UNIVERSITY OF CAPE COAST

ACCOUNTING INFORMATION SYSTEM, FINANCIAL REPORTING QUALITY AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN ACCRA METROPOLIS

BY

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Dissertation Submitted to the Department of Accounting, School of Business, College of Humanities and Legal Studies, University of Cape Coast in partial fulfillment of the requirements for the award of Master of Business Administration in Accounting.

MAY 2025

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature……..... Date……

Name: Cephas Mensah

Supervisor's Declaration

I hereby declare that the preparation and presentation of this dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature……..... Date…….

Name: Dr. Vincent Adela

ABSTRACT

The primary emphasis of this investigation was centered on accounting information systems (AIS), the veracity of financial reporting, and the financial efficacy of small and medium-sized enterprises (SMEs) situated within the Accra metropolitan area. In accordance with the aims of the study, an explanatory research framework employing a quantitative methodological paradigm was implemented. A meticulously structured questionnaire was employed to execute the survey among 249 randomly chosen managers and owners of SMEs. The hypotheses were scrutinized through a reflective model definition utilizing structural equation modeling within the SMART PLS framework. The results demonstrated that alterations in AIS—characterized by the quality of information, quality of service, quality of systems, and user satisfaction—resulted in a modest enhancement of financial performance. Furthermore, it was elucidated that the proprietors and administrators of small and medium-sized enterprises (SMEs) within the Accra Metropolis have reported an augmentation in financial information, which can be largely attributed to the implementation of accounting information systems. The improvement in financial performance was determined to be significantly influenced by the caliber of financial reporting. The findings suggested that the predictive correlation between accounting information systems and financial performance was markedly mediated by the quality of financial reporting. The survey emphasized the imperative for SMEs in the Accra Metropolis to prioritize the allocation of resources towards the establishment of robust accounting information systems. This investment ought to primarily concentrate on critical components of accounting information systems, encompassing the enhancement of customer satisfaction, the elevation of service quality, the

advancement of system quality, and the refinement of information quality. It is essential for proprietors and managers of SMEs to undertake a comprehensive assessment of their existing systems and pinpoint areas that require improvement.

KEYWORDS

Accounting Information Systems

Financial Performance

Financial Reporting Quality

Information Quality

Service Quality

Small and Medium-Sized Enterprises

System Quality

User Satisfaction

ACKNOWLEDGEMENT

I wish to convey my heartfelt appreciation to my supervisor, Dr. Vincent Adela, for his invaluable guidance, insightful suggestions, meticulous revisions, and steadfast support, as well as for dedicating time from his demanding schedule to facilitate the success of this endeavor. I also wish to extend my deep gratitude to my cherished family, particularly my grandmother, Mrs. Kate Kwakwah, and my former employer, Paul Zikpui, for their unwavering affection and encouragement. Lastly, I would like to sincerely acknowledge all of my colleagues, both in professional settings and academic environments. Throughout the course of this dissertation, your contributions have significantly influenced my life.

DEDICATION

To my late father, Mr. Kwame Abbam, and my mother, Mrs. Augustina Adokoh

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CHAPTER ONE

INTRODUCTION

In today's fast-paced business environment, managers must embrace more advanced management techniques to improve organizational decision-making due to the growing need for corporate innovation, development, and expansion. Many of these tactics are designed to help businesses stay competitive in the face of quickening technological progress, more customer awareness, and changing consumer needs. Integrating information technologies into corporate operations is one successful strategy that is becoming more and more common (Yildirim, 2021). In contemporary times, progressive enterprises, particularly small and medium-sized enterprises, are prioritizing precise financial reporting due to its potential to enhance organizational outcomes and inform financial decisions. This study examines the interconnections among accounting information systems, the caliber of financial reporting, and the financial performance of SMEs within the Accra Metropolis.

Background of the Study

Due to their significant contributions to GDP and employment, SMEs are essential to both domestic and global economies. According to a 2020 World Bank evaluation of the topic, SMEs produce over 90% of businesses and 50% of jobs globally (Algan, 2019). In developing countries, they account for 70% of employment opportunities and more than 40% of GDP. The SME sector is growing quickly, with an estimated 363 million SMEs operating globally (Surya et al., 2021). These firms often fall into one of the following categories: household businesses with one to five employees, small and medium-sized

businesses with six to nineteen employees, medium-sized businesses with twenty to twenty-nine employees, and large organisations with more than one hundred employees (Statistik, 2020).

Small and medium-sized businesses (SMEs), which are acknowledged as vital engines of national economies, account for more than 60% of employment globally (Silva, 2022; Pramono et al., 2021). In an effort to combat poverty and advance economic development, governments in developing countries—particularly those in sub-Saharan Africa—have increased their efforts to support the growth of SMEs (Akubuilo & Akubuilo, 2021). roughly 70% of Ghana's GDP comes from SMEs, which make up roughly 85% of all enterprises in the nation (Issau et al., 2021). For long-term national development, it is crucial to support their growth. According to Zaato et al. (2020), the Ghana Enterprise Agency (GEA) defines small enterprises as those having less than 30 employees and assets under $10,000, whereas medium-sized businesses have more than 30 employees and assets over $100,000.

SMEs are the backbone of Ghana's economic expansion and employment creation, having a major impact on wealth generation and economic development.

Information systems are structured groupings of physical and digital resources that support organizational operations, claim Chaturvedi and Sharma (2021). Data, hardware, software, rules, procedures, abilities, and duties are some examples of these resources. These systems provide essential data for basic management functions like planning, directing, and regulating, which facilitates effective decision-making (AlBastaki & Hamdan, 2021). Accounting Information Systems (AIS) are a subset of these technologies that are crucial for

managing the daily financial operations of modern firms (Ganyam & Ivungu, 2019). They support crucial administrative tasks including budgeting, resource planning, control, and performance assessment (Njane, 2023).

An AIS is a methodical approach to collecting, analysing, and sharing financial data for decision-making (Chaturvedi & Sharma, 2021). It integrates people, systems, and processes to provide timely and accurate financial data to both internal and external users (Ganyam & Iyungu, 2019). It provides a framework that helps companies track their financial activities and turn raw data into insights (Khan, 2017). Al-Dmour (2018) asserts that by making it simpler to document financial transactions and notify key stakeholders of them, AIS significantly increases operational efficiency and transparency (Musana, 2022).

Additionally, by helping with financial trend research, report preparation, and other tasks, AIS facilitates decision-making that drives business performance (Tutegyereize, 2019). The strategic use of AIS has been shown to enhance financial performance by promoting transparency and ensuring year-round access to financial data (Al-Rashdan et al., 2020). By integrating accounting processes with financial data management, AIS makes a substantial contribution to the creation of reliable financial statements that have an influence on business performance (Salam, 2022). However, the usefulness of this information is significantly influenced by its quality. Inadequate financial data may lead to misinformation, increased agency costs, and a drop in stakeholder trust (Macgregor & Ibanichuka, 2021).

It is now well acknowledged that good corporate governance requires good financial reporting (Uwuigbe et al., 2017). Ajayi-Owoeye et al. (2022) assert that financial reports provide crucial data for strategic decision-making.

Because it is free of bias, mistakes, and omissions, good financial reporting assists business leaders in making well-informed decisions. The study's guiding theoretical framework, agency theory, states that audited financial statements are necessary to reassure stakeholders about the accuracy of financial reporting (Yohanna, 2011).

SMEs that provide clear and reliable financial reports are often seen more favourably by the market (Abed et al., 2022). By presenting important information in an intelligible and accessible way, trustworthy financial reports assist managers with planning, performance evaluation, and investment projections (Ajayi-Owoeye et al., 2022). Reliable and consistent financial reporting demonstrates how well a business tracks income and helps anticipate cash flow, claim Emmanuel and George (2020). It is the gold standard for financial reporting due to its ability to provide trustworthy accrual accounting data (Tassadaq & Malik, 2015).

Financial success in SMEs is often measured using profitability and competitiveness, so a company's ability to effectively manage its financial resources determines its chances of surviving and growing (Wolmorans & Meintjes, 2015). Financial performance is a measure of a company's overall financial health, including its ability to meet obligations and provide value over time (Al-Dalabih, 2018). The frequency and utility of financial reporting are trustworthy indicators of performance. Well-written reports enhance management decisions and often lead to better business outcomes.

Implementing a reliable AIS framework is essential for accurate reporting, strategic decision-making, and efficient data processing. AIS serves as the cornerstone of financial data compilation, ensuring that transactions are

correctly documented and that reports are generated in compliance with the highest quality requirements (Ganyam & Ivungu, 2019). Because they are timely, relevant, and thorough, good reports help both internal and external users evaluate a company's financial health (Ajayi-Owoeye et al., 2022). By reducing errors, completing information gaps, and enhancing the accuracy of financial statements, AIS enhances reporting quality when utilised properly (Musana, 2022; Macgregor & Ibanichuka, 2021). These benefits lead to more accurate budgeting, investment decisions, and performance reviews.

Therefore, high-quality financial reporting is linked to improved financial outcomes and AIS. A robust AIS infrastructure may help SMEs increase profitability, liquidity, and return on investment (Al-Rashdan et al., 2020). Reputable financial documentation reduces agency disputes, builds stakeholder confidence, and facilitates access to finance and investment opportunities—all of which are critical for long-term sustainability (Abed et al., 2022). The link between Accounting Information Systems (AIS), financial reporting, and financial success is not only linear; rather, it is synergistic. High-quality reports may be produced more easily when there is a strong AIS in place, and better performance results are obtained when financial data is consistently used in decision-making processes. Small and Medium Businesses' (SMEs') expansion and financial sustainability may depend heavily on the successful deployment of AIS, especially in the Accra Metropolis where resources may be scarce.

Statement of the Problem

In today's competitive business climate, organisations are increasingly adopting information technology solutions to boost profitability, expand their

market reach, and enhance the quality of their services. Accounting information systems (AIS) have become a vital tool among them, serving as the main source of internal financial data (Al-Hattami & Kabra, 2024). AIS significantly improves organisational decision-making, which boosts competitiveness and encourages better performance (Gagné, 2018; Al-Okaily et al., 2023). When these systems are used effectively, reliable and timely financial reports can be produced, which is crucial for assessing operations and making prudent financial decisions (Al-Hattami, 2022).

However, many Ghanaian SMEs have yet to fully adopt or reap the benefits of these technology. Lack of technical expertise, ignorance, and the pervasive belief that formal financial reporting is unnecessary are often the causes of this (Addae-Korankye & Aryee, 2021). Other contributing barriers include inadequate financing, a dearth of training opportunities, resistance to using digital technology, and subpar accounting practices. Together, these issues limit the proper use of AIS and have led to persistent challenges, such as poor financial performance and low-quality financial reporting across Ghana's SME sector (Korankye, 2020; Ingram-Jackson, 2020).

Much of the existing research on AIS has focused on large businesses and established economies (Anuruddha & Mahanamahewa, 2020; McCallig et al., 2019; Pavlopoulos et al., 2019). These studies provide useful information, but since the operational and financial conditions of SMEs in developing countries like Ghana differ widely, their conclusions are often inapplicable. Ghanaian SMEs confront particular institutional, structural, and economic challenges, which highlights the need for locally relevant research. The research

does not, however, yet adequately describe how AIS affects financial reporting practices and performance outcomes in Ghana's SME sector.

Additionally, the role that financial reporting quality plays as a mediator between AIS and financial success has received less attention. It is very important to comprehend this connection as it might make it clearer how AIS improves performance. Software developers, decision-makers, and SME owners should find it simpler to construct more practical plans that include the operational constraints of smaller enterprises with this clarity. By addressing these shortcomings, the study also adds context-specific findings that are sometimes missing when focussing only on studies from wealthy economies, which advances the broader academic discussion around the implementation of AIS in lower-income countries.

By offering solid, fact-based suggestions that might aid Ghanaian SMEs in enhancing their financial reporting and general performance, the research also supports policy at the policy level. Additionally, the findings may be used to support national policies aimed at SMEs' growth and long-term viability. This study demonstrates the value of information technology in enhancing financial management practices. By focusing on understanding the intermediary function of financial reporting quality in this setting, the study sought to explore the relationship between the financial performance of SMEs located in Accra, accounting information systems, and financial reporting quality.

Purpose of the Study

The goal of the study was to look at the financial performance of small and medium-sized businesses (SMEs) in the Accra Metropolis, accounting information systems (AIS), and the caliber of financial reporting.

Research Objectives

In order to accomplish this overarching goal, three particular research goals were sought.

1. to examine the effect of accounting information systems on SMEs' financial performance in the Accra Metropolis.
2. to evaluate the effect of AIS on the financial reporting quality of SMEs in the Accra Metropolis.
3. to determine the effect of financial reporting quality on the financial performance of SMEs in the Accra Metropolis.
4. to assess the mediating role of financial reporting quality in the relationship between AIS and the financial performance of SMEs in the Accra Metropolis.

Research Questions

The following research questions served as the study's compass.

1. What is the effect of AIS on the financial performance of SMEs in the Accra Metropolis?
2. What effect of AIS on the financial reporting quality of SMEs in the Accra Metropolis?
3. What is the effect of financial reporting quality on the financial performance of SMEs in the Accra Metropolis?
4. How does financial reporting quality mediate the relationship between AIS and the financial performance of SMEs in the Accra Metropolis?

Significance of the Study

The research's conclusions will be very valuable to a broad spectrum of stakeholders, including governmental organisations, scholarly academics, industry professionals, and legislators. The report offers helpful advice on how SMEs in the Accra Metropolis may utilize and deploy Accounting Information Systems (AIS) efficiently. In particular, managers and business owners could be better able to comprehend how these technologies improve financial management and foster the overall expansion of the company. The research's findings might be applied to enhance financial performance, increase the accuracy of financial data, and help make well-informed decisions on AIS deployment.

Researchers and academics in the fields of accounting, finance, and information systems may benefit from the study's empirical contributions and research methodology. This study establishes the foundation for further research into the potential and challenges confronting the Accra Metropolis and offers a unique framework for examining AIS practices in SMEs. Future researchers could find it useful to broaden the study by comparing findings from other industries, regions, and organisational sizes. Furthermore, by promoting theoretical development in these areas, our work contributes to the larger scholarly discussion on AIS, data quality, and financial performance in resource-constrained settings.

Policymakers and government organisations can better understand the importance of supporting SMEs' adoption of technology solutions like AIS thanks to this paper. The results highlight how important it is to enhance SMEs' financial reporting practices, which may be accomplished by putting targeted

interventions into place. This include creating training and capacity-building initiatives, creating financial assistance programs, and creating policies that support the adoption of AIS. In addition to helping individual SMEs become more efficient, such policy efforts would increase sectors competitiveness, job creation, and economic development in the Accra Metropolis.

The study significantly broadens our understanding of the relationship between Accounting Information Systems (AIS), the quality of accounting information, and financial performance, especially in the particular context of small and medium-sized enterprises (SMEs) in developing countries. This study adds thoughtfully to the corpus of existing literature by emphasizing the mediating impact of information quality and accounting for organizational scale. These contributions may serve as a springboard for more research and may help develop a more thorough conceptual framework for studying AIS-driven performance in various organisational and geographic situations.

Delimitations

Our knowledge of the connection between Accounting Information Systems (AIS), the caliber of accounting data, and financial performance is greatly expanded by this study, particularly when considering the unique situation of small and medium-sized businesses (SMEs) in developing nations. By focusing on the mediating effect of information quality and taking organizational size into consideration, this study carefully contributes to the body of current work. The study's geographic scope is limited to this region; it excludes other parts of Ghana, which could have different economic, cultural, or commercial conditions. Furthermore, the study does not cover huge businesses and microenterprises because of the differences in their operating

structures and informational needs. The research used an explanatory design based on a quantitative methodology. A self-administered structured questionnaire was used to gather data from 249 randomly chosen SME managers and owners. Descriptive statistics like frequencies and percentages were employed to summarize the demographic data, and the SMART PLS program was utilized for analysis.

