An Evaluation of the Relevance of Accounting Systems as a Management Decision Tool in Union Bank of Nigeria Plc, Uyo Branch of Akwa Ibom

By

Ogah, Idagu Joseph
ABSTRACT

The advancement in information and communication technology (ICT) has made accounting information system (AIS) an essential tool in dealing with the complexity in the present day competitive market environment. Recently in Nigeria, there has been an alarming rate of mismanagement of resources, frauds, embezzlements and inefficiency in her financial business environment resulting in the close down of many financial institutions and the arrest of the Chief Executive Officers of affected banks. This may be due to the lack of use of relevant and up-to-date accounting information system by management in their decision-making process. The study examined the use of accounting information system in decision making in Union Bank of Nigeria (UBN) Plc, Uyo Branch in Akwa Ibom State. Purposive sampling technique was used to sample only higher executive, accounting and management staff of UBN Plc in three different branches. This approach was used to administer copies of structured questionnaire to 20 staff. The study showed that accounting information may help managers to understand their tasks more clearly and reduce uncertainty before making their decisions. The study identified shareholders as the major users of accounting information which perhaps enabled them to assess the progress of the banks. The analysed result further revealed that inadequate supplies of equipment and inadequate accounting personnel constituted the major hindrances to the successful employment of an efficient accounting information system. The regression result revealed that high level of profitability of UBN Plc was not dependent on the use of accounting information (p>0.05). The low explained variability implied that other variables apart from AIS must have positively impacted on the bank’s profitability. The study therefore suggests that the successful integration of AIS will depend on how well other factors are efficiently put in place to facilitate its operation.

Keywords: Accounting information system, Management Decision, Users, Information and Communication Technology, Banking Environment, Nigeria.
financial performance and position of an organisation. It entails repetitive voluminous transactions which generally fall into cash disbursement, cash receipts, purchases and sales, services including employee payroll.

The need nevertheless, for a business outfit to provide an orderly method for gathering and organising information about the various business transactions so that it may be used as an aid to management in operating the business, are some of the purposes of accounting systems (Okoli, 2011). Grande et al., (2011) outlined the advantages of integrating accounting information into business to include better adaptation of the business to a changing environment, better management of arm's length transactions and a high degree of competitiveness. The integration also helps to boost the dynamic nature of firms with a greater flow of information between different staff levels and the possibility of new business on the network and improved external relationships for the firm, mainly with foreign customers accessed through the firm’s web. With the existence of more intercommunication, there are increased chances for diversification of traditional businesses. However, accounting information may be distorted when efficient and effective system of control is not in operation. A good system of internal control (means of ensuring reliability and completeness of accounting information for management use) therefore, will serve to ensure an adequate procedure for the recording of monetary and all other transactions of an organization.

In Nigeria, it would be observed that in recent times, there has been an alarming rate of mismanagement of resources, frauds, embezzlements and inefficiency in her financial business environment resulting in the close down of many financial institutions and the arrest of the Chief Executive Officers of affected banks. This may be due to the lack of use of relevant and up-to-date accounting information by management in their decision-making process. However, despite the continuous mismanagement of fund and the resulting implications on the business’s operational goal, not many studies have been carried out to assess the relevance of AIS in the recording and management of monetary and all other transactions that accrue to the bank. It is on this note that a research is conducted to investigate the use of accounting information system in decision making in Union Bank of Nigeria (UBN) Plc, Uyo Branch in Akwa Ibom State.

Study hypothesis: The study hypothesizes that:

- The high level of profitability of UBN Plc is dependent on the use of adequate accounting information.

MATERIALS AND METHODS

Research design

The study employed the descriptive cross sectional design to investigate the use of accounting information system in decision making among staff from different socioeconomic backgrounds of Union Bank of Nigeria Plc (UBN), Uyo branch in Akwa Ibom State. The population of study comprised higher executive staff as well as some accounting and management staff.

Data types and sources

The study basically made used of primary data. The primary type of data included data on the type of accounting information prepared and relevance of accounting information as well as data on major areas of management in which accounting information is employed. However, the sets of primary data outlined above were obtained through the administration of a structured questionnaire to the selected staff of UBN Plc.

Sampling technique and data collection procedure

Purposive sampling technique was used to sample only higher executive, accounting and management officials of UBN Plc in three different branches. This approach was used to administer copies of structured questionnaire to 20 staff. Respondents (staff) were approached in their offices. To avoid loss of questionnaire, after consent was got from the respondent, the questionnaire was administered and collected at the spot. The instrument (questionnaire) was divided into two sections. Section A of the questionnaire measured consumers’ demographic characteristics, while Section B contained a set of questions used to measure the relevance of accounting information and management in which accounting information was employed.

