

Impact of Computerized Accounting Systems on the Quality of Financial Reports in the Banking Sector of Ghana

Simon Akumbo Eugene Mbilla*

Department of Business Studies, Regentropfen College of Applied Science, PMB, Bolgatanga.
Department of Accountancy, Bolgatanga Technical University, P. O. Box 767, Bolgatanga
Corresponding author*

Joseph Dery Nyeadi

Management Studies Department, University of Mines and Technology, P. O. Box 237, Tarkwa

David Amoah Akolgo

Department of Accountancy, Bolgatanga Polytechnic, P. O. Box 767, Bolgatanga

Maxwell Awineyesema Abiire*

Department of Accounting, University of Cape Coast Business School, Cape Coast

Abstract

The ongoing advancement of information technology has affected accounting information systems; PCs become smaller, quicker, simpler to utilize and more affordable prompting the computerization of accounting information systems. This research is therefore designed to examine the impact of computerized accounting systems on quality financial reports of banks in Ghana. The instrument of data collection was the survey method. The study population comprised of all banks listed on the Ghana Stock Exchange. The quantitative research approach was adopted for the study and data processed using Statistical Package for Social Sciences (SPSS) programming version 21. Findings from the study discovered that taking all other autonomous factors at zero, a unit increment in automated computerized accounting system will bring about 0.50 increment in the quality of financial reports of banks. The implication of this study is that, for banks to have quality financial reports efforts must be made to invest in computerized accountings systems so as to improve the speed, practicality, accuracy and relevance of the financial reports of their operations.

Keywords: Financial Reports, Banks, Computerized Accounting, Quality Reports, Information Technology

DOI: 10.7176/EJBM/12-17-12

Publication date: June 30th 2020

Introduction

Accounting is the basic foundation of any business, large or small proprietors, profit making or non-benefit making associations. Several small businesses do their bookkeeping manually and they are fulfilled. Others might be thinking about utilizing a mechanized framework, since accounting programming is much affordable. Manual and modernized accounting frameworks perform essentially similar procedures, accounting standards and ideas are the equivalent with contrasts lying in the details of the procedure. In spite of the fact that automated accounting framework is costly, its points of interest lie on speed and having the option to store data.

According to Sugut (2012) accountability refers to a condition under which a role holder renders account to another so that judgment may be made about the adequacy of performance. Vance (2015), equate accountability not only to reporting but also to the justification of performance, they continue to describe accountability as the implicit and explicit expectations that anyone may be called upon to justify one's belief, feelings and actions to others. Computerization saves time on transaction hence leading to quality of financial reporting for instance timely, accurate and reliable information can be generated Alfred (2014). As information technologies grow more progressively, the manual accounting systems have become gradually inadequate for decision needs Brecht and Martin, (2013).

Consequently, public and private sector firms for that matter banking industries in both developing and developed economies view computerization as an automobile mechanism to ensure effective and efficient information flow in the recording, processing, and analysis of financial data. Effective and efficient information flow enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives Manson, McCartney, and Sherer, (2001).

This study is to evaluate and analyse the influence of computerized accounting systems to the corporate entity profitability and how an organisation can use computerized accounting systems as a strategic mechanism to take competitive advantage in the industry. Also to establish the effect of computerized accounting systems on the quality of financial reports of banks

