

A Conceptual Model of E- accounting: Mediating effect of Internal Control System on the Relationship Between E- accounting and the Performance in the Small and Medium Enterprises

ALI ALFARTOOSI, MOHD ABDULLAH JUSOH
Universiti Pendidikan Sultan Idris (UPSI), Tanjong Malim, MALAYSIA.
Tanjong Malim, Perak Darul Ridzuan 35900

Abstract: Internal control systems and performance effects are crucial for success in SME. To attain effectiveness in the internal control system and performance, e- accounting needs to be provided by SME. This paper examines different characteristics of e- accounting in SME, including the mediator effects of the internal monitoring; integrate on how e- account relates to performance. E- Accountancy has been divided into four characteristics: information quality, cost reduction, fast decision making, and ease to use the software. This study provides a conceptual framework for examining the mediating effects of internal oversight set-up on how e- method of accounting relates to performance in SME. The study was performed by conducting a literature review of existing studies of the topic and related issues. Information was obtained from a combination of journal articles. Additionally, the literature went through critics and reviews for accuracy, relevancy, and other validating elements. It is vivid that the discerned e- accounting affects the internal monitoring system. The findings showcase that the domestic monitoring structure consequentially translates to improve the performance (Soudani, 2013). E- accountancy has a cluster of roles in SME that represent the collection, keeping of the data in regards to the exercises and the applications, data processing, information creation easier that enable the management team to enact foster decision making and cost reduction (Karagiorgos et al., 2010). However, to attain the quality of data required, internal monitoring plans that enhance the reliable recording of all the SME operations need to be implemented. In order to get lower auditor's estimation on the control risk, more testing on the competency of the E- accountancy and domestic structures should be done. It is commonly accepted that were using e- accounting, the SME needs to have internal control systems to examine the quality of the system's actions in terms of time (Al-Mbaidin, 2014).

Keywords: e- accounting characteristics, the internal control system and the performance in SME.

1. Introduction

Modern industrial societies have embraced the use of accounting to a vast

extent and therefore it plays an essential role in the operations of an organization (Stuart Burchell, 1980). Business entities need to

monitor their financial data in order to relate it to their organizations operations. Additionally, various stages are at stake here whereby some are simple while others are complex and overwhelming (Hla and Teru, 2015). This depends on the growth of a business that entails the acquisition of more new customers, entering new markets, and being up to date with the ever-changing information technological advances (Okour, 2016). There is a need for SME to maintain accurate and updated data on accounting, statutory, and inventory records to ensure a considerable increase in the accounting transactions and an increase in the informational errors emanating from the employment of manual accounting system (Ganyam and & Ivungu, 2019). The old-fashioned legacy accounting involved mainly paperwork and unfit for modern businesses due to inevitable technological advancement. E-accountancy (which is integrated with information technology) was introduced in the contemporary business world to enable more comfortable and faster storage and processing of account data (Wickramasinghe et al., 2017). Globally, SME is transforming into an international outfit. Venturing into a global market encompasses new accounting challenges. Some of the reasons are the challenge of trading using multiple foreign currencies coupled with several sets of accounting principles involving rules governing taxation (Gorla et al., 2010). Consequently, such transformations in

international accounting aspects call for current and more complex e-accountancy that has the capability of dealing with the new market challenge (Adhikari et al., 2004).

The swelling numbers of the transaction volume exposes the accounting system to vulnerabilities and in this case, endless errors are bound to happen. To mitigate the errors, a faster system which can do recording and increase the volume processing capacity is needed (Ismail and King, 2014). According to Yvonne and Nizam, 2018, software's that can increase the accuracy and up-to-date information should be introduced and advanced. E- Accounting might just be the beginning of a new era where the world would be extending its arms to India with a perspective that "India is the place which can deliver the best". Accounting plays a critical role in the success or failure of contemporary business institutions. Accounting systems are responsible for recording, analyzing, monitoring, and evaluating the financial condition of companies, preparation of documents necessary for tax purposes, providing information support to many other organizational functions, and so on (Khatik and Sharm, 2014).

The accounting activities are automated by the employment of e- accounting, a process that results in effectiveness and reducing business costs (Bataineh, 2018). E-accounting

has high results accuracy, and it churns out more reliable information that is easy to work with and with a low error vulnerability in comparison to manual accounting. To add, it fosters a faster decision-making process, which improves the performance in SME (Nicolau, 2006). However, using e-accounting poses its challenges. One of the significant problems is that it may result in the natural alteration of accounting data. It is hard to detect the data alteration unless the Internal monitoring systems are updated with the ever-changing technological systems (Liu, 2016). The policies should also be able to detect and prevent any moves from working towards the manipulation of data. This calls for keen attention from the systems and the interests about the safety and security of the information (Al-Laith, 2012). Accordingly, domestic monitoring structures are vital when it comes to preventing and detecting fraud. The process is designed to foster more accurate and reliable accounting reports, efficient operations, and concession with legal rules and regulations (Teru et al., 2017). Internal control has a critical task of monitoring accounting data and ensuring that they are pertinent and correct in e-accountancy to evade fraudulent activities, thus guaranteeing a better SME performance (Ssuuna, 2011).

In the business world, SME plays a critical role. Considering the pivotal

significance of accountancy to business firms, it is observed that the employment of whichever accountancy structure determines the success and the failure occurrence of the SME (Amidu et al., 2011). For better survival, the managers and the owners of the SMEs need to keep and ensure timely revised and accurate financial data to decide and to low cost (Emad et al., 2014). E-accounting is answerable for the analysis and keeping an eye on the financial situation of SME, preparing of the necessary decision-making files, availing the required material with high quality to cushion other relevant SME functions (Trabulsi, 2018). Without such a structure in place, it will be onerous for SME in determining performance, identifying clients, and account balances of suppliers, and the prediction of future attainment of the SME (Stefanou, 2006). For this reason, many existing studies were conducted to actuate the results of e-accountancy on the general achievement. The growth of SME has significantly attracted the attention of scholars and experts. It is challenging to analyze the co-relation between e-accounting and internal monitoring structure. However, the studies conducted have ignored the mediating effects of the internal control system on the liaison about e-accounting and the general achievement in SME. Thus, this paper aims to examine the mediating effects of the internal control system on the relationship between e-accounting and performance in SME. This

paper also aims to lay bare the characteristics of e- accounts and how they directly impact the general achievement in SME.

2. Literature Review

2.1 e- accounting

Nicolau, (2000), described e-accountancy as a system that is computer-oriented, which increases control and fosters teamwork in a business institution. In the past years, technological information was majorly used by large and well-established companies. In the contemporary world, SME firms are slowly implementing the use of technological developments to have the upper hand in their businesses. As observed by Boame et al., (2014), when an organization incorporates the e-accounting in its activities, they majorly realize that although accountancy software deals with financial data efficiently, their time value is that they have the capability of generating prompt results about the SME. Fiscal leaders need the monetary and accountancy details availed by e- accounting to evaluate the SME past achievements and to formulate the future business plans. Consequently, the value of accounting software, which in this scenario is to enable simple usage and interpretation would be a plus to the users. Hence, the overall gain of the structure mainly employed relies on how easy the system is used. Generally, the easy positive usage of the system impacts

positively on several output fields of the business, for instance, an escalation in sales and earnings .an enhanced client feedback and satisfaction: less training of the business staff, fewer costs in terms of development and time and also low maintenance costs (Bias and Mayhew, 2005).