Limitations of the Study

The size and scope of the sample are significant study limitations. The sample's inability to fairly represent the variety of SME types in the Accra Metropolis due to practical considerations may have limited the findings' generalizability. Another disadvantage is the reliance on self-reported data. Respondents' overly optimistic responses or their hiding of personal information might have led to response bias. Furthermore, despite focussing on AIS and internal financial processes, the study overlooked a number of external factors that could affect financial performance, including shifts in the global economy, industry-specific disruptions, and unforeseen occurrences like natural disasters or economic downturns.

Operational Definition of Terms

Accounting Information Systems: An accounting information system (AIS) is the framework that businesses use to gather, organise, monitor, process, retrieve, and display their financial data in a systematic way.

Quality Financial Reporting: The accuracy, reliability, and lucidity of the financial data shown in a company's financial statements is known as . This shows how well the reports capture the organization's true financial situation.

Financial Performance: In its widest definition, financial performance gauges how well a company meets its financial goals, such as profitability, efficiency, and return on investment.

Organisation of the Study

This research is divided into five primary chapters. A thorough analysis of the study's historical background, issue formulation, research goals and questions, purpose, importance, scope, limits, and a description of the chapters' organisational structure are all included in Chapter One, which acts as the study's introduction. In Chapter Two, the relevant literature is reviewed along with the theoretical frameworks, conceptual foundations, empirical findings, and a model that connects accounting information systems, the quality of financial reporting, and the financial performance of small and medium-sized businesses (SMEs). Chapter Three goes into great detail on the study's design and strategy, sampling strategies, data collection tools and techniques, target demographics, and data processing and interpretation processes. The results of the investigation are presented and examined in Chapter 4. The investigation is finally brought to a close in Chapter Five, which summarises the main results, makes suggestions, and draws inferences from the data.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The theoretical, empirical, and conceptual underpinnings of the study are outlined in this section. Relevant hypotheses that clarify the relationships between Accounting Information Systems (AIS), the quality of financial reporting, and the financial performance of SMEs in the Accra Metropolis are examined using the theoretical framework. Simultaneously, the empirical analysis examines earlier research on similar subjects carried out by different researchers, and the conceptual framework provides a schematic illustration of the relationships between these factors.

Theoretical Review

This segment of the research delves into the theoretical constructs that underpin the investigative inquiry to comprehend the results and assess previous scholarly assertions in the context of contemporary findings. Two principal concepts that inform this examination are the Technology Acceptance Model (TAM) and Contingency Theory. These theoretical constructs are considered appropriate for scrutinizing the correlations between the implementation of Accounting Information Systems (AIS) and the fiscal performance of small and medium-sized enterprises (SMEs).

Technology Acceptance Model

Users' decisions to accept or reject new technology are explained by Davis's (1986) Technology Acceptance Model (TAM). Two important ideas that Davis outlined that influence people's inclination to embrace technology are perceived usefulness and perceived ease of use. According to this theory, a

person's motivation to utilise a technology is directly impacted by their perception of its benefits and usability. Davis (1989) expanded on the idea, which has since been widely accepted in the study of user behaviour towards various computer-based systems.

TAM, which has its roots in social psychology, is a valid and practical model for predicting the uptake of new technology. Research initiatives that assess the adoption of computer-based systems, like AIS, often employ it. Since AIS relies on technology, TAM provides a helpful viewpoint for comprehending why people accept or reject it. For instance, Bhuasiri et al. (2016) used TAM in their study on Taiwanese taxpayers and found that perceived utility was a key element in the uptake of e-tax services. Similarly, Umanhonlen et al. (2023) emphasised the significance of AIS in business decision-making, especially in rapidly evolving technological environments.

By linking behavioural intention with actual system use, TAM contributes to the explanation of adoption patterns. Empirical studies have shown its high reliability and predictive power. However, Van and Cavaye (1999) challenged the method for ignoring the ways in which both external and personal variables influence user behaviour. Financial constraints and market pressures are not properly taken into account. Ideally, a comprehensive model should facilitate explanation and prediction, allowing users to detect and address system defects (Marangunić & Granic, 2015).

TAM aims to monitor the ways in which external factors impact customers' beliefs and intentions. It was developed on the basis of earlier studies on the cognitive and affective responses to computers, and its framework was heavily impacted by the Theory of Reasoned Action (TRA) (Chen et al., 2017;

Marangunić & Granic, 2015). In the context of AIS, the model identifies broad drivers and barriers to tech adoption, which helps explain why SMEs might be encouraged—or dissuaded—from integrating such technologies into their operations.

In this study, TAM helps to clarify the motivations behind SMEs' adoption of AIS. The model predicts that as performance demands increase, businesses would probably embrace more efficient technologies. If SME owners think AIS is useful and easy to use, they are more likely to incorporate it into their financial management practices. TAM also emphasises how real usage is shaped by purpose, which is affected by perceptions. This makes it possible to investigate whether the positive perceptions of AIS held by SME owners in Accra are consistent with its actual use and use in financial reporting.

Contingency Theory

After making its debut in organisational studies in the 1960s, contingency theory started to gain traction in accounting studies by the mid-1970s (Evans III et al., 1986). According to the theory, a variety of contextual factors, including internal conditions like technology and the external environment, are necessary for effective organisational systems and structures. It implies that management strategies need to be in accordance with the particular conditions of a company in order to be effective (Waterhouse & Tiessen, 1978). The basic ideas were supplied by scholars such as Thompson (1967), who investigated how environmental and technological changes affected organisational structure.

Over the years, the theory has been widely used in management and accounting research. More recently, contingency theory has been used,

accounting for factors like strategy and modern technology. According to a comprehensive examination by Otley (2016), there is no one-size-fits-all accounting system; rather, the best course of action differs based on the specifics of the business. Factors such as internal settings and external circumstances may account for the variations in AIS design across firms. Ismail et al. (2010) separated these environmental influences into internal and exterior categories.

They argued that an accounting system's ability to adapt to demands from both within and outside the company determines how successful it is. Management studies often highlight the significance of the external business environment and national culture, even if internal characteristics include things like organizational size, structure, and strategy (Wadongo & Abdel-Kader, 2014). Despite being a useful tool for evaluating control systems in enterprises, contingency theory has its critics. Its limited applicability during the implementation phase, when organizational-specific issues sometimes take priority over external influences, is one disadvantage (Otley, 2016). Consequently, relying just on this theory may not be sufficient. Other theories, including organizational theory, could provide a better explanation for implementation issues. Nonetheless, contingency theory remains relevant in this study by emphasizing how crucial it is that the AIS and SME settings align. It supports the idea that certain organizational and environmental aspects should be considered throughout the design and execution of a successful AIS in order to improve performance.

Resource-Based View (RBV) Theory

Wernerfelt (1984) was the first to establish the concept of "resources" as elements that either strengthen or weaken a company's competitive position.

RBV theory states that improved performance results from the effective utilisation of unique, firm-specific resources. It takes an inward-looking approach to strategy by focussing on how internal capabilities may provide a sustainable competitive advantage (Conner & Prahalad, 1996; Barney, 1991). Unlike traditional models of competitive advantage, which put greater emphasis on external factors like market share or location (e.g., Porter and Kramer, 1985; Sveiby, 2000), RBV highlights internal knowledge and abilities as the foundation for long-term success. This is especially important for SMEs, whose ability to survive and grow is largely dependent on how resources, such as money and information technology, are distributed.

Yang and Konrad (2011) assert that resources only become valuable when they align with business strategy. With the support of core resources and an efficient business plan, a persistent competitive advantage may be attained. RBV theory is widely used in research on entrepreneurship and strategic management because of its focus on internal assets, whether they be human, financial, technological, or physical. Current research indicates that AIS is a strategic instrument that, when used appropriately, improves the capacity to provide the best possible financial reports. The quality of financial reporting is then developed by AIS as a crucial organizational competency. Instead of having a direct effect on financial success, this ability serves as a facilitator. RBV supports this assertion by emphasizing how effective use of technology, like AIS, leads to improved performance, as seen by the caliber of reporting. In essence, the hypothesis explains why some SMEs outperform others while having similar resources: the secret lies in the smart use of such resources.

Conceptual Review

The Concept of Accounting Information System

An Accounting Information System (AIS) is a company's organised framework for gathering, storing, managing, and sharing financial data with both internal and external users. According to Agung (2015), the system's goal is to make decision-making easier by generating and sharing relevant accounting data. AIS is essential to financial management because it satisfies the information needs of many stakeholders, including executives and operational teams. One of AIS's primary goals, according to Susanto (2008), is to provide top-notch financial data that helps companies set and accomplish their strategic goals. Puspitawati (2020) supported this by demonstrating that managers may utilise reliable accounting data to develop long-term strategies and knowledgeable projections.

Organisations that successfully use AIS often see measurable improvements in their operational performance. According to Suzan et al. (2019), these solutions increase precision and effectiveness across a range of business processes. However, Puspitawati (2020) pointed out that a significant percentage of companies still struggle to provide insightful financial reports, suggesting that many organizations continue to struggle with the quality of accounting data. Septriadi et al. (2020) state that in order to support effective decision-making, financial data must meet certain criteria, such as timeliness, relevance, consistency, accessibility, completeness, and clarity. In order to improve the integrity of accounting data, McCallig et al. (2019) suggested that AIS may boost dependability by including audit-like verification procedures.

More commercial and bespoke software options have surfaced as the AIS industry has grown over time. Pre-built accounting systems such as QuickBooks, Xero, FreshBooks, Sage 50 Cloud, NetSuite ERP, and Financial Force provide cost-effective solutions for businesses looking to digitise their financial processes. However, standard software products often only address 65% to 85% of a firm's specific demands, necessitating further customisation or modification (Monteiro et al., 2021). Even while bespoke software may be created to satisfy particular business needs, the cost and complexity of development and maintenance remain problems. Hla and Teru (2015) point out that despite widespread adoption, many companies still use systems that are either inefficient or too expensive for their capabilities.

The level of financial awareness among SME managers varies as well, which affects how well accounting systems are utilised. Cleary et al. (2022) claim that many managers underuse technology while generating management accounting reports. In a similar vein, Qatawneh (2022) shown that businesses that use advanced AIS systems often report better financial outcomes. AIS is a framework that aids management in planning, monitoring, and record-keeping, claim Khalid and Kot (2021). Governments and business leaders are increasingly leveraging AIS data to inform critical decisions, claims Javed (2021). Furthermore, AIS supports internal control programs, helping companies identify errors, detect fraud, and enhance the transparency of financial reporting.

Fundamentally, AIS transforms raw transactional data into actionable financial data. It facilitates the creation of crucial financial documents, such as balance sheets, income statements, and cash flow reports. This transformation's

input, processing, and output stages are all intended to ensure that the data serves a range of users. To satisfy operational and strategic requirements, the system is in charge of gathering, storing, verifying, and sharing accounting data (Sabeh et al., 2021). Its design ensures that the data is readily accessible and actionable.

Apart from generating reports, AIS assists companies with regulatory compliance, investment choice selection, and performance monitoring. Khalid and Kot (2021) emphasize that modern businesses must assess the return on investment of their information systems. In the present competitive context, AIS's contribution to productivity, quality assurance, and competitive advantage demonstrates its effectiveness (Delone et al., 2014). Organisations are under growing pressure from the desire to reduce operational expenditures, market competitiveness, and shifts in the global economy. As Shagari et al. (2017) pointed out, understanding an AIS's performance is necessary to assess its worth and impact. Sumaryati et al. (2020) assert that AIS is a crucial instrument for helping businesses adjust to both internal and external changes by transforming data into insights that guide decision-making and promote efficiency.

An accounting information system is composed of interrelated parts that cooperate to achieve its main objective of delivering relevant financial data, much like any other well-structured system. This study's AIS construct is based on the well-known model created by DeLone and McLean (2003), which outlines a number of fundamental components required for system success, such as user satisfaction, system quality, information quality, and service quality.

These features serve as the conceptual foundations for evaluating the ways in which AIS affects financial reporting and organisational performance results.

Dimensions of Accounting Information Systems

The Accounting Information System, akin to various other systems, is constituted of multiple components that work in unison to fulfill its objectives. The model proposed by DeLone and McLean (2003), utilized in this investigation, encompasses information quality, system quality, service quality, and user satisfaction. In this research, the definitions of information, service, and system quality (AIS) are established.

Information Quality (InQy)

In today's corporate world, when speed and competition are critical variables, the quality of information supplied by AIS is more important than ever. For small and medium-sized enterprises (SMEs) trying to boost productivity and get a competitive advantage, this is particularly true (Hussein, 2010). For users doing administrative tasks, the quality of the information is influenced by the data's timeliness, accuracy, and relevance (Petter et al., 2008). When accounting data lacks these features, managerial effectiveness and strategic decision-making may suffer.

According to Gorla et al. (2010), effective information should be comprehensible, aid in decision-making, and meet user needs. InQy is often assessed using metrics like as completeness, relevance, timeliness, and accuracy (Abugabah & Sanzogni, 2010; Shagari et al., 2017). The DeLone and McLean model states that improved information quality is directly connected to higher system utilisation and user satisfaction. This assertion has been validated in a

variety of information systems contexts (Ojo & Owolabi, 2017; Fadhel et al., 2018; Al-Okaily et al., 2021).

System Quality (SyQy)

The overall reliability and technical performance of the AIS are referred to as system quality. It assesses how well the system works and if it meets the operational needs of the company (DeLone & McLean, 2003; Laumer et al., 2017). Users are more likely to embrace a system that is reliable, flexible, quick, and simple to use. Chen et al. (2017) state that seamless functionality that supports user activities is necessary to lessen user discomfort and inefficiency. DeLone and McLean (2003) and Al-Okaily et al. (2021) identify key components of SyQy as indicators like accessibility, adaptability, simplicity of use, and responsiveness of the system. According to Abugabah and Sanzogni (2010), reliability, integration, and speed are further important considerations. While SyQy contributes to user satisfaction, its impact on net organizational benefits is not explicitly discussed in the DeLone and McLean model. Nonetheless, studies like the one by Wei et al. (2009) have shown a favorable correlation between system quality and long-term system efficacy.

Service Quality (SrQy)

In recent years, scholars of information systems have gradually included service quality into IS success models. SrQy assesses how well support services, such as system maintenance, troubleshooting, and user training, satisfy user expectations (Chen, Lai & Cheng, 2009; DeLone & McLean, 2003). Actually, according toAkter et al. (2011), this dimension enhances company operations, perceived value, and user retention. The effectiveness of service help may have an impact on the user's overall experience and likelihood of remaining with the

system. A measure of SrQy that incorporates certainty, empathy, responsiveness, and dependability was developed by Gorla et al. (2010). Furthermore, Chen et al. (2009) proposed that SrQy be evaluated using user understanding, security, responsiveness, and timely service delivery. The association between SrQy and system utilisation and user satisfaction has been shown by several studies (Ojo & Owolabi, 2017; Jiang et al., 2016).

User Satisfaction (UrSat)

User satisfaction is a measure of how well an AIS meets the needs and desires of its users. It is a frequently used statistic to evaluate the performance of an information system (Al-Hattami et al., 2021a). Essentially, it measures how effectively users think the system helps them fulfil their obligations. Le et al. (2018) claim that happiness is determined by how much users appreciate the system's help in accomplishing their duties. According to DeLone and McLean (1992, 2003), there is a correlation between system usage and satisfaction, with longer-term use being linked to higher satisfaction levels and vice versa. Iivari (2005) suggested that in order to better understand utilization trends, this relationship should be tracked over time. According to Akrong et al. (2021), user satisfaction offers information on the AIS's efficacy and whether or not user expectations are being met. In addition to influencing system adoption, it establishes how often the system is used throughout organizational departments.