2.0 Review of Literature

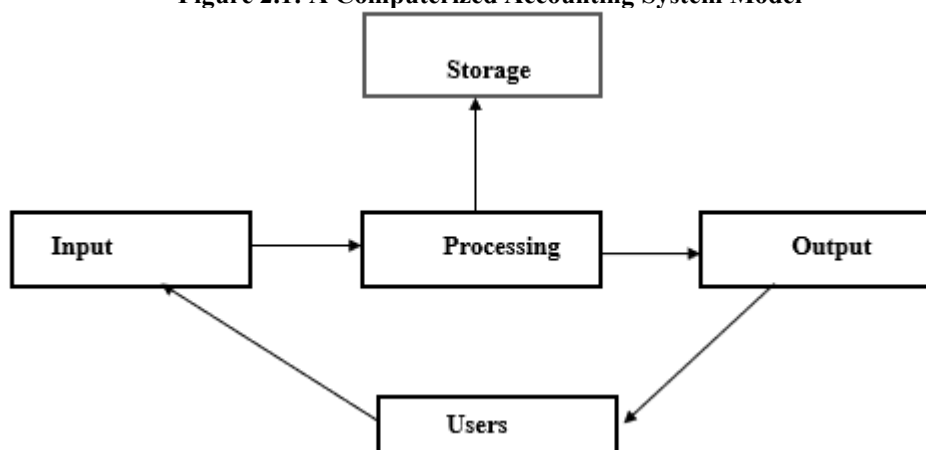
2.1 Theoretical Review

This section dealt with the theories that were important to the subject of this study. The theories included systems theory, positive accounting theory and resource-based review theory.

2.1.1 Systems Theory

Kaufmann (2015) developed systems to explain historical development as a dynamic process and was more fully developed by biologist Bertalanffy (2016). Bertalanffy argued that everything is interconnected and therefore, we should study the interconnectedness as a means of understanding the world. The systems theory method of analysis involves, first the deconstruction of what is to be explained that is the phenomenon under consideration, secondly, the formulation of explanation that account for the behaviour of properties of the component separately and finally the synthesis of these explanations into an aggregate understanding of the whole. General systems theory like other innovative frameworks of thought passes through phases of ridicule and neglect. It has benefited, however, from the parallel emergence and rise to importance of computing and information theory. Systems theory is relevant to this study because the methods proposed by the theory is to model complex entities created by multiple interaction of components by abstracting from certain details of structure and component and concentrating on the dynamics that define the characteristics functions, properties and relationships that are internal or external to the system, Computerized Accounting System is a computer based system, which combines accounting principles concepts as well as the concept of information system to record, process, analyse and produce financial information to its users to make economic decisions Gelinas et al, (2005). The illustrative figure below relates the CAS to systems theory since it involves multiple components which interact to generate usable results these are input, processing storage, users and output.

Figure 2.1: A Computerized Accounting System Model



Sourced Gelinas et al (2005)

2.2 Computerised Accounting Systems

A computerized accounting system involves the computerization of accounting information systems which is established in order to facilitate decision making Manson, McCartney, and Sherer, (2001). These are associated with number of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting. Effective and efficient information flow enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives Manson, McCartney, and Sherer, (2001). This in turn, may increase the prospects of the firm's survival Platt and Platt, (2012). This can be evaluated by the procedures, accounting records and tools used Keating and Frumkin (2003).

2.3 Empirical Review

This section discussed the empirical review both international and local evidence of studies that had been carried out by other researchers.

2.3.1 International Evidence

Alshebeil (2010) aimed to identify the role of accounting information systems in having competitive advantage for Jordanian commercial banks, and his findings were that there is a statistically significant impact for accounting information systems on achieving the dimensions of competitive advantage by improving the pricing process for banking services, reducing costs of banking services, increasing the speed of providing services, and increasing market share.

Amveko (2011) in which she aimed to identify the impact of accounting information systems on financial reporting in Kampala, the financial reports generated conform to some of the quality attributes of good financial

information. This was emphasized by a positive correlation of response on quality attributes of timeliness and accuracy; though it was on a low scale her findings were that computerized accounting system actually has an influence on the quality of financial reports for publication purposes.

El- Dalabeeh (2012) aimed to identify the role of computerized accounting information systems in reducing the costs of medical services at King Abdullah University Hospital, and his findings were that computerized accounting information systems play an important role in reducing the costs of medical services at King Abdullah University Hospital compared with non-computerized systems, which usually require bigger costs and do not contribute to reduce the costs of medical services.

