

the usefulness of an accounting information system for effective organizational performance in
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The Usefulness of an Accounting Information System for Effective Organizational Performance in India

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Abstract

The purpose of this study was to investigate the usefulness of the accounting information system (AIS) for the effectiveness of the organization. AIS is all related components that work together to collect, store and distribute data for the purpose of planning, managing, coordinating, analyzing and making decisions. Therefore, the impact of AIS on organizational performance factors such as: performance management and financial performance is assessed. The results of this study show that although AIS is very useful and influences the performance of the organization in the companies listed in the Dubai financial market (DFM) but, there is no relationship between AIS and performance management.

1. Introduction

Accounting Information Systems (AIS) is a tool that, when integrated into the Information and Technology (IT) field, is designed to assist in the management and management of issues related to the organisation's economic and financial environment. However, dramatic technological advances have opened the way for the production and use of accounting data from a strategic perspective (El Louadi, 1998). The Accounting Information System (AIS) is important for all organizations (Belick and Clark, 1990; Curtis, 1995; Rahman et al., 1988; Wilkinson, 1993; Wilkinson et al., 2000) and, perhaps, each organization for profit or non-profit - the need to focus on maintaining AIS (Wilkinson, 2000: 3-4). AIS, on the other hand, is all related data collected from data, raw data or general data and converted into financial data for the purpose of reporting to decision makers (Mahdi Salehi, vahab rostami and Abdolkarim Mogadam, 2010). To better understand the term 'Accounting Information System', these three terms form AIS can be defined separately. First, the literature wrote that accounting can be seen in three areas, namely the information system, the "business language" and the source of financial information (Wilkinson, 1993: 6-7). Second, data is an important data analysis that provides the basis for making decisions, taking action and fulfilling a legal obligation. Finally, a program is an integrated business, in which the framework focuses on a set of goals (Bhatt, 2001; Thomas and Kleiner, 1995).

Accounting documents state that the success of strategies is considered to be the result of the design of the Accounting Information System (AIS) (Langfield-Smith, 1997). In a number of studies, studies have analyzed the role of AIS in strategic management, examining the characteristics of AIS under various key strategies (Ittner and Larcker, 1997; Bouwens and Abernethy, 2000). It also analyzes the impact of interaction between certain types of strategies and the different structures of AIS (e.g. different strategies and information). The appropriate AIS design supports business strategies in ways that increase organizational performance (Chenhall, 2003). Increasing AIS

investment will be a way to achieve a strong, flexible corporate culture to cope with ongoing environmental changes. Innovation is the catalyst for a positive circle, leading to better and more efficient operations and reducing financial and organizational barriers, while reaching out to financial markets. AIS systems are used to record the financial transactions of a business or organization. The program incorporates methods, controls and accounting techniques and IT industry technologies to track transactions that provide internal reporting data, external reporting data, financial statements, and organizational performance analysis skills (Elena Urquia Grande, Raquel Perez Estebanez and Clara Munoz Colomina, 2010).

In managing the organization and implementing the internal control system the role of the accounting information system (AIS) is important. An important question in the field of decision-making and decision-making is related to the AIS's alignment with the organisation's information and regulatory communications needs (Nicolaou, 2000). The benefits of an accounting information system can be assessed on its implications for improving decision-making process, quality of accounting information, performance appraisal, internal controls and facilitating corporate transactions (H. Sajady, M. Dastgir and Hashem Nejad, 2008). Therefore, in terms of the five factors above, the efficiency of AIS is critical to the overall performance of the organization. According to Adrian Downes and Nick Barclay (2008) performance management is a rapidly growing business model. Therefore, performance management has an important role to play in improving the overall value of the organization. Effective reliability of financial information has affected performance (Ming-Hsien Yang, Wen-Shiu Lin and Tian-Lih Koo, 2011).

Previous research has shown that the adoption of the accounting information system increases firm, profitability and efficiency in Malaysia, Spain, Finland, Pakistan and Iran (S. Kharuddin, Z. Ashhari and Nassir, 2010; E. Grande, R. Estebanez and C Colina, 2010 ; Gullkvist, B., 2002; R. Kouser, A. Awan, G. Rana and F Shahzad, 2011; H. Sajady, M. Dastgir and H. Hashem Nejad, 2008). In the United Arab Emirates (UAE) the information society and new computer tools have allowed companies to make better use of their accountability system in their relationships with suppliers and customers. In the same way the development of AIS and electronic banking allows companies to save more time on their transactions (www.ameinfo.com). Therefore, the current study attempts to provide some clarification on the relationship between AIS design, organizational strategy and performance especially in financial performance and performance management.