The Concept of Quality Financial Reporting

Scholars have expressed differing opinions about what defines "quality" in financial reporting, and the concept of financial reporting quality (FRQ) has been studied from a variety of perspectives in academic literature. Danjuma et al. (2023) define financial reporting quality as the degree to which financial

statements correctly and truthfully depict the financial activities and position of a business. When making choices, a wide range of users—including creditors, investors, regulators, and company management—rely on this kind of financial data. Ensuring that businesses produce trustworthy and understandable financial disclosures that help customers make educated decisions is the main goal of financial reporting. However, since financial statements are prepared and presented differently in different businesses, the quality of such reporting may fluctuate significantly (Kinyenze & Ondabu, 2023).

High-quality financial reporting is essential because it enables users, particularly analysts, lenders, and investors—to assess business performance and make better choices about the allocation of resources. According to Abakasanga et al. (2019), the reliability and transparency of financial reporting may enhance capital allocation, loan outcomes, and investment decisions, all of which ultimately increase market efficiency. Sound financial reporting benefits the whole economy by enabling more prudent loan and capital flows. According to the International Accounting Standards Board (IASB), in addition to the figures in the financial statements, the quality of financial reporting also includes explanatory disclosures and non-financial information that influences stakeholder decisions.

Determining the quality of financial reporting sometimes involves assessing the information's content and accuracy. Analysts, investors, shareholders, and regulatory bodies are among the stakeholders whose misunderstandings are eliminated and information asymmetries are minimised by effective reporting. Accurate and trustworthy reporting is a helpful tool for understanding and assessing a company's operational health, claim Al-Dmour

et al. (2018). It also acts as a basis for financial viability assessments. The availability of transparent and verifiable financial data creates a fair playing field for decision-makers across the financial ecosystem, reducing the likelihood of making bad choices.

Ngo and Nguyen (2024) assert that thorough details on the assets, liabilities, and occurrences that impact an organization's financial structure must be included in financial reports. It is meant to provide stakeholders a thorough understanding of an entity's financial health and risk exposure so they may make well-informed choices on loans, investments, or policy action. To meet these standards, businesses must increase the scope and comprehensiveness of their disclosures. According to Ferrero et al. (2015), providing comprehensive and transparent financial information improves investor trust by reducing information asymmetries.

Financial reporting, however, includes the whole reporting process, including decisions on which transactions to record, how to apply accounting standards, and how such decisions reflect management's goals (Gjoni-Karameta et al., 2021). Disclosure requirements pertaining to taxes, dividends, or other external factors may have an effect on this process (Harjanto, 2023; Yeboah & Pais, 2021). Over time, scholars and organisations have created key parameters to evaluate the quality of financial reporting. Three qualities—understandability, honest depiction, and relevance—stand out as essential, according to the IASB.

Relevance

According to the IASB (2008), relevance in financial reporting is the capacity of financial facts to influence choices. It is a flexible feature that adapts

to the needs of its users and the context in which decisions are made. Relevance includes both predictive and confirmatory value. It allows users to assess previous decisions or results and forecast future results using the information at hand. The degree to which the data properly depicts economic substance, specific financial figures, and overall reporting coherence are all components of relevance, according to Garcia Osma and Grande-Herrera (2021).

For example, investors utilise relevant financial disclosures to predict returns and analyse risks, while creditors assess an organization's ability to meet its obligations (Zadorozhnyi et al., 2021). For internal stakeholders, such as managers, relevance ensures that financial reports include strategic information that guides goal-setting, performance monitoring, and resource allocation. Relevance is strongly related to materiality, which holds that only information that is likely to influence decisions should be disclosed (Irvine-Smith, 2021). By highlighting significant information and eliminating extraneous data, financial statements may provide customers clear and focused insights. The foundations of financial reporting integrity are materiality and relevance, which work together to provide financial statements real value to users in a range of roles.

Faithful Presentation

Faithful presentation, often known as "faithful representation," is another essential component of outstanding reporting. This idea has to do with how well financial statements capture the business's underlying economic reality. Financial reports must be objective, thorough, and free of serious mistakes in order to meet this criterion. The idea is that financial data shouldn't be misrepresented to customers or give them a false impression of the

company's financial standing. For this to occur, the information must be neutral, meaning it must be unbiased and unaffected by the interests of certain groups.

To ensure that individuals have all the information they need to make informed judgements, completeness is just as important as neutrality. Incomplete information may skew decision-making, particularly when crucial financial factors are overlooked. That the figures shown do not accurately reflect the entity's actual financial status is ensured by accuracy or the lack of substantial error. Finally, financial data must be verifiable, which means that other individuals should be able to confirm it using trustworthy methods or sources (Pelger, 2023). These components work together to provide the basis of correct representation, which, when upheld, improves the overall reliability and credibility of financial reporting.

Understandability

The IASB states that one aspect of financial reporting that enhances the way readers are presented with information is understandability. According to Schmidthuber et al. (2022), understandability is the process of making information readily comprehensible to those who may lack in-depth technical expertise but have a fair comprehension of financial problems. For financial reports to be understandable, they need to be straightforward, rational, and clear. Some strategies to increase understandability include using a consistent terminology, organising the information logically, and, where appropriate, include visual aids like tables or charts.

According to Tuan Besar (2021), transparency ensures that all relevant information is disclosed, while cleanness eliminates unnecessary data that might fill the report. When financial facts are clear and simple to grasp, users are more

likely to make conclusions that can be implemented. Additionally, when formatting and language are consistent throughout time or between businesses, customers may draw informative comparisons. Therefore, understandability increases the usefulness of financial information and encourages better decision-making across stakeholder groups.

Overview Ghana's of Small and Medium-Sized Enterprises (SMEs)

Different definitions of small and medium-sized companies (SMEs) exist depending on the nation, industry, or company. There is currently no globally recognized structure for SMEs, even though a number of categories have been created worldwide. Variances are frequently caused by the number of personnel, the size of the asset base, the yearly income, and the legal framework. Any company with less than 250 employees, yearly revenues under €50 million, or total assets under €43 million is considered a SME by the EU (Belyaeva, 2018). On the other hand, companies with 10–250 workers and yearly sales of at least US$3.3 million and up to US$383.3 million, respectively, are classified as SMEs in the UK (Bomani et al., 2022).

In Ghana, different organizations use somewhat different criteria to categorize SMEs. For instance, the Ghana Statistical Service classifies companies with fewer than 10 people as small-scale, whereas companies with more than 10 employees are categorized as medium- and large-scale (Korley, 2018). The Ghana Enterprises Agency (GEA) adds another element, accounting for both the labor size and the value of fixed assets. According to GEA, a small firm typically employs little more than nine people (Deku et al., 2021). According to a different definition put forward by Zaglago (2019), small firms must employ thirty people. He further divided this group into three categories:

microenterprises (less than six people), very tiny businesses (6 to 9 employees), and small corporations (10 to 29 employees).

The Ghana Manufacturing Survey, a part of the Regional Project on Enterprise Development, provides another frequently used categorization. (Asamoah & Doe, 2021). Small businesses with five to twenty-nine employees, medium-sized businesses with thirty to ninety-nine employees, and large enterprises with one hundred or more employees are the next in line after microenterprises, which are defined as organizations with fewer than five employees. Notwithstanding these differences in classification, SMEs are essential to the growth of both the global and Ghanaian economies. According to Atanga (2019), SMEs play a significant part in reducing poverty, improving income equity, and lowering unemployment rates. Gollagi et al. (2020) assert that these businesses are critical to sustained and inclusive economic growth.

Because of their crucial significance, governments in many countries have made the development of SMEs a top priority and an essential component of national economic programs. Awiagah et al. (2016) assert that SMEs are now essential drivers of employment creation and economic expansion. This is particularly true in developing countries, particularly in sub-Saharan Africa, where governments have realised how SMEs may support national development and alleviate poverty (Damoah & Peprah, 2021). In Ghana, it is widely acknowledged that SMEs are critical to the growth of employment, income, and overall economic transformation.

Notwithstanding their significance, many SMEs in Ghana struggle financially and managerially. One of the most persistent issues they face is their limited access to financing. Due to the relatively small scale of their operations,

many SMEs are unable to meet the collateral requirements set by financial institutions. Many also lack the managerial know-how and financial resources needed to meet financing eligibility standards. For the vast majority of SMEs in Ghana, financial access remains a key barrier (Korley, 2018). The inability of SMEs to participate in local or international financing markets often makes this challenge worse. Their limited access is often caused by perceptions of excessive risk, a lack of financial transparency, and the high costs associated with supporting small enterprises (Prah, 2026).

To understand how SMEs function, it is crucial to determine the organizational traits that set them apart from larger businesses. SMEs often have a flat organizational structure with concentrated roles. Many aspects of the business are managed by the manager and owner, who are often the same individual (Azizah, 2017). You could benefit from this structural feature. Owner-managers often demonstrate flexibility and quick decision-making, according to Khan and Abasyn (2017). This makes it possible for SMEs to try out new technologies, adapt to changing markets, and pay close attention to customer needs. According to Latifah et al. (2021), SMEs' ability to quickly shift may sometimes provide them an edge over bigger, more bureaucratic businesses.

It's noteworthy that studies conducted both domestically and internationally show that SMEs often outperform larger corporations in terms of capital productivity, or the amount of value generated per unit of capital invested (Zotorvie, 2017). The primary reasons for this are the labour-intensive nature of most small firms and their low initial and ongoing capital needs. As a result, SMEs often operate more efficiently albeit with less resources. However,

their potential for growth is often constrained by persistent structural and financial barriers. The most pressing of issues is the lack of long-term finance, which limits their ability to expand, develop, and make investments (Nang, 2017).

Financial Performance

Generally speaking, financial performance is a gauge of how well a company makes use of its resources to produce income and accomplish its financial goals. It offers data about a business's capacity to continue operations, make money, and grow within its industry. Galant and Cadez (2017) assert that a company's overall financial health may be inferred from its financial performance during a certain time period. It addresses a variety of subjects, such as asset management, income generation and reinvestment, and cost and obligation control. Giving decision-makers—managers, investors, and stakeholders—the information they require to evaluate a company's performance is the main objective of financial performance evaluation. This assessment may be used to analyze businesses in various sectors or to compare a company to others in the same industry (Robinson et al., 2020).

In addition to serving as a standard for profitability, SMEs' financial performance is a critical factor in determining their long-term survival and economic contribution to the country. Economic progress, especially in underdeveloped countries, depends on SMEs. They are essential to innovation, job creation, and GDP growth overall, as Mia (2023) emphasizes. In order to achieve sustainable economic development, many countries—especially in the developing world—have acknowledged this and made enhancing the financial health of SMEs a primary priority. In these circumstances, accurate accounting

data becomes essential for daily business operations. For example, SMEs primarily rely on trustworthy financial data to handle short-term concerns including cash flow, expenditure monitoring, and timely purchasing decisions (Al-Hattami et al., 2021; Hertati et al., 2020).

Given these demands, a company's resources must be appropriately aligned with its operational goals, which requires the establishment of a systematic financial reporting system. Additionally, SMEs need to improve their financial literacy, especially in the areas of understanding financial statements and assessing performance indicators. Vanauken et al. (2017) state that the ability to comprehend financial data, both historical and projected, is crucial for risk assessment and strategic planning. These skills help SMEs' owners and management identify opportunities for improvement, financial weaknesses, and the likely outcomes of future investment decisions. Without these skills, business leaders may struggle to make informed judgements, particularly in rapidly changing markets.

Compared to major organizations, small and medium-sized enterprises sometimes operate in less expansive financial markets. Banks frequently take over as the main source of funding in these situations. The majority of SMEs in Ghana rely on bank loans as their main source of finance, according to Adjei-Boateng (2023). Therefore, keeping a healthy cash flow and exhibiting strong financial management are necessary to have good connections with lending institutions. A SME's size, age, and level of market volatility are some of the variables that affect the complexity and structure of its accounting system (Kulsum, 2021). The organization's ability to draw in outside funding improves with the sophistication of these internal mechanisms.

Divisions, product lines, or customer groups are often employed to assess financial performance, claim Gërguri-Rashiti et al. (2017). This granularity allows businesses to identify which units or things are doing well and which are underperforming. Net profit is often used as a simple yet useful performance indicator as it can be quantified in monetary terms and tracked over time. However, it becomes difficult to assign success to specific managers when expenses are dispersed among divisions. As a result, some companies utilise net profit at the divisional level rather than tagging success to individual managers, especially when such costs are hard to control or distribute.

Empirical Review

Effect of Accounting Information Systems on Financial Performance

The impact of accounting information systems (AIS) on the financial performance of SMEs in Mombasa County, Kenya, was examined by Kirigha (2022). The particular goal of this study was to assess the effects of the four main AIS components—budget control, record-keeping, financial reporting systems, and cash management—on the financial performance of these businesses. The Decomposed Theory of Planned Behavior, the Technology Acceptance Model, and Agency Theory provided theoretical underpinning for the study. The 1,640 SMEs in Mombasa's main business sector that have been operating continuously for more than five years were the target population for the descriptive design. Using standardized questionnaires, 268 managers and company owners were chosen through stratified random selection to take part in the study.

The researcher carried out a pilot study to improve the device's accuracy and dependability. SPSS version 24, which has both descriptive and inferential

statistical features, was used to examine the data. Prior to, during, and following the experiment's data collection, ethical guidelines were consistently followed. The findings showed a strong and favorable correlation between the participating SMEs' financial performance and sound record-keeping procedures. It was also demonstrated that there was a substantial and obvious correlation between the companies' financial success and their financial reporting systems. Overall, the results showed a robust and statistically significant correlation between the financial success of Mombasa SMEs and AIS.

Thennakoon and Rajeshwaran (2022) conducted another academic study to evaluate the effect of AIS quality on the financial performance of Sri Lankan publicly traded companies. 165 of the 290 listed companies were chosen via proportional stratified random sampling, which has a 5% margin of error and a 95% confidence level. By examining factors such system efficacy, control mechanisms, and adaptability, the authors evaluated the quality of AIS using Innovation Diffusion Theory and Contingency Theory. Structured questionnaires and firm annual reports were used to collect the primary and secondary data, respectively.

Financial performance was measured using return on assets (ROA), and the analytical techniques used included correlation tests, multiple regression models, and descriptive statistics. High-quality AIS was shown to be strongly correlated with improved financial performance. It was specifically shown that although system control had a less obvious effect on financial performance, technological complexity, system effectiveness, and flexibility were significant contributors. These results emphasise how crucial it is to maintain optimal AIS

standards in order to enhance organisational financial performance, particularly for businesses that are listed on the Sri Lankan stock exchange.

Oluwasemilogo (2020) carried out a similar study in Nigeria, looking at how SMEs' financial performance was impacted by the AIS components of timeliness, accuracy, and feedback. A standardized questionnaire was used to gather the data, and straightforward percentages and tables were used to display the results. Chi-square (X2), a non-parametric test, was employed to validate the study's hypotheses. The findings demonstrated the need of timely and precise financial data in assessing SMEs' financial success. It was also discovered that AIS's feedback mechanisms had a significant impact. The study recommended that SMEs enhance their accounting practices by investing in technology that ensure precise and timely financial reporting, given its significant influence on financial success.