2.3.2 Local Evidence

A study conducted by Otieno and Oima (2013) they studied the Effect of Computerised Accounting Systems on Audit Risk Management in Public Enterprises, the study reflected that only 36% of the institutions reported that they had a regular program or equivalent in place while another 24% were in the process of implementation of the computerised system. More than 40% of the participating institutions lacked computerized audit implementation plan.

3.0 Research Methodology

This study adopted the survey method as a research design. The study was conducted in Ghana and the population made up of all banks listed on the Ghana Stock Exchange. The researcher engaged 300 respondents from the twelve listed banks in the Ghana Stock Exchange using the purposive sampling technique. This was informed by Saunders et al, (2007), Zikmund (2001). The quantitative research approach was explored due to the nature of the study objective.

3.1 Methods of Data Collection

This study used primary data and secondary data. Primary data are those which are collected at fresh and for the first time Kothari (2005). We obtained these data for the first time through questionnaires and observations. Secondary data are data that are already available and refer to data that have already been collected and analysed by someone else Kothari (2005). Secondary data were obtained through documentary review, which included published and unpublished documents, and different reports.

Questionnaire: In this study the questionnaire was the main mechanism for data collection. We used the questionnaire because it is fast, and it gives the respondents enough time to mirror on the questions. Since each respondent was asked to respond to the same set of questions, it provided an efficient way of collecting replies from a large sample prior to measurable analysis Saunders et al, (2007).

Observation: Some data will be acquired from non-participatory observation. We predicted some of the information concerning computerised accounting systems in the municipality and to the country as a whole.

3.2 Analysis and Presentation

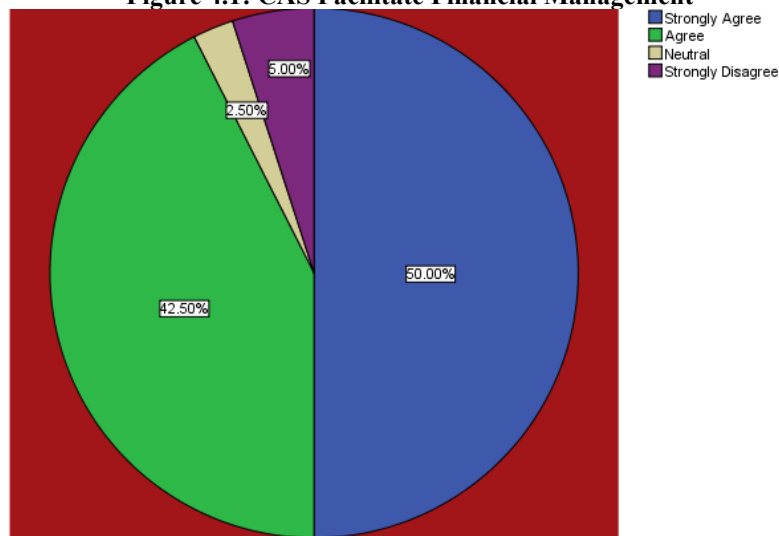
The collected data was processed using the statistical package for social sciences (SPSS). Data were presented in tables and bar charts. Descriptive statistics will be used to analyses data for the purpose of understanding the main characteristics of the research variables. Cross tabulation was used to determine the relationships between variables. These techniques of data presentation and analysis were chosen because they are easily applicable and understandable.

4.0 RESULTS AND DISCUSSION OF FINDINGS

4.1 Descriptive Analysis of Computerize Accounting Systems

The researcher further needed to know the effects of computerized accounting systems on the quality of financial reports

