

THE IMPACT OF ACCOUNTING SOFTWARE ON BUSINESS PERFORMANCE OF FIRMS IN COIMBATORE DISTRICT, TAMILNADU

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Abstract

The objective of this paper is to investigate the impact of accounting software on business performance of firms in Coimbatore District. This study is examined to help the firm's owners and manager in understanding the importance of using accounting information system derived from accounting software to achieve the business performance. The previous researches show that it is crucial for firms to use accounting information system to ensure the survival and sustainability of business in the increasingly competitive environment besides enhancing their business operations competency and efficiency. This study uses several characteristics: efficiency, reliability, ease of use, data quality and accuracy as influence of the use of accounting information system on the performance of firms. The quantitative data required for this study is a sample size of 78 participants that consists of accountants or employees who involve in using accounting software in their work. The result indicates that the efficiency and ease of use have significant impacts on business performance. Meanwhile, the other three characteristics such as reliability, data quality and accuracy are not found to have a significant impact on business performance. In overall, the results show that the accounting software have impact on the firms' business performance.

Key Terms: Accounting software, accounting information system, efficiency, reliability, ease of use, data quality, accuracy and business performance.

1. Introduction

The increasing globalization of the world economy precipitated companies around the world to compete in the global market place leading to emergence of a new set of accounting challenges such as multiple currencies and follow a horde of accounting and tax rules. Hence, a more sophisticated accounting software packages competent of managing international accounting intricate issues is increasingly in need. But, the tremendous technology advancement has rendered the options of utilizing the accounting information from a strategic point of view. Adoption of accounting software becomes key factor in determining the survival and success of an organization as companies require more information, be it financial or non-financial, to deal with a higher scale of uncertainties in the competitive market and require data processing capacity and system to ameliorate to suit their Information needs in this global economy era. Hence, the

purpose of this research paper is to analyze the influence of the accounting software characteristic on the firm's performance.

2. Literature review

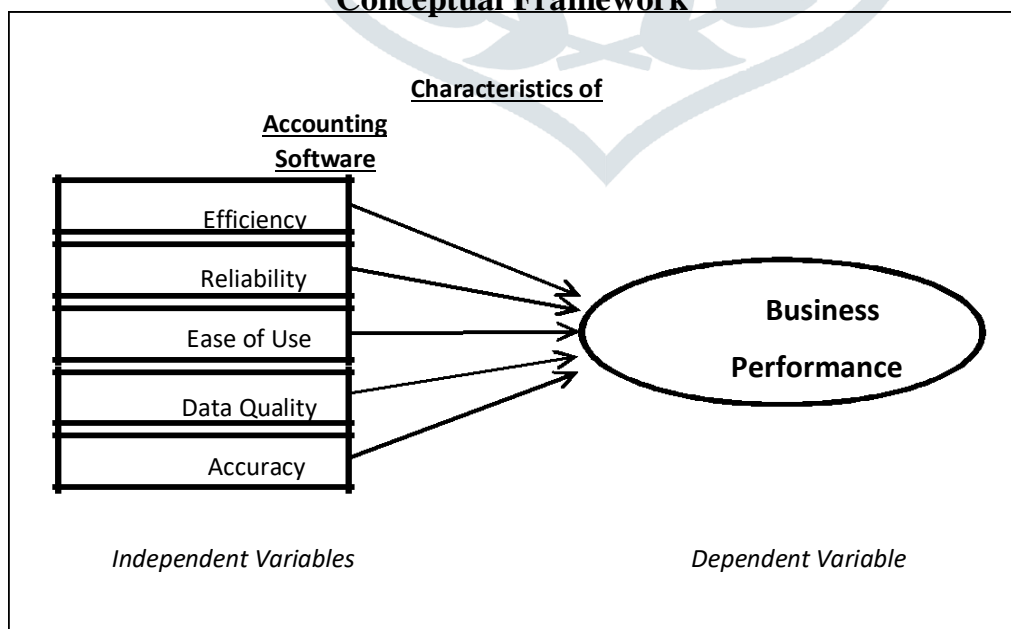
Krishnamachari (2011) defines accounting system is an organized set of documents, records, reports and procedure for preparation and timely delivery of accurate financial data for economic decision making purposes (Krishnamachari, 2011).

Raymond and Bergeron (1995) state that computerized accounting system integrates, simplifies and streamlines all the business processes cost-effectively easily and helps reflect the true picture of the business ventures to stakeholders. This method of book keeping is becoming popular with the decline of computers and accounting programs pricing.