Analytical technique

Data obtained from the administered questionnaire were analysed using tables, simple percentages and bivariate regression. However, in order to effectively carryout this test, items coded for descriptive analysis were transformed or recoded into dummy variables. For instance, question like the use of AIS with two options was transformed into 1 as Yes and 0 as No; while impact of accounting information system on profitability with also
two options was transformed into 1 as Yes and 0 as No. Analysis was carried out using SPSS 17 software for Windows.

RESULTS

Areas of management in which accounting information is employed

The areas in which accounting information is integrated and needed in management are depicted in Fig 1. The table shows that dividend policy was the main management area that accounting information system was employed. This option constituted 50% of the responses. However, other frequently resorted areas were asset management and investment decisions of the bank. This is consistent with the assertion of Grande et al., (2011) that accounting Information Systems (AIS) are a tool which help in the management and control of topics related to firms’ economic-financial area. This therefore means that the use of AIS has substantial influence on the bank, as it helps in facilitating the revenue base of the bank for enhanced performance.

![Fig 1: Areas of management in which accounting information is employed](image)

Accounting information system and management decision

The information in Table 1 shows that 18 representing 90% of the respondents were of the opinion that there is a relationship between accounting information system and management decision, while 10% of the respondents alleged that there is no relationship between accounting information system and management decision making. The responses show that management decision process cannot be fruitful without the employment of AIS, which indeed makes the management decision process seamless. This finding is supported by earlier studies like those of Mitchel et al., (2000) that accounting information could help organizations manage short term problems in such areas as costing, expenditure and cash flow by providing information to support monitoring and control. In a similar manner, Nicolaou et al., (2000) opined that an important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control. In Nigeria, the low integration of AIS into business could be responsible for their failure in the banking environment.

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<tr>
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<td>2</td>
<td>10</td>
</tr>
<tr>
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<td>Total</td>
<td>20</td>
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Table 1: Use of accounting information system in management decision
Type of accounting information prepared for management use

The information in Fig 2 depicts that management accounting information was the primary accounting information usually prepared for management use. This was closely followed by asset management accounting information. The least prepared accounting information for management use was cost accounting information. The quality of information generated from AIS is very important for the management of accounting information as management is engaged with different types of activities which require good quality and reliable information. On this note, Nicolaou et al., (2000) opined that an important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control.

Benefits of accounting information system can be evaluated by its impacts on improvement of decision-making process, quality of accounting information, performance evaluation, internal controls and facilitating company’s transactions (Sajady et al., 2008). Thus, when the information provided serves widely the requirements of the system users, accounting information systems are said to be efficient.

Users of accounting information

Table 2 presents the users of accounting information. It identifies shareholders as the major users of accounting information which perhaps enables them to assess the progress of the banks they inject their fund into. Other users were the bank management and the government. Interestingly, accounting information enables users to checkmate one another for the successful operation of the bank. Indeed, accounting information plays an important role in reporting the extent to which various groups have benefited from the business. Managers rely on accounting information to enable them know if the performance of the business needs to be improved on. On this note, performance to date would be compared with earlier plans or some other ‘benchmark’ to decide whether action needs to be taken. For the government, the use of accounting information enables it to know whether a particular company or enterprise should pay tax and, if so, how much, whether it complies with agreed pricing policies, whether financial support is needed and so on. However, the sales revenues and financial strength would be assessed in making these decisions an assessment of business profits (Elliot and Elliot, 2009).

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<tr>
<td>Total</td>
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Table 2: Users of accounting information
Ways through which accounting information are generated

The various means of generating accounting information is shown in Table 3. The information shows that 16 respondents representing 80% chose digital process which indeed involved the use of computers as the predominant way of generating accounting information, while 4 respondents representing 20% chose the manual process. The integration of computer makes the compilation and evaluation of business activities easier. The increase in information technology and the need to efficiently handle large volume of data has made the computerized system of accounting information more appropriate in recent times. Agbeja and Oladejo (2012) argued that financial institutions have understood that poor and inappropriate information and communication systems have an adverse effect on every aspect of their operations, threatening operation effectiveness, profitability and even survival. However, to make the banking business more enterprising, ICT should be embraced by the banks in Nigeria to catch-up with the circular world.