E- accounting can positively change organizational behavior and performance at the same time (Grande et al., 2011). Similarly, Romney and Steinbart (2015), stated that e-accounting knowledge and skills are critical to accountants' career success because interacting with e- accounting is one of the essential function's accountants perform in SME. Therefore, since the model in the research is a tool in ascertaining the technostress level of accountants through the usage of e- accountancy, its characteristics (information quality, cost reduction, fast decision making and ease of use) are viewed from 'what e- accounting can do to you' instead of 'what e- accounting can do for you.' e- accounting characteristics are explained as follows:

2.1.1 Information quality

Information quality issues have always been a significant concern for business managers, and this might be explained with the following arguments. First, managers still tend to say how necessary it is for them to see the information themselves to better manage

their own business. This necessity is growing further in recent years, as the knowledge workers themselves believe that information is necessary to be understood to perform the given tasks. Second, many SMEs, as they go more and more globally, seek a highly effective integration process for their globally spread information sources. Third, the requirements overfitting data with current standards have been increasing lately, thus misusing information will not become unaware. Speaking of rules and systems, information quality has become crucial for e-accounting success. As information processing has become a more critical process inside any SME, the latter needs to address adequately the issues related to qualitative information management. Such an administration should be based on several information quality policies that get along with the factors affecting information quality, especially inside the e-accounting (Zoto and Tole, 2014).

E-accounting as an essential institutional tool is vital when it comes to effective management and control of decisions in SME. A functional e-accounting, as determined by Wilkinson et al., (2000), carries out multiple relevant roles that include collecting and maintaining of data, keeping an eye on the monetary structures and managing of business knowledge, controlling and yielding of data. Many aspects that directly affect how effective and efficient an e-accounting can exist. Thus,

to evade such challenges, the e-accountancy combines the elements with capable human capital, high-quality hardware, and software and a better quality of information to enhance effectiveness. To attain the said objectives, the implementation demands employing the correct plans coupled with the essential resources (Greene and Segal, 2004).

Apart from being efficient, E-accounting is also more accurate. Computer-enabled systems are being absorbed in the collection and processing of data that the management teams put into practice to make sound, timely, and competent business resolutions. Data production is implemented with E-accountancy that then leads to grouping of calculation classifications by summarizing and producing accurate reports. In SME, the data processing and production structures are homogenous. If SME has actual operational data emanating from accounts software, it will reap from the reduction in labor costs and low waste, better usage of machinery and other tools, and reduced inventory expenses. In other words, highly accurate data enables an escalation in institutional performance and a better expense control via an increase in earning margin and efficient decision making (Ravichandran and Rai, 2000).

E-Accounting yields reliable pieces of information that are put into practice in business planning, identifying, and controlling

business activities. Being a vital aspect for accountancy data, accuracy stands for the extent that the availed data lacks issues of biasness, without errors, and has even representation. This makes it useful when it comes to creating designs. The aspect of reliability is a tricky and complicated part of accountancy data also though it plays a vital pivotal role (Maines and Wahlen, 2006). Through business entities striving to help the users who are not able to determine how reliable some accounting is, real revelations in relation to economic aspects should also be put in place so as to attain the accounting standards. The degree of how reliable the data is squarely vested in the data itself. The degree to which the economic details and the measurement attributes showcased by accounting data is always a prerequisite for reliability to matter. This implies that even though safety is imperative, it wants for economic data to work correctly. The extent to which accounting data is reliable depends significantly on the accounting standards required and its ability to facilitate the rendering of economic aspects through uniting them with the account's classifications and measurements. In this, it implies that usefulness of accountancy data in foreseeing the forthcoming cash flows largely relies on some crucial factors that include the reliability of the accountancy data, how far the measured values and account constructs reveal is useful relevance of measurement attributes and

economic designs show accounting designs that are accurate and lack biasness (Chong and Nizam, 2017).

2.1.2 Cost reduction

Cost reduction is one of the proponents used in determining the efficiency of e-accountancy of the chosen SME. E-accounting can result in a reduction in expenses. This is because effective e-accounting enables the revelation of the high costs, which can be lowered down the business management team (Neogy, 2014). Today, the business environment is very competitive and has an impact on SME. The best rational reaction to the present situation is to minimize all expenses as much as possible. To attain such an objective, all the channels of the institution's cost design need to be scrutinized to remove costs that have no direct value to the business but, at the same time, maintaining the institution's competitive advantage. The aim of most SME is to achieve maximum profit. Considering that managerial teams are concerned with maximizing profit (which is among the proponents used to test a business achievement, especially in the manufacturing sector), sales will have to increase, therefore leading to higher production, which will result in increased cost. Thus, for an organization to attain more earnings in a highly competitive business atmosphere, the price of goods and services

affects demand, the need for cost reduction and control is needed (Bardhan and Thouin, 2013).

With the growing competition and the need for information in today's times, the cost of enterprises ought to be reduced to allow continuity. An alternative approach towards succeeding despite the competition is the development of technology along with the growing trend within the enterprises. Recording, transferring, and storing books and documents electronically are made possible with credit to the ever-increasing technology. Taking this into cognizance, amendments can be made by the judiciary towards using e-accounting, thereby causing enterprises to make changes in their business process, which will aid in reducing cost substantially (Choudhari, 2018). Creating a system where accounting is used in electronic media instead of searching for books and documents is very beneficial. It does not just reduce the cost for enterprises but also makes supervision more effective, especially regarding judicial and financial matters. In this case, e-accounting results in the reduction in hours invested by workers. It also fosters a more efficient and effective system (Beg, 2018).

2.1.3 Fast decision making

In our everyday lives, we often make decisions, which is also among the significant roles of business management. In the business

world, decision making and control go hand in hand in any SME (Hanifi and Talee, 2015). The choosing of the best action to take depends on the fact decision-making process (Emmanuel et al., 1990). The management has to rely on the available data to enable them to decide on the best option that is more effective than others. That is why, in most cases, they solemnly rely on economic and financial data collected by management accounts. It is vivid that the management data structure is a vital and necessary tool when it comes to making decisions in the current stormy business world. In the modern world, business institutions are directed to venture in technological data tools for the move enhances efficient and effective operations, and the general performance apart from oiling the decision-making process. To fast decide on the best option, management has to judge the effectiveness of various alternatives based on some data. For this reason, they often depend on financial and economic information gathered by management accounting.

A management information system is an indispensable tool for the decision-making process in today's turbulent world. Today, organizations are advised to invest in information technology tools as it improves their efficiency, effectiveness, and overall performance. Besides, e-accounting plays a crucial role in fast decision making in today's business (Hanifi and Talee, 2015). In line

with this study, (Deshmukh and Romine, 2002) noted that web-based storefronts, together with the interchange of electronic data, can be created with the accounting software of business. The functions of procuring, manufacturing, scheduling, and forecasting can be improved through live connections with the accounting system. Immediately transactions occur, and they need to be recorded at the exact time to decide, otherwise, if time passes between when the sale occurred and when it is registered, deliberate measures must be taken to ensure that the entry is recorded completely and accurately (Thabit and Abbas, 2017). In modern management, decision-making, and operations, the use of new technologies in business is essential. To support business decision making, e-accounting is applied to choose more straightforward solutions in decision-making processes, increasing decision selection efficiency, and reducing the costs of SME. The role of business information systems in the organization is explained by some basic features (Holjevac, 2012). Managers were often with confidence with information technology by using e-accounting as a support in making decisions (Meagher and Wait, 2013).

