



**THE EFFECTS OF ACCOUNTING INFORMATION
SYSTEMS ON ORGANISATIONAL
PERFORMANCE AMONG CONVENTIONAL
COMMERCIAL BANKS IN JORDAN**

By

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ABSTRAK

Prestasi organisasi merupakan penanda aras kepada pencapaian wawasan dan matlamat sesebuah organisasi. Untuk memastikan sebuah organisasi bank terus berada di dalam kedudukan bersaing, maka prestasi organisasi memainkan peranan yang signifikan untuk memastikan organisasi tersebut terus berjaya di masa depan. Justeru itu, kajian ini bertujuan menyelidik kesan mutu sistem informasi perakaunan (AIS) daripada aspek perkhidmatan, sistem dan data sebagai angkuabah faktor kejayaan ke atas proksi prestasi organisasi dalam sektor perbankan. Kajian ini seterusnya menguji kesan moderasi proksi budaya organisasi ke atas model. Berdasarkan tinjauan literatur, kami memasukkan empat faktor penentu untuk prestasi organisasi, termasuklah kualiti maklumat, kualiti perkhidmatan, kualiti sistem, dan kualiti data. Pengumpulan data dilakukan melalui pendekatan tinjauan menggunakan soal-selidik ke atas kakitangan bank-bank komersial terpilih di Jordan. Sejumlah 520 soal-selidik telah diagihkan dan 273 set dikembalikan sempurna untuk tujuan analisis, atau pada kadar 53 peratus respons. Kaedah permodelan persamaan struktur ganda dua terkecil separa (PLS-SEM) diguna pakai sebagai metodologi penyelidikan menggunakan perisian, SmartPLS versi 3.2. Ujian hipotesis ke atas model akhir memberikan petunjuk bahawa kualiti maklumat, kualiti perkhidmatan, kualiti sistem, merupakan determinan signifikan kepada prestasi organisasi, sementara hasil penyelidikan menunjukkan bahawa mutu data tidak memberikan pengaruh kepada prestasi organisasi. Analisis lanjut menjelaskan bahawa budaya organisasi moderasi terhadap penggunaan AIS secara positif dan signifikan di antara prestasi organisasi dengan faktor pencapaian AIS (mutu informasi, mutu perkhidmatan, and mutu system), mengesyorkan bahawa penerapan budaya organisasi yang positif terhadap AIS akan meningkatkan prestasi organisasi. Hasil juga menunjukkan bahawa budaya organisasi tidak memberikan kesan moderasi yang signifikan dalam hubungan di antara mutu data dan prestasi organisasi. Salah satu sumbangan dari kajian ini adalah mencadangkan suatu kerangka kajian yang holistic untuk mengukur prestasi organisasi berdasarkan mutu AIS yang digunapakai. Hasil kajian ini akan menjadi pemangkin kepada penyelidik masa depan untuk melakukan kajian yang serupa dalam sektor lain di Jordan, mungkin juga dalam konteks dan perspektif yang berbeza.

Katakunci: Sistem maklumat perakaunan (AIS); prestasi organisasi; permodelan persamaan struktur ganda dua terkecil separa (PLS-SEM); budaya organisasi sebagai moderator; sektor perbankan Jordan.