The study focuses on 74 firms operating until the first quarter of 2011 as listed companies at Dubai Financial Market (DFM) in Dubai, UAE (www.dfm.ae). According to several authors, the analysis of AIS assistance in financial performance as indicators of economic and financial benefits (Return on Assets (ROA) and Return on Equity (ROE)) of firms is of great interest.

The structure of this article is as follows: Section 2 reviews relevant documents and creates ideas about the relationship between AIS, organizational strategy and performance. Section 3 describes the artistic approach. Section 4 shows the results from the mathematical analysis of hypotheses. Finally, section 5 presents the discussion and conclusion of this study, provides the limitations of current research, and highlights some of the sad facts.

the usefulness of an accounting information system for effective organizational performance in india

2. Literature Review

The main advantages of an optimal use of AIS in an organization are: better adaptation to a changing environment, better management of arm's length transactions and a high degree of competitiveness. There is also a boost to the dynamic nature of firms with a greater flow of information between different staff levels and the possibility of new business on the network and improved external relationships for the firm, mainly with foreign customers accessed through the firm's web (Elena Urquia Grande, Raquel Perez Estebanez and Clara Munoz Colomina, 2010).

For the first time in 1966, the American Institute of Certified Public Accountants (AICPA) stated that: "Accounting actually is information system and if we be more precise, accounting is the practice of general theories of information in the field of effective economic activities and consists of a major part of the information which is presented in the quantitative form".

In the above definition, accounting is a part of a general information system of an economic entity. Boochholdt (1999) defines accounting information systems as systems that operate functions of data gathering, processing, categorizing and reporting financial events with the aim of providing relevant information for the purpose of score keeping, attention directing and decision-making.

Recently several studies have asserted that AIS plays a proactive role in the strategy management, acting as a mechanism that enables organizational strategy (Chenhall, 2003; Gerdin and Greve, 2004). Strategy has been examined using different typologies, such as Porter (1985) or Miles and Snow (1978). The latter has been extensively used in management literature (Zajac and Pearce, 1990). In the present study it is assumed that the organizational performance is a function of the financial performance, performance management and the AIS. Fitness will exist in the combination of strategy and AIS that contribute to financial performance.

2.1 AIS and Financial Performance

The design of the AIS can be defined in terms of the information it provides (Chenhall and Morris, 1986; Gul, 1991). Chenhall and Morris (1986) described AIS in terms of the usefulness of the four attributes of knowledge, namely breadth, time coherence, degree of integration, and integration. Scope refers to the measures used and the extension of AIS in time and space. Then information can focus on the future compared to history events or internal events. And the information can be measured in terms of monetary or non-monetary terms. Time refers to frequency, reporting speed and status of information (e.g. short or long term). Integration refers to the way data is aggregated over time, tasks or in accordance with decision models. Finally, integration refers to the need to provide information to reflect the communication and integration outcomes of many activities in an organization. These four attributes have been analyzed to compare AIS with organizational and operational strategies (Gerdin and Greve, 2004). Recently when research began to test whether organizations were modifying AIS design to support selected strategies, they recognized that AIS has the potential to facilitate strategic management and improve organizational performance (Gerdin and Greve, 2004).

A proper review between the design of AIS and the performance of commercial units by strategic analysis suggests that the high performance of trading units depends on a variety of accounting

information systems (Boulianne, 2007). Many studies have begun to look at whether organizations vary in the structure of AIS to support their chosen strategy, recognizing that AIS has the potential to streamline strategic management and improve organizational performance (Gerdin and Greve, 2004).

The available literature provides little evidence of the relationship between these AIS and financial performance; although it is important to highlight the research conducted by Elena Urquia Grande, Raquel Perez Estebanez and Clara Munoz Colomina (2010) who found a positive correlation between AIS design and organizational strategy and performance. Successful implementation of AIS can save money and shareholders' time. Number of information provided by AIS to shareholders and stakeholders in investment decisions (Zulkarnain Muhamad Sori, 2009).

Financial managers need the financial and accounting data provided by AIS to assess the company's past performance and to map future plans. Therefore, the performance of an entity is measured in terms of ROA (Return on Assets) and ROE (Return on Equity).