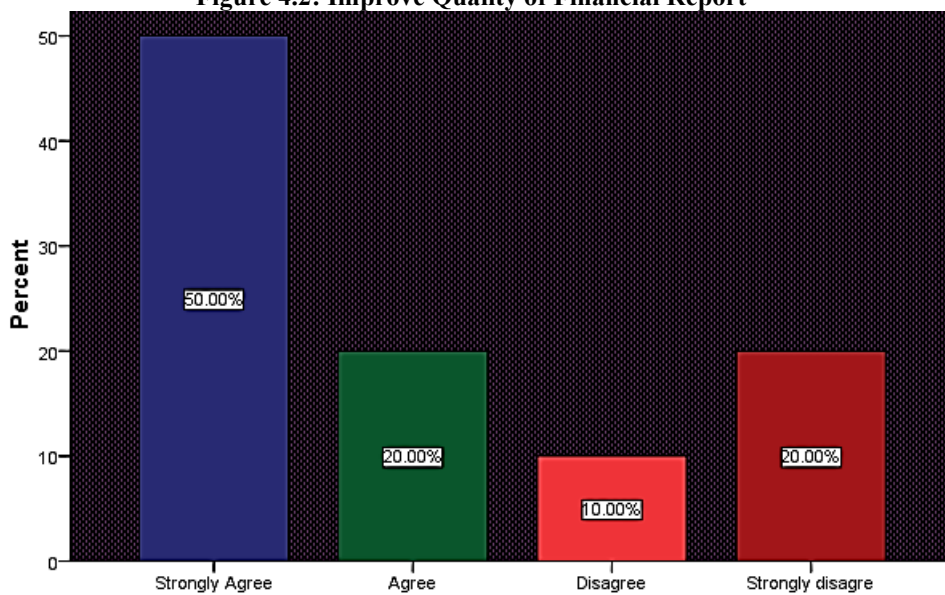
Figure 4.1: CAS Facilitate Financial Management



Source; field survey, 2018

Figure 4.4; shows whether CAS facilitate financial management in the bank, Out of the 300 (100%) of the respondents. 50% of the respondents strongly agreed, 42% of them agreed, 2.5% were uncertain and 5% of them strongly disagreed. Henceforth, there is enough evidence for us to confirm that, CAS facilitate financial management in banking industries.

Figure 4.2: Improve Quality of Financial Report



Source: field survey 2018

Figure 4.5; depicts that out 100% of responses, 50% of the respondents strongly agreed, 20% agreed, 10% disagreed and 20% of them strongly disagreed that, CAS improves quality of financial report in the banks. Based on these result, we can conclude with the level of 50% and 20% that CAS improve quality of financial report in the bank.

Table 4.1: CAS Software Packages Use in the Banks

Software packages	Extent of usage
Sage	Very great extent
Quick books	Very great extent
Sap	Very great extent
Tally	Very great extent
Peachtree	Very great extent
T24	Very great extent
R15	Very great extent

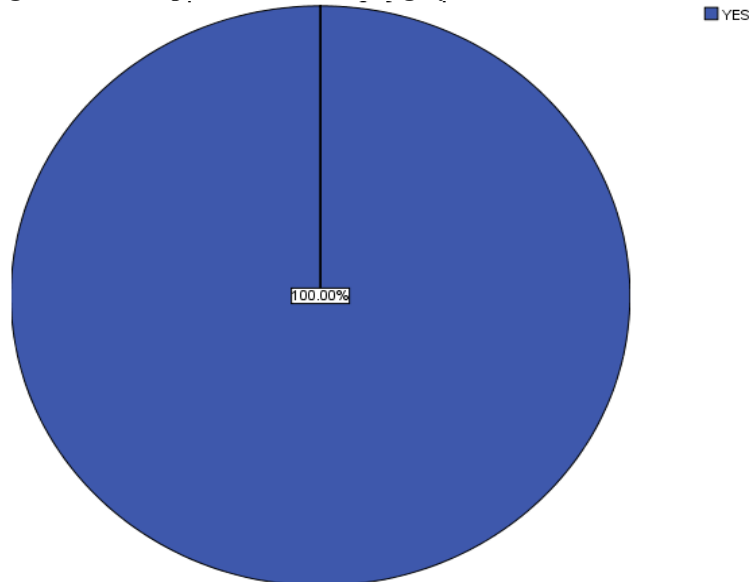
Source: field survey 2018

Table 4.5; shows some of the software packages the banks use and the extent to the usage of those software in the bank.

