



## Accounting Software and Business Growth: An Empirical Analysis

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Received: 20.11.2025 | Accepted: 03.12.2025 | Published: 25.12.2025

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DOI: [10.5281/zenodo.18769238](https://doi.org/10.5281/zenodo.18769238)

### Abstract

### Original Research Article

The selection of suitable accounting software is a critical issue for organizations and corporates, as a critical factor influencing business growth. The increasing complexity of business operations and the need for informed decision-making have made accounting software an essential tool for businesses. However, the selection of suitable accounting software can be a daunting task, particularly in developing regions, where incomplete records and unauthorized access to data are common problems. This study investigates the relationship between accounting software and business growth, with a focus on the challenges faced by businesses in selecting suitable accounting software. The increasing complexity of business operations and the need for informed decision-making have made accounting software an essential tool for businesses. However, the selection of unsuitable accounting software can lead to suboptimal decision-making and negatively impact business growth.

**Keywords:** Accounting software, Business growth, Decision-making. Financial reporting. Accounting information systems.

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### 1. Introduction

Accounting has become an integral part of modern industrial societies, playing a vital role in the functioning of organizations (Stuart Burchell, 1980). As businesses grow and become more complex, the need for accurate and up-to-date financial information has increased. Accounting information systems (AIS) have emerged as a critical tool for organizations to manage their financial data and make informed decisions. The fundamental error in many working environments and organizations is the failure to select the correct accounting software,

leading to suboptimal decision-making. The key challenge is to identify the most suitable accounting software that meets the day-to-day accounting and business needs of organizations. This study aims to investigate the factors influencing the selection of accounting software and its impact on decision-making processes in Anuradhapura.

Companies all over the world are becoming more international in their outlook. Competing in the global marketplace, however, entails a new set of accounting challenges. Instead of dealing in a single currency and a single set of accounting



principles, companies may have to deal with multiple currencies and follow a myriad of accounting and tax rules. As a result, there is an increased demand for new and more sophisticated accounting software packages capable of handling international accounting issues (Ajay Adhikari, 2004).

Accounting Information Systems (AIS) are a tool which, when incorporated into the field of Information and Technology systems (IT), were designed to help in the management and control of topics related to firms' economic-financial area. But the stunning advance in technology has opened up the possibility of generating and using accounting information from a strategic viewpoint. Since this is important for all firms, it is more important even for medium-sized and small ones which need this information to deal with a higher degree of uncertainty in the competitive (EL Loudi, 1998)[5] Thus, they need to improve their systems and data processing capacity to match their information needs (Andrew H Van de Ven, 1985)[3] Accounting information systems automates the accounting process improving efficiency and cutting down costs. And it tends to be more accurate, faster to use, and less subject to error than its manual counterpart. In today's computerized, interconnected, global business environment, accounting information systems became the 'engine of growth' in business organizations. Therefore it involves the computerization of accounting information systems which is established in order to facilitate decision making. Accounting information system is a computer based system that increases the control and enhances the corporation in an organization. In managing an organization and implementing an internal control system, the role of accounting information system is very crucial (Nicolau, 2006).

By using Accounting information systems organization can enhance their performance. According to Dr Dawhla Accounting information system implementation and growth have been comprehensively researched but the contemporary literature shows slight evidences of the relationship between Accounting Information System (AIS) and performance measures. AIS can positively impact on

organizations by the following; better adaptation to a changing environment, better management of arm's length transactions and a high degree of competitiveness (Dr. Daw Hla, 2015). The appropriate design of AIS supports business strategies in a way that it increases the organizational performance (RH Chenhall, 1986).

Asserts that increasing AIS investment will be leverage for achieving a stronger, more flexible corporate culture to face persistent changes in the environment (Dr. Daw Hla, 2015).

In other hand, Organizational performance is a function of the financial performance, performance management, and accounting information system. Fitness will exist in the combination of strategy and AIS that contribute to financial performance (Zejac and Pearce, 1990). Accounting Information Systems (AIS) play a vital role in facilitating management decision-making, internal controls, and the quality of financial reports. According to Dr. Dawl Hla, AIS is of great importance to both businesses and organizations, as it enables them to make informed decisions and ensures the accuracy and reliability of financial information (Dawl Hla, n.d.). The study emphasizes the need for businesses to adopt AIS, as adequate accounting information is essential for effective decision-making.