2.1.4 Ease to use software

Davis (1989), describes the ease of use as “the degree to which a person believes that

using a particular system would be free of effort or a level where a person believes that information technology (such as accounting software) can be easily understood.” While perceived usefulness is defined as “the degree to which a person believes that using a particular system would enhance his or her job performance” (Davis, 1989). As per Adam et al., (1992), the intensity of usage and the constant contact between the users and the information system can also showcase how secure is its usage. The system that is much in use in the business world is perceived to be easier to use. In this case, when an individual ascertains that the use of information technology is easy, the person gets a feeling that data technology is vital to him/her.

The notion of development in data system technology is a debatable issue. Information technology advancement enables the users to carry out several operations in nearly all spheres of life, which also encompass the simplification of many areas of business activities. The simplicity that information technology offers could enable users to attain high success in business effectiveness and efficiency. The field of accounting is also a direct beneficiary of technological information systems (Syafudin, 2012). The value of accounting software, which is, in this case, implies the ease of using and understanding, would be useful to its user. Hence, the success of the information system

used largely depends on how easy it is to use the accounting software. Generally, a decisive escalation in the usage of the network has a positive outcome on the output aspects of the company. The issues include swelling in revenue and overall sales, yields, client feedback and contentment, a reduction in costs related to training and support, and expenses that accrue from maintenance and development. The current business environment has witnessed a radical shift due to the effects emanating from the technological data advancements. One of the transformations is the use of electronic devices such as computers to process transaction information from paper sources to electronic forms. To accompany the changes, several kinds of software were coined to make it easy in the processing of monetary transactions of companies.

Accounting software's are now available. They include Accurate accounting, DacEasy Accounting, MYOB Accounting Plus, and Zahir Small Business. The employment of the software's in businesses will cut short the time consumed when manually processing data. It

will also spearhead high accuracy levels in data processing... an increase in ease of use positively influences several aspects of a company's output quality, such as increased sales and revenues, productivity and customer satisfaction, reduced training and support cost, development time and costs, and maintenance costs manually (Bias and Mayhew, 2005). Current accounting practices in the business world have shifted radically as a result of the advance in information technology. One of the changes was in the processing of transaction data from paper media to electronics such as computers. Along with these changes, many varieties of software were developed to simplify the data processing of the company's financial transactions (Syafudin, 2012). A range of accounting software is available with the most well-known currently including DacEasy Accounting, MYOB Accounting Plus, Zahir Small Business, and Accurate Accounting. The use of accounting software will shorten the data processing time that usually takes a long time if it is done manually (Bias and Mayhew, 2005).

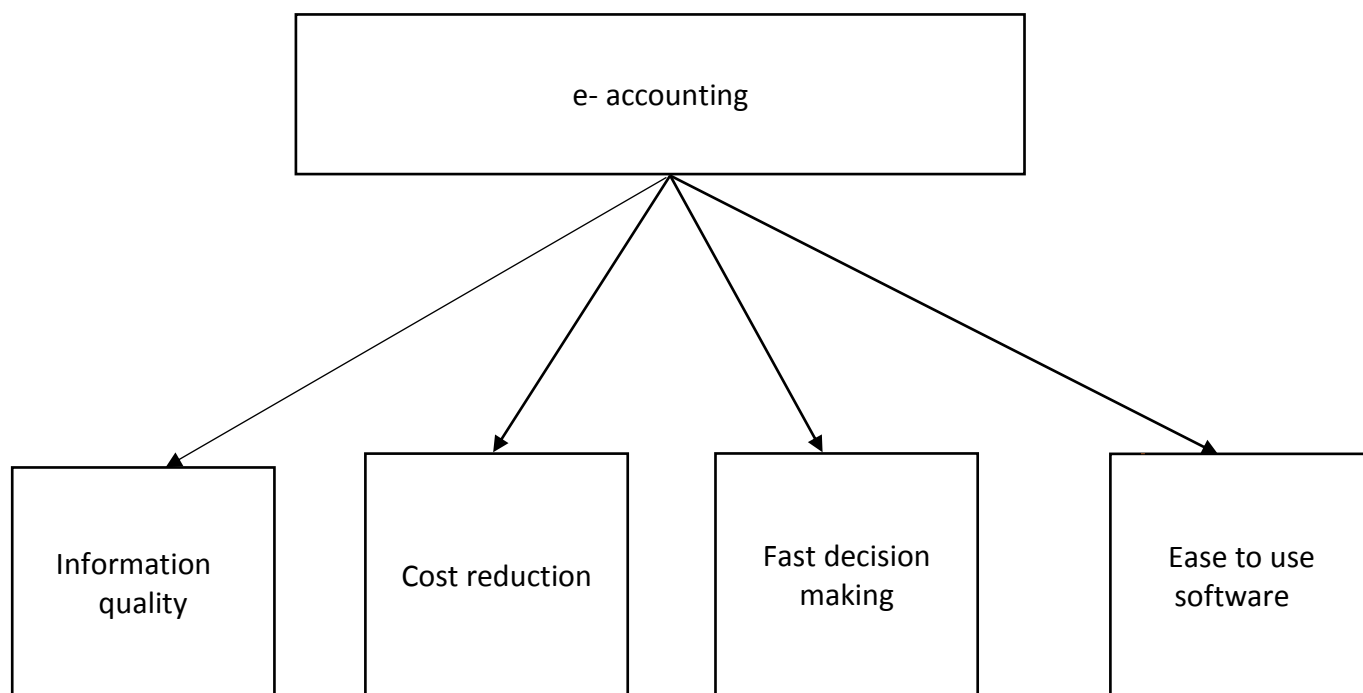


Figure 1 The characteristics of e- accounting

2.2 internal control system

The Internal control systems commonly referred to as ICS consist of operational stages and rules (internal controls) used by the management together with directors of a business to help in the attainment of the laid down objectives that strive to attain orderliness efficiency of the running of a firm. This encompasses obedience to local guidelines, preventing and detecting fraud, safeguarding assets, accuracy, and completeness of the accounting records and preparation of reliable financial information on time. To provide reasonable assurance of

(a) efficient and effective operation, (b) domestic monetary monitoring, and (c) adhering to legal frameworks, a whole system involving local financial controls is established. The system encompasses internal control procedures and policies that are employed by the management and business directors to assist them in the achievement of their laid down objectives that aim at ensuring practicable, the efficient and orderly running of a firm, that also houses obedience to internal policies, keeping the assets safe, detecting and preventing erroneous transactions and fraudulent activities,

completeness and accuracy of commercial files and preparing of reliable financial data in the appropriate time (Terminology, 2005).

The function of e-accountancy is vital when it comes to managing SME and the implementation of ICS (Nicoloaou, 2000). The aspect of quality, which is a significant character of e-accounting, can be sustained if there exists a sound ICS. When it comes to e-accountancy world, the attributes of domestic monitoring adjustment impact the activities and business administration directly. In the long run, this affects the ICS. Local monitoring is operated to ensure the attainment of business objectives and general business achievements (Albashsheh et al., 2018). Internal control is needed for e-accounting to gain the required accounting information expected. (other than securing assets, internal control ensures that the set rules in the SME are adhered to. Fraudulent activities will thrive in SME if internal control is not integrated into the e-accounting (Abu-Musa, 2004). Al-Qudah (2011), noted that the company's internal control improved with e-accounting in place through the availing of precise, current, holistic, and comparative information. From the observations stated above, we can say that the overall condition of financial results is dictated by e-accounts and internal control.

2.3 Performance in SME

Define SME performance as the measures of quantifying business firm actions in terms of achieving its aims. If firms excel in attaining the satisfaction of the needs of their stakeholders than their competitors, then firms can achieve their objectives (Augustine et al., 2012). Henceforth, SME needs to ensure their business is in line with the international standard. Measurement of SME performance enhancement factors, as well as abilities and competencies globally, should be available within the rapid and aggressive business environment. However, the enabling factor of innovation, improving efficiency, and competitiveness of high quality is the most important factor for change, as well as having the human capital for the business to be competitive. In a Knowledge-based economy, human labor is considered as an essential agent for competitive organizations (Khalique et al., 2011).

