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The Influence of Accounting Information System on Financial Performance of Small and Medium-Sized Enterprises in Kangar, Perlis

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ABSTRACT

Accounting Information Systems (AIS) play a pivotal role in shaping the financial performance of companies in Malaysia, with particular significance for Small and Medium-Sized Enterprises (SMEs). However, the intricate nature of AIS presents formidable challenges and barriers for SMEs, necessitating a thorough examination of its impact on their operational efficiency and financial outcomes. This study aims to elucidate the nexus between AIS and SMEs' financial performance by focusing on three crucial variables: timeliness, transparency, and accuracy. The study employed questionnaire surveys, with a total sample size of 357 respondents drawn from a population of 4,735 SMEs in Kangar, Perlis. Utilising SPSS Statistics Software, the collected data underwent rigorous analysis, including correlation and multi-regression analyses. The results underscored a highly significant impact of timeliness, transparency, and accuracy of AIS on SMEs' financial performance. These findings offer invaluable insights into the pivotal role of AIS in augmenting SMEs' financial performance, highlighting avenues for optimising their accounting systems. By shedding light on the intricate dynamics between AIS and SMEs' financial outcomes, this research contributes to a deeper understanding of the mechanisms underpinning effective financial management in the SME sector. Moreover, it provides actionable recommendations for SMEs to leverage AIS effectively, thereby enhancing their competitiveness and sustainability in the dynamic business landscape of Malaysia.

Keywords: Accounting Information Systems, Accuracy, Financial Performance, Timeliness, Transparency

1. INTRODUCTION

Accounting Information Systems (AIS) have become the majority used across diverse sectors, as they provide a systematic method for managing financial performance with timeliness, transparency, and accuracy (Al-Waeli et al., 2020). AIS is one of the computer-based systems for business entities to collect, record, and track the financial and accounting information that is used by decision-makers (Al-Hattami et al., 2021). AIS not only enhanced management decision-making but also minimised business costs (Sabri et al., 2022). The high quality of AIS allows business firms, especially Small and Medium-Sized Enterprises (SMEs) to effectively manage and monitor their financial activities (Khan et al., 2022). Based on the previous research, Adenike and Adewoye (2018) indicate that there is a higher demand for Nigerian SMEs to gain AIS investment opportunities to improve their financial management and maintain long-term business operations. Therefore, AIS could be advantageous for SMEs in term of enhancing their financial strategy and overcoming unexpected business venture.

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SMEs play an important role in addressing key national development challenges, including employment creation and income generation. Besides that, SMEs were a fundamental pillar for skills development, poverty reduction, empowerment, and the sustainability of community livelihoods (Chege & Wang, 2020). There are approximately 400 million SMEs globally, with 99% of them generating the largest number of new jobs (Zhou, 2023). SMEs in developing countries like Malaysia are a key driver of the domestic economy, contributing 38.2% of the gross domestic product (GDP), equivalent to more than RM512.8 billion in 2021, underscoring their irreplaceable importance within the country's economic framework. (Adzim, 2022). In recognition of the significant contribution of SMEs to economic development, government agencies and other organisations have made the development of SMEs a priority. As a result, they have launched a range of programmes and resources aimed at improving the performance and competitiveness of SMEs (Sana et al., 2020).

The rapid growth of globalisation increased SMEs' decision to adopt AIS due to the complexity of their business operations and the purpose of boosting financial performance and maintaining a competitive edge within the global marketplace (Mahama & Dahlan, 2021). Based on the existing research studies, globalisation has had a significant impact on the financial performance and position of SMEs. This impact is attributed to their ability to expand market share, develop new customer segments, diversify product portfolios, and take advantage of knowledge transfer and innovation opportunities in the global marketplace (Podhorska & Siekelova, 2020). Therefore, the importance of AIS has increased the demand for SMEs to improve and develop financial business performance. However, some SMEs may struggle to handle the complexity of AIS because they are highly dependent on manual accounting processes. According to Habiba et al. (2019), a significant proportion of SMEs in Addis Ababa rely heavily on manual AIS. The adoption of Computerised Accounting Information Systems (CAIS) is often influenced by factors such as firm size and financial preparedness, which are important determinants. Moreover, the researchers found that the use of non-compliant software in Jordan's AIS adversely affects financial performance. This is mainly due to the inappropriate use of infrastructure resources, which leads to substandard functionality of accounting information systems within companies (Jarah & Iskandar, 2019). Therefore, the ineffective use of AIS can have a range of negative impacts on SMEs' organisation.