Srinath Gupta (2008) suggests that performance of firms will be enhanced with integration of either a product or process oriented innovation strategy with investment in IT/IS. The group of SMEs with high AIS alignment achieved better organizational performance than firms with low AIS alignment

There is little research conducted on the impact of computerized accounting system on business performance of firms in Coimbatore district. Therefore, this study aims to fill in that knowledge gap.

FIGURE 1
Conceptual Framework



2.1.1 Efficiency and business performance

Efficiency in business context refers to ability of firm to maximize firm value by using the least inputs to achieve higher outputs. Efficiency increase profitability of the firms. Therefore, this study hypothesizes that:

H1: There is a significant impact of software efficiency on business performance.

2.1.2. Reliability and business performance

Studies found a significant relationship in reliability of system to decision-making satisfaction in an e-commerce environment. Accounting software system is reliable when information delivered on time and with error free performance will result in timely and efficient decision making, which in turn leads to better internal organizational efficiency. Therefore, this study hypothesizes that:

H2: There is a significant impact of software reliability on business performance.

2.1.3. Ease of use and business performance

User will be contented in using the system due to ease of use. Few studies identify a significant relationship between perceived ease of use and performance. Therefore, the study hypothesizes that:

H3: There is a significant impact of software ease of use on business performance.

2.1.4. Data quality and business performance

Output of accounting information system very much depends on the data quality as poor data quality will result in garbage in garbage out. More scientific studies on found data quality and accounting information system performance are strongly related and impact the perception of company internal auditors. Thus, this study hypothesizes that:

H4: There is a significant impact of software data quality on business performance.

2.1.5. Accuracy and business performance

The information is accurate and credible when it does not contain significant errors, it is not biased, and users can trust that it accurately represents what it has set out to be or what they expected to. With the aid of the software, accountants tend to improve the overall accuracy of their record thus eliminating or reducing human error. Accuracy of financial data is consistency and efficiency driver across the entire organization

enhancing the company's performance and the achievement of key business goals, operationally and financially. Thus, this study hypothesizes that:

H5: There is a significant impact of software accuracy on business performance.

3. Research design

This research is designed by using exploratory, descriptive and explanatory methods. In this study, quantitative research approach was adopted as it allows collecting more data to investigate the facts, testing theories and hypotheses. Primary data were collected for this research with the help of questionnaire. The questionnaire was structured in a five point Likert format to extract the data or information. A total 150 questionnaires were distributed, 100 returned and out of 100, 22 questionnaires were rejected due suspicious answers. This research used cross-sectional data collection technique. The sampling technique used in this research was random probability sampling method. For this study, target population is accountants or user of accounting software working in companies operating in Coimbatore district.

4. Results and analysis

4.1. Demographic statistics

TABLE 1
Demographic Statistics

Variables	Measures	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	29	35.8	37.2	37.2
	Female	49	60.5	62.8	100.0
Experience in Using Accounting Software	0 - 2	5	6.2	6.4	6.4
	3 - 4	7	8.6	9.0	15.4
	5 - 6	14	17.3	17.9	33.3
	Over 7	52	64.2	66.7	100.0
Years of Service in current firm	Up to 5	27	33.3	34.6	34.6
	6 – 10	18	22.2	23.1	57.7
	11 – 15	15	18.5	19.2	76.9
	Over 15	18	22.2	23.1	100.0
Firm used Computerized System?	Yes	78	96.3	100.0	100.0
Firm used Computerized Data Recording?	Yes	77	95.1	98.7	98.7
	No	1	1.2	1.3	100.0
Software Package used by current firm	Sage	14	17.3	17.9	17.9
	Quick Books	5	6.2	6.4	24.4
	SAP	21	25.9	26.9	51.3
	Peachtree	3	3.7	3.8	55.1
	Auto count	18	22.2	23.1	78.2
	Others	17	21.0	21.8	100.0

4.2. Descriptive analysis and normality analysis

This research comprise of five independent variables and one dependent variable. The dependent variable is business performance which is measured using efficiency, reliability, ease of use, data quality, and accuracy. The skewness and Kurtosis value were within ± 1 indicates the distribution for this study is normal. All the independent variables and dependent variable indicate normally distributed since it the value were within ± 1 .