Organizational processes are brought to ease through innovation. Innovation advancements also enhance business performance through the reduction of various barriers in business operations. This enables a high possibility of getting access to financial markets'-accountancy institution puts in use the economic information of an institution. It also makes use of the accounting skills monitoring techniques coupled with various methods by the use of information technology

in the tracking of external and domestic reporting information, monetary statements, and analysis on business trends. The mentioned issues directly affect the achievements of a business organization (Grande et al., 2010). E- accounting is a vital mechanism that can assist a business management team in registering tremendous improvements in the controlling and monitoring of SME activities and in enhancing its attainment. E- accounting encompasses accurate, relevant information to employee's decision-makers, cost reduction, and ease to use the software throughout in SME. E-Accounting is also perceived as a structure that is employed in the recording of monetary activities. It also avails domestic and external data in the form of reports as well as assisting in preparing monetary information capable of improving institutional achievements (Perez et al., 2010).

3. Suggested Framework

3.1 Relationship between e- accounting and internal control system

In this research, e- accounting is the independent variable. The internal control system, on the other hand, is the mediator variable. Studies have indicated that the level of the internal control system is effective by the E- accounting in SME. In the SME, e-accounting, which is the independent variable,

is determined by variables such as information quality, cost reduction, fast decision making and ease to use the software. In this case, it is essential for the management to understand the behaviors of customers and their attitudes since they allow a firm to identify the needs and wants of the customers. Essentially, Soudani, (2013), depicts that the relationship between e- accounting and internal control system is based on cause and effect while e-accounting is significantly fostered through elements such as information quality, cost reduction, fast decision making and ease to use the software. Guan, (2006), introduced a basic concept on the application of electronic accounting elements with internal control with the goal of integrally protecting or reducing the possibility of errors or any fraud that may occur in the accounting information provided for internal control. Also, this information is provided to the supervisory authorities in an easier, faster, and lower cost to take the appropriate decisions that serve the company's interest. According to Khudhair, Jusoh, Mardani, Nor. (2019) used many factors and elements to development of conceptual framework as well as I was relied on some studies for how is development of Conceptual framework in my paper. Al-Hakim, 2007, asserted that information quality and data have become as much a strategic necessity for an organization's well-being and future success as oxygen for human life. A study by Emeka, 2012, showed that information quality is

important for the success of e- accounting as it provides assurance of the quality of the provided information to improve the performance of the SME. It is relevant to the decisional and operational processes. Management policies of information quality enable SME to proactively reply and provide services and data and information that to internal control need.

The results of the study by Doyle et al., 2007, showed that the weakness of internal control has an effect on the low quality of accruals adds more pieces of evidence of the existence effect of the quality of information on internal control. As a consequence, e- accounting has relevant connections with internal control over financial reporting in order to ensure financial information reliability (Candiotto and Gandin, 2013). The problem of the low quality of the financial statements reflects the poor of e- accounting, Subsequently weakness in the internal control system (Norwahida et al., 2014).

H1. There is an effect of information quality on the internal control system.

Reducing costs is one of the elements of electronic accounting that affects the work of internal control. The success of electronic accounting may enhance the accuracy of financial statements (Salehi et al., 2000). Moreover, the effectiveness of electronic accounting may affect the increase in the

quality of financial data and the acceleration of institutional transactions (Pornpandejwittaya, 2012). Also, electronic accounting provides the necessary data and initial information to internal control agencies electronically and in a simplified manner and in a faster time for the purpose of completing the requirements of the institution (Salehi et al., 2000). These procedures contribute to reducing the cost of labor in the company by reducing the number of employees in internal control. The information technology used in e- accounting is an effective tool to reduce the volume of expenses in the administrative apparatus, especially middle management, as well as the labor used in internal control, all of which leads to a reduction in the costs of accounting treatment (Sajady et al., 2012).

H2. There is an effect of cost reduction on the internal control system.

E- accounting can be only efficient when SME can regulate and adjust their computerized systems of internal control mechanism accordingly, which is one of the most vital components of any organization and e- accounting, then they will be able to ensure the trustworthiness of their financial information processing and improve the control measures of the financial information reliability and effectiveness. So, e- accounting will help the internal control system to comprehend the task more evidently and lessen uncertainty before making decisions in

the financial data, (Teru et al., 2017). According to Lahti et al., 2012, e- accounting as a system that helps the internal control and management in planning and controlling processes providing relevant and reliable information for fast decision making. They propose that the function of e- accounting is not only for producing financial reports for the internal control system. Its function goes beyond this traditional perception to include planning and managing business activities to make decisions in SME faster (Teru et al., 2017). Sajady et al. (2012), stated that implementation of e- accounting caused the improvement the internal controls through make the decision process with, the quality of the financial reports and facilitated the company's transaction. Therefore, the adaptation of internal control techniques is a critical management issue that ensures the usefulness of internal controls and the achievement of operational objectives to make decision appropriate.

H3. There is an effect of fast decision making on the internal control system.

Davis (1989) defines perceived usefulness (PU) as: “the degree to which a person believes that using a particular system would enhance his or her job performance”, while perceived ease of use (PEU) is defined as “the degree to which a person believes that using a particular system would be free from effort” (Vasarhelyi et al., 2012). Despite studying the e-accounting system by use of the technology acceptance model, some system like information technologies have been limited to professional groups that has failed to address the issues adequately and hence making the system more complex to use while incorporating it to the e-accounting technologies (Brown et al, 2007)

H4. There is an effect of ease use of software on the internal control system.

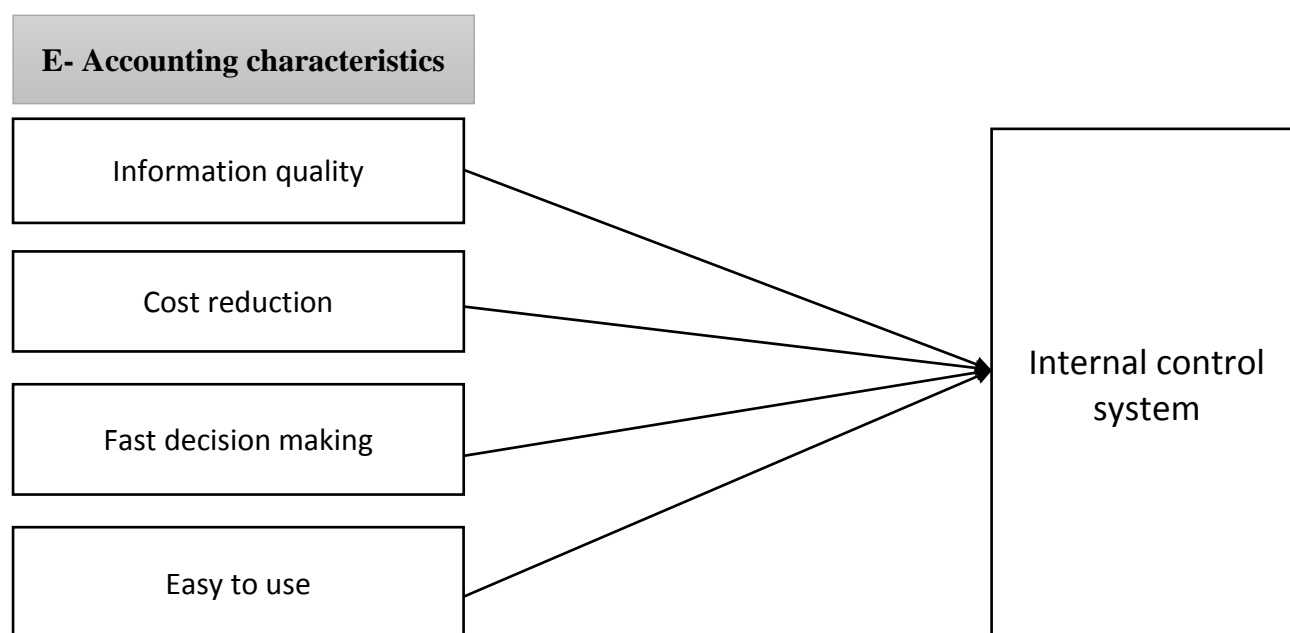


Figure 2. The effect of e- accounting characteristics on the internal control system