In this research, the main objective was to determine the influence of AIS on the financial performance of SMEs in Kangar, Perlis. Although there have been a significant number of studies (Asmuni, 2020; Lidovolo & Atieno 2023). that have been explored and discovered about the impact of AIS on financial performance under a variety of scenarios, there is a noticeable gap in the literature on SMEs located in Kangar, Perlis. Yet, limited attention has been paid to understanding how AIS influences the financial performance of SMEs within the region, suggesting that there is a clear need for empirical investigations and explorations. The relationship between timeliness, transparency, and accuracy of AIS towards SMEs' financial performance was developed to identify whether AIS may be beneficial or detrimental to SMEs operating in the local area. By exploring the adoption and utilisation of AIS by these firms, the study seeks to reveal how this technology contributes to their overall financial performance and management practices.

2.0 LITERATURE REVIEW

Financial performance involves a comprehensive assessment that enables businesses to gauge their overall financial health and assess their capability to meet long-term financial obligations (Ganyam & Ivungu, 2019). Patience (2019) indicated that most business managers need the financial and accounting data provided by AIS to evaluate their past performance and map their future plans. The information system shows that in the past it was common practice for employees to manually enter paper notebooks and ledgers, but today almost all organisations use computers

to keep records in an AIS (Turner et al., 2022). In the contemporary fast-paced business environment, AIS has become an important tool for managers striving to maintain a competitive edge in the face of rapid technological advances, heightened awareness, and the rising expectations of customers and the various stakeholders in their organisations (Ganyam & Ivungu, 2019).

Wahyuni (2023) suggested that AIS are crucial information systems for SMEs, enabling them to invest in technology that can confer a competitive advantage to the companies. For example, Lutfi et al. (2022) found that accounting software has a positive impact on SMEs' financial performance, contributing to improvements in cost-saving, flexibility, production lead time, forecasting, costing accuracy, and resource planning. The adaptation of AIS may be dependent on several requirements such as an understanding of business processes, cost-benefit analysis, training and change management, and skilled personnel to ensure its effectiveness (Rapina et al., 2023). Furthermore, AIS enhances organisational efficiency and adaptability, as evidenced by research conducted by Al-Okaily et al. (2020) and Anh Hien et al. (2020). Companies and businesses that integrate their computerised internal control systems with AIS can experience advantages such as increased confidence in the accuracy of financial data processing, enhanced efficiency and effectiveness of control measures, and greater reliability of the information. Additionally, this alignment facilitates the successful attainment of operational objectives and overall performance improvement (Teru et al., 2017). Therefore, accounting information systems are considered critical to the long-term sustainability and performance of an organisation.

2.1 Timeliness of AIS and Financial Performance

Companies can derive great advantage from the timely processing of financial statements, variance analyses, liability reports, and oversight reports. This helps to prevent the late delivery of accounting information, which hinders the timely submission of information and may affect the company's growth (Bragg, 2022). To ensure that financial decisions are grounded in up-to-date information, organisations must promptly send financial accounts to the accounting information management department, as stated by Güleç (2019). Depending on the size and complexity of the company's activities, this can be achieved through regular disclosure of the company's financial performance, either quarterly, half-yearly or annually through the financial report (Fitriati & Mulyani, 2015). The company's employee roster underscores the utilisation of the AIS as a crucial component in decision-making. It guarantees precision, timeliness, and comprehensive coverage, enabling the generation of up-to-date and readily accessible reports that encompass all essential elements. Users of financial reports benefit from more valuable information disclosed promptly. The availability of timely financial information enables users to review and improve their financial performance on time. Timely publication of financial statements prevents company managers from becoming aware of significant performance or liquidity problems too late and enables them to address them on time. Therefore, accountants should expedite the closure of accounts and issue timely and accurate financial statements by the principle of timeliness in this area.

H_1: The timeliness of the AIS has a significant impact on the financial performance of SMEs.