ABSTRACT

Organisational performance is the ontological benchmark to any organisation in terms of vision and mission achievements. In order to ensure that the bank is staying competitive, then the organizational performance plays a significant role to ensure that the organisation could be successful in the future. Hence, the purpose of this study is to investigate the effects of the accounting information systems (AIS) qualities in terms of services, systems, and data, as a success factor on organisational performance proxy of the banking sector. The study further tests the moderating effects of organizational culture on the model. Based on literature review, we include four predictors or determinants for the organisational performance namely, information quality, service quality, system quality and data quality. Data is collected using questionnaire survey approach on employees of the selected commercial banks in Jordan. A total of 520 questionnaires are distributed and 273 sets are considered for the analysis, or about 53 per cent response rate. Partial least squares structural equation modelling (PLS-SEM) has been employed as a research methodology using a software, Smart PLS version 3.2. The hypotheses of the final model results suggest that the information quality, service quality, system quality are the significant determinants or factors of organisational performance, meanwhile the results indicated that data quality has no relationship with organizational performance. Further analysis reveals that organisational culture moderate significantly and positively to the model on relationship between AIS success factors (information quality, service quality, system quality) and organisational performance, while the results have shown the OC has not moderate significantly and positively the relationship between data quality and the organizational performance. Suggesting that the adoption of positive culture by the banks on AIS will improve their performance. Therefore, effective accounting information systems in well-managed organisational culture environment can improve work performance and increase the efficiency of the operational activities both in the short-run and long-run. The results from this research contributes a holistic framework for measuring organisational performance based AIS qualities. The finding triggers future researchers to conduct similar studies for other sectors in Jordan, possibly in different contexts and perspectives.

Keywords: Accounting information systems (AIS); organizational performance; partial least square structural equation modelling (PLS-SEM); organisational culture as moderator; Jordanian banking sector.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Within the last two decades, the field of accounting as a profession has tremendously been affected by the global changes due to technological innovations and economic advancement that surfaces the global world. These global changes, resulted in interdisciplinary connection among numerous scientific disciplines with also the integration of objectives in such a way that enhances all businesses and other entities. As a result, accounting as a discipline is not an exception from these global phenomena (Taddesse, 2015). The expansion and practice of information technology innovations within the field of accounting, has produced a number of challenges to the traditional accounting system which necessitated for the pursuance of sustainable alternatives to be able to manage these challenges and hence, keep it competitive in line with international best practices (Alrabei, 2014). While the rapid and significant changes brought by the information technology affected the modern business environment, banking and other financial institutions are expected to be more abreast and elastic to such technological changes in order to operates within the global practices (Shkurti & Madhi, 2015).

Under the new technological advancement within the financial institutions, the use of Accounting Information System (AIS) in commercial banking activities indicate the strength and efficiency to provide the essential information required for performance appraisal and other policy decision-making (Almbaidin, 2014). This vital information is regarded as an indispensable requirement for policy making in commercial banking operations as long as they possessed the good features of decision making tools. In other words, the emergence as well as advent of accounting information systems and

globalisation have mandated corporate organisations and business entities to adopt and utilised the AIS in order to survive and remain competitive (Abdelhak & Dalel, 2013). Among financial institutions, banks are regarded among the most significant sectors that are affected by this development, and hence the need to transform to the use of accounting information systems which led to the improvement of the financial and administrative performance and the rapid expansion of decision making processes in the banking sector, as its provide tools which effectively enhance the process of decision making and performance evaluation (Hanini, 2012).

Hence, there is a need for more practices of accounting information system in various financial institutions to allow the management of commercial banks to secure and maintain the global competitive advantage (Abdelhak & Dalel, 2013). However, the extent to which the increasing need for accounting information system will enhance the operational activities of commercial banks remain uncertain, since it provides an avenue on how to manage and enhance the operational services rendered to the clients, hence, evaluating organisational performance (Muhindo, Mzuza, & Zhou, 2014). A large number of financial institutions including the banking sector are yet to incorporate the accounting systems in daily operational activities, thus, this call for attention regarding some policy issues and performance of these institutions.

Consequently, the banking institutions are expected to develop and widely expand its various kind of information systems, specifically the AIS (Wedyan, Gharaibeh, Abu-dawleh & Hamatta, 2012). This will assist to be in the right track of developments and to comprehend the best and possible benefit from the diversified services and other facilities provided by technological advancement to enhance and develop operational services rendered by banks to their clients, and to keep abreast with international best practices both within and outside (Alrabei, 2014). It is an undeniable phenomenon that

these information systems are affected by complications either internal or external. Consequently, the provision of reliable information that will increase the level of confidence and objectivity among clients and also possessed the required characteristics to maintain efficiency, should be reliably provided by the developed information system (AL-Reface, 2012).