3.2 Relationship between e- accounting and the performance

To determine the marriage between information quality and performance in SME, need to be divided information quality into Efficiency, Accuracy, and reliability. E-accounting can also be considered as a mechanism put in practice in collecting savings and processing of financial and accounting data that will be used by the responsible individuals for decision-making purposes inside the SME and assuming that one of the main objectives in accounting processes is the high level of information quality, in terms of Efficiency, Accuracy, and Reliability. We might conclude that e-accounting might give a considerable hand to improve the level of information quality and

raising the performance inside the SME (Zoto and Tole, 2014).

H5. There is an effect of information quality on performance.

It is necessary to investigate the results of cost reduction on the business attainment. With the growing competition and the need for information in today's times, the cost of enterprises ought to be reduced to allow continuity. An alternative approach towards succeeding despite the competition is the development of technology along with the growing trend within the SME. Recording, transferring, and storing books and documents electronically are made possible with credit to the ever-increasing technology. Taking this into cognizance, amendments can be made by

the judiciary towards using e- accounting, thereby causing enterprises to make changes in their business process, which will aid in reducing cost substantially (Abed, 2014).

H6. There is an effect of cost reduction on performance.

Next, it is necessary to scrutinize the ramification of fast decision making on business achievements. The E- accounting within SME enacts a significant duty of as a tool of fostering a continuous advancement, a device that offers a competitive advantage over other investors. Concurrently, e- accounting is a vital instrument that is used in the determination of the performance efficiency through the collection of financial and market facts yielded by the SME. Its information is employed permanently in the making of business decisions. In such a setting, systematic accounting gives prompt findings that have a considerable capacity and response speed and the enhancement of performance. Also, considering that the enactment of decisions needs the managers to make a well-informed choice, the data about

immediate reach is vital because the facilitation of the findings leads to the improvement in business performance (Diaz and Villamizar, 2017).

H7. There is an effect of fast decision making on performance.

Next, it is necessary to investigate the consequence of ease to use the software on the performance. The use of interfaces software in accounting leads to a reduction in more involving education, a reduction in the duration spent on the accomplishment of a task, enhanced employee productivity levels, reduced development time and expense. All the stated facts need to work in conjunction with each other to foster performance. The quality of the system does not directly influence the SME performance, but rather if the order is mechanically fit, free from errors, learnable, friendly to use, well filed, and with high flexibility, those features relate indirectly to SME achievement (Yvonne and Nizam, 2018).

H8. There is an effect of ease use of software on the performance.

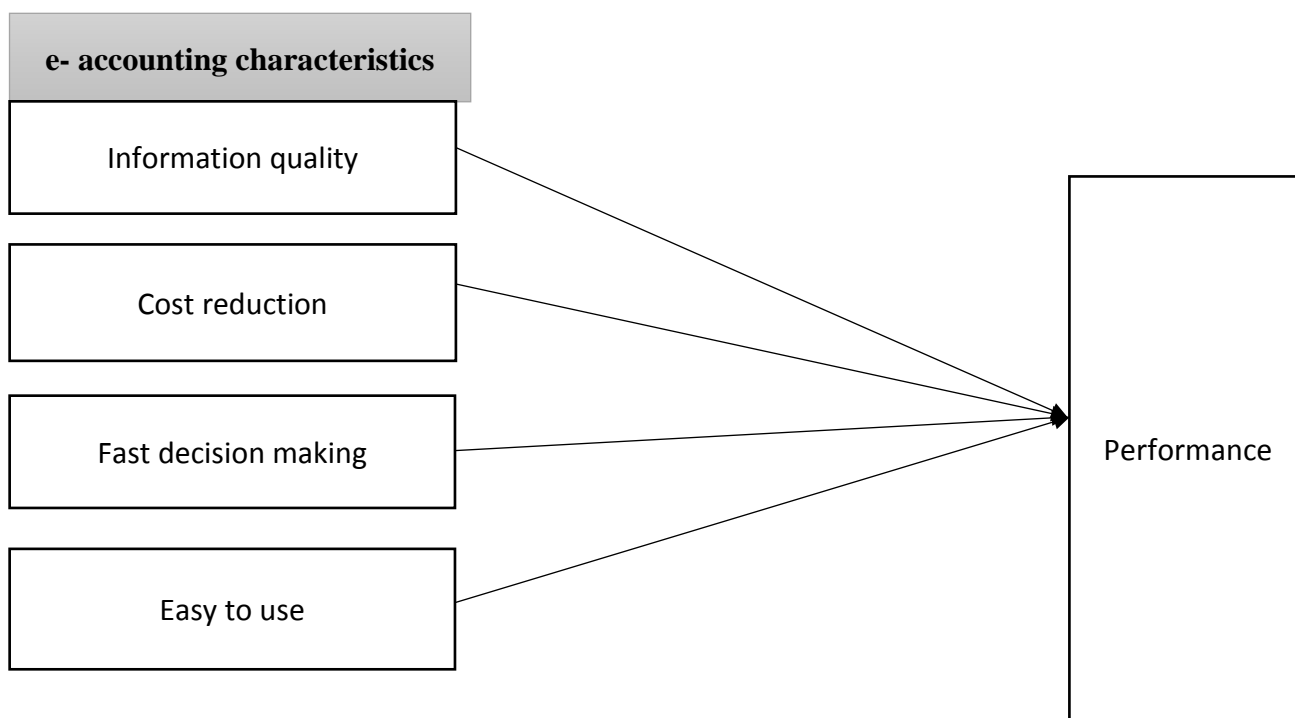


Figure 3. The effect of e- accounting characteristics on the performance

3.3 Relationship between internal control system and the performance

The internal control is an integrated, dynamic process, which is continually going through adaptation of the changes as per SME. In such a case management teams and other staff personnel from various levels need to be involved in such a process in addressing risks and in the provision of logical assurance of the business attainment of its objectives and mission in general (Sunday et al., 2010). In any given SME, the efficiency of internal controls on business achievements needs to be considered. This is because the primary duty

of the internal control system (ICS) is to unearth fraudulent activities in the business (Albashabsheh et al., 2018). Due to such a function, the SNME should give much emphasis to the ICS, which, in general terms, is a future of SME. The employees of the business should be obtained from the external management or internal management to improve the performance in providing the services (Soudani, 2013).

H9. There is an effect of the internal control system on the performance.