Odero (2014) carried out more pertinent research that examined the connection between Nairobi County SMEs' financial success and the caliber of AIS. A sample of fifty SMEs from several county economic sectors provided the majority of the data. Data were collected using a drop-and-pick procedure using self-administered questionnaires that were delivered to owners, senior managers, and accountants. Important areas included in the questionnaire were the types of AIS used, the extent of record-keeping and reporting, the users' knowledge with the systems, and the regulatory framework around accounting practices. Correlation analysis shows that each independent variable has a coefficient greater than 0.5, indicating a substantial association with financial performance. A binary logistic regression model was then used to investigate these relationships.

The main conclusion of the research was that there was a substantial correlation between the kind and quality of record-keeping systems, the usage of AIS, user proficiency, and financial performance as shown by differences in ROI. The author suggested that SMEs use AIS systems that are easy to use and reasonably priced for day-to-day operations. This modification may reduce human error, save time spent on manual processes, and enhance the integrity of financial statements submitted to external parties such as tax authorities and financial institutions. The study also encouraged the development of affordable training materials on accounting and financial management, particularly for SME operators, in order to raise the quality of financial decisions made.

Harash et al. (2014) also looked at how AIS affected SME performance. Their research examined the benefits of putting accounting systems in place, with a focus on the reliability, timeliness, and relevancy of accounting data. The findings indicate that these three characteristics are critical to the overall performance of SMEs and effective financial management. Adopting AIS is now necessary for survival in a market that is becoming more competitive, according to the poll. Accurate financial data generated by AIS may assist SME managers in making informed business decisions, streamlining processes, and boosting productivity.

Ironkwe and Otti (2016) evaluated the relationship between Nigerian commercial banks' financial performance and the caliber of their accounting data in a related study. Structured questionnaires were used to survey the 91 banks in the sample. Using SPSS software, the analytical process carried out Pearson Product-Moment Correlation (PPMC). The investigation's findings showed a statistically significant correlation between key performance

indicators including profitability and service quality and the use of accounting data. The researchers concluded that better performance measures in the banking industry are significantly impacted by high-quality accounting data. In order to increase the creation of high-quality financial reports, they advised Nigerian banks to employ qualified accountants who can offer accurate and helpful information for decision-making.

Effect of Accounting Information Systems on Financial Reporting Quality

Arie et al. (2018) conducted study to determine what factors influence cooperatives' timely financial reporting. The researchers discovered a number of pertinent elements, including internal controls, teamwork, and AIS effectiveness. This quantitative research, which used survey methodology and SPSS version 25 for data analysis, included model testing and partial testing. 60 The sample included of registered cooperatives in Tangerang, Indonesia, whose financial accounts were promptly disclosed during the year under study. The researchers performed a multiple linear regression analysis using questionnaires based on Likert scales. The results demonstrated that the timeliness of financial reporting was positively improved by internal control systems, AIS, and teamwork. According to the findings, cooperatives that uphold the values of accountability and openness are more likely to provide accurate and on-time financial reports.

Sumaryati et al. (2020) also looked at the effects of AIS, internal control systems, and human resource (HR) competency on the calibre of financial reporting in local government settings in Central Java, Indonesia. The inquiry was framed by agency and compliance theories. Compliance theory emphasizes the necessity for institutions to adhere to regulatory frameworks, whereas

agency theory concentrates on the interaction between the government (agent) and the people (principal). 106 government finance employees who answered standardized questions made up the sample. Hypotheses were tested using multiple linear regression. Surprisingly, the findings indicated that while AIS and internal control systems had no effect on the quality of financial statements, HR competency did. The study concludes that enhancing staff competency is a crucial tactic for raising the caliber of financial reporting at the local government level.

Using a type of structural equation modeling called Covariance-Based Structural Equation modeling (CBSEM), Mulyani et al. (2019) investigated the extent to which accounting information systems, organizational culture, and internal audits affect false financial reporting and the long-term viability of businesses. The study's findings demonstrated that the probability of inaccurate reporting is significantly impacted by company culture, internal audits, and AIS. Furthermore, it was demonstrated that both accounting procedures and company culture promote firm longevity, even if cases of false financial reporting had the opposite effect. Nevertheless, the study provided no proof of a direct link between internal audits and a company's capacity to survive. This suggests that while auditing affects the quality of reports, its effects on overall organisational outcomes may be situation-specific or indirect.

Financial Performance and the Financial Reporting Quality

The impact of financial reporting quality on the financial stability of Nigerian listed banks was evaluated by Abakasanga et al. (2019). The Nigerian Stock Exchange provided the researchers with secondary data between 2007 and 2016. The study included a number of financial performance metrics,

including Price to Earnings Ratio (PER), Earnings Yield (ENY), and Dividend Yield (DVY). The two primary metrics utilized to assess the caliber of financial reporting were audit report lag (ARL) and the predictive capacity of earnings and book value of equity (EBVEP). The results of the Hausman test and regression model indicated that EBVEP had a negative impact on both ENY and DVY but a good impact on PER.

ARL had a beneficial impact on PER and DVY but a negative and statistically negligible effect on ENY. The authors came to the conclusion that financial reporting information from Nigerian banks is useful for forecasting and decision-making. To increase investor trust, the researchers recommended that Nigerian regulatory agencies, including the Financial Reporting Council and the Securities and Exchange Commission, enforce stricter adherence to reporting dates.

Similar to this, Malimu et al. (2023) examined the relationship between manufacturing companies listed on Kenya's Nairobi Securities Exchange and the caliber of their financial reporting. Using a mixed-method approach, this study looked at all eight manufacturing companies that went public between 2015 and 2021. The researchers obtained secondary data from financial documents. The study investigated the relationship between audit committee effectiveness and corporate success using both descriptive and inferential statistics, such as Pearson correlation analysis.

The correlation results showed a weak but statistically significant relationship between audit committee performance and business outcomes for two different audit committee measures ($r = 0.0355$, $p < 0.05$, and $r = 0.0858$, $p < 0.05$). This suggests that the strength of the audit committee, which acts as a

proxy for the quality of financial reporting, has a major, if not substantial, influence on financial performance. The report recommended increasing the number of auditors and enhancing share ownership structures to improve these businesses' revenue and financial performance.

Sohail and Aziz (2019) investigated the connection between financial reporting quality (FRQ) and business success using a set of three distinct proxies: conservatism, accruals quality, and earnings quality. They focused on Pakistani cement manufacturing businesses between 2006 and 2017. The study's goal was to determine how good reporting practices impact the market-to-book ratio (MTB), a key indicator of a company's worth. Panel data analysis showed a positive and statistically significant correlation between FRQ and financial success, regardless of the proxy that was employed. Subsequent investigation revealed that working capital management, debt, and business size all attenuate this relationship. Overall, the study showed that good financial reporting techniques increased investor value and corporate profitability, particularly in capital-intensive sectors like cement production.

In a comparable research, Abd-Elnab et al. (2021) used data from 61 companies listed on the Egyptian Stock Exchange to examine the effect of FRQ on corporate financial performance. Panel Least Squares (PLS) and Estimated Generalized Least Squares (EGLS) regression approaches were both employed in the five-year study, which ran from 2014 to 2018. The Modified Jones Model was used to measure FRQ, while Return on Equity (ROE) and Earnings per Share (EPS) were used to evaluate the organization's performance. The results showed that FRQ and ROE had a positive and substantial connection, indicating that accurate and transparent financial reporting raises shareholder value.

Strangely, the study also discovered a negative association between FRQ and EPS, indicating that while FRQ increases equity returns, it may also reduce profits per share, maybe as a result of careful reporting that keeps earnings inflation under check.

Osiorenoya (2018) looked into the relationship between financial reporting and the success of publicly traded enterprises. Both primary and secondary data were employed; annual financial records provided the secondary data, while structured questionnaires were used to collect the primary data. To choose a representative sample of businesses, the study combined survey and cross-sectional research procedures with proportionate and stratified sampling techniques. 350 of the 450 surveys that were sent out were filled up and sent back. Both descriptive and inferential statistical techniques were used to analyze the variables of profit after tax, return on equity (ROE), and return on assets (ROA) in SPSS and EViews. The findings demonstrated that both profit margins and return measures are considerably enhanced by high-quality financial reporting. The study's findings imply that employing best practices in financial reporting can help companies increase their asset efficiency and profitability.

Dwamena (2022) investigated the connection between Sekondi-Takoradi small business financial performance and record-keeping. The study focused on 288 small businesses that are registered with the Ghana Enterprise Agency and employed a quantitative technique. A sample of 165 firms was chosen from this group. Advanced statistical testing was made simpler by using SPSS and SMART PLS for data processing. According to the survey, a lot of local small companies have trouble keeping accurate financial records.

These included a lack of understanding of record-keeping protocols, the high cost of employing accountants, and the incapacity to precisely manage revenues and costs. Despite these obstacles, the study discovered that the little gains in company performance, including prompt payment receipt, resource allocation, and inventory management, were statistically significantly impacted by efficient record storage and retrieval. It is advised that SMEs and nearby accounting firms collaborate to offer training on sound record-keeping and financial management procedures.

Mediating Role of Financial Reporting Quality

Fitrios (2016) examined the relationship between the quality of financial reporting and the dependability of accounting information systems (AIS) and the economic performance of publicly listed enterprises in Jordan. The SysTrust framework, which uses its standards and principles as an internal control mechanism, was used to evaluate the dependability of AIS. Using contingency theory, the study developed an integrated conceptual model with three primary dimensions: financial reporting quality, AIS reliability, and organizational performance as measured by both financial and non-financial factors. 239 answers from businesses listed on the Amman Stock Exchange were gathered using self-administered questionnaires.

The findings demonstrated that AIS reliability improved business performance, however the caliber of financial reporting significantly diminished this relationship. In essence, the study has shown that the reliability of accounting systems improves performance; however, the benefit is stronger when financial reports are accurate, timely, and transparent.

Mehrabanpour et al. (2020) examined the role that financial reporting quality had in mediating cash holdings and financial statement comparability across Tehran Stock Exchange-listed businesses. The study's premise was that if financial reporting were more equal, businesses would be less likely to keep large cash reserves. Multiple regression models and the Sobel test were used to analyze data from 2011 to 2017 in order to look at the mediating effect. There was no mediation of the link between financial reporting quality, as evaluated by disclosure quality, and discretionary accruals, despite the fact that the data showed that financial statement comparability considerably lowers the amount of company cash holdings. Trade credit did not serve as a mediator, according to some assessments. The results imply that FRQ may not have an impact on this dynamic in high-inflation countries like Iran, where agency difficulties and information asymmetry may be less severe than in other circumstances, despite the fact that comparability makes bank funding easier and improves financial decision-making.

Qawqzeh et al. (2020) investigated whether audit quality mediates the association between financial reporting quality and the efficacy of external auditors. The study looked at panel data from 180 companies that were listed on the Amman Stock Exchange between 2009 and 2017. The Causal Steps Method was used to analyze the connections. The findings showed that auditor tenure had a negative impact on the quality of financial reporting, whereas auditor industry specialty had a positive impact. It's noteworthy to note that audit quality was adversely affected by auditor numbers, even if FRQ was not directly affected. The results indicated that audit quality, as indicated by audit fees, acted as a partial mediating factor in the relationship between auditor effectiveness

and FRQ. This study emphasizes how crucial auditor characteristics—like tenure and industry knowledge—are in determining the quality of financial reporting. The findings provide regulatory agencies and stakeholders useful information while supporting stronger auditor rotation rules and promoting specialization in the audit profession.

Al-Dmour (2018) did out study in Indonesia to explore the link between business value and the reliability of accounting information systems, utilizing financial reporting quality as a mediating factor. The study contained primary and secondary data and applied an explanatory method based on verification. A study was conducted on national commercial banks that are listed on the Indonesian Stock Exchange. The Price-to-Book worth (PBV) metric was used to determine the company's value, and the SysTrust criteria was used to evaluate AIS's reliability. The IASB's core qualitative features were used to assess the caliber of financial reporting.

The data was tested for validity and reliability before being statistically modeled using Partial Least Squares Structural Equation modeling (PLS-SEM). The findings demonstrated that the audit committee and the board of commissioners significantly raised the company's worth and FRQ. Furthermore, the association between company value and governance structures (such the board and audit committee) was considerably mediated by FRQ. These results show how good financial reporting is encouraged by governance procedures, which raises investor trust and company value.

Lessons from Empirical Review

One significant result is that, particularly for studies involving financial institutions or SMEs in developing countries, standardised questionnaires are

often utilised to collect primary data. Studies by Ironkwe and Otti (2016), Odero (2014), Oluwasemilogo (2020), and Thennakoon and Rajeshwaran (2022) all used this data collection method, proving its value and effectiveness in gauging perceptions of AIS use, financial reporting practices, and business success. Since the aspects of this study, including information quality, user satisfaction, and financial outcomes, are measurable, a structured questionnaire was deemed appropriate and consistent with empirical best practices.
It also becomes evident that a common approach in the literature under investigation is the quantitative research design. The decision to use a comparable methodology in the present study is supported by its ability to evaluate respondent opinions in an ordered manner, especially when variables are operationalised into distinct dimensions.

This design decision was further supported by studies by Fitrios (2016), Abd-Elnab et al. (2021), and Sohail and Aziz (2019) that examined the relationships between AIS, financial reporting quality, and organizational success using quantitative methods. Several of the examined publications used sophisticated statistical tools, such as SPSS and SmartPLS, for data analysis. The ability of these systems to manage intricate multivariate analysis and structural equation modeling led to their selection. Because of its shown effectiveness in empirical research including latent constructs and mediation effects, SmartPLS was chosen as the main analytical instrument in this case.

Once again, Fitrios (2016), Mehrabanpour et al. (2020), and Qawqzeh et al. (2020) are only a few of the many empirical studies that were conducted outside of Ghana, mostly in the Middle East and Southeast Asia. Despite the fact that these studies provide valuable insights, their results are sometimes

predicated on institutional, cultural, or economic circumstances that vary significantly from Ghana's. This regional discrepancy highlights the need of doing localised research.

Conceptual Framework

The study's main goal is to investigate the relationship between accounting information systems and SMEs' financial performance, using financial reporting quality as a mediating construct. This is reflected in the conceptual framework that directs this investigation. This system is supported by both theoretical justification and empirical data. The accounting information system (AIS), information quality, system quality, service quality, and user satisfaction are the main components of the framework. These elements are seen as independent variables that affect financial reporting quality (FRQ), the mediator, which in turn affects financial performance, the dependent variable. According to the paradigm, the impact of AIS on performance is not linear. Rather, it assumes that a key element in transforming AIS inputs into observable performance results is the caliber of financial reporting. In Figure 1, the conceptual framework is displayed.

