

**COMPUTERIZED ACCOUNTING SYSTEMS AND QUALITY OF  
FINANCIAL REPORTS OF SELECTED COMMERCIAL BANKS IN  
HARGEISA, SOMALILAND**

**BY**

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**1163-05026-08656**

**A THESIS SUBMITTED TO THE COLLEGE OF ECONOMICS AND  
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UNIVERSITY**

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## DECLARATION

I, **Abdirahman Awil Hussein**, declare that this is my original work and has not been presented for award of a degree in any other University or any other institution of higher learning before.

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## **APPROVAL**

This research proposal has been done under our supervision and it is ready for submission to the award of a master's degree Business administration in finance and accounting of Kampala International University.

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## **DEDICATION**

This work is dedicated to my dearest parents Mr. Awil Hussein Gedi and Mrs. Halimo Abdilahi Eggeh and my brothers and sisters for their endless love, understanding, and support during the study period.

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## **LIST OF ABBREVIATIONS**

CAS – Computerized Accounting Systems

SLMOF – Somaliland Ministry of Finance

QFR – Quality of Financial Reports

ADP – Accounting data processing

ADS – Accounting data Storage

ADR – Accounting data retrieval

CVI – Content validity index

## **ABSTRACT**

This study aimed at investigating the effects of computerized accounting systems on financial reports of selected commercial banks in Hargeisa Somaliland. It was guided by three specific objectives, that included (i) To establish the effect of Accounting data processing on the quality of financial reports in Somaliland, (ii) To establish the effect of Accounting data Storage on the quality of financial reports in Somaliland, and (iii) To establish the effect of Accounting data retrieval on the quality of financial reports in Somaliland. This research employed descriptive research design to describe the variables and the main instrument of data collection was the questionnaires. Quantitative data was analyzed using both descriptive and inferential analysis. Data collected through the open-ended questions. The sample for the study consisted of 63 respondents from selected commercial banks in Hargeisa Somaliland; selected through purposive sampling technique. Data collected was analyzed using descriptive statistics and regression analysis in particular using the Statistical Package for Social Sciences (SPSS) software. To ensure validity of the instruments **C**ontent Validity Index (CVI) was used which should not be less than 0.7. To ensure reliability, the researcher conducted a pilot test and the Cronbach's Alpha reliability coefficient which ranges in value from 0 to 1 was computed using SPSS. The study found out that taking all other independent variables at zero, a unit increase in accounting data processing lead to .465 increase in quality of financial reports whereas a unit increase in Accounting data Storage leads to .310 increase in quality of financial reports and a unit increase in Accounting data retrieval leads to .472 increase in quality of financial reports of selected commercial banks. This infers that accounting data retrieval contributes most to quality of financial reports of selected commercial banks followed by Accounting data processing then accounting data storage. The study concluded that computerized accounting systems has significant effect on the quality of financial reports of selected commercial banks in Hargeisa Somaliland. The study recommends that in order to ensure that the selected commercial banks have quality financial reports; they should invest on computerized accounting systems to improve the speed, timeliness, accuracy and relevance of the financial reports of their organizations. The study contributed to new knowledge in the following ways; the holistic analysis of this study added to existing research by identifying that computerized accounting systems such as accounting data processing, accounting data storage and data retrieval storage significantly affect the quality of financial reports. To holistically analyze the significant effect of these systems, which has not been done before. The study confirmed results of existing studies that also emphasized the effect of computerized accounting systems on quality of financial reports. However, the study also provides empirical evidence that computerized accounting systems factoring in its speed, timeliness, accuracy, Data Security and the possibility of producing quality data affects the quality of financial reports of the selected commercial banks in Hargeisa Somaliland. Moreover, the study contributed that the measures of quality of financial reports are relevancy, reliability and understandability that were not emphasized in existing computerized accounting and quality of financial reports literature.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0. Introduction**

This Chapter includes the background, problem statement, purpose, objectives, research questions, hypothesis, scope, and significance of the study.

### **1.1. Background**

#### **1.1.1. Historical perspective**

Globally, in the United States of America, before computerized accounting systems were invented in the 1980s, bookkeepers relied on the paper ledger to record debits and credits, revenue and expenses. Everyday transactions were entered by hand into a journal. After each transaction entry had to be posted in a proper general ledger account on the assigned page Next step was an input of the numbers from general ledger into financial statements and preparing tax returns. All these processes were inefficient, slow, and manual. Even a minor mistake or inaccuracy in these processes led to long time spent for recalculations (Kenedy & Augtine, 2017)

Continentially, in Uganda, before the 2000s, the manual systems were inaccurate and inconsistent for many organization needs especially reporting of financial information. This is because the system was associated with errors since data was collected, analyzed, journalized and a trial balance and balance sheet prepared (Amviko, 2011)

Continentially, In Nigeria historically, accounting systems were a complex series of manual calculations and balances. However, within the last decade, the Nigerian banking industry has been at the forefront of computerization. This is with the aim of improving their information system, delivery of efficient and high-quality service to their customers. In the advent of computerization, old generation banks in the industry were forced to wake up from their slumbers and face reality. The new generation banks came into the industry with innovation, research, and

development, in order to push these less competent old ones out of business. This revolution was aided by computerization (Imeokparia, 2013)

Locally, In Somaliland, before the installation of computerized accounting systems in the 2000s, all processes of accounting which associate with the system today, such as receiving data, recording, processing, and reporting was done manually with pen and paper. This system made the job too difficult as it bumps into by the following problem. It was easy for documents to get lost or being misplaced, sometimes would disappear completely. On the other hand, it was easy to be destroyed or change necessary documents in different files, unnecessary debt to the government through fund mismanagement as a result of fraud (Ahmed, 2013).