4.2 Quality of Financial Reports

The researchers sought to know the NGOs responses on the quality of financial reports.

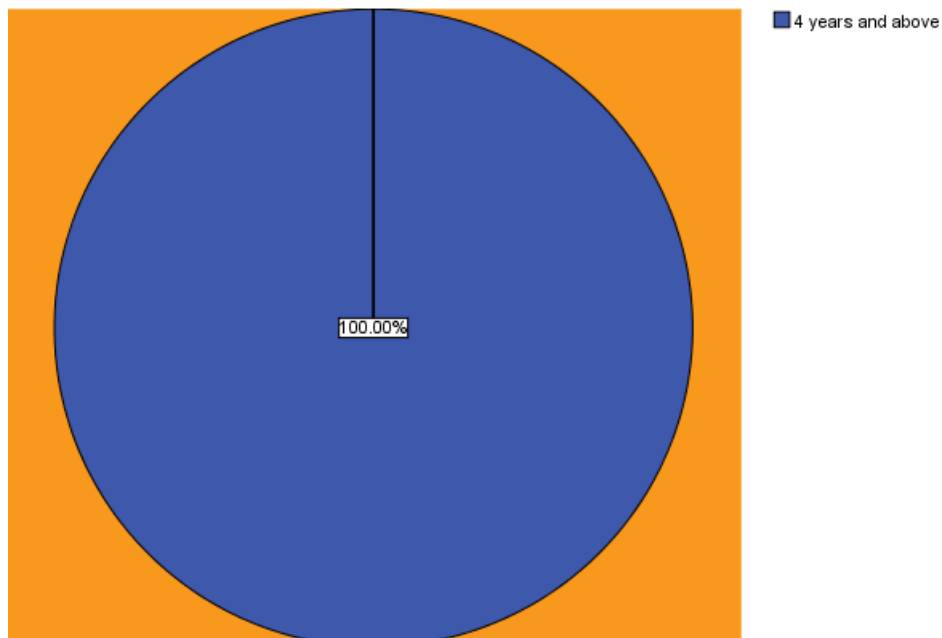
Figure 4.3: Computerized Accounting System Part of the Business Activities



Source; field survey, 2018

Figure 4.2; shows that all the 300 (100%) of respondents, agreed to the response YES CAS is part of the bank business activities. Thus we have enough evidence to justify that, the bank uses CAS in its business activities with 100% level of confidence.

Figure 4.4: The Bank Being Practicing Computerized Accounting



Source; field survey, 2018

Figure 4.3; depicts how long banks has been practicing CAS, where 300 (100%) of the respondents said, the banks has been practicing CAS four (4) years and above. Hence there is enough proves to say, the banks incorporated CAS into their business activities four years and above now.

Table 4.2: Reliable Information on Computerized Accounting System Implementation

Response	Frequency	Percentage (%)
Strongly Agree	90	30.0
Disagree	60	20.0
Strongly Disagree	150	50.0
Total	300	100.0

Source; field survey, 2018

Table 4.3; portrays that, 90 (30%) strongly agree, 60 (20%) disagree and 150 (50%) strongly disagreed that, there is sufficient reliable information on CAS implementation. Thus we can confidently confirm that there is no reliable information on CAS implementation in banks.

Table 4.3: Financial Report Produced Provide Relevant Information to Stakeholders for Decision Making and Planning

Response	Frequency	Percentage (%)
Strongly Agree	120	40.0
Agree	135	45.0
Disagree	30	10
Strongly Disagree	15	5
Total	300	100.0

Source; field survey, 2018

Table 4; illustrates whether CAS report provide relevant financial information to stakeholders for decision making and planning. The table presented that out of 300 (100%), 40% of the respondents strongly agreed, 45% of them agreed, 10% of them disagreed and 5% of the respondents strongly disagreed.

For that matter, we have 45% and 40% level of confidence to say the CAS provides relevant financial information to stakeholders for decision making and planning.