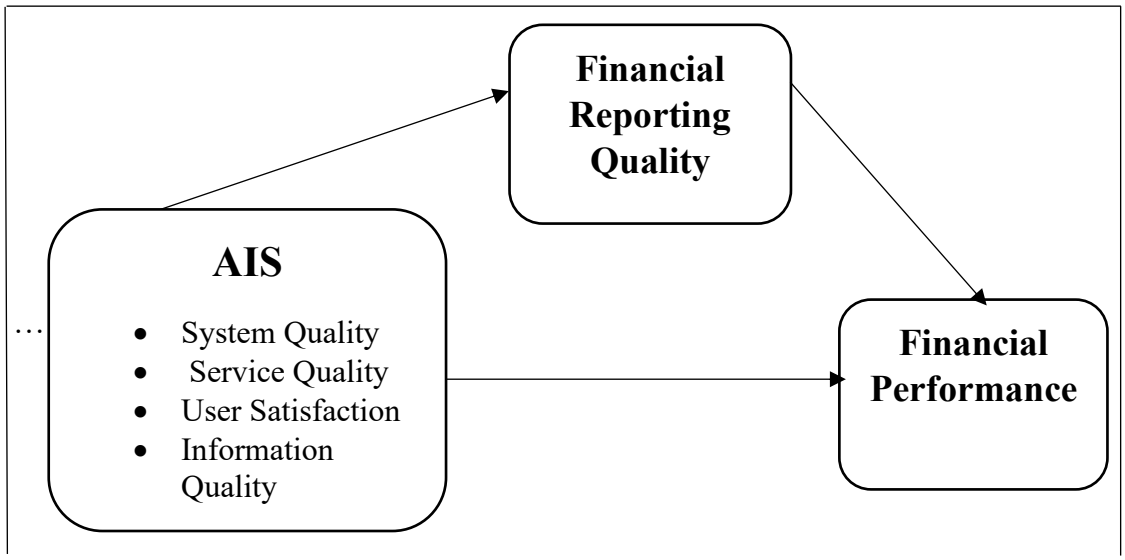


Figure 1: Conceptual framework

Source: Author's construct (2024)

This study expands on the existing paradigm by focusing on the four essential components that characterize the Accounting Information Systems (AIS) used by SMEs: information quality, service quality, system quality, and user satisfaction. These particular measures were used to analyze how AIS affected the financial performance of SMEs in the Accra Metropolis. The link between the AIS components and financial performance is shaped by the mediating function of financial reporting quality, which is also included in the conceptual model. The framework suggests that SMEs who feel their AIS is effective and fulfilling in each of these areas may see a considerable improvement in their overall financial results.

Chapter Summary

This section contains information on the literature review that is based on the study's primary subject. The conceptual framework, conceptual subjects, empirical assessment, and theoretical viewpoint all received individual attention. Providing evidence from a range of sources that may be used to evaluate the study's particular objectives experimentally, connecting the results to previous empirical arguments, and offering enough details to comprehend the study's key concepts are the major purposes of this section.

CHAPTER THREE

RESEARCH METHODS

Introduction

Examining accounting information systems (AIS), financial reporting quality, and the financial performance of small and medium-sized businesses (SMEs) in the Accra Metropolis were the goals of the study. More relevant information was covered in the prior chapter, which focused on conceptual, theoretical, and empirical reviews. This chapter discusses the fundamental methodological strategy used to achieve the study's research goals. Demographics, sample techniques, data collecting methods and instruments, data processing and analysis, research strategy, study design, and ethical considerations were all suitably covered in this chapter.

Research Paradigm

One of the realisms that exists apart from the knower is positivism's ontological stance (Scotland, 2012). According to Rehman and Alharthi (2016), ontology is the assumption we make about the nature of reality, whereas epistemology is the entire collection of assumptions about the best methods for researching the nature of the universe. Philosophical assumptions or a theoretical paradigm on the nature of reality are necessary to understand the broad perspective from which the study is planned and carried out (Park et al., 2020). The current inquiry is grounded in the positivist perspective. Positivism is the study of social phenomena and is founded on the same ideas as the scientific sciences.

Because positivists conduct research based on the premise that the study of the social world should be based on the same lines as in the natural sciences, they tend to view social reality as consisting of objective facts that can be precisely measured using statistical tools (Neuman, 2004). (Davies & Fisher, 2018). The positivist approach, according to Kivunja and Kuyini (2017), is a research methodology that is based on the notion of direct observation and may, therefore, be supported by theoretical assertions such the development of causal, law-like generalizations. The social researcher may predict the behavior of social phenomena and get a deeper understanding of the social environment by using the positivist technique. According to Comte, this enables the researcher to progressively impact social life (1970).

Comte (1970) is said to have coined the term positivist in an attempt to create a system of understanding society that explained the laws regulating the social sphere in the same way that natural science explained physical happenings. Creswell (2013) adopted this position in an effort to rescue the social (moral) sciences from what he saw to be a precarious state. Creswell (2013) asserts that the logical structure of every scientific explanation is almost same. A more general rule or principle that enables the researcher to utilise logical deduction to explain how that idea operates in particular specific, real-world settings is the aim of positivists, who use both inductive and deductive inquiry (Burton-Jones & Lee, 2017).

The outcomes that the principle predicts in practical settings are objectively assessed by positivists using very precise measures (Burton-Jones & Lee, 2017). In this way, the established general rule or notion often covers a wide range of specific situations. The vast majority of positivist studies are

quantitative, and positivists generally believe that experimentation is the optimum approach for doing social science research (Younus and Zaidan, 2022). In situations when an experiment is not practical, positivists also use certain quantitative methods, including surveys or pre-existing data, although they often see these as approximations of the experiment (Alabi, 2017).

The study's objective is to evaluate and look at relationships, perspectives, and results in a particular context. As a result, only the positivist paradigm was applied. This is important because managing complex systems, including the execution and evaluation of government programs, calls for objectivity in data collection and analysis. Furthermore, extrapolating study results to larger populations or situations is a common goal of positivist research. Investigating the connection between accounting information systems, financial performance, and the caliber of financial reporting is the aim of this study. This would enable the derivation of broader conclusions or implications for similar circumstances. In conclusion, positivism is a research methodology that upholds that reality and truth are independent of viewpoint and observer (Crossan, 2016). As a result, it was suitable for this study, which aims to enhance accounting information systems, financial reporting accuracy, and SMEs' financial performance without the researcher's intervention.

Research Approach

Because the research is a causal study by nature, the best research strategy for this specific study is to measure and evaluate the primary data using a quantitative approach. The choice of research technique is heavily influenced by the sort of study purpose, data type, measurement type, and research aims or hypotheses being investigated. The quantitative research approach focusses on

the implications of the relationship between independent factors (accounting information systems and financial reporting quality) and dependent variables (financial performance) (Mehrad & Zangeneh, 2019). Natural phenomena, which are difficult to study, are the subject of quantitative research (Mehrad & Zangeneh, 2019; Schutt, 2019).

In the sense that conclusions drawn from testing statistical hypotheses result in generalizations about the features of a population, quantitative approaches are also occasionally referred to as deductive (Sileyew, 2019). Quantitative research focusses on factors that can be measured, usually using an instrument, in order to analyse numerical data using statistical approaches. Furthermore, quantitative researchers presume that their results can be replicated and extended, that hypotheses can be verified deductively, that predictions can be formed to avoid bias, and that alternative explanations can be accounted for (Palacios, 2014).

The proper measuring scales, including nominal, ordinal, interval, and ratio scales when applicable, were used to statistically measure the variables and constructs. For example, respondents' judgments about the main items evaluating the sub-scales measuring the identified constructs included in the study were evaluated using a 5-point Likert scale (McCullagh, 2019). With the aid of quantitative measurement of the constructs and variables, statistical technique approach, and the suitability of data processing software, the study's goals were also submitted to statistical analysis (Clark & Clark, 2022). Since the questionnaire data was quantitatively evaluated using either descriptive or inferential statistical methods, the strategy is suitable for this investigation. However, there are certain drawbacks to using a quantitative

research technique. The scope of a phenomenon is broadened by quantitative research methods, which are incomplete and ignore the feelings and meanings of test-takers and testers (Rahman et al., 2017).

Research Design

Abutabenjeh and Jaradat (2018) define research designs as the methods and strategies employed in doing research that describe the decisions made on everything from broad hypotheses to particular methods for collecting and analyzing data. The explanatory research design was chosen because of the characteristics of the primary data, the particular research goals, and the study's objectives. The study's objectives were to investigate the financial performance of small and medium-sized enterprises (SMEs) in the Accra Metropolis, accounting information systems (AIS), and the caliber of financial reporting. Explanatory research provides the opportunity to go further into a topic by formulating and testing hypotheses (Coy, 2019).

The features of the main data, the specific research aims, and the study's objectives led to the selection of the explanatory research design. The study aimed to examine the quality of financial reporting, accounting information systems (AIS), and the financial performance of small and medium-sized businesses (SMEs) in the Accra Metropolis. By developing and evaluating hypotheses, explanatory research offers the chance to go further into a subject (Coy, 2019).

Consequently, it makes it abundantly evident that an explanatory research design allows the study to elucidate the cause and effect of links (Greener & Martelli, 2018) without the researcher having to experience the event being studied firsthand (Potwarka et al., 2019). Explanatory research

methodologies sometimes try to extrapolate results to a larger population. This suggests that the study's conclusions about causal relationships and insights could apply to a larger group of Ghanaian SME enterprises or even similar businesses in other countries. The study's external validity is enhanced and the findings' application is expanded by this ability to extrapolate outcomes.

Population

SME businesses in the Accra Metropolis that produce processed goods, handicrafts, or agricultural items made up the study's target demography. The target group that the researcher is attempting to learn more about might be considered the population (Strouse, Strouse, Donovan, & Fatima, 2019). The total group of items, persons, or things that possess the qualities the researcher wishes to examine is known as the population (Angermeyer & Schomerus, 2017). The target population is sometimes defined as the whole group of individuals or objects to which the researcher wishes to extend the findings to the community (Brown, Elliott, Leatherdale & Robertson-Wilson, 2015). The study focused on 659 owners/managers of SMEs in the Accra Metropolis's Ablekuma South and Osu Klottey sub-metropolises that were registered with the Ghana Enterprises Agency (GEA). By focussing on SMEs, the study may examine industries that have a big impact on Ghana's economy as well as the opportunities and challenges these crucial players face. Once again, these SMEs provide a variety of products and market conditions.

Sampling Technique

The necessity to appropriately increase the generalizability of the study findings to the full target population from which the sample was drawn is the foundation of the representativeness problem in social science research

(Zehnalová & Kubátová, 2019). This suggests that population selection, which is frequently reflected in the sampling frame, must come before sample selection (Lohr, 2021). It is appropriate to use a sample size that is neither too big nor too small. It ought to be at its best. The study's target population was therefore specified by the sampling frame, and after this was established, the sample size was chosen from this group.

The survey was made available to respondents, and a sample size of 249 was taken into account. Yamane's (1967) method for calculating sample size was used to properly choose the sample size. The following is the formula:

$$n = \frac{N}{[1+N(e)^2]}$$

$$n = \frac{659}{[1+659(0.05)^2]} = \frac{659}{[1+1.6475]} = \frac{659}{[2.6475]} = 248.914 = 249$$

Where n = sample size, N = sample frame, and e = margin of error. A margin of error of 5%, as suggested by Yamane (1967), was applied.

The selection of the sample formula for this study was based on Van Haute's (2021) statistical advice for regression analysis in social science research. According to the suggestion, $n > 50 + 8k$, where k is the number of independent variables, should be followed in order to determine an adequate sample size. Adhering to this criterion guaranteed reliable and statistically meaningful results from the investigation. Survey respondents were selected for the study using a straightforward random sampling approach. A unique identifying number was given to each business during the sampling period. These numbers were then selected at random using a computer program called the Research Randomizer. This method reduces selection bias since it offers every unit in the target population an equal chance of being chosen. Simple random sampling

was found to be appropriate due to its fairness, usability, and suitability for quantitative research. This method is widely accepted in social science research as a trustworthy and cost-effective means of selecting respondents in an unbiased manner (Rahi et al., 2019). Because of its application, the sample was more representative, allowing for a more confident extrapolation of the findings to the broader population of SMEs in the study area.

Data Collection Instrument

A structured questionnaire designed specifically for this purpose was employed in the research to collect the primary data needed for this inquiry. Questionnaires are systematic tools that help researchers collect standardised data from many respondents on certain topics, claim Boparai et al. (2018). Dependability was increased and data collection was consistent thanks to a consistent question sequence made feasible by the structured format (Kurzhals & Kurzhals, 2021). Respondents were presented with a list of predetermined options for most of the survey's closed-ended questions. These contained checklists and tasks on a Likert scale.

The Likert scale helped measure perceptions or levels of agreement along a continuum, although checklists were employed to assess specific behaviours or characteristics (Mirahmadizadeh et al., 2018; Tsang et al., 2017). This combination effectively represented respondents' perspectives' diversity and intensity on several significant characteristics. Because a questionnaire was more practical and efficient than interviews—especially for research with a high sample size—it was selected. Questionnaires are one of the most popular instruments in business and management research because of their simplicity and ability to standardise participant responses (Farooq, 2018). Additionally,

they provide more straightforward data coding and analysis, which enhances interpretability and reduces processing errors (Anderson et al., 2018; Taherdoost, 2022).

The structure of the questionnaire consisted of four primary parts. In contrast to Section B, which examined several facets of the Accounting Information System (AIS) and had 25 questions adapted from Ojo (2017), Section A focused on the respondents' demographic data and contained 9 items. Using nine criteria, Section C assessed the calibre of financial reporting in accordance with Acquah's (2016) study. In Section D, ten components from Sefa (2022) were employed to evaluate financial performance. The instrument underwent a number of diagnostic tests to ensure that its validity and reliability met acceptable standards. These included assessments of composite reliability (rho_a and rho_c), average variance extracted (AVE), and Cronbach's alpha. A tool is considered reliable, according to Mueller and Knapp (2018), if it consistently produces accurate measurements of the concepts it is meant to assess.

Data Collection Procedure

Before distributing the questionnaire, the researcher reached out to possible participants to educate them on the relevance and goal of the study. The purpose of the study was explained in this introduction, which also emphasised its academic and professional significance. Participant confidentiality was assured, and their involvement was considered entirely voluntary. By hand-delivering the surveys to respondents and recovering them at certain times, the drop-and-pick approach was used to disseminate the surveys. The whole data collection procedure took around a month. During this

period, the researcher worked tirelessly to ensure that the process was simple, polite, and stress-free. A total of 249 questionnaires were distributed and collected, and all respondents completed them. The data was enhanced and concerns about missing values or sample bias were reduced as a consequence of the 100% response rate.

Data Processing and Analysing

The Statistical Package for Social Sciences (SPSS version 25.0) was used for data entry and coding (data preparation), whereas SMART PLS 4.0 was used for data processing. The prepared data file was first converted into "comma-delimited" format, or CSV, before being put into the SMART PLS software for the model setup (Browne et al., 2019). The SMART PLS program is widely used for modeling in management and organizational behavior research (Memon et al., 2021) for managing complicated predictive models and estimating hypothesised models (Ahrholdt et al., 2019). It is resilient (Memon et al., 2021) and a widely used inferential statistical approach (Richter et al., 2016).

PLS path modeling is the most advanced of the variance-based estimators; it incorporates prediction-oriented PLS-SEM analyses (Sharma et al., 2020), robustness tests (Sarstedt et al., 2020), and the ability to model both factors and composite (Schamberger, Schuberth, Henseler & Dijkstra, 2020). The PLS tool was set up in this manner for the model formulation. The route model's computations (analysis) were based on the Consistent Bootstrapping and Consistent Algorithm, which has a maximum of 5000 iterations. This can be attributed to the study's focus on forecasting (Nikitina et al., 2019).

A casewise deletion was set up for the data even though there were no missing values (Ramli et al., 2019). A 95% confidence range and a 5% threshold of significance were set for the reflecting model. In this regard, a two-tailed test of hypotheses was created because the specific goals were non-directional. Eliminating indicators with outer loadings less than 0.7 (not statistically significant) improved the measurement model in general. Consistent bootstrapping and runs of consistent algorithms were combined to build the final model. These decisions are supposed to imitate route models, according to Ahrholdt et al. (2019).

While financial performance was considered an endogenous latent variable in the study setting, AIS was treated as an exogenous latent variable in the model design (Objective 1). While financial reporting quality was considered an endogenous latent variable in the study context, AIS was treated as an exogenous latent variable in the model construction (Objective 2). Once again, the study sought to accomplish the following goals: financial reporting quality as an exogenous latent variable, financial performance as an endogenous latent variable, and financial reporting quality as a mediating variable (Objective 4). Hair et al. (2017) state that the structural models for target 4 were developed using a repeated indicator technique.