TABLE 2
Descriptive and Normality Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Business Performance (BP)	78	3	5	4.05	.597	.015	.272	-.593	.538
Accuracy (A)	78	2	5	4.14	.708	-.821	.272	.091	.538
Reliability (R)	78	3	5	4.39	.631	-.791	.272	-.443	.538
Efficiency (Ef)	78	2	5	4.11	.642	-.662	.272	.183	.538
Ease of Use (EOU)	78	3	5	4.33	.605	-.610	.272	-.392	.538
Data Quality (DQ)	78	3	5	4.37	.578	-.792	.272	.236	.538
Valid N (list wise)	78								

4.3. Reliability analysis

The below table show all constructs in this research are reliable where the values are ranged between 0.80-0.90 as based on a general accepted rules describing internal consistency using Cronbach's alpha.

TABLE 3
Cronbach's Alpha Coefficients

Constructs	Number of Items	Cronbach's Alpha
All variables	42	0.975
Efficiency	7	0.879
Reliability	9	0.924
Ease of use	6	0.821
Data quality	6	0.857
Accuracy	7	0.858
Business performance	7	0.911

4.4. Regression analysis

Table 4 shows that this model is found to be a good fit as it predicted above 60 per cent of the entire model whereby indicating that 69.1 per cent of the variance of accounting software characteristics can be predicted by the independent variables of efficiency, reliability, ease of use, data quality and accuracy. The ANOVA statistics is used and it concludes that the regression model is statistically significant.

TABLE 4
Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1 ^a	.843 ^a	.711	.691	.33183	1.546

5. Results and discussions

Table 5 displays the results of hypothesis testing for the five independent variables based on the significant value from regression analysis. For software efficiency and ease of use has a moderate and significant impact of 46 per cent and 36.5 per cent on business performance respectively with the p-values (Sig.) less than 0.05. This indicates that software efficiency and ease of use place a significant impact on the business performance of business firms. Furthermore, there are many previous studies supported the ease of use characteristics increased the firm performance such as increase the sales and revenues, favourable positive attitudes, productivity and customer satisfaction. The software data quality has a negligible -8.7 per cent impact on business performance which is also not statistically significant as p-value (Sig.) is more than 0.05. The standardized beta coefficient for software accuracy and reliability are 0.066 and 0.118 shows a 6.6 per cent and 11.8 per cent of a positive impact of the independent variable on dependent variable with a significance value of 0.462 and 0.275 respectively. This indicates that software reliability places an insignificant impact on the business performance of business firms. For accuracy, the result also shown contradicts with past research findings.

TABLE 5
Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.405	.319		1.270	.208		
Accuracy	.055	.075	.066	.739	.462	.509	1.965
Reliability	.112	.102	.118	1.101	.275	.348	2.875
Efficiency	.428	.096	.460	4.441	.000	.373	2.677
Ease of use	.361	.102	.365	3.547	.001	.378	2.643
Data Quality	-.090	.091	-.087	-.983	.329	.516	1.937

TABLE 6
Hypotheses Testing Results

Hypotheses	Beta Coefficient	Significant (P<0.05)	Decision	Interpretations
H1: There is a significant positive impact of Software Efficiency on Business Performance	0.46	0 Significant as the calculated p-value is less than 0.05.	Accepted	The beta coefficient of 0.460 indicates that Software Efficiency has a 46.0% positive impact on business performance.
H2: There is a significant positive impact of Software Reliability on Business Performance	0.118	0.275 Not Significant as the calculated p-value is more than 0.05.	Rejected	The beta coefficient of 0.118 indicates that Software Reliability has a 11.8% positive impact on business performance.
H3: There is a significant positive impact of Software Ease of Use on Business Performance	0.365	0.001 Significant as the calculated p-value is less than 0.05.	Accepted	The beta coefficient of 0.365 indicates that Software Ease of Use has a 36.5% positive impact on business performance.
H4: There is a significant positive impact of Software Data Quality on Business Performance	-0.087	0.329 Not Significant as the calculated p-value is more than 0.05.	Rejected	The beta coefficient of 0.329 indicates that Software Data Quality has a 32.9% positive impact on business performance.
H5: There is a significant positive impact of Software Accuracy on Business Performance	0.066	0.462 Not Significant as the calculated p-value is more than 0.05.	Rejected	The beta coefficient of 0.066 indicates that Software Accuracy has a 6.6% positive impact on business performance.

6. Conclusion

In conclusion, accounting software systems is of great importance and has a great value to businesses, organization and the economy. The accurate and reliable information flow is very crucial to the growth of economy. Performance management plays a key role in improving the overall value of an organization. This study showed that there is strong relationship between the characteristic of accounting software and business performance, which means access to accurate accounting information, will lead to organizational effectiveness. Therefore, it can be concluded that accounting software has an impact on business performance of firms in Coimbatore district.

7. Reference

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