2.2 Transparency of AIS and Financial Performance

In contemporary organisational settings, AIS play a pivotal role by providing critical data to decision-makers. Bushman and Smith (2022) emphasise that transparency in financial statements is the cornerstone of investor and regulatory access to firm-specific information. McCallig et al. (2019) stress that AIS systems must demonstrate transparency by ensuring that users have a comprehensive understanding of how information is collected, processed, and reported. Khasanah (2022) defines financial transparency as a prerequisite for effective

communication between firms and stakeholders (Man & Ciurea, 2016), and it involves user-friendly technology that integrates with other systems to minimise resistance during implementation. This concept includes access to information and accurate disclosure in audited financial reports (Chen, 2021) and adherence to credible standards that are essential for financial management (Istianingsih et al., 2020). As emphasised by Changwony and Paterson (2019), fiscal transparency also includes the provision of internationally verifiable information to assess financial performance, costs, benefits, growth potential, and long-term social impacts. Larch et al. (2021) and Halabi et al. (2019) emphasise that the integration of user-friendly technologies is essential to clarifying accounting procedures and overcoming barriers to creating transparent financial reporting. As added by Chen et al. (2020) the role of accounting in enhancing accountability, transparency, and legitimacy, and integrated AIS helps to improve transparency and accountability in financial management by generating accurate, reliable, and relevant information, which can have a significant impact on the quality of financial reporting and business decisions.

H_2: The transparency of the AIS has a significant impact on the financial performance of SMEs.

2.3 Accuracy of AIS and Financial Performance

Utilising an AIS guarantees the generation of accounting information that is pertinent, precise, timely, and comprehensive (Fitriati & Mulyani, 2015). However, the precision of an AIS is shaped by its incorporation of knowledge management, which aids in bolstering strategic planning and facilitating the implementation of management processes (Ahmad & Al-Shbiel, 2019). A CAIS can lead to cost reduction, improved operational efficiency, enhanced functionality, better external reporting, increased accuracy, and faster data processing within companies (Ganyam & Ivungu, 2019). As an example, businesses have employed computerised systems to offer current transaction data and financial information, replacing traditional paper books, manual ledgers, and handwritten financial statements to enhance the accuracy of AIS (Khan et al., 2022). Furthermore, electronic accounting illustrates that the development of AIS enables businesses to produce accurate financial data and enhance their internal monitoring systems (Thottoli & Ahmed, 2022). Therefore, a robust correlation exists between accuracy and financial performance, enabling SMEs to fulfil the criteria for implementing AIS.

H_3: The accuracy of the AIS has a significant impact on the financial performance of SMEs.

2.3 Theoretical Discussion

The Agency Theory was utilised to examine the influence of AIS on financial performance as it provides a valuable framework for recognising the relationships and dynamics between various stakeholders within an organisation, particularly principals (owners) and agents (managers). Agency Theory, which explains that an owner (principal) delegates authority to a manager (agent) to run a business on behalf of the owner and expects the manager to act in the owner's best interests, was developed by Jensen and Meckling in 1976 and is widely regarded as their seminal work. Based on the existing research studies, this theoretical perspective has found real-world application in determining how AIS affects financial performance. As evidence, the evolution of Agency Theory has been employed as a means to mitigate conflicts between managers and principals, to safeguard shareholders' interests (Abdullah & Tursoy, 2023). Agency Theory is considered an important tool in guaranteeing transparency and accountability, enabling agents (managers) to fulfil their duty of maximising principals' wealth (owners) to foster company financial performance by utilising AIS.

The Stewardship Theory was also used as a theoretical framework in the context of the influence of AIS on financial performance, which explores how AIS improves and enhances the managerial role of managers (agents) in organisations. Stewardship theory was introduced by Davis,

Schoorman, and Donaldson in 1997, to increase shareholder wealth by improving firm performance and maximising the effectiveness of the stewardship function. Besides that, the role of the manager as one in which the interests of the firm take precedence over those of the individual, emphasising the importance of treating subordinates in a manner consistent with that of their owners and partners. Stewardship Theory states that companies should use effective control systems (including accounting information systems) to prevent fraud, manage expenditures, monitor operations, and adapt to technological advances, all of which help maintain strong financial performance (Jacob & Philip, 2016). As evidence, Village-Owned Enterprises (BUMDes) encounter a challenge where their human resources department lacks the knowledge and skills required for effective financial management and reporting (Asmawanti et al., 2022). Stewardship Theory is the driving force behind SMEs learning about AIS and improving their ability to monitor financial information.