### **The Impact of AIS on Organizational Performance**

The impact of AIS on organizational performance has been extensively researched. Studies have shown that AIS can positively impact organizational performance by improving financial reporting, decision-making, and internal controls (Brynjolfsson and Hitt, 1996; Kohli and Devaraj, 2003; Kearns and Lederer, 2004). AIS can also lead to business value by improving business processes and reducing costs (Barua et al., 1995; Mukhopadhyay et al., 1995; Tallon et al., 2000).

### **The Role of IT Quality in Organizational Impact**

Research has also highlighted the importance of IT quality in organizational impact. According to

N. Gorla et al., IT quality is a multidimensional measure that includes system quality, information quality, and service quality (Gorla, 2010). The study found that these dimensions of IT quality have a significant positive influence on organizational impact, either directly or indirectly. System quality, for example, can indirectly impact organizational performance through information quality.

### The Relationship between AIS and Organizational Performance

The relationship between AIS and organizational performance is complex. While system quality may not directly impact organizational performance, it can indirectly affect it through information quality (Gorla,

2010). The study emphasizes the need for organizations to invest in AIS that are technically sound, error-free, easy to learn, and user-friendly. By doing so, organizations can improve their financial reporting, decision-making, and overall performance.

However, the purpose of the study was to examine the impact of accounting software for business performance on profitability level of small scale business.

To measure the business performance can be used system quality, information quality and service quality. We focused on selected 100 small scale businesses which are familiar with accounting packages in Anuradhapura district. We aimed to generate finding that would relevance to and expand current knowledge.

We measured the business performance by using variables such as Reliability, Efficiency and user friendliness of Accounting Software. According to the previous research result organization can increase their performance by using accounting software

In sum we formulated following research hypothesis;

H1: Accounting Information system affects reliability of information of financial statement.

H2: Accounting information system affects efficiency of information of financial statement.

H3: User Friendliness of Accounting Information system affects business performance of organization.

## 2. Methods

### Population and Sample

Participants were 100 employees who work in private and public organization which familiar with accounting packages in Anuradhapura District. The final sample included 42% male employees and 58% Female employees and also 24% were from sales and marketing department, 21% were from ICT department, 20% were HR department, 16% were finance department and 19% were from other departments. We used simple random sampling method to select the participants and used structured questionnaire to collect data from the respondents.

### Data Analyzing

Data analyzing is very important path of any research. After collecting the data, it should be analyzed and interpreted. The data analyzed depend on nature of the sampling process, measurement and data collecting method. To determine the objective of this research statistical procedures are conducted. Sample data can be analyzed by using descriptive statistical analyzes. In the descriptive analyze has been included mean, standard deviation, variance graphs and tables to discuss the finding. To test the hypotheses and identify the whether there is a relationship between service quality dimension and patient satisfaction. Statistical package for social science (SPSS) will be used for the data analyze. It helps to analyze data more effectively and efficiently. SPSS is software which is used to measure accuracy of the data.

### Conceptual Framework

#### Figure1. Conceptual Framework

Facilitate data analysis and report creation. It would have required a database translation to function effectively. Dimensions for Efficiency are relevance, market efficiency and improved productivity. User Friendly dimensions are user friendly skills.

## 3 Result

### The Legal Status of the respondent's firm

All the respondents from privet limited company

and public limited company. The information on the firm’s legal status is summarized.

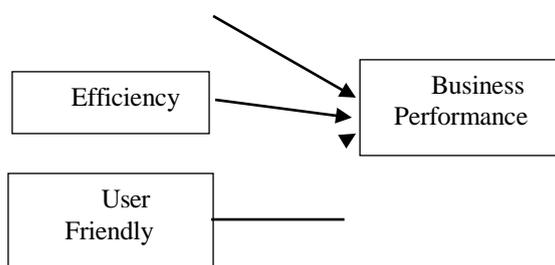
Table1.The Legal status of respondents

	Frequency	Percentage
Public Company	41.0	41.0
Private Company	59.0	59.0
Total	100	100

**The respondent’s Years of Service**

Majority of the respondents have worked for their company for more than five years. Only

33% of the respondents have worked for their company for a period not exceeding five years. This is an indication that most of the respondents have a thorough understanding of their company.



