

## **The Impact of Accounting Information System in Decision Making Process in Local Non-Governmental Organization in Ethiopia; In Case of Wolaita Development Association, SNNPR, Ethiopia.**

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**ABSTRACT:** *The study focused to examination the impact of accounting information in effective decision making in Wolaita development association; for this study the researcher used primary source of data; that was collected from 62 office employees with close as well as open ended questioner; also interview was made with directorates. Descriptive research design is used and entire population was taken from purposively selected department that has direct relationship with the Accounting related activities. T- Test was used to examine the effect accounting information system on decision making. Key finding findings of this study show that accounting information system has significant effect on decision making process in development association. As result AIS is an essential tool in decision making process for those Development Associations in today's confused world. To solve financial reporting problems association is advised to invest on continues short term training as well as on information technology tools to advance their efficiency, effectiveness and their overall performance.*

**KEYWORDS:** - *Accounting information, WODA, Ethiopia.*

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### **1. INTRODUCTION**

#### **1.1 Overview of Wolaita Development Association**

Wolayta Development Association (WODA) is an indigenous, not-for-profit, and local non-governmental membership based organization, established in the 1950s. It located in Wolaita zone of the Southern Nations, Nationalities and Peoples Region (SNNPR) of Ethiopia. The Association is registered with the Ministry of Justice under license number 798, and also re-registered with the Agency of Charity and Societies under license number 0486 on November 9, 2009. WODA has worked for the socio-economic development of Wolayta by mobilizing resources from the community, government and non-government organizations, supporters and other sources and enhancing active community participation to initiate and sufficiently work on demand-driven development programs in the areas of ecologically sound agriculture; water, sanitation and hygiene (WASH); education; entrepreneurship development; socio-cultural development and integrated population health and environment, (Mekonnen, 2013).

#### **1.2 Background of the study**

An accounting system is one of the most effective decision making tools of management as it provides an orderly method of gathering and organizing information about the various business transactions so that it may be used as an aid to management in operating the business (Copeland and Dascher, 1978). Accounting information system is the vital system to all organizations to make decision (Wilkinson et al., 2000). Accounting information helps for decision makers to understand their tasks more clearly and reduce uncertainty before making their decisions (Chong, 1996). Accounting information (AI) is the essential role player in all business operation, which is important to understand the real financial position of an organization and applied as the basis of making any decisions by all decision makers in any organization. Hence, Effective AI plays a vital role in decision making (Trimisiu Tunji, 2012).

#### **1.3 Statement of the problem**

Thanks to information technology, now a days there is rapidly change in quality, in speed as well as quantity of accounting information system (AIS) which is producing information, this information will be useful to make the useful decision. Previous researchers conducted in this area indicate the following out puts; AIS is one and most important variable for effective decision. The research conducted by Royae, Salehi and Aseman (2012) concluded that accounting information is the primary information used by managers in all types of decision making, and are the variables which have the most application amongst all variables

employed in this context (Hafij, Jamil & Syeda, 2014). As (Cameron, 1986; Delone and Mclean, 1992; kim1989; Lewin, 1986; Quinn, 1986), finding the effectiveness of accounting information systems depend upon the quality of the output of the information system that can satisfy the users' needs. Kariyawasam (2016) Finding conclude that; in manufacturing sector accounting information has a statistically significant strong positive relationship with both marketing linkage decisions and industrial related strategic decision making of companies operating in Sri Lanka . Hafij, Jamil and Syeda (2014) studied conclude that there is significant relationship that exists in strategic decisions and accounting information. Faith Gacheru (2017), study indicates that comparability, reliability and relevance of accounting information system are most determinant factor and have positive relationship with decision making. In fact many studies have been conducted on contribution of AIS on diction making, but only few of them focused in Ethiopia as well as in development Associations (Local NGOS). As the result the researcher motivated to study in this area.

#### **1.4 The research objectives**

The main objective of this study is the impact of accounting Information system in decision making process in Development Association in Ethiopia; in case of Wolaita Development Association. Ethiopia. To examine the above general objective, the study has the following specific objectives:

- ✓ To analyze the relationship between accounting information system and effective decision making.
- ✓ To identify the challenges facing related to the application of accounting information system.

#### **1.5 Hypotheses of the Study**

The following hypotheses were taken to be tested under the present study:

##### **Hypotheses: I**

H0: There is no significant relationship between accounting information system and effective decision making.

H1: There is significant relationship between accounting information system and effective decision making.

## **2. LITERATURE REVIEW**

Information is provided from accounting about how a business relates to the internal and external users, including, investors, managers, and others (Woods, 2008). According to (Tickell, 2010), information and information system are viewed to have increasing effects on the enterprises, occupying model fields and management analysis. Ovidian (2013) states that, good accounting information should be available to offer suitable and accurate decision-making that could lead to maximization of profitability of an organization and utilization of scarce resource optimally. Accounting systems also provide check for the validity through the process of auditing and accountability (Gray et. Al 1996). Effective and efficient accounting information plays a central role in management decision making.