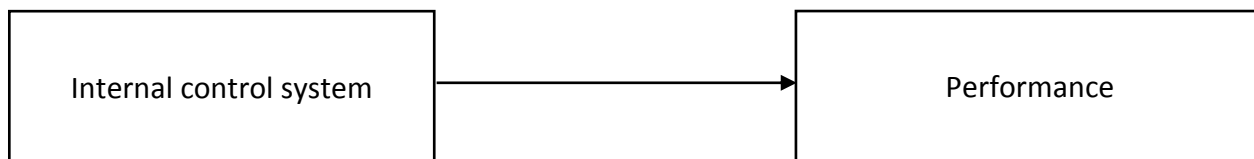


Figure 4. The effect of the internal control system on the performance

The proposed framework for this study is based on the internal control system into the relationship between e- accounting and the performance (Figure 5). The conceptual model is based on the assumption that the characteristics of e- accounting such as

information quality, cost reduction, fast decision making and ease to use will effect internal control system, which then subsequently effect the performance. The hypotheses for the relationships are explained in the following sections.

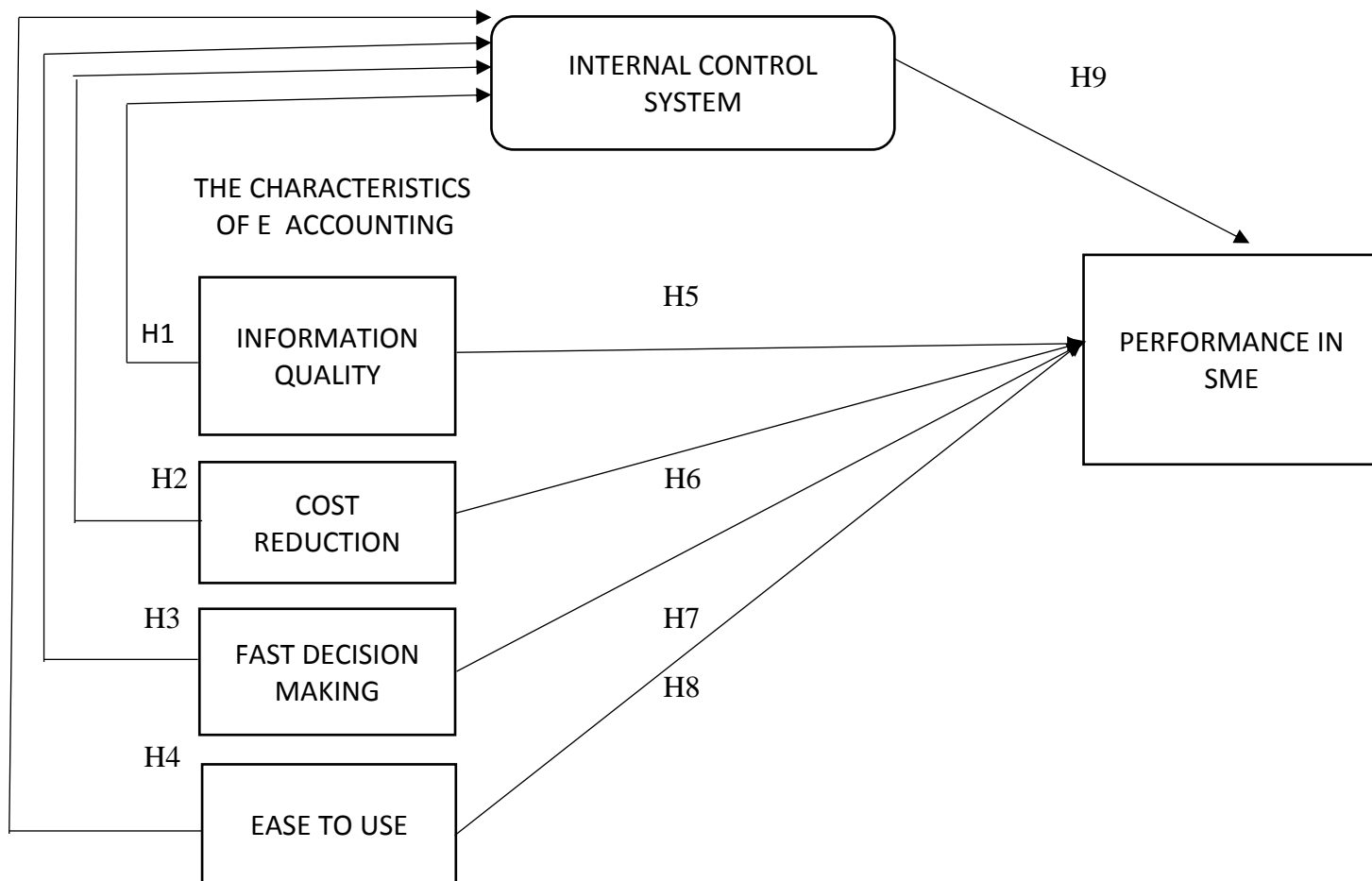


Figure 5. Conceptual Framework

4. Results and Discussion

The findings reveal that e- accounting improves the level of ICS. The results also show that ICS consequently translates to develop the performance in SME. The findings have confirmed the first five hypotheses for the study. The results are also consistent with the evidence and ideas presented in the literature review. More so, this research will provide insight into the feasibility of the accountancy software to improve the quality of work in SME. Through this study, SME will have a clear picture of the characteristics of e- accounts (data quality, cost reduction, speedy enactment of business decisions, and the easy usage of software) to facilitate the process of the SME transactions. Also, ICS and its influence on functioning, as well as the correlation between e- accounting and internal control system. The result shows that even though, the direct impact between e- accounting and business attainment in SME is not that visible, there exist some commendable significance between some characteristics of e- accounting such as; information quality, cost reduction, fast decision making and ease to use software and the performance.

5. Conclusion

This study was carried out to determine the influence of e- accounting characteristics in the operations of SME. Also, e- accounting on how to improve the level of the internal control system. E- accounting systems are of much positive significance and a higher value to the economy, firms, and institutions. The efficiency, correct, and valuable data flow is essential when it comes to economic growth. E-accounting helps in the improvement of the overall value of SME. The past studies reveal that the usage of e- accounting escalates the profits, operation efficiency, and SME achievements. The research showed that there exists a strong bond between the characteristics of e- accounting (information quality, cost reduction, fast decision making, and easy to use the software) and the performance. Effective domestic control on the business operations needs to be declared the most vital element in SME. This is because the main aim of an internal business monitor is the prevention and detection of fraudulent activities. That is why SME gives much weight to ICS. It is crystal clear that e- accountancy has a direct influence on business achievement through the effects of internal control systems. Hence, it can be said that e-accounting is having a direct impact on the general operations in SME.

6. Limitations and Future Research

This research has its shortcomings. In the investigation of the consequences of e-accounting, the operations in a few elements were used in the study. The other possible factors that have a direct influence on e-accounting and its effectiveness should be considered in other related future studies. Besides, the role of risk in using the e-accounting system and its effects on institutional achievement should be allocated in further research.

Even though this research will highlight an issue related to e-accounting importance and how they influence the SME performance with the internal control system, it is important also to note limitations that should be addressed in future research. Many factors may affect the bond between e-accounts and internal control systems and impact on SME performance, such as security risks for accounting software. Thus, future research

should examine the effect of security risks of using e-accounting in SME. The fast enhancements in the technological world and the global availability of the mechanisms and software that are easy to use, coupled with the urge of SME in acquiring and applying the current programs and electronically enabled systems defened useful in the usage of computerized devices in carrying out many business activities is much accurate and time-saving. On the contrary, e-accounting results in commendable progress in technology but poses many other risks with it. The enhancement of IT is not proportionally accompanied by similar advancements in the controls and practice. In addition, it does not keep the same changes in skills, experience, and knowledge of the employees who should use them to those SME. More so, the SME has very high chance of being exposed to other risks like cybercrime that may compromise the dependence and validity of monetary data generated by the system. (Hossain and Ayedh, 2016).

