

Effect of Accounting Information System Quality on Financial Performance of Small and Medium Enterprises: With Special Reference to Western Province in Sri Lanka

Wijerathne E.W.G.G.H.C.¹ and Karunarathna, W.V.A.D.²

¹gayanwijerathne78@gmail.com; ²anurawvadk@kln.ac.lk

Abstract

Information technology is crucial for every organization in the current competitive business world and Accounting Information Systems (AIS) play a major part in that information advancements. SMEs play a crucial role in all economies, irrespective of their development status. The objective of this study is to identify the Effect of Accounting Information System Quality on the Financial Performance of Small and Medium Enterprises in Sri Lanka. The quality of AIS is measured through the independent variables of System Flexibility, System Sophistication, Effectiveness of the System, and System Control. The Dependent variable of financial performance is measured through the Return of Assets of the selected SMEs. This study employed a convenience sampling technique to efficiently attain the desired sample size in a cost-effective and timely manner. The analysis was conducted by using the SPSS software and descriptive statistical measures, correlation analysis, and Linear regression analysis. According to the results of correlation analysis, there is a significant positive relationship between dependent and independent variables. The quality of AIS has a significant relationship with the financial performance of SMEs. Further results found that there is a significant effect of accounting information system quality on the financial performance of small and medium enterprises. That means quality AIS enhances financial performance. The Findings of the study revealed that system effectiveness and system control have a significant impact on financial performance as per the multiple regression analysis. Improving the financial performance of SMEs in Sri Lanka is facilitated by ensuring the excellence of AIS. SME management should additionally focus on improving the quality of their AIS to facilitate comparisons with similar businesses in the sector as well as in the past. This improvement is vital for benchmarking and making well-informed decisions.

Keywords: Small and Medium-Sized Enterprises, System Flexibility, System Sophistication, System Effectiveness, System Control, Return on Assets