3.0 RESEARCH METHODOLOGY

This research used quantitative methods to identify the relationship between the financial performance and the variables (timeliness, transparency, and accuracy) which enabled them to measure the variables by using a large sample size to collect the perspectives of SME's professional members in Kangar, Perlis using the questionnaire survey. The questionnaires have 6 sections with a total of 39 items, including demographic profile, SME profile, financial performance, timeliness, transparency, and accuracy. There are two different measurement scales were used in each variable such as the nominal and Likert scales. The nominal scale is measured by assigning categorical labels (gender, age, education qualification, position in the company, types of industry, number of years of operation, number of employees, and types of accounting software) to data points. The five-point Likert scale was measured with the range from "strongly agree" to "strongly disagree" for the variables, including financial performance, timeliness, transparency, and accuracy. Additionally, additional sources, including news reports, university-published research, government records, academic journals, and population studies were also used in this study. 357 respondents were chosen from the total of 4,735 SMEs by using Krejcie and Morgan's table which is the simplest sampling methods that is used to estimate the targeted respondents from a large population. The Statistical Package for Social Sciences (SPSS) Statistics 29.0 was then utilised after the data collection. Figure 1 presents the conceptual framework for this study:

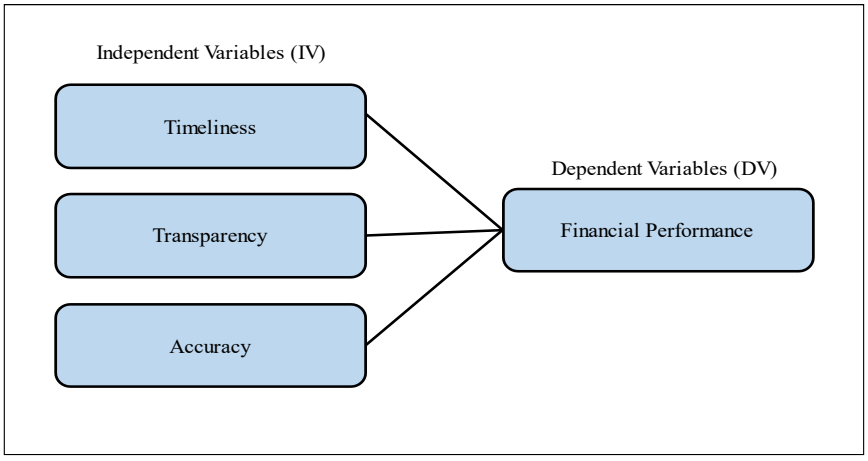

Figure 1. Conceptual Framework

4.0 RESULTS

4.1 Descriptive Analysis

In these research findings, 89.25% of usable questionnaires were collected and gathered from 375 out of 400 respondents in Kangar, Perlis. The descriptive analysis included demographic profiles such as gender, age, education qualifications, and position in the company. The SMEs profiles encompassed details such as types of industry, number of years in operation, size of enterprises, turnover, and types of accounting software they used. The demographic and SMEs profiles are shown in Table 1 and 2.

Table 1 Demographic Profile

Demographic	Frequency	Percentage (%)
Gender		
Male	142	39.8
Female	215	60.2
Age		
Between 20 – 30 years old	117	32.8
Between 31 – 40 years old	187	52.4
Between 41 – 50 years old	43	12.0
Between 51 – 60 years old	10	2.8
Education Qualification		
Diploma	158	44.3
Bachelor's degree	175	49.0
Master	24	6.7
Position in Company		
Chief Financial Officer (CFO)	7	2
Chief Accounting Officer (CAO)	5	1.4
Controller	31	8.7
Accounting Manager	129	36.1
Senior Accountant	40	11.2
Accounting Clerk	128	35.9
Others	17	4.8

In Table 1, gender serves as a variable used to categorise respondents based on their gender identity. It distinguishes between two genders such as male and female. The data indicated a higher number of female respondents compared to male respondents. To be specific, there were a total of 142 male respondents from SMEs, constituting 39.8% of the sample, while female respondents from SMEs totaled 215, accounting for 60.2% of the sample.

Additionally, age is employed as a variable to evaluate the knowledge and experience of respondents in the field of accounting. The table showed that there are four distinct age categories, including 20–30 years old, 31–40 years old, 41–50 years old, and 51–60 years old, reflecting the age distribution of respondents employed in SMEs. Among the participants, 117 individuals (32.8%) belonged to the 20–30 age group, 187 individuals (52.4%) fell within the 31–40 age group, 43 individuals (12.0%) were in the 41–50 age group, and 10 individuals (2.8%) were categorised in the 51–60 age group.