The reliability was ensuring by testing the instruments for the reliability of values in business performance. Dimension for Reliability are System reliability, Understand ability and accuracy. The strong expansion and consequent physical and commercial growth of the organization opened up in the organization’s business processes. Nicholls- Nixon (2005) found in his study that rapid growth in business generates dramatic changes in the scale and scope of a firm’s activities. According to her, entrepreneurs in rapidly growing business enterprises experience more difficulties in

comparison to small growth business when deciding or establishing the type of changes or evolution required to support their level of growth. The main problem area highlighted by the associate was the Business accounting system. Both business companies purchase to software system for increase the business performance. The software was supposed to be an accounting system capable of managing all financial aspects of the business and though it appeared to be a tool that can be fully integrated with MS excel or access so as to

Table2. Respondent's Year of service

	Frequency	Percentage
Downto5	33	33.0
6-10	23	23.0
11-15	27	27.0
Over15	17	17
Total	100	100

**The gender of the respondents**

42% of the respondents were male while 58% were female. This implies that there was no gender biasness.

Table3. Gender of the Respondents

	Frequency	Percentage
Male	42.0	42.0
Female	58.0	58.0
Total	100	100

**The respondent’s department**

Table 4 shows that 24%, 21%, 20% and 16% of the respondents were from Sales & Marketing department, ICT department, HRM department and finance department respectively. 19% of the

respondents were from other departments such as the software modifying department. This shows that data was collected from all the departments and therefore the information is reliable.

Table4.Respondent's Departments

	Frequency	Percentage
Finance and administrator	16	16.0
ICT	21	21.0
HRM	20	20.0
Sales and marketing	24	24.0
Other	19	19.0
Total	100	100.0

**Reliability Test**

Reliability test was performed to identify the reliability of each construct which was used to measure the research variables. Reliability measure Descriptive Analysis Descriptive

analysis is used for generating result is descriptive statistics. Descriptive statistics were calculated to identify the nature of the research variables as follows. Mean value provides the idea about the central tendency of the values of a variable.

Table5.ReliabilityTest

Variables	Num of Items	Cronbach’s Alpha
Reliability	3	0.621
Efficiency	3	0.715
User Friendly	2	0.754
Business performance	3	0.710

According to given table, 0.710 of Cronbach’s Alpha is for variable of business performance and it

Is greater than 0.7.It indicates the better internal consistency of each question which used to measure the particular variable. Cronbach’s

reliability, efficiency, Ecommerce strategy, and User friendly are .621, .715, .720, and .754, respectively.

All they are greater than 0.7 It means all the questions which are used to test quality of particular variables have better internal uniformity. Finally, all deviation was .73140. Mean value provides the idea about the central tendency of the values of a variable. In the above table the mean value of User-friendly was 3.2400 whereas, the value of standard deviation

was .99107. Mean value provides the idea about the central tendency of the values of a variable. Mean value of all selected variable were relatively high. It indicates that the respondents are agreed with the statements. Respondent's "perception to performance was also comparatively high.

Table 6. Descriptive Analysis

Variables	Mean	Std Deviation
Business Performance	3.26	.79502
Reliability	3.62	.83420
Efficiency	3.48	.76735
User Friendly	3.24	.99107

**Hypothesis Testing**

Hypothesis 1 (Software package in accounting

information system which affect qualitative features of accounting information in organization population was chosen)

Table 7. Hypothesis 1

Alpha of	Business Performance	Reliability
Business Performance	1	.194**
Efficiency	.194**	1

As shown in the table 4.12 correlations for the relationship between reliability and business performance was 0.194 that indicates. That reliability of service of performance affect to the business performance. It was significant at 0.01 level. Therefore the result supports to the first

hypothesis of the study (H1).

Hypothesis 2 (Software package and AIS affect relevance feature of information of financial statement)

Table 8. Hypothesis 2

	Business Performance	Efficiency
Business Performance	1	.535**
Efficiency	.535**	1

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

The table shows that there is a 0.535 correlation coefficient which is higher than the significant level. Therefore, there is a strong positive relationship between Efficiency and the Business performance and it is significant. As a result of

that, H2 is accepted.