5.0 Summary and Conclusion

The study showed that quality of computerized accounting systems affects the quality of financial reports of banks to a great extent. The aspects of computerized accounting systems affect the quality of reports of the bank to a great extent include timeliness, speed, accuracy and quality of package used. It was observed that, the quality of the financial reports are good with the majority agreeing that the information in the reports are accurate, helps in accountability, improve quality of financial report in the bank and relevant.

This finding agrees with what Amveko (2011) studied in which she aimed to identify the impact of computerized accounting information systems on financial reporting in Kampala, the financial reports generated conform to some of the quality attributes of good financial information. This was emphasized by a positive correlation of response on quality attributes of timeliness and accuracy though it was on a low scale her findings were that computerized. The study concludes that computerized accounting systems factoring in its speed, timeliness, accuracy reliability and the possibility of producing quality data affect the quality of financial reports of the banks in Ghana.

5.1 Recommendations for Policy

From the study findings, it was clear that computerized accounting system in terms of its speed, timeliness, accuracy and quality of reports generated, affects the quality of financial reports of the bank. The study therefore recommends that in order to ensure that the bank have quality understandable reports; they should invest in computerized accounting system since it is seen to affect the financial reports to a great extent

REFERENCE

- Alshebeil, A.H. (2010). Accounting Information Systems and organization, theory with Study Case Dar Althaqafa library for publishing and distributing, Jordan, 39, 26
- Amveko, A. (2011). Computerized Accounting Systems and Financial Reporting, unpublished B.s, Makerere University, Kampala.
- Barney, J.B. (1995). Looking inside for competitive advantage, Academy of Management Executive, 94, 49-65.
- Boice, J. (2004). The Accountability, Accessed on 21 July 2004 at www.afpet.org/contntdocuments/marap04cover.pdf
- Carol, L.C. (2002). How Computers has Simplified Accounting. <http://www.yale.edu>
- Collins D. J, & Collins, R. H. (1978). A Guide to Church Accounts, Bocardo & Church Army Press Ltd, Oxford
- Cook T. J., (2003). Linking Funding and Results: A development associate occasional paper in democracy and development
- Ebrahim, A. (2003). Accountability in Practice: Mechanisms for Donor NGOs. World Development, 1394
- El- Dalabeeh, A. (2012).The Role of Computerized Accounting Information Systems in Reducing The Costs of