Moreover, education qualification is another item that is used to measure respondents' educational achievements. The table shows the four different categories of educational level, such as diploma, bachelor's degree, master's degree, and doctoral degree. Among the respondents, 158 individuals (44.3%) held a diploma, followed by 175 individuals (49.0%) with a bachelor's degree. In addition, 24 individuals (6.7%) had a master's degree, while no respondents possessed a doctorate.

Furthermore, the respondent's position in the company is an indicator of their rank in the organisation. The positions in SMEs include Chief Financial Officer (CFO), Chief Accounting Officer (CAO), Financial Controller, Accounting Manager, Senior Accountant, Accounting Clerk, and other positions. Among these positions, accounting manager was the most prevalent with 129 respondents (36.1%), closely followed by accounting clerk with 128 respondents (35.9%). There were 40 (11.2%) senior accountants and 31 (8.7%) financial controllers. There were 7 respondents (2.0%) for CFO, 5 respondents (1.4%) for CAO, and 17 respondents (4.8%) for other positions in SMEs.

Table 2 SME Profile

SME Profile	Frequency	Percentage (%)
Types of Industry		
Manufacturing	65	18.2
Trade & Services	186	52.1
Food & Agriculture	45	12.6
Construction	43	12
Mining & Quarrying	2	0.6
Warehousing	4	1.1
Transportation & Communication	3	0.8
Others	9	2.5
Number of Years of Operation		
Less than 10 years	202	56.6
Between 10 – 20 years	126	35.3
More than 20 years	29	8.1
What is the Size of Enterprise in Terms of Number of Employees?		
Micro (1 to 9)	177	49.6
Small (10 to 99)	158	44.3
Medium (100 to 199)	22	6.2
Turnover		
Less than 1 million	220	61.6
Between 1 million – 5 million	123	34.5
More than 5 million	14	3.9
What Type of Accounting Software Do You Currently Use to Manage Your Financial Transactions?		
QuickBooks	125	35
Xero	41	11.5
Wave	49	13.7
ZohoBooks	31	8.7
Sage	55	15.4
Others	56	15.7

Table 2 showed the SMEs profile, including types of industry, number of years in operation, number of employees, turnover, and types of accounting sofotware used by SMEs. In this table, types of industry referred to the categorisation of the various industries in which the respondents were employed. The table presented the distribution of industries within this study, including manufacturing, trade and services, construction, mining and quarrying, warehousing, transportation and communication, and others. Among these industries, trade and services had the highest representation among SMEs with 183 respondents (51.3%), followed by manufacturing with 65 respondents (18.2%). Construction accounted for 45 respondents (12.6%), while mining and quarrying had 43 respondents (12.0%). Transport and communications accounted for 4 respondents (1.1%), and warehousing had 2 respondents (0.6%). Other types of SMEs were represented by 15 respondents (4.2%).

Besides that, the table also showed the number of years in operation indicated the duration of business activity for SMEs. The table showed the categorisation of SMEs based on their years in operation in this study. Among the respondents, 202 SMEs (56.6%) had been in operation for less than 10 years, representing the largest category. This was followed by 126 SMEs (35.3%) that had been operating for a duration of 10-20 years, and 29 SMEs (8.1%) that had been in business for more than 20 years.

In addition to the duration of business operations, the number of employees played a crucial role in determining the organisational structure and hiring needs of SMEs. Table illustrated the categorisation of SMEs based on their employee count in this study. Among the respondents, the majority of SMEs fell into the micro-sized business category, employing 1 to 9 individuals, with 177 respondents (49.6%). This was followed by small-sized businesses, employing 10 to 99 individuals, with 158 respondents (44.3%). Lastly, there were 22 respondents (6.2%) representing medium-sized businesses, which employed 100 to 199 individuals.

Turnover is also one of the important measurement used to assess the profitability and revenue generation of SMEs, reflecting their overall productivity. The table shows the categorisation of SMEs based on their turnover in this research. Among the respondents, the majority of SMEs, comprising 220 (61.6%), reported a turnover below 1 million. This was followed by SMEs with turnover ranging between 1 million and 5 million, accounting for 123 (34.5%) respondents. A smaller proportion of SMEs, 14 (3.9%), reported a turnover exceeding 5 million.