Equitable reimbursement is the key to providing useful information about debt performance in the financial structure that a senior manager should try to influence in order to improve financial performance (Alan Miller, Michael Boehlje and Craig Dobbins, 2001).

If the structure of the AIS is not linked to financial performance and financial performance is linked to the performance of the organization, then we can argue that the formation of AIS can be expected to have a positive effect on the organisation's performance through ROA and ROE. However, other researchers such as Ismael Younis Abu-Jarad, Davoud Nikbin and Nor Aini Yusof (2010) have supported the use of Return on Assets (ROA), Return on Equity (ROE) as the most common measures of organizational performance. Therefore, we created the following hypotheses.

H1: The use of an accounting information system (AIS) will lead to better economic and financial performance. H2: There is a positive relationship between financial performance and organizational performance.

H3: There is a positive relationship between AIS and organizational performance.

2.1 AIS and Performance Management

The available literature provides little evidence of the relationship between AIS and performance management. Accounting information systems are considered to be the most important organizational mechanisms involved in the process of decision-making and control in organizations (H. Sajady, M. Dastgir and H. Hashem Nejad, 2008). The Accounting Information System (AIS) as one of the critical systems in the organization has also changed its approach to recording, processing, storing and disseminating information. Nowadays, more digital and online information is used in accounting information systems (Huang, Lee and Wang 1999, Clikeman 1999).

Performance Management (PM) includes activities that ensure that policies are met consistently and effectively. Performance management can focus on organizational performance (<http://en.wikipedia.org>). Accounting systems affect ethics and performance management and have an impact on all departments, organizations, and even countries (Noellette Conway, 2009).

the usefulness of an accounting information system for effective organizational performance in
india

Management involves a variety of tasks that require good quality and reliable information. Quality information is one of the competitive advantages of an organization. In the accounting information system, the quality of the information provided is critical to the success of the programs (Hongjiang Xu, 2010). The quality of information generated from AIS is critical to management (Essex and Magal, 1998). Business organizations often use accounting information systems to provide support for management decisions. Support usually includes financial analysis from company accountants. Analysis is usually based on the company's accounting data system. Using business technology, this program can process a large number of electronic documents of owners and managers (Osmond Vitez, 2011).

Managers compare information about current performance with budgets, forecasts, prior periods, or other measures to measure the extent to which goals and objectives are achieved and to identify unintended consequences or unusual situations that need to be tracked. In the same way managers who are responsible for identifying financial risks and compliance with their operations, are responsible for designing, implementing and monitoring their internal control system (www.ucop.edu). Internal controls are often central to a company's accounting information system, which is the primary function of transmitting financial information about a company. Therefore, internal controls help managers monitor and measure the performance of their accounting performance in operations (Osmond Vitez, 2010).

Performance management plays an important role to play in improving the overall value of an organization (Armstrong and Baron, 1998). Accounting systems are often the most important legal sources of information for industrial organizations. They are designed to provide all levels of management with timely and accurate information to be effective in performance management and to assist them to make decisions that are in line with the objectives of their organization (Anthony G, 2006). Organizational performance is one of the most important elements in management research (Pierre J. Richard, Timothy M. Devinney and George S. Yip, 2008).

Therefore, the relationship between AIS and organizational performance will be governed by performance management. In the ongoing debate we are analyzing the coherence of emergencies within the AIS, performance management and operational performance using accounting data, decision-making and internal control procedures. Therefore, we formulate the following ideas:

H4: There is a positive relationship between AIS and performance management that deals with accounting data, decision-making and internal control processes.

H5: there is positive relation between performance management and organizational performance.

3. Research Methodology

According to Jassim Al Shamsi (2007) the United Arab Emirates coalition government, led by the Ministry of Finance and Industry, has been launching a number of initiatives aimed at modernizing public service management and improving the financial performance of the federal government over the past 40 years. services and private bodies. These plans include strengthening the strategic budget process and introducing a budget-based approach across government, modernizing the accounting system for public financial management and improving financial management efficiency. Therefore,

the data was collected through a questionnaire from 74 firms according to listed companies in the Dubai Financial Market (DFM) which is part of the department of forty services and independent agencies led by the United Arab Emirates coalition government (www.dfm.ae).