- Medical Services at King Abdullah University Hospital, *Interdisciplinary Journal of Contemporary Research in Business*, Oman, 4,6.
- Gelinas, U.J, Sutton S.G., & Hunton J.E. (2005). *Accounting information systems*. 6th edition. Thomson, OH, USA: South-Western.
- Gliem, J. A., & Gliem R. R. (2003). Calculating, interpreting, and reporting Cronbach's Alpha reliability coefficient for Likert-type scales. *Midwest Research to Practice Conference in Adult, Continuing and Community Education*, 82-88.
- Gordon, T.P. (2010). Five Dimensions of Effectiveness for Nonprofit Annual Reports *Non-profits Management and Leadership* 21, 2, 209–228.
- Hoopes, D.G., Madsen, T.L. and Walker, G. (2003). Guest editors' introduction to the issue: why is there a resource-based view toward a theory of competitive heterogeneity, *Strategic Management Journal*, 24, 10,889-902.
- Kasimbu, J.M. (2007). The Extend of stakeholder Involvement in Strategy Formulation Among Non-Governmental Organizations within Nairobi, Kenya
- Kateeba, A.M, (2000). Relationship between governance and quality of financial reports In NGOs in Kosovo (Publication)
- Kaufmann, A. (1966). *Graphs, dynamics programming, sequential management*.
- Kay, J. (2005). *Strategy and the Delusion of Grand Designs*
- Keating, E.K., & Frumkin, P. (2003). *Assessing Non-Profit Making Financial Measures, Accountability and Evaluation*, Non-Profit Sector Research Fund.
- Keating, E.K., & Frumkin, P. (2003). Reengineering Nonprofit Financial Accountability: Towards a More Reliable Foundation for Regulation, *Journal of Public Administration Review*, 63, 3-15.
- Kogan, M. (1986). *Education Accountability: An analytical overview*, London Hitchinson
- Kothari, C.R. (2003). *Research Methodology: Methods & Techniques*. New Delhi: New Age International (P) Limited Publishers.
- Kothari, C. R. (2004). *Research Methodology: methods and Techniques*. (4th Ed.). New Delhi: Vishwa Parakashan
- Lerner J. S., & Tetlock, L.K. (2003). Accounting for the Effects of Accountability: *Psychological Bulletin*, 125, 255-275.
- Lewis, R., & Pendrill, D. (1999). *Advanced Financial Accounting*, 4th Edition. London: Pitman.
- Luther & Adam, M.B. (2013). *The Use of Annual Financial Statement by Loans Officers in Kenya* (Published)
- McBride, P. (2000). *Guide to Computerizing your Accounting System*. Retrieved on March 20th, 2011. <http://www.erc.msh.org/mainpage.cfm>
- Mugenda, O. M., & Mugenda, A. G., (2003). *Research Methods; Quantitative and. Qualitative Approaches*, Acts Press, Nairobi, Kenya
- Mutiso, A., & Peter, K. (2013). *Factors Influencing Complexity in Financial Reports Preparation Evidence from the Banking Sector in Kenya* (Unpublished)
- Mwaura, P.M. (2013) *The Effects of Financial Accountability on The Performance Of Non-Governmental Organizations in Kenya* (Unpublished)
- Mwasasi, T.O., Kenneth, W., & Mwamisha, M. (2000). *Factors Affecting Implementation of Operational Strategies in Non-Governmental Organisations in Kenya* (Unpublished)
- Obeid, A.M. (2011). *The Impact of Using AIS in Achieving Competitive Advantage in the Jordanian Commercial Banks*, Unpublished MA Thesis, Al al-Bayt University, Mafra
- Parsons, L.M. (2007). *The Impact of Financial Information and Voluntary Disclosures on Contributions to Not-for-Profit Organizations*. *Behavioral Research in Accounting*, 19, 179–196
- Platt, H., & Platt, M. (2012). Corporate board attributes and bankruptcy. *Journal of Business Research*, 65(8), 1139-1143
- Polo., J. & Oima, D.(2013). Effect of Computerized Accounting Systems on Audit Risk in Public Enterprises: A case of Kisumu County, Kenya, *International Journal of Education and Research*, 1,5.
- Saleemi, N.A. (1981). *Auditing Simplified* Publication. London: Pitman
- Samuel, P. (1991). *Strengthening Public Service Accountability: A Conceptual Framework*: World Bank Discussion Papers, the World Bank, Washington, DC.
- Saunders, M., Lewis, P and Thornhill, A. (2007). *research methods for business students*, 4th Edition, pearson Education Limited.
- Schnelder, W. A. (1989). *Financial Management in Church Organizations*. The CPA Sugut Larson, K. D., & Pyle, W.W. (2012). *Fundamental Accounting Principles*, 11th Edition IRWIN Homewood Illinois 60430 Journal online April 1989, Accessed on 25 January 2004 at www.nysstatecpa.org/cpajournal/old/07299394.html
- Sloan, R. (2001), *Financial Accounting and Corporate Governance: A discussion*, *Journal of Accounting and Economics*. 32, 335-347.
- Stanley, Y. G, & Gregory, R. P. (2011).Corporate governance mechanisms and financial performance in China: role of non-governmental organizations. *Asia Pacific Business Review*, 17, 3, 301–324

- Watts, R., & Zimmerman, J. (1978). Accounting Review: The Demand and Supply Of Accounting Theory (Publication)
- Welsch, G. A., & Short, D.G. (1987). Fundamentals of Financial Accounting 5th Edition IRWIN Homewood Illinois 60430.
- Zikmund, W. G. (1999). Essentials of marketing research, Harcourt Brace College publishers, pp. 53, 283.