The models were assessed using the measurement model first, followed by the structural model, as PLS-SEM validates measurement models before assessing structural models (Hair et al., 2019; Fami et al., 2019). The structural model was evaluated in this manner. T-statistics and p-values were used correctly to evaluate the factor loadings of all pertinent indicators (Ringle et al., 2015). Path coefficients (unstandardized beta) were used to assess the direct and

indirect predictors' contributions to the variation in the dependent variable (Schberth et al., 2018).

Effect size (f2) was used to measure the predictors' contributions to the changes in the dependent variable (Ahrholdt et al., 2019). The Q2 was used to evaluate the predictive significance of the model's direct influence. Becker et al. (2013) defined a moderate influence as $0.15 \leq Q2 > 0.35$, a weak effect as $0.02 \leq Q2 < 0.15$, and a large impact as $Q2 \geq 0.35$. Cohen (1988) defined strong, moderate, and mild effect sizes as exceeding 0.35, 0.15, and 0.02, respectively. The coefficient of determination (r2) was used to evaluate the predictive power of the models. Findings of 0.67 or higher are considered significant, 0.33 moderate, and 0.19 weak, according to Garson (2022). In order to facilitate reporting and comprehension, the data were arranged chronologically in Tables and Figures.

Ethical Considerations

It was crucial to uphold research ethics in this inquiry. Ethics in academic research are the practical manifestation of scientific integrity, ensuring that the study not only yields trustworthy data but also protects the rights, safety, and dignity of each participant (Newman et al., 2021). According to Green (2019) and Eyisi (2016), these ethical rules are applicable to both the internal workings of the research process and the interactions between the researcher and the participants. First, formal approval was obtained from the University of Cape Coast. An introduction letter was provided by the Department of Accounting to officially introduce the researcher to SME participants in the Accra Metropolis.

The researcher was granted access to the target companies and provided an explanation of the study's academic purpose in this letter. The goal, significance, and possible advantages of the research for the participants were thoroughly explained at the start of each data collection session. Participants might decline or withdraw at any moment; participation was entirely voluntary. Clarification was a priority for the researcher. There was no coercion or reward used to get consent. Additionally, respondents' spoken informed agreement was obtained before they could start utilising the questionnaire. Additionally, participants received assurances that the data would only be used for scholarly reasons and that their names would stay anonymous.

To guarantee complete comprehension, the researcher promptly addressed any queries or worries participants could have had regarding any aspect of the tool. Additionally, the researcher worked hard to protect privacy and secrecy. As a result, no personally identifying information was gathered through the questionnaire, and the data analysis procedure was carried out in an impartial and transparent manner. No modifications were ever made to the data. The research was legitimate and ethically sound since all of the conclusions in the final analysis were based on participant responses.

Chapter Summary

This chapter provided a detailed breakdown of the research's methodology. It initially supported the usage of positivist philosophy and offered the research paradigm in order to justify the use of a quantitative approach. Following that, the use of an explanatory research design was discussed, as well as its appropriateness for examining the relationships among AIS, financial reporting quality, and financial performance. Simple random

selection was used as the sample approach, and the target population—which was chosen from SMEs in the Accra Metropolis—was accurately defined. Next came a description of the structured questionnaire used to gather the data, as well as how it was organised and validated.

After that, the chapter explained how the questionnaire was administered using the drop-and-pick approach, which resulted in a complete return rate. Model design and hypothesis testing were conducted using SMART PLS, whereas SPSS was used for preparation as part of the data entry, cleaning, and analysis procedure. Details on measurement indicators, dependability standards, and model structure were also provided to increase transparency. The use of ethical safeguards to ensure responsible research methods and safeguard study participants was discussed in the chapter.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The study examined the quality of financial reporting, accounting information systems (AIS), and the financial performance of small and medium-sized enterprises (SMEs) in the Accra Metropolis. The preceding chapter discussed the research methods that were employed to conduct this empirical investigation. The discoveries and the debate around them are the main topics of this chapter.

Demographic

The demographics of the firms and respondents were evaluated using descriptive statistics. The study employed frequency and percentage to evaluate the demographic data at the nominal and ordinal levels. Table 1 displays the demographic information of the study's participants and participating businesses.

Table 1: Demographic Characteristics

Variable	Options	Frequency	Percentage
Gender	Male	134	53.8
	Female	115	46.2
Age	18-25 years	9	3.6
	26-33 years	54	21.7
	34-41 years	116	46.6
	42-49 years	48	19.3
	50 years and above	22	8.8
Educational Level	Basic	50	20.2
	Secondary	128	50.4
	Tertiary	71	28.5
Number of employees	2 employees	30	12.0
	4 employees	92	36.9
	6 employees	76	30.6
	More than 8 employees	51	20.5
Years of operation	1-5 years	104	41.8
	6-15 years	71	28.5
	16-20 years	52	20.9
	Above 20 years	22	8.8
Form of Ownership	Sole Proprietorship	170	68.3
	Partnership	71	28.5
	Private Limited Liability Company	8	3.2
Sector of Operation	Service	42	16.9
	Primary Fabrics and Repairs	29	11.6
	Food, Drugs, and Beverage	70	28.1
	Agribusiness	96	38.6
	Handicraft	12	4.8

Accounting Software	Sage	23	9.2
	Tally	56	22.5
	QuickBooks	72	28.9
	Others	98	39.4
Number of Years using AIS Software	1-5 years	108	43.4
	6-10 years	58	23.3
	11-15 years	47	18.9
	16-20 years	20	8.0
	Above 20 years	16	6.4

Source: Field survey (2024)

The participants' demographic information is shown in Table 1. The demographic figures show that 53.8% of respondents were men and 46.2% of respondents were women. This illustrates how men predominate in SMEs in the Accra Metropolis, which is typical for many businesses. The majority of responders (46.6%) are between the ages of 34 and 41, with those between the ages of 26 and 33 coming in second (21.7%). Additionally, 19.3% and 8.8% of the population are between the ages of 42 and 49 and 50 and older, respectively. The remaining 3.6% of the population was in the 18–25 age bracket. Most respondents—50.4%—have finished secondary school, and the majority have some type of formal education.

Those with postsecondary education came next, at 28.5%. Merely 20.2% possess only a basic education. In terms of workforce size, the report reveals that 30.6% of SMEs had six workers, while the majority (36.9%) had four. Twenty-five percent of the remaining SMEs had more than eight workers, while the remaining two had just two. In terms of the SMEs' ownership structure, it was discovered that the majority of them are sole proprietorships

(68.3%). In contrast, private enterprises make up 3.2% and partnerships 28.5% of the total.

According to the report, the majority of SMEs (41.8%) had been in company for 1–5 years, while 28.5% had been in business for 6–15 years. 8.8% had been in business for more than 20 years, while the remaining 20.9% had been in business for 16–20 years. It was discovered that the majority of SMEs operate in the agricultural sector (38.6%). Those in the food, beverage, and pharmaceutical industries came next, accounting for 28.1%, and those in the service industry, 16.9%. 4.8% were working in handicrafts, while the remaining 11.6% were working in core textiles and repairs.

Once again, the statistics showed that 28.9% of SMEs utilised QuickBooks, while 39.4% used alternative accounting software. 9.2% used Sage, while the remaining 22.5% used Tally. According to data on the number of years spent using AIS software, the majority of SMEs (43.4%) have been using it for 1–5 years, while 23.3% have been using it for 6–10 years. Additionally, 8.0% had been using this program for 16–20 years, and 18.9% had been using it for 11–15 years. 6.4% of the remaining people have been using it for more than 20 years.

Model Specification

SMART pls 4's structural equation modeling was used to assess the study's goals. To test the suggested hypotheses, the model was reflectively defined. The two-stage model assessment technique, which assesses and determines that the measurement model is suitable before examining the structural model to determine the applicability of the assumptions, was used to analyze the model.

Construct Reliability and Validity

Table 2: Construct Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Accounting Information Systems	0.867	0.917	0.892	0.577
Financial Performance	0.738	0.777	0.823	0.586
Financial Reporting Quality	0.765	0.775	0.849	0.586
Information Quality	0.856	0.784	0.788	0.537
Service Quality	0.847	0.847	0.897	0.686
System Quality	0.672	0.689	0.804	0.510
User Satisfaction	0.826	0.826	0.878	0.590

Source: Field survey (2024)

All of the constructs had CA > 0.7, which indicates adequate construct dependability, according to Table 2's data. Rho_a results (Rho_a > 0.7) show that the primary data for constructions is reliable. Furthermore, composite dependability has an acceptable rating (CR>0.07). Furthermore, for the components included in the study scenario, the AVE ratings show strong convergent validity (AVE > 0.5).

Discriminant Validity

Table 3: HTMT Ratio

	HTMT ratio
Financial Performance <-> Accounting Information Systems	0.698
Financial Reporting Quality <-> Accounting Information Systems	0.645
Financial Reporting Quality <-> Financial Performance	0.106
Information Quality <-> Accounting Information Systems	0.046
Information Quality <-> Financial Performance	0.496
Information Quality <-> Financial Reporting Quality	0.274
Service Quality <-> Accounting Information Systems	0.027
Service Quality <-> Financial Performance	0.702
Service Quality <-> Financial Reporting Quality	0.661
Service Quality <-> Information Quality	0.418
System Quality <-> Accounting Information Systems	0.089
System Quality <-> Financial Performance	0.644
System Quality <-> Financial Reporting Quality	0.635
System Quality <-> Information Quality	0.582
System Quality <-> Service Quality	0.912
User Satisfaction <-> Accounting Information Systems	0.054
User Satisfaction <-> Financial Performance	0.649
User Satisfaction <-> Financial Reporting Quality	0.612
User Satisfaction <-> Information Quality	0.514
User Satisfaction <-> Service Quality	0.944
User Satisfaction <-> System Quality	0.919

Source: Field survey (2024)

The discriminant validity of the concept pairings in the computed model was evaluated using the HTMT ratio. The results are shown in Table 3. The calculated model's discriminant validity is unaltered (HTMT ratio < 1).

Common method bias

Table 4: Inner VIF

	VIF
Accounting Information Systems -> Financial Performance	1.415
Accounting Information Systems -> Financial Reporting Quality	1.000
Financial Reporting Quality -> Financial Performance	1.415
Information Quality -> Accounting Information Systems	1.043
Service Quality -> Accounting Information Systems	3.001
System Quality -> Accounting Information Systems	2.130
User Satisfaction -> Accounting Information Systems	3.019

Source: Field survey (2024)

Table 4 presents the consequences of frequent method bias. It is evident that the calculated model (Inner VIF < 5) is not at risk for common method bias.

Multicollinearity Statistics

Table 5: Outer VIF

	VIF
FP2	1.342
FP3	1.322
FP5	1.230
FP8	1.518
FP9	1.467
FRQ5	1.574
FRQ6	1.349
FRQ8	1.470
FRQ9	1.598
IQ1	1.239
IQ1	1.007
IQ2	1.352
IQ4	1.429
IQ5	1.007
IQ5	1.286
SQ3	1.349

SQ3	1.126
SQ4	1.459
SQ4	1.807
SQ5	1.662
SQ5	1.436
SQ6	1.728
SQ6	1.331
SeQ1	2.734
SeQ1	2.461
SeQ2	2.185
SeQ2	2.506
SeQ3	1.889
SeQ3	2.295
SeQ4	2.340
SeQ4	1.627
US1	1.658
US1	2.168
US2	1.771
US2	1.936
US3	1.719
US3	1.993
US4	2.120
US4	1.759
US5	1.470
US5	1.915

Source: Field survey (2024)

Table 5 displays the findings of multicollinearity statistics. They utilised the outside VIF indicators. Since all of the independent variables were below the threshold of 5 (Outer VIF < 5), it is evident that multicollinearity is not a danger in the estimated model.

Direct Effect Analysis

Table 6: Path coefficient

	Beta	f^2	T Statistics	P value
Information Quality -> Financial performance	0.040	7.267	2.355	0.019
Service Quality -> Financial performance	0.407	256.984	23.162	0.000
System Quality -> Financial performance	0.266	154.236	16.352	0.000
User Satisfaction -> Financial performance	0.419	270.168	21.251	0.000
Accounting Information Systems -> Financial Reporting Quality	0.542	0.415	8.565	0.000
Financial Reporting Quality -> Financial Performance	0.830	2.429	30.963	0.000

Source: Field survey (2024)

Table 6's findings demonstrate a strong link between the elements. To evaluate the effect of accounting information systems, the model incorporates a number of attributes, including information quality, service quality, system quality, and user happiness. Customer satisfaction was a significant predictor of the respondents' financial performance variation (Beta=0.419; p=0.000; p<0.05). The findings show that customer happiness and the financial success of Accra's SMEs are positively correlated, although weakly. This shows that the managers and owners of SMEs are becoming increasingly satisfied with their operations.

The firm's accounting information's versatility in its use across several parts is one of the aspects of user satisfaction that together help to improve SMEs' financial performance. Throughout the year, the user's demands are met by the accounting data that is supplied. The company offers clear accounting

information, and I am typically happy with how AIS works for my company. No accounting system is always suitable for every business in every circumstance, according to the contingency principle.

The issue statement states that the study's findings cannot be applied to a growing economy like Ghana's SMEs. The findings address previous research on large, publicly traded companies that was primarily conducted in developed economies (McCallig, Robb & Rohde, 2019; Ingram-Jackson, 2020). Moreover, the results corroborate the idea that SMEs' financial performance is enhanced by customer satisfaction, which is in contrast to empirical studies (Hamdan & Al-Hajri, 2021; Mondego & Gide, 2021; Al-Wattar et al., 2019; Akrong et al., 2021; Kirigha, 2022).

A high level of service quality was also much more likely to result in a favorable increase in financial performance (Beta=0.407; p=0.000; p<0.05). This contribution is considered to be fairly positive based on the F-squared criteria for service quality. The statistically significant outcome demonstrates that, rather than being the consequence of chance, the shift in service quality was brought about by modifications in the financial performance of the managers and owners of SMEs in the Accra Metropolis. This study demonstrates how owners and managers of small and medium-sized enterprises in the Accra Metropolis alter their bottom line by utilizing service quality, a gauge of accounting information systems.

The findings address the challenge of comprehending the interactions between various accounting information system components and their ready-to-serve systems, even in the face of increased interest in SMEs and AIS. Furthermore, the findings support the viewpoint of the technology acceptance

paradigm, which maintains that in the rapidly evolving world of today, technology is an essential tool for decision-making. When taken as a whole, these empirical studies (Saeidi, 2014; Ali et al., 2016; Thennakoon & Rajeshwaran, 2022; Oluwasemilogo, 2020; Ironkwe & Otti, 2016) support the widely accepted notion that the extent of service systems influences financial performance and that the more managers and owners of SMEs employ them, the better their financial performance.

Additionally, the results showed that respondents' financial performance variance was substantially predicted by system quality (Beta=0.266; p=0.000; p<0.05). The findings essentially show that system quality greatly enhances the financial performance of SMEs in Accra. This indicates that SMEs' owners and managers are growing more satisfied with the system's functionality. When combined, these system quality components enhance the financial performance of SMEs. These elements include AIS's capacity to adapt to my organization, its convenience of use for my business, and its simplicity in helping me achieve my goals. Learning how to utilise AIS was also easy for me. Additionally, in contrast to empirical studies, the results validate the idea that system quality enhances SMEs' financial performance, as stated by Gofwan (2022) and Al-Waeli et al. (2020).