3.1 Steps

These questions were posed to five Likert-type questions, with the choice of a firm confession. In addition the questionnaire consisted of 2 sections. The first section focuses on the target audience. The second section covers key questions. The questionnaire consisted of twenty-one questions, carefully designed to gather relevant information (See Appendix A). These companies are still distributed in fifteen industries. Our sample was randomly selected using a sample without the replacement process.

3.2 Data collection

The data collection method is an important factor in any research because the ambiguity of the data collection methods can distort the research results and therefore give illegal results. There are many types of data; major types of primary and secondary data.

271 questions submitted to the troubling answers were included in the list of accountants, financial managers and direct managers of the sample firms. A reminder was sent and non-respondents were followed by two additional emails. When the first questionnaire was presented, 154 questions were completed and returned. In the second and third posts, a total of 82 completed questions were returned. A total of 236 questions were available for data analysis.

4. Empirical Results the Studies

4.1 Description the Demographic Profile of the Sample

In order to analyze the data, which was collected through questionnaires different statistical tools, were used. For that purpose, the information gathered was analyzed using the SPSS software version 17.0. According to the results of the demographic questionnaire, the following summary information about the profile of the sample is presented.

In terms of education, 16.1 percent of the samples were PhD, 38.1 percent were Masters and 45.8 percent were Bachelors (see Table 1). To conclude, majority of participants in this study had bachelor degrees. In terms of experience, 25.8 percent of the responses had less than 4 years, 51.3 percent had between 5 to 9 years and 22.9 percent had more than 10 years experience (see Table 2).

Refer to Tables 1 and 2 which show the respondents' demographic information there was significant difference for education and experience.

4.2 Measurement Variables and Testing Hypotheses

Construct validity is typically evaluated by looking at the patterns of correlations of the scale in question with a variety of other measures. Validity is measured in two contexts – first is content validity and second is construct validity. Content validity of our survey was established from the existing literature and adopting constructs validated by other researchers. Reliability analysis is the ability by which the same results can be obtained if I repeat the measure on the same object and

the usefulness of an accounting information system for effective organizational performance in india

under same conditions (Maria Teresa, Nadia Auriat, 2005). The statistical tool used for measuring reliability based on internal consistency is Cronbach's alpha. The Alpha Value greater than 0.6 it shows that the questionnaire is reliable (Fornell and Lacker, 1981). As shown in Table 3, our composite reliability values ranged from 0.610 to 0.712 which is showing above acceptable levels.

Apart from validity assessment of the measurement model, we performed a check for multicollinearity among the variables. A correlations' matrix was used for determining the relationship among all the variables. As Table 4 displays, the highest correlation 0.662 existed between AIS and financial performance and the lowest correlation

0.252 existed between financial performance and performance management. In total, these correlations indicate that multicollinearity.

To substantiate the findings of the research, ANOVA statistical approach was conducted. The objective of the test was to determine the relationship between independent and dependent variables. For the purposes of testing hypotheses the suitable test was adapted in this study. Regression analysis test was employed and the results of hypotheses are shown in Table 5.

According to Table 5 the hypothesis H₁ examines the link between AIS and financial performance. AIS is significantly related to the financial performance ($\beta = 0.393$; $P < 0.01$). Therefore, the first hypothesis is accepted. It means accounting information system cause to have better financial performance.

With reference to Table 5, the hypothesis H₂ also accepted because there is link between financial performance and organizational performance. The effect of financial performance is significant, as indicated by the path coefficient of

0.345 ($P < 0.01$). The path coefficient ($\beta = 0.456$) shows between AIS and organizational performance, there is also statistically significant ($P < 0.01$). Therefore, the hypothesis H₃ is supported.

With regard to Table 5, the hypothesis H₄ is rejected and null hypothesis is accepted, in other words, there isn't any relationship between AIS and performance management ($\beta = 0.075$; $P < 0.01$). It means, AIS does not provide suitable information on performance management to facilitate the effective delivery of strategic and operational goals.

As table 5 shows, the hypothesis H₅ is acceptable. It means that there is a positive relationship between performance management and organizational performance. As indicated by the path coefficient of 0.242 ($P < 0.01$) it is also significant.

5. Discussion and Conclusion

The object of this paper was to empirically analyze the relationship between AIS and organizational performance on listed companies in Dubai Financial Market (DFM). Also, in this study usefulness of accounting information system was examined on financial performance and performance management. An information system is an organized means of collecting, entering, and processing data and storing, managing, controlling, and reporting information so that an organization can achieve its objectives and goals (Romney et al., 1997:18). Accounting information systems of the

past focused on the recording, summarizing and validating of data about business financial transactions.

