

# **The Impact of Accounting Information System on Firm Performance of Small and Medium Size Enterprises in Sri Lanka: Evidence from Western Province**

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## **Abstract**

This study was set to investigate the relationship between accounting information systems and the firm performance of SMEs in the Western Province of Sri Lanka. Specifically, the study examined the relationship between system quality and firm performance, assessed the relationship between information quality and firm performance, and analyzed the relationship between system threats and firm performance of SMEs in Western Province. A survey design was adopted, and a sample of 144 SMEs was selected from all 240 SMEs established in the Western Province. The findings of the study were based on correlation analysis and regression analysis. The findings of the study revealed the following key insights: First, accounting information systems had a statistically significant impact on firm performance. Further, the study established that system quality had a statistically positive and significant impact on firm performance. The study also revealed that information quality had a statistically significant impact and a positive relationship with firm performance. Finally, the study revealed that system threats have a statistically negative relationship with firm performance, and there is no significant impact on system threats and firm performance. The study concluded that accounting information systems are critical to producing quality accounting information on a timely basis and ensuring that all levels of management get sufficient, adequate, relevant, and true information for planning to increase control and enhance the performance of a firm. The study recommends that SMEs need a well-designed and operating accounting information system to enable them to manage their most valuable resource, which is information. Further research should include intervening and moderating variables and studying this effect, and further research may conduct longitudinal studies that may study the relationship over a long period of time.

**Keywords:** Accounting Information Systems (AIS), Small and Medium-Sized Enterprises (SMEs), Firm Performance, Organizational Productivity, Cost Reduction, Decision Making, Financial Performance