Furthermore, a favourable change in financial performance was predicted with a substantial improvement in data quality (Beta=0.040; p=0.019; p<0.05). It is seen to be a minor yet useful enhancement. Information quality, a measure of accounting information systems, is therefore used by managers and owners of small and medium-sized businesses in the Accra Metropolis to assess their financial success. The statistical significance of the result indicates that the

change in information quality is not the result of chance but rather of changes in the financial performance of SMEs' owners and managers in the Accra Metropolis.

According to the results of these empirical studies, the financial performance of SMEs is influenced by the extent of information systems, and the more managers and owners utilize them, the better their financial performance is (Fadhel et al., 2018; Ouiddad et al., 2020; Abugabah & Sanzogni, 2010; Shagari et al., 2017). The results provide empirical support for this method. Accounting information systems, however, were credited with significantly improved financial reporting by managers and owners of SMEs in the Accra Metropolis (Beta = 0.542; $p = 0.000$; $p > 0.05$).

The model's assessment of the variables based on the collected data suggests that accounting information systems do have a favorable impact on SMEs' managers' and owners' ability to provide higher-quality financial reporting. This contribution is not the product of chance, but rather of actual scientific interaction between the components. It simply implies that it would be wise and in line with science to make decisions on a result that is not the product of chance. This suggests that managers and owners of SMEs in the Accra Metropolis may be greatly impacted by the accounting information systems they use in their efforts to raise the level of financial reporting. This implies that SMEs are greatly improving the quality of financial reporting via their investments in accounting information systems projects.

According to this study, accounting information systems do enhance the caliber of financial reporting produced by managers and owners of small and medium-sized businesses (SMEs) (Sumaryati et al., 2020; Mulyani et al., 2019).

This result is consistent with earlier empirical studies. Additionally, there was a substantial correlation between the quality of financial reporting and the increase in financial performance among SMEs' owners and managers in the Accra Metropolis (Beta = 0.830; p = 0.000; p > 0.05). This suggests that the quality of financial reporting has a favorable influence on managers' and owners' financial success, and that this effect results from actual scientific interaction between the variables as determined by the model using the collected data, not from chance fluctuation.

This shows that SMEs' managers and owners in the Accra Metropolis are increasingly using and valuing the quality of financial reporting, as opposed to in the past. A financial report's timeliness, accuracy of the financial data it contains, accessibility, and ability to provide valuable information for decision-making are all aspects of its quality. When combined, these factors improve SMEs' financial success. The results address a number of challenges, including limited resources, misinformation, resistance to technological change, inadequate training, and a lack of transparency and understanding regarding the financial reporting of SMEs and accounting fraud," the problem description states (Ingram-Jackson, 2020). Additionally, the results contradict the empirical research and provide credence to the claims of Abakasanga et al. (2019), Malimu et al. (2023), and Abd-Elnaby et al. (2021) that SMEs' financial performance is enhanced by high-quality financial reporting.

Mediation Analysis

Table 7: Specific Indirect Effect

	Beta	Sample Mean (M)	P values
Accounting information systems -> Financial reporting systems -> Financial performance	0.450	0.452	0.000

Source: Field survey (2024)

In this case, the study shows that a number of instrumental factors unrelated to accounting information systems have an impact on the financial performance of SMEs' owners and managers in the Accra Metropolis. As a result, the exceptional contributions of financial reporting give managers and owners of SMEs in the Accra Metropolis knowledge about how accounting information systems affect financial performance. Table 7 shows that the quality of financial reporting significantly reduced the expected correlation between accounting information systems and financial performance (Beta = 0.450; p = 0.000). There is a positive and statistically significant mediating impact.

The contingency hypothesis, which maintains that an accounting system's ability to adapt to changing internal and external circumstances determines its design success, is supported by this observation. According to this research, the quality of financial reporting acted as a mediator in the anticipated association between accounting information systems and financial performance (Fitrios, 2016; Mehrabanpour et al., 2020; Al-Dmour, 2018).

Coefficient of Determination

Table 8: Coefficient of Determination

	R-square	R-square adjusted
Financial Performance	0.800	0.798
Financial Reporting Quality	0.293	0.291

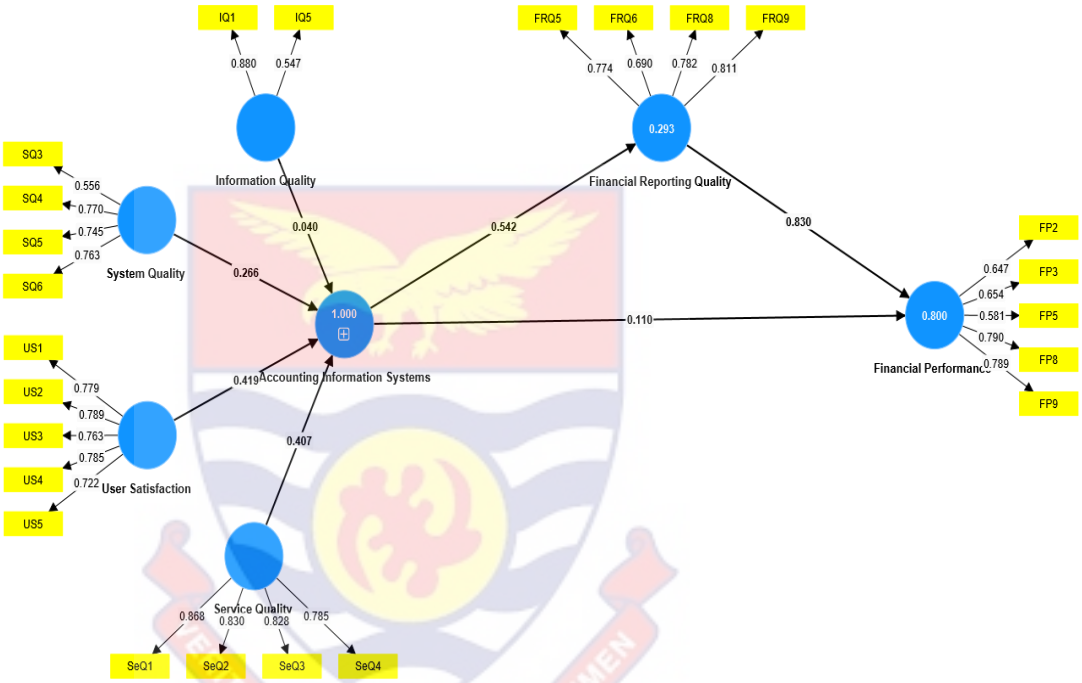
Source: Field survey (2024)

Changes in the latent exogenous construct are employed to offset changes in the latent endogenous constructs, as Table 8's results demonstrate. Eighty percent of the increase in financial performance was due to improvements in accounting information systems and the quality of financial reporting (r2=0.800). Given the availability of comparable conditions as in the case of this empirical inquiry, a 20.0% variance in financial performance may be explained by a few more elements that might impact financial performance but are not included in the estimated model. Here, adjustments to accounting performance led to adjustments to financial performance.

This adjustment is deemed significant based on the R-squared financial performance criteria. The following financial performance factors were assessed by that construct: my company's net profit margin and gross profit margin both rose; the company's pre-tax profit increased dramatically; the company's creditor turnover has been improving in comparison to prior years; and the business's overall expenses are favourable. A 29.3% difference in the quality of financial reporting was also explained by changes to accounting information systems (r2=0.293).

The findings indicate that accounting information systems have a marginally beneficial effect on the quality of financial reporting among SMEs in the Accra Metropolis when other variables that might influence financial reporting quality but are not included in the estimated model are statistically

accounted for. Changes in accounting information systems affect the quality of financial reports in a number of ways, including their capacity to fulfill their intended function, be produced and sent on schedule, be easily available, and offer useful information for making decisions. Figure 2 provides a visual representation of the structural model.



Source: Field survey (2024)

Figure 2: Structural Model

Test of Robustness

Table 9: PLSPredict

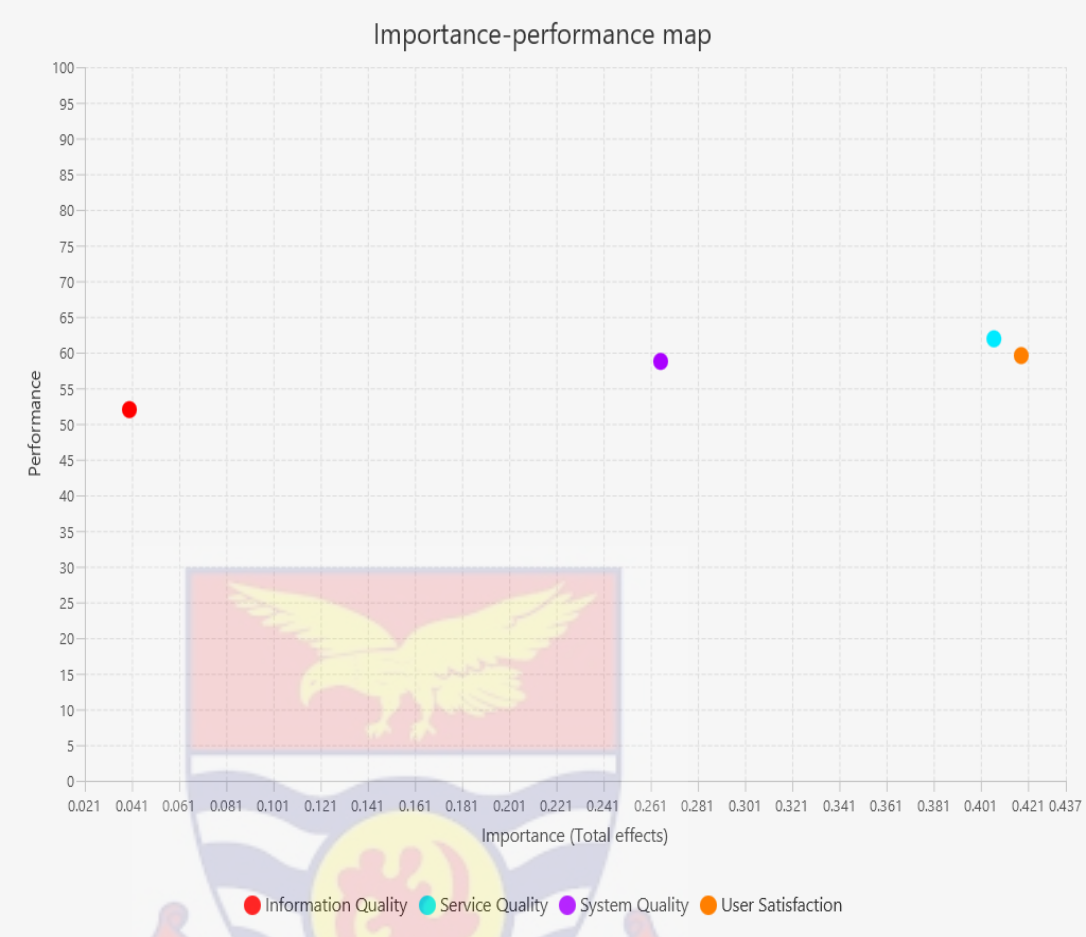
	Q^2predict	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE
IQ1	0.034	**1.020**	**0.811**	0.000	0.000
IQ2	0.008	**1.134**	**0.934**	1.090	0.886
IQ4	0.007	**1.163**	**0.986**	1.094	0.878

IQ5	0.006	**1.125**	**0.935**	0.000	0.000
SQ3	0.228	**0.925**	**0.709**	0.000	0.000
SQ4	0.382	**0.890**	**0.658**	0.000	0.000
SQ5	0.365	**0.978**	**0.745**	0.000	0.000
SQ6	0.446	**0.846**	**0.622**	0.000	0.000
SeQ1	0.625	**0.702**	**0.510**	0.000	0.000
SeQ2	0.535	**0.830**	**0.595**	0.000	0.000
SeQ3	0.586	**0.714**	**0.517**	0.000	0.000
SeQ4	0.600	**0.715**	**0.533**	0.000	0.000
US1	0.566	**0.771**	**0.564**	0.000	0.000
US2	0.511	**0.769**	**0.549**	0.000	0.000
US3	0.472	**0.794**	**0.577**	0.000	0.000
US4	0.489	**0.786**	**0.590**	0.000	0.000
US5	0.504	**0.838**	**0.624**	0.000	0.000
FP2	0.074	**1.184**	**0.955**	1.239	0.988
FP3	0.255	**0.969**	**0.731**	0.976	0.721
FP5	0.114	**1.123**	**0.915**	1.147	0.919
FP8	0.166	0.998	0.815	1.062	0.864
FP9	0.131	1.043	0.820	1.077	0.843
FRQ5	0.169	1.120	0.895	1.149	0.895
FRQ6	0.192	0.979	0.731	1.019	0.756
FRQ8	0.166	0.998	0.817	1.062	0.864
FRQ9	0.130	1.044	0.820	1.077	0.843

Source: Field survey (2024)

Q2predict was used to evaluate the model's predictive power. The results are shown in Table 9. When Q^2predict > 0, the model is considered predictively significant. To evaluate the model's prediction ability, financial performance was chosen as the target latent component. Table 9 illustrates the model's lack of predictive ability by showing that the PLS-SEM produced higher prediction errors in terms of RMSE (or MAE) for all indicators when compared to the naïve LM benchmark (Hair, Risher, Sarstedt & Ringle, 2019).

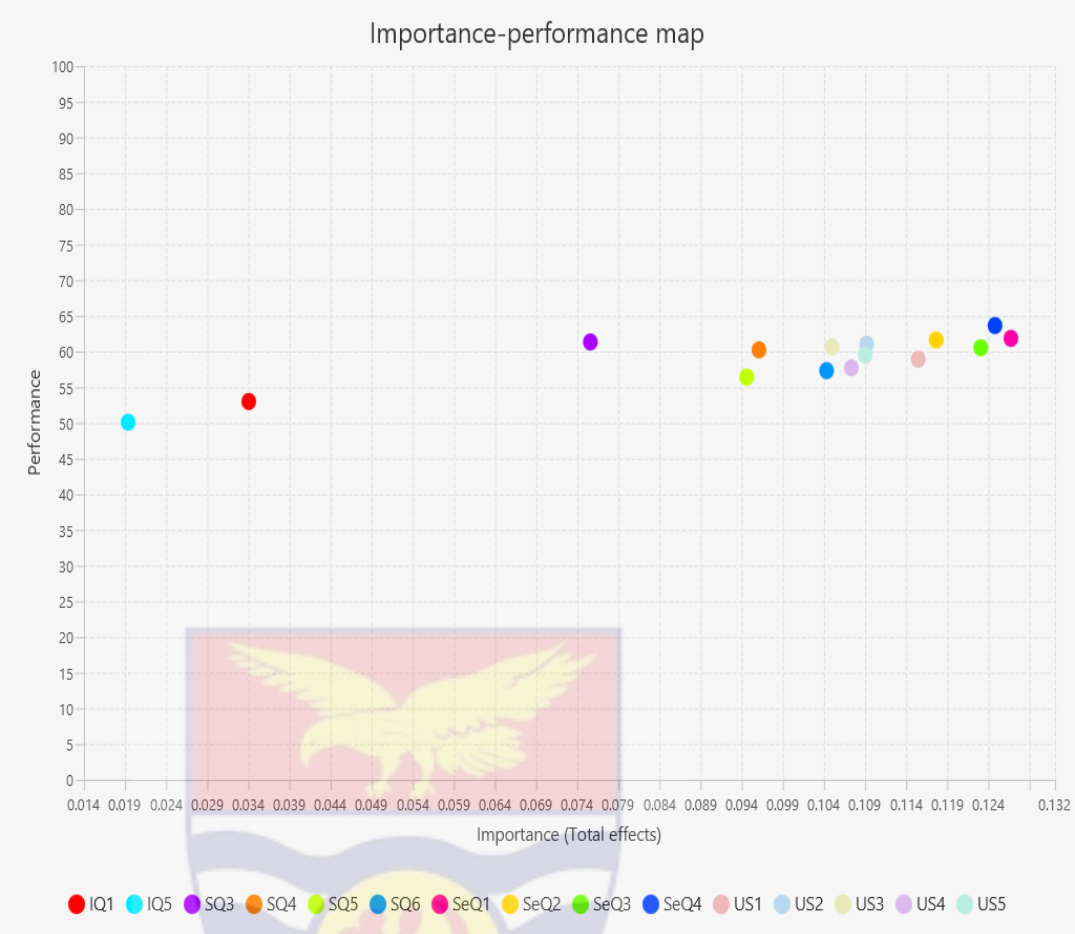
Importance-Performance Map Analysis



Source: Field survey (2024)

Figure 3: *IPMA-Latent Constructs*

Accounting information systems, as determined by information quality, service quality, system quality, and user satisfaction, received excellent performance and significance scores, as shown in Figure 3. Financial reporting quality, however, received low significance scores and excellent performance ratings.