References

- [1].Abed, S. (2014). A review of e-accounting education for undergraduate accounting degrees. *International Business Research*, 7(2), 113.
- [2].Abu-Musa, A. A. (2004). The Criteria for Selecting Accounting Software: A Theoretical Framework. Paper presented on Administrative Sciences: Meeting the Challenges of the Globalization Age, .16.

- [3]. Adams, D. A., Nelson, R. R., & Todd, P. A. (1992). Perceived usefulness, ease of use, and usage of information technology: A replication. *MIS quarterly*, 227-247.
- [4]. Adhikari, A., Lebow, M. I., & Zhang, H. (2004). Firm characteristics and selection of international accounting software. *Journal of International Accounting, Auditing, and Taxation*, 13(1), 53-69.
- [5]. Albashabsheh, A. A. N., Modafar Nayel Alhroob, D., Irbihat, B. E., & Javed, S. (2018). Impact of accounting information system in reducing costs in Jordanian banks. *International Journal of Research -granthaalayah*.6(7).
- [6]. Al-Hakim, L. (Ed.). (2007). *Information quality management: theory and applications*. IGI Global.
- [7]. Al-Laith, A. A. G. (2012). Adaptation of the Internal Control Systems with the Use of Information Technology and its Effects on the financial Statements Reliability: an applied study on commercial banks. *International Management Review*, 8(1), 12.
- [8]. Al-Mbaidin, T. H. (2014). The Effectiveness of Accounting Information System in Jordanian Banks: From the Management Perspective. *International Bulletin of Business Administration*, 14(14), 1451-243.
- [9]. Al-Qudah, G. M. A. (2011). The impact of accounting information systems on the effectiveness of internal control in Jordanian commercial banks "field study". *Interdiscip J Contemp Res Bus*, 2(9), 365-372.
- [10]. Amidu, M., Effah, J., & Abor, J. (2011). E-accounting practices among small and medium enterprises in Ghana. *Journal of Management Policy and Practice*, 12(4), 146-155.
- [11]. Amidu, M. (2005). Accounting information and management of SMEs in Ghana. *African Journal of Finance and Management*, 14(1), 15-24.
- [12]. Augustine, B., Bhasi, M., & Madhu, G. (2012). Linking SME performance with the use of forecasting planning and control: Empirical findings from Indian firms. *European Journal of Scientific Research*, 73(1), 86-105.
- [13]. Bardhan, I. R., & Thouin, M. F. (2013). Health information technology and its impact on the quality and cost of healthcare delivery. *Decision Support Systems*, 55(2), 438-449.
- [14]. Bataineh, A. (2018). The Effect of Using Computerized Accounting Information Systems on Reducing Production Costs in Jordanian Pharmaceutical Companies. *International Journal of Business and Management Invention (IJBMI)*, 7(7), 1-10.
- [15]. Beg, K. (2018). Impact of Accounting Information system on the financial performance of Selected FMCG companies, *International Digital Organization for Scientific Research* .117-128.
- [16]. Bias, R. G., & Mayhew, D. J. (Eds.). (2005). *Cost-justifying usability: An update for the Internet age*. Elsevier.
- [17]. Boame, I., Kudadze, S., & Issaka, S. (2014). Adoption of accounting practices and its effects on SMEs: Financial perspective of sachet water producers in the Northern Region of Ghana. *Research Journal of financial and Accounting*, 5(17). 166-179.
- [18]. Brown, C. E., Wong, J. A., & Baldwin, A. A. (2007). A review and analysis of the existing research streams in continuous auditing. *Journal of Emerging Technologies in Accounting*, 4(1), 1-28.
- [19]. Burchell, S., Clubb, C., Hopwood, A., Hughes, J., & Nahapiet, J. (1980). The roles of accounting in

- organizations and society. *Accounting, Organizations, and society*, 5(1), 5-27.
- [20]. Candiotta, R., & Gandini, S. (2013). Strategic enterprise management in the taps and fittings sector: Application of the balanced scorecard methodology to business intelligence systems. In *Accounting Information Systems for Decision Making* (pp. 175-183). Springer, Berlin, Heidelberg.
- [21]. Chong, Y., & Nizam) I. (2017). The impact of accounting software on business performance. *International Journal of Information Systems and Engineering*,6(1).
- [22]. Choudhari, A. A. (2018). Techniques to reduce the cost of raw material and to gain profits, *International Research Journal of Engineering and Technology (IRJET)*,5-8.
- [23]. Davis, F. D., Bagozzi, R. P., & Warshaw, P. R. (1989). User acceptance of computer technology: a comparison of two theoretical models. *Management Science*, 35(8), 982-1003. Deshmukh, A., & Romine, J. (2002). Accounting software and e-business. *the CPA Journal*, 72(11), 52. add to reference.
- [24]. Diaz, n. I., & Villamar, J. M. (2017). The use of accounting information systems as guidance for the decision-making in Cucuta SMEs. *Revista ESPACIOS*, 38(41).
- [25]. Doyle, J. T., Ge, W., & McVay, S. (2007). Accruals quality and internal control over financial reporting. *The accounting review*, 82(5), 1141-1170.
- [26]. Emad, H., Al-Timimi, S., & Radhi, A. H. (2014). The Influence of Accounting Information Systems (AIS) on Performance of Small and Medium Enterprises (SMEs) in Iraq. *Journal of Business & Management*, 3(4), 48-57.
- [27]. Emeka-Nwokeji, N. A. (2012). Repositioning accounting information system through effective data quality management: A framework for reducing costs and improving performance. *International Journal of Scientific & Technology Research*, 1(10), 86-94.
- [28]. Emmanuel, C., Otley, D., & Merchant, K. (1990). Accounting for management control. In *Accounting for Management Control* (pp. 357-384). Springer, Boston, MA.
- [29]. Ganyam, A. I., & Ivungu, J. A. (2019). Effect of accounting information system on the financial performance of firms: A review of the literature. *Journal of Business and Management*, 21(5), 39-49.
- [30]. Gorla, N., Somers, T. M., & Wong, B. (2010). Organizational impact of system quality, information quality, and service quality. *The Journal of Strategic Information Systems*, 19(3), 207-228.
- [31]. Grande, E. U., Estébanez, R. P., & Colomina, C. M. (2011). The impact of Accounting Information Systems (AIS) on performance measures: empirical evidence in Spanish SMEs. *The international journal of digital accounting research*, 11(1577-8517), 25-43.
- [32]. Greene, W. H., & Segal, D. (2004). Profitability and efficiency in the US life insurance industry. *Journal of Productivity Analysis*, 21(3), 229-247.
- [33]. Hanifi, F., & Taleei, A. (2015). Accounting information system and management's decision-making process. *Management Science Letters*, 5(7), 685-694.
- [34]. Hla, D., & Teru, S. P. (2015). The efficiency of Accounting Information System and Performance Measures-. *International Journal of Multidisciplinary and Current Research*, 3, 976-984. introduction references.
- [35]. Holjevac, z. (2012). The importance of equality before the law and the communication revolution in