In view of that, this study is aimed at examining the effects of information system (hereafter Accounting Information System; AIS) on organizational performance of conventional commercial banks in Jordan under the contemporary technological advancement, with particular reference to measuring the proxy variable of AIS including information quality, system quality, data quality, and service quality. This study is aimed to evaluating the effectiveness of these information systems in terms of providing adequate and reliable information for decision-making in the complex world of dynamic information technology.

The rest of this chapter, therefore, is sectionalised as follows: section 1.2 provides the general background of the AIS and its significance on the operational activities of commercial banks in Jordan; section 1.3 highlighted the general idea and summary of the banking sector in the Jordanian economy taking into cognisance various types of banks functionally operating in the economy; section 1.4 identifies the problem statement that motivated this study including various issues related to adoption, use, and implementation of the AIS in the Jordanian economy; section 1.5 deals with the research questions that guides this study; section 1.6 itemised the research objectives that need to be achieved at the end of the study; section 1.7 discusses the significance of this study to the contemporary body of knowledge and the government of Jordan at large; section 1.8 measure the boundary and scope of this study; section 1.9 provides a detailed organisation

of the chapter as they relates with each other; and finally, section 1.10 provides the review and summarise the contain of the whole chapter for ease of understanding.

1.2 Research Background

The use of AIS in Jordanian commercial banks is a development traceable to the growing information technology revolution in developing countries generally. On a global scale, report from the World Economic Forum (WEF) of development itemised the drives and several initiatives of development required by the developing countries to support their economic reform policies (Hamdan, 2013).

Banks in general, plays an essential role in the growth and development of an economy. However, the strength of any economy depends on a sound and vibrant financial sector, particularly banking industry. This is because the banking sector provides the platform for transforming deposit into credit thereby generating savings and viable investment that drive economic growth and development of a nation, whether developed, underdeveloped, or developing countries (George et al., 2013; Otto, Ekine, & Ukpere, 2012). Similarly, in decision-making and other organisational planning, banking activities have a lot of implications for the investors, depositors, government, policy-makers, and other stakeholders (Haque & Tariq, 2012) . Therefore, the efficiency or otherwise of the banking sector as well as its effectiveness or ineffectiveness always have impact on a nation's economy (George et al., 2013; Otache, 2015)

In any economic system, financial institutions particularly the banking activities are regarded among the most essential activities of the given society. The efforts of the banks in its various capacity to perform these transactions are determined by societal outputs, which may be viewed in their wealth and validity of estimation. A reliable information database is required to allow banks to perform this function. Hence, this may

appear very difficult except with the valid Accounting Information System (AIS) within the banking operations. Accounting Information System (AIS) has proven to have the potentials of providing efficiency and accuracy of accounting services in terms of relevant information at the highest possible cost and speed, hence, the urgent needs for commercial banks to adopt these technology in its functional and operational activities (Hamdan, 2013).

The global economy is experiencing a flexible and dynamic developments in many discipline and professions, AIS are associated to a number of these development which adversely affect most business entities. In spite of providing reliable information, this innovation is supplemented by a huge expansion in finance and the entire business world (Aldalayeen, Moh'd Alkhatatneh, & AL-Sukkar, 2013). Accounting Information System (AIS) plays a significant role in the execution of accounting functions and activities (Alamin, 2013; Zakaria, Ilias, Wahab, & Xu, 2017). Functional and operational accounting activities that are hitherto executed manually are now implemented using advanced information technology (IT) facilities (Ramli, 2013). According to Fardinal, (2013) "AIS are regarded as key specialised technology applications deployed by organisations to facilitate and support accounting tasks". These AIS -as a technological innovations- plays a significant role in managing the activities of organisations through facilitation of accounting transaction processes which allow for reporting of comprehensive accounting information to stakeholders and other decision makers of the organisation (Andric, Mijic, Jaksic, & Vukovic, 2011). Evidence shows that AIS is increasingly being implemented globally by various organisations (Alamin, 2013; Pulakanam & Suraweera, 2010).