According to Flynn (1992), the effectiveness of AIS can be received providing management information to assist concerned decisions with regard to the successfully managing of corporations.

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as; financial performance, performance management, social responsibility and employee stewardship which were used in this study to evaluate usefulness of AIS on effective organizational performance.

From generalization of the results, measuring research questions based on the opinion of the respondents. First, AIS was found to be the variable that most impacts financial performance. This tells us that AIS is the most important factor in firms that are listed in DFM. Second, it was found that financial performance and performance management have effect on an organizational performance. This means that financial performance and performance management are effective in building an organizational performance. Third, AIS was found that an important factor in building an organizational performance through collection, storage and processing of financial and accounting data to be evaluated by its impacts on improvement of decision-making process, quality of accounting information, performance evaluation, internal controls and facilitating company's transactions. Forth, there isn't any relationship between AIS and performance management. It means that there are several barriers that lead to implementation of AIS on performance management on listed companies in DFM. In such a condition it seems that without solving these problems these companies do not enjoy advantages of AIS.

The general conclusion seems to be that the nature of the model used, which specifies the accounting information requirements are indeed useful on organizational performance.

Like all empirical studies, the present research also has its own limitations due to the methodology employed. Use of questionnaire to collect data always has also its own limitations, since responses could be biased because of the common method used for the collection of all data. Although extensive care has been taking when designing the questionnaire and the pilot study refined the questions, still the criticism of the survey method can never be completely ignored and should be taken into account. Despite the above limitations, this research has provided useful results in paving the way for future research in this area. Since in UAE, recently increasing demand for AIS, as an effective tool in managing the organizations, has prevailed, this research could provide a supportive evidence for the implementation of AIS. Therefore, avenues for future research could be the effects of user participation on the implement of AIS, analysis of effectiveness of AIS on performance and productivity and etc.

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the usefulness of an accounting information system for effective organizational performance in india

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Table 1. Education-Information

	Frequency	Percent	Valid Percent	Cumulative Percent
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Dr. Pratima Singh

Valid	PhD (Doctorate)	38	16.1	16.1	16.1
	Masters	90	38.1	38.1	54.2
	Bachelors	108	45.8	45.8	100.0
	Total	236	100.0	100.0	

Table 2. Professional-Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 4 Years	61	25.8	25.8	25.8
5 - 9 Years	121	51.3	51.3	77.1
More than 10 Years	54	22.9	22.9	100.0
Total	236	100.0	100.0	

Table 3. Reliability statistics

Measure	Cronbach's Alpha	N of Items
AIS	0.706	6
Financial performance	0.698	4
Performance management	0.610	5
Organizational performance	0.712	5

Table 4. Correlation matrix

Construct	AIS	Financial performance	Performance management	Organizational performance
AIS	1			
Financial performance	0.662**	1		
Performance management	0.267*	0.252*	1	
Organizational performance	0.656**	0.550**	0.481**	1

** . Correlation is significant at the 0.01 level

* . Correlation is significant at the 0.05 level

Table 5. Result of hypothesis testing

Hypothesis	path	coefficient	t-value	Result
H ₁	AIS → Financial performance	0.393	6.434	Accepted
H ₂	Financial performance → Organizational performance	0.345	2.420	Accepted
H ₃	AIS → Organizational performance	0.456	7.580	Accepted
H ₄	AIS → Performance management	0.075	1.094	Rejected
H ₅	Performance management → Organizational performance	0.242	3.812	Accepted

the usefulness of an accounting information system for effective organizational performance in india