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Problems of using accounting information system

In Fig 3, respondents were able to identify the problems that serve as barrier to the integration and use of accounting system by the bank. The information reveals that inadequate supplies of equipment and gadgets and inadequate accounting personnel were the major hindrances to the successful employment of an efficient accounting information system. This is evidently true as many of the banks in Nigeria do not have sophisticated equipment. This perhaps could be responsible for the consistent system failures experienced during banking hours. In addition, the Nigerian banking system is composed of personnel from other fields of study who may not have the basic training in handling critical and technical areas related to accounting; this in the long-run may affect efficient decision process of the bank mostly during period of dire need.

![Fig 3: Problems of integrating accounting information](image)

Accounting information system and its impact on profitability

The information in Table 4 implies that accounting information system has impacted on the profitability of UBN Plc. This is so as accounting information must have the ability to influence decisions made by the management to the overall financial growth of the bank. Unless this characteristic is present, there is really no point in producing the information. Accounting information may be relevant to the prediction of future events (for example, in predicting how much profit is likely to be earned next year) or relevant in helping to confirm past events (for example, in establishing how much profit was earned last year). The role of accounting in confirming past events
are important because users often wish to check the accuracy of earlier predictions that they have made. The accuracy (or inaccuracy) of earlier predictions may help users to judge the accuracy of current predictions. To influence a decision, the information must, of course, be available when the decision is being made. Thus, accounting information positively impacts on the bank’s profitability by presenting information that is timely for onward assessment and intervention.

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<tr>
<td>Total</td>
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**Table 4: Impact of bank’s profitability**

Analysis of the effect of adequate accounting information on the profitability of UBN Plc

The hypothesis that high level of profitability of UBN Plc is dependent on the use of accounting information was tested using bivariate regression. Data for the analysis was obtained from Tables 1 and 4. Results obtained are presented in Table 5; the result shows there is a weak association (0.08) between the use of accounting information and profitability of UBN Plc. The ANOVA result further reveals that high level of profitability of UBN Plc was not dependent on the use of accounting information (F = 0.106, p>0.05). This shows that the use of accounting information alone may not have been responsible for the high level of profitability the bank achieved over time. The low explained variability attests to this fact; it therefore implies that other variables apart from AIS may have positively impacted on the bank’s profitability. The employment of AIS if not backed up with appropriate managerial components to make it functional may affect the bank’s operational process. The successful integration of AIS will therefore depend on how well other factors are efficiently put in place to facilitate its operation such as the level of ICT usage by its staff, the employment of qualified personnel as well as the availability of up-to-date facilities among others.

<table>
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<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-value</th>
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<td>Use of accounting information</td>
<td>-0.056</td>
<td>-0.076</td>
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</table>

**Test results**

- F- value: 0.106*
- R: 0.076
- R²: 0.006
- Constant: 1.000: 4.562*
- DF: 1/18
- Std Error: 0.229

*Insignificant at 5% significance level

Source: SPSS Window Output Version 17.0

**DISCUSSION**

The importance of accounting information in the management of an organization profit or non-profit cannot be over emphasized. Accounting is the “fuel” that makes management function. The study clearly reveals that Union Bank of Nigeria Plc makes use of accounting information as a compass for piloting its affairs. This has made it to withstand the harsh economic conditions that have sent other banks packing. The study has shown that accounting information may help managers to understand their tasks more clearly and reduce uncertainty before making their decisions (Chong, 1996). Uncertainty here implies the lack of information compared to what a decision-maker needs to make a decision, and the fewer managers are able to predict the outcomes from their actions, the more uncertainty there is. This means that almost all forms of management process involve the integration of accounting information to quicken management decision process of the bank. The responses show that management decision process cannot be fruitful without the employment of AIS, which indeed makes the
management decision process seamless. This finding is supported by earlier studies like those of Mitchel et al., (2000) that accounting information could help organizations manage short term problems in such areas as costing, expenditure and cash flow by providing information to support monitoring and control. In Nigeria, the low integration of AIS into business could be responsible for their failure in the banking environment. Ofonagoro (1983) noted that the high rate of failure of business enterprises in developing countries has generally been traced to poor management and employment of accounting information systems by these enterprises.

