regression. The independent variable is accounting information system and dependent variable is financial performance. The null hypothesis is that there is no significant impact of AIS on the financial performance and the alternative hypothesis states that there is a significant impact of AIS on the financial performance of JIIC.

Table 4: Regression Analysis- JIIC

Model	R	R Square	Adjusted R Square	Standard Error
2	0.954	0.910	0.910	1.5875

Source: Output of SPSS_18

Table 4 shows the values of correlation, R square, and standard error. R square shows the amount of variation in one variable (financial performance) that is accounted by another variable (accounting information system). The

value of R square is 0.910. It means 91 percent variation in financial performance is explained by AIS and the rest of the variation (1-R²) is an unexplained variation in financial performance due to other variables.

Table 5: Regression Coefficients- JIIC

Model-2	Beta	SE	t	P Value
(Constant)	1.509	1.036	-4.588	0.896
AIS	0.756	1.078	15.564	0.005

Beta: Unstandardized Coefficient

SE: Standard Error

Dependent Variable: Financial Performance

Source: Output of SPSS_18

Table 5 shows the values of unstandardized beta coefficient, standard error and t value. The value of unstandardized beta coefficients is 0.756 which means that if AIS increases by one unit,

then financial performance will increase by 0.756 times. Besides, this impact is strong and statistically significant as the P value is 0.005 which is less than 0.05 at 95 percent confidence

interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Jordan International Investment Company (JIIC).

H₀₃: There is no significant impact of accounting information system on the financial performance of Ihdathiat Coordinates.

H_{a3}: There is a significant impact of accounting information system on the financial performance of Ihdathiat Coordinates.

The impact of accounting information system on financial performance in Ihdathiat Coordinates was measured by applying linear regression. The independent variable is accounting information system and dependent variable is financial performance. The null hypothesis is that there is no significant impact of AIS on the financial performance and the alternative hypothesis states that there is a significant impact of AIS on the financial performance of Ihdathiat Coordinates.

Table 6: Regression Analysis-Ihdathiat Coordinates

Model	R	R Square	Adjusted R Square	Standard Error
3	0.308	0.094	0.091	1.5164

Source: Output of SPSS_18

Table 6 shows the values of correlation, R square, and standard error. R square shows the amount of variation in one variable (financial performance) that is accounted by another variable (accounting information system). The

value of R square is 0.094 which means 9.4 percent variation in financial performance is explained by AIS and the rest of the variation (1-R²) is an unexplained variation in financial performance due to other variables.

Table 7: Regression Coefficients- Ihdathiat Coordinates

Model-3	Beta	SE	t	P Value
(Constant)	1.248	1.154	55.654	0.808
AIS	0.033	1.207	-2.048	0.789

Beta: Unstandardized Coefficient

SE: Standard Error

Dependent Variable: Financial Performance

Source: Output of SPSS_18

Table 7 shows the values of unstandardized beta coefficient, standard error and t value. The value of unstandardized beta coefficients is 0.033 which means that if AIS increases by one unit, then financial performance will increase by 0.033 times. Besides, this impact is weak and statistically insignificant as the P value is 0.789

which is more than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is accepted and it can be said that there is no significant impact of accounting information system on the financial performance of Ihdathiat Coordinates.

H₀₄: There is no significant impact of accounting information system on the financial performance of Real Estate Development.

H_{a4}: There is a significant impact of accounting information system on the financial performance of Real Estate Development.

The impact of accounting information system on financial performance in Real Estate Development was measured by applying linear regression. The independent variable is accounting information system and dependent variable is financial performance. The null

hypothesis is that there is no significant impact of AIS on the financial performance and the alternative hypothesis states that there is a significant impact of AIS on the financial performance of Real Estate Development.

Table 8: Regression Analysis- Real Estate Development

Model	R	R Square	Adjusted R Square	Standard Error
4	0.868	0.753	0.751	1.2454

Source: Output of SPSS_18

Table 8 shows the values of correlation, R square, and standard error. R square shows the amount of variation in one variable (financial performance) that is accounted by another variable (accounting information system). The

value of R square is 0.753. It means 75.3 percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to other variables.

Table 9: Regression Coefficients- Real Estate Development

Model-4	Beta	SE	t	P Value
(Constant)	1.435	0.9841	41.158	0.457
AIS	0.524	0.8695	19.504	0.006

Beta: Unstandardized Coefficient

SE: Standard Error

Dependent Variable: Financial Performance

Source: Output of SPSS_18

Table 9 shows the values of unstandardized beta coefficient, standard error and t value. The value of unstandardized beta coefficients is 0.524 which means that if AIS increases by one unit, then financial performance will increase by 0.524 times. Besides, this impact is strong and statistically significant as the P value is 0.006 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Real Estate Development.