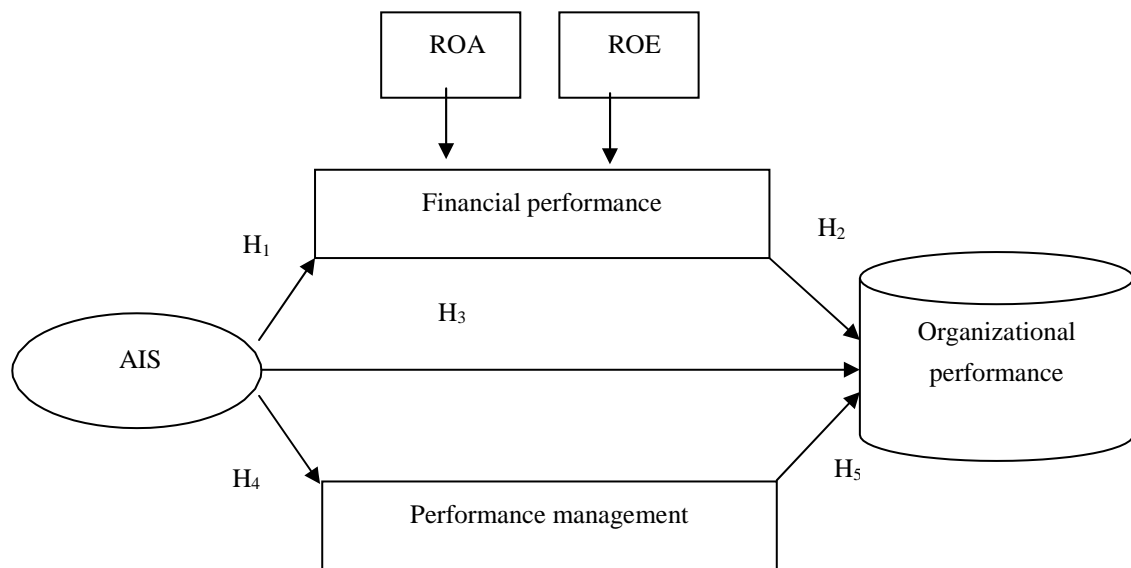


Figure 1. Research model for the study

Questionnaire

Latent Variables	Measurement	Sources
AIS	1 The Data storage contributes to the integrity of the financial reporting process 2 The Data storage in sufficient details to accurately and fairly reflect company asset 3 The implementation of Data collection could save shareholder’s money and time 4 Data processing has capable of making a difference in a decision by helping managers to form predictions about the outcomes of past, present, and future events to evaluate financial performance in organization. 5 Data processing caused the improvement of the quality of the financial reports and facilitated the process of the company’s transactions 6 The automated data collection speed up the process to generate financial statements and overcome human weaknesses in data processing	Marshall R and Paul steinbart, 2006 Zulkarnain Muhamad Sori, 2009 H. Sajady, H. Sajady and H. Hashem Nejad, 2008 Zulkarnain Muhamad Sori, 2009
Financial performance	1 The satisfaction of various stakeholder groups is instrumental for organization 2 Return on asset measures that assess profitability, size, and growth rates are essential to monitor overall organizational performance and progress 3 Return on equity is a key to provides useful information about the performance of debt in the capital structure that the general manager must try to influence in order to improve financial performance 4 Operating margin is a measurement of what proportion of a company's revenue is left over, before taxes and other indirect costs, after paying for variable costs of production as wages, raw materials, etc	Marc Orlitzky, Frank L. Schmidt and Sara L. Rynes, 2003 Alan Miller, Michael Boehlje and Craig Dobbins, 2001 Wikipedia.rog
performance management	1 Labor is the largest controllable expense item in your organization. Successful practices to improve performance can lower your labor cost 2 An effective measurement and reporting process can improve performance and lower costs 3 Employee engagement is critical to any organization that seeks to retain valued employees 4 Employee engagement emphasizes the importance of employee communication on the success of a business. An organization should thus recognize employees,	F.Crutis barry & company, 2008 Nitin vazirani, 2008

Dr. Pratima Singh

		<p>more than any other variable, as powerful contributors to a company's competitive position</p> <p>5 Interactive control systems help managers integrate new data and learning into the decision-making process</p>	Vince Kellen, 2008
Organizational performance	<p>1 Effective inventory management is the single most important tool to improve customer service</p> <p>2 Successful organizations show respect for each employee's qualities and contribution – regardless of their job level</p> <p>3 Social responsibility of business refers to all such duties and obligations of business directed towards the welfare of society. These duties can be a part of the routine functions of carrying on business activity or they may be an additional function of carrying out welfare activity.</p> <p>4 Social responsibility is a voluntary effort on the part of business to take various steps to satisfy the expectation of the different interest groups.</p> <p>5 Employee stewardship is an opportunity exists for ensuring high employee morale and customer satisfaction, an increase in employee and customer retention rates, and a positive long-term outlook for the company's successful performance.</p>	<p>F.Crutis barry & company, 2008</p> <p>Nitin vazirani, 2008</p> <p>Milton friedman, 1970</p> <p>Barbara J. Fretwell,2002</p>	