Lastly, the types of accounting software used by SMEs play a significant role in determining their effectiveness and accuracy in managing financial performance. The table presented the analysis of commonly used accounting software among SMEs, including QuickBooks, Xero, Wave, ZohoBooks, Sage, and others. Among these options, QuickBooks emerged as the most frequently utilized accounting software by SMEs, with 125 respondents (35.0%). It was followed by Sage with 55 respondents (15.4%), Wave with 49 respondents (13.7%), Xero with 41 respondents (11.5%), and ZohoBooks with 31 respondents (8.7%). Additionally, 56 respondents (15.7%) reported using other accounting software in their SMEs.

4.2 Correlation Analysis

In this research, correlation analysis is used to evaluate the validity of these variables. Including timeliness, transparency, and accuracy of AIS on financial performance in Kangar, Perlis.

In Table 3, the results of the correlation analysis showed significant relationships among the variables, such as timeliness, transparency, and accuracy in financial performance. Especially, the Pearson correlation coefficient values showed strong positive correlations, with timeliness having the highest correlation ($r = 0.848^{**}$), followed by transparency ($r = 0.823^{**}$), and accuracy ($r = 0.817^{**}$). The P-value for all the variables was lower than the significant level ($p < 0.01$). Therefore,

these results revealed that the timeliness, transparency, and accuracy of AIS are strongly associated with improved financial performance.

Table 3 Correlations

		Financial Performance	Timeliness	Transparency	Accuracy
Financial Performance	Pearson Correlation	1	.848**	.823**	.817**
	Sig. (2-tailed)		.000	.000	.000
	N	357	357	357	357
Timeliness	Pearson Correlation	.848**	1	.830**	.812**
	Sig. (2-tailed)	.000		.000	.000
	N	357	357	357	357
Transparency	Pearson Correlation	.823**	.830**	1	.863**
	Sig. (2-tailed)	.000	.000		.000
	N	357	357	357	357
Accuracy	Pearson Correlation	.817**	.812**	.863**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	357	357	357	357

***. Correlation is significant at the 0.01 level (2-tailed).*

4.3 Regression Analysis

Regression analysis is a statistical technique used to estimate the relationships between a dependent variable and one or more independent variables. It is used to predict the long-term relationship between variables and to measure the strength of the relationship between two variables. Three different types of regression analyses are commonly used in research, namely linear regression, multiple linear regression, and non-linear regression. Based on the hypotheses, multiple linear regression was used to test the hypotheses of the variables regarding the impact of AIS on SMEs.

In Table 4, the values of R, R-squared, adjusted R-squared, and estimated standard errors were displayed in the model summary. The R-value was expressed as the correlation coefficient, while R-squared was expressed as the proportion of variance in the dependent variable that could be explained by the independent variable. However, as the adjusted R-squared serves as a correction for the limitations of R-squared, the adjusted R-squared value was considered a measure of the model's applicability. The table indicated an R-squared value of 0.778, signifying that the independent variables in the model explained 77.8% of the variance in the dependent variable. Consequently, the regression model provided a good fit, implying that the independent variable had a significant effect on AIS's impact on SMEs.

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882[a]	.778	.776	.25142

a. Predictors: (Constant), Accuracy, Timeliness, Transparency

b. Dependent Variable: Financial Performance

In Table 5, three independent variables, including timeliness, transparency, and accuracy were used to test this study. The p-value for timeliness, transparency, and accuracy is 0.000, which means that the p-value is less than 0.05 ($p < 0.05$). Therefore, these three independent variables are statistically significant for the financial performance of SMEs.

Table 5 Coefficients

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		β	Std. Error	β		
1	(Constant)	.506	.112		4.513	.000
	Timeliness	.438	.046	.455	9.528	.000
	Transparency	.208	.050	.231	4.183	.000
	Accuracy	.235	.050	.248	4.705	.000

a. Dependent Variable: Financial Performance

4.4 Hypotheses Test and Discussion

This research showed the results of the hypotheses have a significant impact on AIS on financial performance, which is consistent with existing studies (Jarah & Iskandar, 2019; Al-Waeli et al., 2020). Based on Table 6, the unstandardised beta coefficient value was 0.438, indicating that if the timeliness of the AIS increased by one unit, the financial performance would increase by 0.438 times. Furthermore, the p-value of timeliness indicated a statistically significant relationship between the timeliness of AIS and financial performance, with a value of 0.000 ($p < 0.05$). Consequently, the alternative hypothesis was accepted, affirming the significant impact of AIS's timeliness on financial performance