- the process of shaping modern European nations. *Teaching History*, 10 (19 (1)), 65-70.
- [36]. Holmes, S., & Nicholls, D. (1988). An analysis of the use of accounting information by Australian small businesses. *Journal of small business management*, 26(2), 57.
- [37]. Hossin, A. M., & Ayedh, A. M. (2016). The risks of electronic accounting information systems in the central bank of Libya. *Southeast Asia Journal of Contemporary Business, Economics, and Law*, 10(1), 2289-1560.
- [38]. Ismail, N. A., & King, M. (2014). Factors influencing the alignment of accounting information systems in small and medium-sized Malaysian manufacturing firms. *Journal of Information Systems and Small Business*, 1(1-2), 1-20.
- [39]. Karagiorgos, T., Drogalas, G., Eleftheriadis, I., & Christodoulou, P. (2009). Efficient risk management and internal audit. *International Journal of Management Research and Technology*, 3(2), 429-436.
- [40]. Khudhair, H. Y., Jusoh, A., Mardani, A., Nor, K. M. (2019). A Conceptual Model of Customer Satisfaction: Moderating Effects of Price Sensitivity and Quality Seekers in the Airline Industry. *Contemporary Economics*, 13(3), 283-292.
- [41]. Khalique, M., Isa, A. H. B. M., Shaari, N., Abdul, J., & Ageel, A. (2011). Challenges faced by small and medium enterprises (SMEs) in Malaysia: An intellectual capital perspective. *International Journal of current research*, 3(6), 398.
- [42]. Khatik, r. K., & Sharma, d. (2014). E-accounting: challenges & necessity of modern business. *Gwalior management academy*, 87, 79.
- [43]. Kim, H. J., Mannino, M., & Nieschwietz, R. J. (2009). Information technology acceptance in the internal audit profession: Impact of technology features and complexity. *International Journal of Accounting Information Systems*, 10(4), 214-228.
- [44]. Lahti, J. P., Mäkipelto, T., Shamsuzzoha, A., & Kankaanpää, T. (2012, January). Implementation of Management Information System in the Nordic energy business: a case study. In 2011 Ninth International Conference on ICT and Knowledge Engineering (pp. 171-176). IEEE.
- [45]. Liu, B. (2016, September). Internal Control of Accounting Information System based on Network Environment. In the 2nd International Conference on Electronics, Network, and Computer Engineering (ICENCE 2016). Atlantis Press.
- [46]. Maines, L. A., & Wahlen, J. M. (2006). The nature of accounting information reliability: Inferences from archival and experimental research. *Accounting Horizons*, 20(4), 399-425.
- [47]. Meagher, K. J., & Wait, A. (2013). Delegation of decisions about change in organizations: the roles of competition, trade, uncertainty, and scale. *The Journal of Law, Economics, & Organization*, 30(4), 709-733.
- [48]. Neogy, D. (2014). Evaluation of the efficiency of accounting information systems: A study on mobile telecommunication companies in Bangladesh. *Global Disclosure of Economics and Business*, 3(1).
- [49]. Nicolaou, A. I., & Bhattacharya, S. (2006). Organizational performance effects of ERP systems usage: The impact of post-implementation changes. *International Journal of Accounting Information Systems*, 7(1), 18-35.
- [50]. Nicolaou, A. I. (2000). A contingency model of perceived effectiveness in accounting information systems: Organizational coordination and control effects. *International Journal of*

- Accounting Information Systems, 1(2), 91-105.
- [51]. Norwahida, H. M. A. A. S., & Shukeri, B. (2014). The Role of Data Quality and Internal Control in Raising the Effectiveness Of Ais In Jordan Companies. *International Journal of Scientific & Technology Research*, 3(8), 298-303.
- [52]. Okour, S. M. (2016). The Impact of The Effectiveness of Accounting Information Systems on Operational Performance in Public Listed Industrial Companies in Jordan. *Journal of Social Sciences (COES&RJ-JSS)*, 5(3), 263-276.
- [53]. Perez Estebanez, R., Urquia Grande, E., & Munoz Colomina, C. (2010). Information technology implementation: evidence in Spanish SMEs. *International Journal of Accounting & Information Management*, 18(1), 39-57.
- [54]. Pornpandejwittaya, P. (2012). Effectiveness of Accounting Information System: Effect on Performance of Thai-Listed Firms in Thailand'. *International Journal of Business Research*, 12(3), 84-94.
- [55]. Ravichandran, T., & Rai, A. (2000). Quality management in systems development: an organizational system perspective. *MIS quarterly*, 381-415.
- [56]. Romney, M. B., Steinbart, P. J., & Cushing, B. E. (2000). *Accounting information systems (Vol. 2)*. Upper Saddle River, NJ: Prentice-Hall.
- [57]. Sajady, H., Dastgir, M., & Nejad, H. H. (2012). Evaluation of the effectiveness of accounting information systems. *International Journal of Information Science and Management (IJISM)*, 6(2), 49-59.
- [58]. Salehi, M., Rostami, V., & Mogadam, A. (2000). The usefulness of Accounting Information in Emerging Economy: Empirical Evidence of Iran. *Journal Revista De Contabilidad-Spanish Accounting Review* (pp.
- [59]. Soudani, S. N. (2013). The impact of the implementation of the e-accounting system on financial performance with the effects of internal control systems. *Research Journal of Finance and Accounting*, 4(11), 17-28.
- [60]. Ssuuna, P. M. (2011). Effects of internal control systems on financial performance in an institution of higher learning in Uganda: a case of Uganda Martyrs University (Doctoral dissertation, Uganda Martyrs University).
- [61]. Stefanou, C. J. (2006). The complexity and the research area of AIS. *Journal of Enterprise Information Management*, 19(1), 9-12.
- [62]. Sunday, A., Turyahebwa, A., Sumil, N., & Byamukama, E. (2010). Financial performance in the selected micro-finance institutions in Uganda.
- [63]. Syafrudin, V. (2012). An empirical study of Accounting software Acceptance among Bengkulu City students. *Asian Journal of Accounting and governance*, 3, 99-112.
- [64]. Terminology, C. O. (2005). *Chartered Institute of Management Accountants*. CIMA Publication, 1-803.
- [65]. Teru, S. P., Idoku, I., & Ndeyati, J. T. (2017). A Review of the Impact of Accounting Information System for Effective Internal Control on Firm Performance. *Indian Journal of Finance and Banking*, 1(2), 52-59.
- [66]. Thabit, T., & Abbas, N. (2017). A Proposed Fuzzy Logic-Based Framework for E-Accounting Evaluation in Iraq. *Qalaai Zanist Scientific Journal, A Scientific Quarterly Refereed Journal Issued by Lebanese French University-Erbil, Kurdistan, Iraq*, 2(6).
- [67]. Trabulsi, R. U. (2018). The Impact of Accounting Information Systems on Organizational Performance: The Context of

- Saudiâ€™s SMEs. *International Review of Management and Marketing*, 8(2), 69-73.
- [68]. Vasarhelyi, M. A., Alles, M., Kuenkaikaew, S., & Littley, J. (2012). The acceptance and adoption of continuous auditing by internal auditors: A microanalysis. *International Journal of Accounting Information Systems*, 13(3), 267-281.
- [69]. Wickramasinghe, M., Cooray, N. H. K., & Dissanayake, S. (2017). Impact of accounting software for Business Performance. *Imperial Journal of Interdisciplinary Research (IJIR)* Vol-3, Issue-5, 2454-1362.
- [70]. Wilkinson, J. W., Cerullo, M. J., Raval, V., & Wong-On-Wing, B. (2000). *Accounting Information Systems-Essential Concepts and Applications*. John Willey and Sons. Inc., USA.
- [71]. Yvonne, C., & Nizam, I. (2018). The impact of accounting software on business performance. *International Journal of Information Systems and Engineering*.6(1).
- [72]. Zoto, E., & Tole, D. (2014). The main factors that influence data quality in accounting information systems. *International Journal of Science, Innovation & New Technology*, 1(9).