However, the extent of use and adoption of this AIS by organisational accountants will determined the level of its implementation (Pulakanam & Suraweera, 2010;

Vatanasakdakul, Aoun, & Li, 2010). In another development, Alamin (2013) postulated that, the decision by any organisation to employ and implement AIS in its functional activities does not explained the fact that AIS will be utilised to its fullest potentials by accountants. Empirical evidence by Hamdan, (2013) showed that a large number of organisational accountants particularly those operating in developing countries; Jordan economy is inclusive, encountered numerous challenges during the implementation practice of AIS.

Furthermore, Salehi, Rostami, & Mogadam, (2010) postulated that an accounting system has two dimensions: it can either be simple that is; paper-based (manual system) or it can be complex (automated system) that is computer-based and IT applications. In this contemporary era of information technology, the major hindrance is that paper-based or manual AIS has proven to be inadequate and deficient in providing more effective and reliable information for organisational decision-making (Brecht & Martin, 1996). In addition, AIS also serves as a guide in organisational operations through evaluating previous performance, forecasting future operations and outcomes, as well as controlling current operations. The utilisation and practice of AIS has shown to improve the functions of accounting activities including recording, processing, and reporting of other related accounting procedures in an organisation. Moreover, Ramli, (2013) argued that without effective implementation of AIS, organisations may encounter difficulties in efficiently reporting the organisational performance and outcome to its internal and external users.

Among the internal users are the managers, whom due to lack of knowledge on AIS are likely expected to take incorrect decisions and hence further endanger the bright future of the organisation. In this contemporary generation, every corporate organisation particularly the commercial banks requires the use of AIS to enhance the management and control of financial resources. This study identifies the most essential variables

namely; data quality, information quality, system quality, and service quality which are the success factors of AIS in banking institutions.

To ensure successful adoption or implementation of AIS, it is essential to re-examine the quality of the system as information quality, service quality, system quality and data quality utilised during the process of adoption (Delone & McLean, 2003; Nelson, Todd, & Wixom, 2005). Similarly, Wongsim, (2012) submitted that “the influence of information quality dimensions affects the advantage of AIS adoption. This is because information quality dimensions utilised in AIS adoption can help organisations to understand the requirements for delivering high quality information”. Furthermore, the adoption of AIS requires quality information in order to function effectively, thus, quality information is vital in all accounting procedures.

An appropriate AIS is significant and vital to ease of doing business by organisations either at present or forthcoming generation. A large number of literatures (Ahmad, 2016; Neely & Cook, 2011; Ussahawanitchakit & Phonnikornkij, 2006; Wongsim, 2012) debated that an appropriate implementation of AIS involves the needs for high quality information and efficient data for decision making. As such, organisations need to be more acquainted with, and further recognise the essential benefit of adopting AIS, as it is vital to the business activities in terms of organising, managing and operating all accounting processes in the organisation. Similarly, Azizi (2009) submitted that the problems of AIS quality appeared to be of highly concerned in many organisation and strive to continuously improve the adoption and efficiency of AIS in respect to its operations and organisational performance as a whole.