Table 6 Hypotheses

Variables	Hypothesis	R	Beta	T value	Sig	Decision
Timeliness	H_1	0.438	0.455	9.528	0.000	Accepted
Transparency	H_2	0.208	0.231	4.183	0.000	Accepted
Accuracy	H_3	0.235	0.248	4.705	0.000	Accepted

Furthermore, Table 6 showed the unstandardised beta coefficient had a value of 0.208, signifying that when the transparency of the AIS increased by one unit, the financial performance increased by 0.208. Additionally, the p-value associated with transparency indicated a strong and significant relationship between AIS transparency and financial performance, with a value of 0.000 ($p < 0.05$). Consequently, the alternative hypothesis was supported, affirming the significant impact of AIS transparency on financial performance. In addition, the unstandardised beta coefficient value was 0.235, signifying that when the accuracy of the AIS increased by one unit, the financial performance increased by 0.235. Furthermore, the p-value associated with accuracy indicated a significant relationship between the accuracy of AIS and financial performance, with a value of 0.000 ($p < 0.05$). Consequently, the alternative hypothesis was accepted, affirming the significant impact of AIS accuracy on financial performance. Therefore, the research indicated that AIS is an important tool for SMEs to manage their financial performance effectively.

5.0 CONCLUSIONS AND RECOMMENDATIONS

Studies have shown that there is a positive correlation between AIS and the financial performance of SMEs, as indicated by studies, policymakers are urged to develop initiatives aimed at promoting the adoption of AIS by SMEs. A possible policy could be the development of fiscal incentive

programs that provide tax breaks or grants to SMEs that invest in upgrading their accounting systems. By incentivising the implementation of accounting information systems, policymakers could promote the technological upgrading of SMEs to improve financial reporting and decision-making. In addition, policymakers could consider partnering with educational institutions to incorporate AIS training programs into business curricula to ensure that future entrepreneurs are equipped with the necessary skills. These proactive measures are consistent to create an enabling policy environment and improve the overall financial health and competitiveness of SMEs.

In summary, this article investigated the impact of three key aspects of AIS, namely timeliness, transparency, and accuracy, on the financial performance of SMEs. The hypotheses pertaining to these variables were confirmed, indicating a significant positive relationship between AIS and financial performance. The research underscored the crucial role played by AIS in enhancing the financial performance of SMEs and offered valuable insights for accounting professionals, policymakers, SME owners, and researchers. These findings implied that accounting professionals could use the results to advise their SME clients on implementing effective AIS strategies. Policymakers could leverage the findings to formulate a supportive framework to encourage AIS adoption among SMEs, and academics could build upon this research for further exploration of various facets of AIS and their implications for SMEs.

Recommendations present valuable opportunities for future researchers to enhance their subsequent research findings. Addressing the limitations identified in the study serves the purpose of overcoming constraints and refining the research scope. Recognising these limitations provides researchers with insights into areas requiring further exploration and methodological improvements, contributing to the overall transparency and reliability of the research. Notably, the use of questionnaire surveys may pose challenges in gaining in-depth knowledge about a company's background, business operations, and financial health. To address this limitation, future researchers could employ qualitative methods, such as interviews conducted through virtual meeting applications. This approach facilitates a deeper exploration and understanding of nuanced questions while also reducing transportation costs associated with on-site visits.

In addition to examining the impact of AIS on the financial performance of SMEs, there are several other aspects that researchers can explore to enrich the understanding of this relationship. First, delving into the specific mechanisms by which AIS affects various aspects of financial performance, such as cost efficiency, revenue generation, and risk management, can provide more nuanced insights. In addition, examining the role of organisational culture and leadership in facilitating the successful implementation of AIS can provide valuable insights. Exploring potential moderating factors, such as industry-specific characteristics or regulatory environments, can help provide a more complete picture of contextual influences on AIS effectiveness. In addition, investigating the long-term impact of AIS adoption and considering emerging technologies or advances in accounting practices may open up new avenues for research in this area. In conclusion, a comprehensive exploration of aspects other than the direct impact on financial indicators could provide a fuller understanding of how accounting information systems affect the overall business operations and strategic outcomes of SMEs.

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