The result of analysis reveals that management accounting information is the primary accounting information usually prepared for management use, closely followed by asset management accounting information. The quality of information generated from AIS is very important for the management of accounting information as management is engaged with different types of activities which require good quality and reliable information. Efficient accounting systems are essential ingredient of an efficient business. When the accounting systems fail, the results can be disastrous (Sajady et al., 2008). In managing an organization and implementing an internal control system, the role of accounting information system (AIS) is crucial. On this note, Nicolaou et al., (2000) opined that an important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control. Although the information generated from an accounting information system can be effective in decision-making process; purchase, installation and usage of such a system are beneficial when the benefits exceed its costs.

The study identifies shareholders as the major users of accounting information which perhaps enables them to assess the progress of the banks. Other users are the bank management and the government. Indeed, accounting information plays an important role in reporting the extent to which various groups have benefited from the business. This is true as shareholders may rely on accounting information to check whether the pay and benefits of managers are in line with agreed policy. Kim (1989) argued that usage of AIS depends on the perception of the quality of information by the users. The quality of information therein depends on reliability, form of reporting, timeliness and relevance to the decisions. Thus, the effectiveness of accounting information system also depends on the perception of decision-makers on the usefulness of information generated by the system to satisfy informational needs for operation processes, managerial reports, budgeting and control within organization.

Information on the various means of generating accounting information identifies the use of computers as the predominant way of generating accounting information. This is evident as the integration of computer makes the compilation and evaluation of business activities easier. This finding is consistent with Nicolaou (2000) report that accounting information system is a computer-based system that increases the control and enhances the corporation inside the organization. However, the two types of accounting systems which are single entry and double entry system could be operated manually or computerised (Baumback, 1983). The increase in information technology and the need to efficiently handle large volume of data as well as set up a database for easy reference has made the computerized system of accounting information more appropriate in recent times. With ICT, banks have now been able to improve on their management of customer relationships, streamline operations, expand their activities, improve services and possibly minimize risk exposure in an increasingly turbulent market. To support the above assertion, Agbeja and Oladejo (2012) argued that with the coming of the digital age, there has been a growing awareness of the significance of information and communication technology (ICT).

The analysed result further reveals that inadequate supplies of equipment and gadgets and inadequate accounting personnel constitute the major hindrance to the successful employment of an efficient accounting information system. This is evidently true as many banks in Nigeria do not have sophisticated equipment to enable them catch up with the advanced level of banking experienced in the developed world. In addition, the poor maintenance and upgrading of existing gadgets have also marred the successful adoption of an efficient accounting system. On the other hand, inadequate accounting personnel have also undermined the successful use of AIS. The Nigerian banking system is composed of personnel from other fields of study who may not have the basic training in handling critical and technical areas related to accounting; this in the long-run may affect the proper use of AIS in achieving the bank’s goals. This result agrees with the findings of Agbeja and Oladejo (2012) when they found inadequate level of computer availability as a limiting factor responsible for the delays in many functions in industries. They further maintained that the adoption level of ICT in Nigeria has been directly influenced by the availability of Information and Communication gadgets.

The analysed result further reveals that high level of profitability of UBN Plc was not dependent on the use of accounting information. The low explained variability implies that other variables apart from AIS positively impact on the bank’s profitability. This is true as the employment of AIS if not supported with necessary and enabling facilities to make it functional becomes monumental, which may affect the bank’s operation process. Thus, the successful integration of AIS will depend on how well other factors are efficiently put in place to facilitate its operation. Similar opinion has been echoed by scholars, for instance, Markus and Pfeffer (1983) asserted that the successful implementation of accounting systems requires a fit between three factors such as perception of the organization concerning the situation, the accounting system must fit when problems are normally solved and the accounting system must fit with the culture, i.e. the norms and value system that characterize the organization. Grande et al., (2011) argued that IT is readily available and using them gives no
competitive advantage for achieving improved results. They argued that many firms have invested in IT but they do not succeed in attaining the established performance goals. This therefore implies that AIS can only be useful in banking operation when appropriate factors are put in place and operated harmoniously.

CONCLUSION

Based on the above findings, the study conclude that accounting information system plays a vital role in the entire process of management cutting across the organization, without such a tool an organization is bound to fail. It serves as both planning and controlling devices for management on the overall performance of UBN Plc. The study reveals that the bank maintains substantial amount of various accounting records. Thus, the findings of the research indicate that implementation of accounting information systems could lead to better decision-making by managers, enhance the quality of financial reports and facilitate financial transaction processes of UBN Plc. However, to sustain the integration and successful use of AIS as an efficient management tool, UBN Plc as well as other banks in Nigeria must be responsive in upgrading existing facilities/gadgets as well as engage in staff training to enable them brace up with contemporary ideas and methodology.

REFERENCES

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