Source: Field survey (2024)

Figure 4: IPMA indicators

The majority of the indicators had low significance and high-performance ratings, as shown in Figure 4. Only a small number of the indicators got high significance and performance ratings.

Chapter Summary

As required by the particular research objectives that were adhered to, the chapter contained information on the study's findings. The chapter included information on the study's findings as needed by the specific research objectives that were followed. Again, it was demonstrated that accounting information systems significantly improved the quality of financial reporting among SMEs. It has been demonstrated that the financial performance of SMEs in the Accra

Metropolis is significantly impacted by differences in the caliber of financial reporting. It has been demonstrated that the predictive link between accounting information systems and the financial performance of SMEs in the Accra Metropolis is strongly mediated by the caliber of financial reporting.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction

The study examined the quality of financial reporting, accounting information systems (AIS), and the financial performance of small and medium-sized enterprises (SMEs) in the Accra Metropolis. Using a structured questionnaire, the study polled 249 SMEs in the Accra Metropolis. The study used structural equation modeling from SMART pls and reflective model creation with quantitative research methodologies to assess the hypotheses. The previous chapter focused on the outcomes of the tasks that were examined, their implications, and their connection to theory and empirical research. The main findings are outlined in this chapter along with conclusions and suggestions for the many stakeholders who may utilize the research to inform their choices and actions.

Summary of the Research

To find out how financial literacy impacted commercial market enterprises' capacity to pay for microinsurance in Kasoa, Central Region, an experimental evaluation was carried out. Determining the level of financial literacy among business owners in Ghana's Kasoa commercial market, investigating the relationship between financial literacy and willingness to pay for microinsurance, and evaluating the influence of financial literacy on willingness to pay for microinsurance were the goals of the study. Since a scientific inquiry served as the basis for this analysis, the study employed an explanatory research strategy. A systematic questionnaire was utilized to gather primary data. The questions on the poll were closed-ended. SPSS version 25.0

was used for data processing, coding, and data input (preparation). The previous chapter provided a detailed explanation of the results and remarks about the stated objectives. This chapter compiles the main conclusions, results, and suggestions.

Summary of Key Findings

This paragraph provides a summary of the main findings regarding the particular research objectives of this empirical investigation. Examining the impact of accounting information systems on the financial performance of small and medium-sized businesses in the Accra Metropolis was the main goal of the study. The model comprised metrics for user satisfaction, system quality, service quality, and information quality in order to assess the impact of accounting information systems. It has been demonstrated that user happiness may predict a notable improvement in the range of financial success. Similarly, when service quality was strong, there was a far greater chance that financial performance would improve. When considering the F-squared criteria for service quality, this contribution is seen as a sizable and comparatively favorable contribution.

The findings once again showed that system quality greatly enhanced the capacity to forecast the variation in the respondents' financial performance. Overall, the findings show that the financial performance of SMEs in Accra is positively impacted by system quality to a little but significant extent. Furthermore, the quality of the data greatly improved the prediction of improved financial performance. This is considered a small yet significant contribution. Examining the caliber of financial reporting from SMEs in the Accra metropolitan region in relation to accounting information systems was the

second objective. Accounting information systems were found to have significantly improved the quality of financial reporting provided by SMEs' managers and owners in the Accra Metropolis. This implies that managers' and owners' usage of accounting information systems may have a major influence on the caliber of financial reporting produced by SMEs in the Accra Metropolis. According to this, SMEs are significantly raising the calibre of financial reporting via their investments in accounting information systems infrastructure.

The third goal looked at how SMEs' financial success in the Accra Metropolis related to the caliber of their financial reporting. Due in part to their excellent financial reporting, it was discovered that the owners and managers of SMEs in the Accra Metropolis have enhanced their financial performance. A number of criteria, including the speed at which financial reports are created and distributed, the quality of the financial data they include, their accessibility, and their ability to offer helpful information for decision-making, can improve the financial performance of SMEs.

The fourth goal looked at the function of financial reporting quality as a mediator in the connection between accounting information systems and financial performance projections. Therefore, the predictive link between accounting information systems and financial performance is not significantly impacted by the quality of financial reporting. It was determined that the mediating impact was statistically significant and beneficial. The study discovered that, in addition to accounting information systems, a variety of other instrumental factors also affect the financial performance of managers and owners of SMEs in the Accra Metropolis.

Conclusion

The study on the connection between Accounting Information Systems (AIS) and the quality of financial reporting and the financial performance of SMEs in the Accra Metropolis produced a number of important findings. To improve the caliber of financial reporting and financial performance, AIS is required. Among the AIS elements that positively impact enhanced financial performance are information quality, system quality, service quality, and user happiness. The study found that the indirect association between AIS and financial success is also mediated by higher-quality financial reporting.

Financial success is strongly, favorably, and statistically significantly impacted by the quality of financial reporting. Furthermore, the findings showed a strong and statistically significant positive correlation between AIS and financial reporting quality, showing how improvements to AIS components like system adaptability, usability, and information accuracy enhance financial reporting for Accra SMEs and help them make timely, informed decisions. This suggests that SMEs that provide timely, comprehensive, and perceptive financial reports usually have better financial outcomes. As a result, the quality of SMEs' financial reporting greatly affects their ability to operate in the Accra Metropolis.

This demonstrates how AIS, financial reporting quality, and financial performance are all related in the context of SMEs. The significance of timely, thorough, and easily available financial information in promoting improved decision-making is shown by the substantial beneficial effect that high-quality financial reporting has on financial performance. Our findings highlight the necessity for SMEs' financial management to be approached holistically,

including AIS investments and enhanced financial reporting procedures, in order to enhance overall financial performance.

Recommendations

The following suggestions were provided by the particular research goals based on the study's findings. According to the research, SMEs in the Accra Metropolis should prioritize having reliable accounting information systems. Enhancing user satisfaction and the quality of information, services, and systems—all essential elements of AIS—should be the aim of this investment. It is essential for managers and owners of SMEs to conduct a thorough evaluation of their present processes and pinpoint any shortcomings. For AIS maintenance and upgrades, they need to think of setting aside a certain amount of money as a strategic investment rather than an operating expenditure.

They should also consult professionals to make sure the AIS they choose meets their scalability and commercial objectives. Governmental organisations and financial institutions should create extensive initiatives to help SMEs get and use efficient AIS. These initiatives include creating a resource centre or helpline where SMEs can get advice on AIS-related issues, partnering with AIS vendors to offer discounted solutions specifically for SMEs, offering grants or low-interest loans for AIS implementation, providing technical assistance programs where IT and accounting experts guide system selection, implementation, and optimisation, and more.

SMEs' owners and managers have to concentrate on improving their financial reporting procedures. Establishing standardised processes for the timely creation and distribution of financial reports is necessary, as are investments in safe and user-friendly platforms to increase the accessibility of

financial data to pertinent parties, frequent audits and reviews to ensure the accuracy and completeness of financial data, and staff training on the value of best practices in financial data management and high-quality financial reporting. Professional associations and educational institutions should update their curricula and training programs to include useful AIS and financial reporting courses tailored to the needs of accountants and SME operators.

Workshops and seminars on the best financial reporting practices for SMEs could be held, mentorship programs that pair SMEs with seasoned professionals could be created, SMEs could receive hands-on training using AIS software, and case studies based on actual SME scenarios could be created to provide insightful information. SMEs should set up a mechanism to evaluate and enhance the quality of their financial reporting on a regular basis. This could entail evaluating their procedures against industry standards and best practices, seeking input from interested parties on the significance and clarity of financial reports, routinely auditing internal financial reporting procedures, and putting in place a continuous improvement procedure to fix any problems found.

SMEs should think about integrating their AIS with other business systems to increase productivity. In addition to reducing data redundancy and improving operational accuracy, this integration should give a more comprehensive perspective of the company to support improved decision-making and smooth data flow between departments (such as finance, sales, and inventories). Since the link between AIS and financial success is mediated by the quality of financial reporting, it is advised that SMEs in the Accra Metropolis give training and capacity development in financial reporting procedures top priority.

Owners and managers should thus get training on both the technical elements of utilizing AIS and how to assess and use financial data for decision-making. Governmental organisations and SME development institutes may also encourage the creation and use of reasonably priced AIS solutions designed for SMEs that have features that facilitate improved financial reporting. This combined emphasis on systems and reporting techniques will mitigate the effect of AIS on overall business performance.

Contributions of the Study and Implications for Literature

The research's conclusions will improve our knowledge of accounting information systems (AIS) and SMEs' performance, particularly in developing countries. The study provides a thorough grasp of how AIS functions as a technological tool and a strategic facilitator of financial transparency and efficient decision-making by empirically demonstrating how financial reporting quality mediates the relationship between AIS and financial performance. Closing theoretical and contextual gaps improves the corpus of current work, especially in the understudied Ghanaian SME sector, where previous research has largely focused on large or publicly listed firms in industrialised nations. The results further support and broaden the Resource-Based View (RBV) paradigm by highlighting the crucial part that high-quality financial reporting plays in AIS's influence on financial performance.

Suggestions for Further Studies

Future studies should examine how new technologies like blockchain and artificial intelligence affect SMEs' financial performance and AIS adoption in developing nations. For practitioners and policymakers, a long-term research

that looked at how AIS implementation affected the expansion and sustainability of SMEs in Ghana would also be essential.

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APPENDIX A

QUESTIONNAIRE

Dear respondent,

In order to partially fulfill the requirements for an MBA (Accounting) from the University of Cape Coast, this questionnaire is being used to collect data for a study on accounting information systems, financial reporting quality, and the financial performance of SMEs in the Accra Metropolis. Your answers to the survey will be kept private and used only for scholarly research.

Thank you.

SECTION A: DEMOGRAPHIC INFORMATION

Please tick (√) against the appropriate option or respond to the space provided.

1. Gender:

a) Male [ ]

b) Female [ ]

2. Age:

a) 18 – 25 years [ ]

b) 26 – 33 years [ ]

c) 34 – 41 years [ ]

d) 42 – 49 years [ ]

e) 50 years and above [ ]

3. Level of Education:

a) Basic [ ]

b) Secondary [ ]

c) Tertiary [ ]

4. Number of employees […….]

5. Years of operation

a) 1 – 5 years [ ]

b) 6 – 15Fo years [ ]

c) 16 – 20 years [ ]

d) Above 20 years [ ]

6. What is the form of ownership of the business?

a) Sole Proprietorship [ ]

b) Partnership [ ]

c) Private Limited Liability Company [ ]

7. Sector of operation:

a) Service [ ] (b) Primary fabrication and repairs [ ]

c) Food, drugs, and beverages [ ] (d) Agribusiness [ ]

e) Handicraft [ ]

SECTION B: ACCOUNTING INFORMATION SYSTEM

Please tick (√) against the appropriate option or respond to the space provided.

8. Which Accounting software do you use in your business?

a) Sage [ ]

b) Tally [ ]

c) QuickBooks [ ]

d) Others (Please specify) ……

9. How long has the business been using the Accounting Information System?

a) 1 – 5 years [ ]

b) 6 – 10 years [ ]

c) 11 – 15 years [ ]

d) 16 – 20 years [ ]

e) Above 20 years [ ]

SECTION B: ACCOUNTING INFORMATION SYSTEM

On a scale of 1 to 5, please check (√) the box that most accurately indicates how much you agree with the following claims about the Accounting Information System among SMEs in the Accra Metropolis. **First, strongly disagree; second, disagree; third, neutral; fourth, agree; and fifth, strongly agree.**

No	Information Quality Variables	*1*	*2*	*3*	*4*	*5*
1	AIS makes the information more credible and understandable					
2	AIS provides cost-effective information for my business.					
3	For my company, the data produced by AIS is accurate and trustworthy.					
4	For its intended application, the data produced by AIS is helpful.					
5	The AIS generates information in a timely manner for my firm					
	System Quality Variables					
1	The size and kind of accounting data that the system provides are in line with the cost of AIS.					
2	The firm's effectiveness will be impacted by the integrated accounting information provided by the AIS.					
3	My business finds it easy to use AIS					
4	I found operating AIS to be simple.					
5	I have no trouble getting AIS to comply with my requests.					
6	The AIS is adaptable for my company's interactions.					
	Service Quality Variables					
1	Enough technical assistance is available from the system supplier.					
2	The entire infrastructure is sufficient to accommodate my company's AIS.					
3	You can rely on the AIS to deliver information when it's needed.					
4	The output of the AIS is complete for work processes					
	User Satisfaction					
1	The accounting information provided is consistent with user's needs in different periods per year					

2	The accounting data of the company may be used in a variety of ways.					
3	The accounting data for the company is simple to comprehend.					
4	I am happy with AIS's capabilities.					
5	I am generally satisfied using AIS in my business					

Questionnaire adapted from Ojo (2017).

SECTION C: FINANCIAL REPORTING QUALITY

On a scale of 1 to 5, please check (√) the box that most accurately indicates how much you agree with the following claims about the Accounting Information System among SMEs in the Accra Metropolis. **First, strongly disagree; second, disagree; third, neutral; fourth, agree; and fifth, strongly agree.**

No	Financial Reporting Quality Variables	*1*	*2*	*3*	*4*	*5*
1	The financial data presented in reports is reliable and comprehensible.					
2	Financial reports provide cost-effective information for my business					
3	The financial information provided in reports is accurate and reliable for my firm					
4	Financial reports are useful for their intended purpose					
5	Financial reports are generated and distributed in a timely manner					
6	The financial information provided in reports is complete					
7	The financial information provided in reports is consistent					
8	Financial reports are easily accessible					
9	Financial reports provide valuable insights for decision-making					

Questionnaire adapted from Acquah (2016)

SECTION D: FINANCIAL PERFORMANCE OF SMES

On a scale of 1 to 5, select the answer that most accurately represents your level of agreement with the following assertions about the performance of SMEs in the Accra Metropolis: **1- Poor, 2- Fair, 3-Good, 4-Very Good, 5- Excellent.**

No	Financial Performance Variables	*1*	*2*	*3*	*4*	*5*
1	There has been an increase in return on sales in my firm					
2	My business experienced an increase in net profit margin					
3	My business experienced an increase in gross profit margin.					
4	The business improved its working capital ratio					
5	There has been a significant increase in the pre-tax profit of the firm.					
6	The business total assets have increased					
7	Total liabilities of the business have reduced compared to the previous years					
8	Creditors turnover of the business has been improving compared to previous years					
9	Total expenses of the business are favorable					
10	Total liabilities of the business have reduced compared to the previous years					

The questionnaire was adapted from Sefah (2022)