H₀₅: There is no significant impact of accounting information system on the financial performance of Afaq Holding.

H_{a5}: There is a significant impact of accounting information system on the financial performance of Afaq Holding.

The impact of accounting information system on financial performance in Afaq Holding was measured by applying linear regression. The independent variable is accounting information system and dependent variable is financial performance. The null hypothesis is that there is no significant impact of AIS on the financial performance and the alternative hypothesis states that there is a significant impact of AIS on the financial performance of Afaq Holding

Table 10: Regression Analysis- Afaq Holding

Model	R	R Square	Adjusted R Square	Standard Error
5	0.894	0.799	0.796	1.6315

Source: Output of SPSS_18

Table 10 shows the values of correlation, R square, and standard error. R square shows the amount of variation in one variable (financial performance) that is accounted by another variable (accounting information system). The value of R square is 0.799 which means 79.9

percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to variables that has not been considered in this model.

Table 11: Regression Coefficients- Afaq Holding

Model-5	Beta	SE	t	P Value
(Constant)	1.235	1.045	86.607	0.229
AIS	0.687	0.871	24.565	0.000

Beta: Unstandardized Coefficient

SE: Standard Error

Dependent Variable: Financial Performance

Source: Output of SPSS_18

Table 11 shows the values of unstandardized beta coefficient, standard error and t value. The value of unstandardized beta coefficients is 0.687 which means that if AIS increases by one

unit, then financial performance will increase by 0.687 times. Besides, this impact is strong and statistically significant as the P value is 0.006 which is less than 0.05 at 95 percent confidence

interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Afaq Holding.

Section-D

Findings and Conclusion

Major Findings

1. The impact of accounting information system on financial performance in selected industries in Jordan was measured by applying linear regression. The value of R square is 0.638. It means 63.8 percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to variables that has not been considered in this model. The value of unstandardized beta coefficients is 0.611 and significant as the P value is 0.000 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Noor Capital.
2. Linear regression was used to examine the impact of accounting information system on financial performance of JIIC. The value of R square is 0.910 which shows 91 percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to other variables. The value of unstandardized beta coefficients is 0.756 and significant as the P value is 0.005 which was less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Jordan International Investment Company (JIIC).
3. The impact of accounting information system on financial performance in Ihdathiat Coordinates was measured by applying linear regression. The value of R square is 0.094 which means 9.4 percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to variables that has not been considered in this model. The value of unstandardized beta coefficients is 0.033 and P value is 0.789 ($P>0.05$). Therefore, the null hypothesis stands accepted and it can be said that there is no significant impact of accounting information system on the financial performance of Ihdathiat Coordinates.
4. Linear regression was used to examine the impact of accounting information system on financial performance of Real Estate Development. The value of R square is 0.753. It means 75.3 percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to other variables. The value of unstandardized beta coefficients was 0.524 and P value is 0.006 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Real Estate Development.
5. The impact of accounting information system on financial performance in Afaq Holding in Jordan was measured by applying linear regression. The value of R square is 0.799 which means 79.9 percent variation in financial performance is explained by AIS and the rest of the variation ($1-R^2$) is an unexplained variation in financial performance due to variables that has not been considered in this model. The value of unstandardized beta coefficients is 0.687 and P value is 0.006 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of accounting information system on the financial performance of Afaq Holding.

Table 12: Summary of Hypotheses Tested

No.	Hypotheses	P Value	Results
Ho₁	There is no significant impact of accounting information system on the financial performance of Noor Capital.	0.000	Rejected
Ho₂	There is no significant impact of accounting information system on the financial performance of Jordan International Investment Company.	0.005	Rejected
Ho₃	There is no significant impact of accounting information system on the financial performance of Ihdathiat Coordinates.	0.789	Accepted
Ho₄	There is no significant impact of accounting information system on the financial performance of Real Estate Development.	0.006	Rejected
Ho₅	There is no significant impact of accounting information system on the financial performance of Afaq Holding.	0.000	Rejected

Source: Based on Hypothesis Tested by the researcher

Conclusion

Accounting information system is a financial information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business. It is a set of records, procedures, and equipment that routinely deals with the events affecting the financial performance and position of the organization. It is based on the database of the organization which generates information for the people in the organization to achieve the corporate objective of the organization. It plays a vital role in the success of the business organisation. In the present study, the researcher tried to examine the impact of accounting information system on the financial performance of selected real estate companies in Jordan. Data was collected with the help of a well designed questionnaire from 175 employees from September, 2017 to December, 2017. Furthermore, AIS was used as independent variable whereas financial performance is taken as the dependent variable. The result after application of simple linear regression highlights significant impact of accounting information system on the financial performance of real estate companies under study except Ihdathiat Coordinates.

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