Accounting is a tool used by business enterprises to record, report, evaluating economic events & transactions that normally affect its operations (Paulson, 2006). Accounting is the language of business as it is the basic tool for recording, reporting and evaluating economic events and transactions that affect business enterprises. It provides financial information about one's business to the internal as well as for external users, such as managers, investors and others (Arnel and Hope 1990). According to (Royae et al., 2012) AIS is the most important information widely used in the managerial decisions and influenced on organization performance. One of the most important features that saturate organizations is management decision and it shows its failure or progress in achieving already set goals and objectives (Clinton et al. 2011). Evans, R. as quoted in Young, J. (1982), "One of the marks of the executive is the ability to decide. One of the obligations of free men is the willingness to decide. One of the qualities of effective people is the courage to decide." Definition of decision, Cited by (Siyabola, 2012) , it is the process of choosing alternative courses of action using cognitive processes. Making decision is necessary when there is no one clear course of action to follow. Accounting systems can aid our decision making by providing information relevant to the decision and to the decision maker.

## **3. METHODOLOGY OF THE STUDY**

### **3.1 The research design**

The research design is features of the study that describes how the study was conducted. This study was applied a descriptive research design that involves gathering much or more numbers, through surveys, to describe a facts so as to answer the questions of who, what, where, when, and how (Tanner and Raymond, 2010). For this study, a survey was conducted in the scope to, describe, Interpret and analyze the impact of AIS on decision making. For this study researcher used mixed (quantitative and qualitative) research approach. According to Creswell (2009) the mixed research approach uses separate quantitative and qualitative

methods as a means to offset the weaknesses inherent within one method with the strengths of the other method.

### 3.2 Target population

Depends on direct relation with their accounting related activity the researcher purposely selects certain departments those have the target population of 71 employees; that contains eight in finance department, four in HRM department, four in Audit and Inspection department, four of them in plan and monitoring department, twenty four in property and procurement department, twenty five in Membership and resource mobilization department and finally two of them are office directorates.

### 3.3 Sampling techniques and sample size

For this study census survey method is applied because number of target population under study was convenient for this study.

### 3.4 Source of data and Data collection instruments

The data collected from primary source of data. The primary data was collected through questionnaire and interview. A combination of questionnaire and personal interviews were used in the collection of primary data from office employees. The questionnaire comprise of both closed and open ended questions.

### 3.5 Tools used for Analysis:

These chapters focus on interpretation and analysis of data collected from primary source. Statistical Package for the Social Sciences (SPSS-21) was used for data analysis. Furthermore, mean, percentages, standard deviation and t-test were used to determine the effectiveness of the accounting information in decisions making.

## 4. RESULT AND DISCUSSION

Questioners are distributed for 71 employees and 62 questionnaires were received back from the respondents. Interview was also conducted with Association Directors.

**Table 4.1** General Demographic Feature of respondent

Participants	Character	Frequen cy	%	Valid Percent	Cumulative Percent
Sex	Male	53	85.5	85.5	85.5
	Female	9	14.5	14.5	100.0
	Total	62	100.0	100.0	
occupational position	Finance	5	8.1	8.1	8.1
	HRM	3	4.8	4.8	12.9
	Inspection and Auditing	3	4.8	4.8	17.7
	Plan and monitoring	4	6.5	6.5	24.2
	property and procurement	20	32.3	32.3	56.5
	Membership and resource mobilization	25	40.3	40.3	96.8
	Office directorates.	2	3.2	3.2	100.0
	Total	62	100.0	100.0	
Year of service	Below 4 year	11	17.7	17.7	17.7
	4 Up to 8 year	29	46.8	46.8	64.5
	8 up to 12 year	15	24.2	24.2	88.7
	12 up to 16 year	5	8.1	8.1	96.8
	Above 16 year	2	3.2	3.2	100.0
	Total	62	100.0	100.0	
Age	18 up to 25 year	28	45.2	45.2	45.2
	25 up to 35 year	31	50.0	50.0	95.2
	Above 35 year	3	4.8	4.8	100.0
	Total	62	100.0	100.0	
Level of education	Below Diploma	1	1.6	1.6	1.6
	Diploma	23	37.1	37.1	38.7
	Degree	37	59.7	59.7	98.4
	Above Degree	1	1.6	1.6	100.0
	Total	62	100.0	100.0	

Source, Questionnaire; 2019

In the table 4.1 shown above 53(85.5%) of the respondents are male and the remaining 9(14.5%) are female, in the same table the occupational position of respondents indicate that (8.1) % are Finance officers, 3(4.8%) HRM officers and Inspection and auditing, 4(6.5%) Plan and monitoring, 20(32.3%) Property and procurement, Membership and resource mobilization 25(40.3%) and office have 2(3.2%) directorates. When the researcher analyzed employees experience shows that 11(17.7%) of employees have below 4 year, 29(46.8%) are under 4-8 years work experience, 15(24.2%) are 8-12 years service and the remaining 2(3.2%) are above 16 years service in association. This shows that the near to fifty percent of employees years 4-8 year experience in the area , lastly majority of employees are in a productive age group that is 25-35 years which can contribute to delivery effective and efficient service to the institution. The educational status of the employee shows that 23(37.1%) are diploma holder, 37(59.7%) are degree and the remaining 2(3.2%) are out of this category. In general the demographic data indicates that Wolaita development associations have majority number of male, educated, experienced as well as young employees. This is expected that positive effect to solve any challenges in that institution.