Hypothesis 4 (Software package and AIS affect reliability future of information of financial statement.)

Table 9. Hypothesis 3

	Business Performance	User Friendly
Business Performance	1	.482**
User-Friendly	.482**	1

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

The results show that there is a 0.482 of correlation coefficient between user-friendly and the business performance. It is a positive performance and it is significant. As well as it accepts H4.

**Model Summary of SQ**

Table10. Model Summary of SQ

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std Error
1	.664 <sup>a</sup>	.441	.418	.60662

a. Predictors: (Constant), User-friendly, reliability, Ecommerce strategy, efficiency

In the model summary table the R value is 0.664. The meaning of that is 66.4% of the service quality dimensions affect to the business performance. And also the table shows that R

value as 0.441 and the meaning of that is 40.8% of the variation in the business performance is explained through the service quality.

**Multivariate Analysis**

Table11. Multivariate Analysis

Mode	Unstandardized Coefficient		Standardized Coefficient	t	sig
	B	Std Err	Beta		
(constant)	.662	.366		1.808	.074
Reliability	-.07	.081	-.083	-.974	.332
Efficiency	.282	.104	.272	2.697	.008
User Friendly	.231	.071	.288	3.258	.002

a. Dependent Variable: business performance

The coefficient table shows that the beta value is -0.83 for reliability, 0.272 for reliability, and 0.306 for Ecommerce strategy, 0.288 for User-friendly . The meaning of that value is if the business performance is increased by 1; -0.83 reliability variable, 0.272 from efficiency variable, 0.306 from commerce strategy

variable, and 0.288 variable may affect to that change. The table further reveals that e-commerce strategy has the greater impact on business performance as it was in the significant level (0.00) and it has the highest beta value as shown in the table 0.306. Commerce strategy is the next mostly affected factor as it was also in the significant level (0.00) and it has the highest

beta value as shown in the table 0.306. User-friendly is the next mostly affected factor as it was also in the significant level, efficiency has 0.272 and reliability has impact of -0.83 on the business performance. Further the regression equation has been developed as follows.

$$BP = \text{Constant} + \text{Reliability} + \text{Efficiency} + \text{Ecommerce}$$

strategy + User-friendly

$$= 0.662 - 0.79x_1 + 0.282x_2 + 0.332x_3 + 0.231x_4$$

That Means, to make changes on business performance, reliability affect by -0.79, efficiency by 0.282, e commerce strategy affect by 0.332, and user-friendly affect by 0.231.

**ANOVA Table**

Table 12. ANOVA Table

Model	Sum of squares	df	Mean Square	F	Sig.
Regression	27.614	4	6.904	18.76	.000 <sup>a</sup>
Residual	34.959	95	.368		
Total	62.573	99			

- a. Predictors: (Constant), User-friendly, reliability, Ecommerce strategy, efficiency
- b. Dependent Variable: business performance

The table shows that the F test was 18.760 with significance of 0.000. That shows the probability of these results occurred by chance was less than 0.05. Therefore, the significant relationship between service quality and the business performance has been presented through the above table.

**2 Conclusion**

The implementation of accounting software systems is crucial for generating high-quality accounting information in a timely manner and effectively communicating it to decision-makers. Research has established a significant relationship between these systems and business performance, although further investigation is necessary to explore additional factors that may influence this connection. Notably, the service quality dimensions of user-friendliness, reliability, and efficiency have a substantial impact on business performance, accounting for 66.4% of the effect. Conversely, 33.6% of business performance remains unaffected by these factors.

This study underscores a strong correlation between accounting software systems and business performance, suggesting that access to accurate accounting information can enhance organizational effectiveness. Ultimately, the findings indicate that accounting information systems play a vital role in shaping the business performance of organizations in Anuradhapura city.

**1. Recommendations for Further Study**

Based on this study, several suggestions for future research have emerged. Firstly, it would be beneficial to collect data from diverse sources to gain a more comprehensive understanding. Secondly, conducting similar studies in various businesses would allow for comparative analysis and validation of the findings. Additionally, future research could focus on specific aspects, such as the effectiveness of accounting software systems in enhancing business performance, factors influencing their implementation, or the challenges faced during implementation, particularly in the context of Anuradhapura city.

These potential studies could provide further insights and contribute to the existing body of knowledge.

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