The conceptualisation of organisational performance according to Hyvönen, (2007) is defined as the efficiency and effectiveness of quantifying process of action that

increases the organisational productivity. In management and marketing context, Hussein (2011) identify that performance measurement highlights the process of measuring the efficiency of certain business actions which are regarded as essential factors that contribute to the achievement of business objectives. This can be measured using either the financial measurements (Chow & Van, 2006), and/or non-financial measurements (Ames, Brazel, Jones, Rich, & Zimbelman, 2012). On the other hand, organisational culture determine and supports the performance level of an organization, as it supports its success and well-being. It serves as a compass that aids the navigation of company through the defined policies that affects human resource management, customers' relationship management and competitive advantage edge (Babulak, 2006; Tharp, 2009). Achieving organisational performance through the usage of AIS, and with due consideration of the organisational culture is the main thrust of this study.

1.3 Overview of Jordanian Banking Sector

The AIS systems application has evolved and this has also aided the advancement of technology-supported banking operation in Jordan. The banks in Jordan employ new technologies in facilitating data processing and information appropriate for speed and timely connection with the world's economic and financial market. This has encouraged to provide timely, adequate and error-free information for planning, controlling and decision-making purposes (Wedyan et al., 2012).

Banks are generally grouped as central banks, commercial, and specialised banks. The specialised banks include industrial, agricultural, cooperative, real estate, and saving deposit banks. The duties of the central banks include supervising and controlling other banks, as well as proposing monetary policy direction. The central bank is also called the apex bank and banker to the government, because it issues and manage local currency on

behalf of the government, and also keeps public accounts. Other responsibilities are the management of gold and foreign currencies reserves, as well as establishing the financial policy of the state for monetary stability (Maziad, 2009). In any country, the fundamental unit of any banking sector is the commercial banks since they deal with the acceptance and keeping of customer's deposit in the form of savings which are regarded as the essential components of investment.

The duty of specialized banks, as another form of commercial bank, is to fund certain sectors of the nation's economy. Banks can also be categorised into industrial banks, because they make available medium and long-term services for business organisations and industries particularly those categorised as small-and-medium enterprises. Another category is the agricultural banks, which provide banking services to agro-allied industries and other small scale farmers, assisting them to perform their roles in the development of agriculture (Hamdan, 2013). Likewise the cooperative banks, which make available numerous services to the local multi-purpose cooperative societies including granting of loanable loans at a lowest possible rate of interest. Furthermore, the real estate or mortgage banks also make available a number of banking services to individuals or corporate organisations in respect to provision of residential houses, plots and other construction facilities. Finally is the saving deposit banks, which also provide credit facilities to micro enterprises, sole proprietorships and other small business employees (CBJ, 2014).

There are thirteen (13) commercial banks, three (3) Islamic banks, one (1) foreign Islamic banks and eight (10) foreign banks, making the total number of banks in Jordan to be twenty-seven (27). In accordance, Table 1.1, 1.2 and 1.3 show the list and year of establishment of the commercial banks, Islamic banks and foreign banks in Jordan, respectively (CBJ, 2014).

Table 1.1: Total number of conventional commercial banks in Jordan

S/N	Name of Bank	Year of Establishment
1.	Arab Bank	1930
2.	Jordan National Bank	1956
3.	Cairo Amman Bank	1960
4.	Bank of Jordan	1960
5.	The Housing Bank for Trade & Finance	1974
6.	Jordan Kuwaiti Bank	1977
7.	Arab Jordan Investment Bank	1978
8.	Jordan Commercial Bank	1978
9.	Jordan Investment & Finance Bank	1989
10.	Arab Banking Corp./ Jordan	1989
11.	Union Bank	1991
12.	Societe General – Jordan	1993
13.	Capital Bank	1996

Source: Central Bank of Jordan (CBJ), 2014.

Table 1.2: Number of domestic (local) Islamic banks in Jordan

S/N	Name of Banks	Year of Establishment
1.	Jordan Islamic Bank	1978
2.	International Islamic Arab Bank	1997
3.	Jordan Dubai Islamic Bank	2009

Source: CBJ, 2014

Table 1.3: Number of foreign Islamic banks in Jordan

S/N	Name of bank	Year of Establishment
1.	Al Rajhi Bank	2011

Source: CBJ, 2014