Table 4.2: Using accounting information to make effective decisions (T-value, P-value, Mean, and Std. Deviation)

T-test was used to test whether the accounting information system affect decision making or not.

Item detail	Test Value = 2			
	Mean	Std. Deviation	t-value	P-value
Is accounting information implemented in Wolaita development Association with its Vision related decisions?	2.58	.691	6.620	.000
Is accounting information applied in Association related with Objective related decisions	2.27	.833	2.591	.012
Is accounting information in association used to growth strategic related decisions?	2.42	.737	4.483	.000
Is accounting information applied in Core competencies and competitive advantage related decisions in this association?	2.37	.794	3.678	.000
Is accounting information implemented in Human resources policies Recruitment, Selection and hiring decisions] related decisions in this office?	2.47	.718	5.130	.000
Is accounting information implemented in Promotion, Transfer, Retrenchment related decisions?	2.47	.783	4.701	.000
Is accounting information implemented in Training and development related decisions?	2.42	.801	4.125	.000
Is accounting information implemented in Organization culture and management style related decision?	2.60	.689	6.825	.000
You use accounting information in Responsibilities determination, Performance measurement and reward/ punishment/ related decisions on employees?	2.56	.696	6.256	.000
Is accounting information used in income raising related decisions?	2.73	.577	9.897	.000
Is accounting information used in Program related expenditure decisions?	2.29	.876	2.611	.011
Is accounting information is used in Administrative expenditure related decisions?	2.37	.873	3.347	.001
Is accounting information in any receivable and payable (Liability) related decision?	2.50	.784	5.021	.000
Is accounting information used in Investment in fixed assets related decisions?	2.52	.741	5.485	.000
Is accounting systems used modern techniques/ instruments/ approaches of accounting?	2.53	.762	5.499	.000
The higher authority use accounting information in strategic decision making process	2.50	.784	5.021	.000
The accounting staff working for this sector is up to standard	2.44	.802	4.275	.000
The used accounting systems keep speed with information technology's requirements	2.39	.817	3.731	.000
Total	2.36	0.775	4.985	.001

Source, Questioner 2019

The results of the t-test indicating that ( $p=0.000<0.05$ ), as the result null hypothesis ( $H_0$ ) should be rejected and alternative hypothesis ( $H_1$ ) should be accepted. When arithmetic mean greater than 2.00 (population mean) and p-value is less than 0.05, which indicates that they are statistically significant and that leads the researcher to reject null hypothesis and to accept alternative hypothesis. Item number one, how accounting information implemented in Wolaita development Association with its Vision related decisions; next accounting information applied with Objective related decisions and at the end the use of accounting systems keeps speed with information technology's requirements.

Table 4.2 shows that all the items have an arithmetic means greater than 2.00 which mean that they are statistically significant. Above table result shows that all items as a group have a mean of 2.36 and 0.001% level of significance (P-value), which means there is a statistically significant relationship between accounting information and decisions making in Wolaita development Association (WODA).

Rather than close ended questioner the researcher collected information by using open-ended and interviews from directorates which indicated that they try to implement accounting information when they decided for any issue in their organization. Still the quality of accounting information and the speed of accounting information is unsatisfactory; because of change like adaptation of new technology, change of new accounting principles and practice (Changing from Generally accepted accounting principles /GAAP/ to International Financial Report Standards/ IFRS/), and variety demand of Donors. Rather than above challenge lack of training and complexity of accounting report requirement is boring activity to the Association.

## 5. CONCLUSION AND RECOMMENDATION

### 5.1 Conclusion

The study revealed that accounting information performs a crucial role on management decisions and organization performance which has been shown to be major force in decision making. This is achieved by implementing the best fundamental concept of accounting suitable for each company. The analysis of the study proves that there is significant relationship between accounting information and decisions making in Wolaita development association. In addition of the research findings indicated that implementation of accounting information systems could lead to better decision-making by managers, more effective internal control systems, improvement of the quality of financial reports and facilitating financial transaction processes. But there are many challenges to produce quality accounting information when the external as well as internal uses are desired.

### 5.2 Recommendations

Based on information gathered, the researcher concludes Wolaita development Association use accounting information for decision making in well coordinated manner, despite the application of new technology and adapting new change in accounting environment; Short training can be recommended by the researcher for the association employees, if it is difficult to employ highly qualified accountants. Organizations should have confident to hold the effective use of information technology in order to enhance and improve their competitive advantage in this confused globalized world.

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