### **1.1.2.Theoretical perspective**

The study employed Contingency theory by Gordon & Miller (1976) the Contingency theory suggests that an accounting information system should be designed in a flexible manner so as to consider the environment and organizational structure confronting an organization. Accounting information systems also need to be adapting to the specific decisions being considered. In other words, accounting information systems need to be designed within an adaptive framework (Gordon, n.d)

The first paper to specifically focus on the contingency view of accounting information systems in the accounting literature was "A Contingency Framework for the Design of Accounting Information Systems,"(Gordon & Miller, 1976). This paper laid out the basic framework for considering accounting information systems from a contingency perspective (Gordon, n.d)

Gordon & Narayanan (1984) investigated Management accounting systems, perceived environmental uncertainty and organization structure, and concluded that environmental uncertainty is a fundamental driver for designing management accounting systems among successful organizations. A key finding in this study was that, as decision makers perceive greater environmental uncertainty, they tend to seek more external, nonfinancial and ex-ante information in addition to internal,

financial and ex-post information. This latter finding has been confirmed by several studies that followed the Gordon and Narayanan paper (Gordon, n.d).

### **1.1.3. Conceptual perspective**

The study focused on the effect of computerized accounting systems on quality of financial reports. In this context, computerized accounting is a tool to achieve ideal output while the quality of financial reports is an ideal output. Computerized accounting was broken into three constructs and these were; Accounting Data Processing, Accounting Data storage and Accounting Data retrieval while the quality of financial reporting is measured with relevancy and reliability. Computerized accounting systems in the study was an independent variable while the quality of financial reporting was a dependent variable.

The computerized accounting system is the application of the computer-based software used to input, process, store, and output accounting information. This application is in support of the ever-advancing technology that enables firms to use computer programs to perform tasks that were previously done manually. A computerized accounting system, therefore, involves the computerization of accounting information systems which is established in order to facilitate decision making. These are associated with a number of benefits like the speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting.

Computerized accounting system as defined by Muinde (2013) is the application of a computer-based software which serves as a tool for inputting, processing, storing, and transforming data into accounting information. According to Michael (2015), a computerized accounting system is a system that uses computers to input, process, store, and output accounting information in form of financial reports. It records all transactions that routinely deal with the events that affect the financial position and performance of the entity. Michael adds that Computerization of system can certainly help in minimizing some errors when preparing accounting records another view adds that computerized systems are advantageous in consolidating information channels meaning that files which had previously been duplicated by several departments are now consolidated into a single file.

Financial reporting is the process of producing statements that disclose an organization's financial status to management, investors and the government. Generally, the four basic reports are Balance sheet, Income statement (also referred to as profit and loss statement), Cash flow statement and Statement of shareholders' equity.

According to Pandey (2009), Financial reporting to the company's stakeholders, for instance, the government, public, donors is a statutory obligation for every organization. Saleemi (2008) defined financial reporting as the process of supplying financial information which is reliable, accurate and complete to the various stakeholders for making economic decisions.

The advancements in information technology have eventually led to the introduction of Computerized Accounting Systems in corporate reporting to help produce relevant and faithful representative financial reports for both management and external users for decision making (Hennie, 2009). The experience of advanced countries is that, as information technologies grow more progressively, the manual accounting systems have become gradually inadequate for decision needs (Brecht & Martin, 1996). Consequently, public and private sector firms in both developing and developed economies view CAS as a vehicle to ensure effective and efficient information flow in the recording, processing, and analysis of financial data. Effective and efficient information flow enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives (Manson, McCartney, & Sherer, 2001).

#### **1.1.4. Contextual perspective**

In Somaliland, over the past decade, considerable efforts have been made to improve quality of financial reports. Inaccurate financial statements have for a long time been a serious problem for many developing countries including Somaliland. Many researchers have found out that the problem definitely exists. To find out how well spread the problem was the Somaliland Ministry of Finance (SLMOF) organized several investigations on Reasons behind presumed low financial reporting quality. The study found among 20 investigated companies that: 14 provided untrue total



assets, 16 provided untrue incomes. The study recommended In order to establish foundations for effective financial reporting the central bank will initially focus efforts to (a) establish a strong financial institution licensing frameworks (orderly entry and exit); and (b) progressively strengthen the capacity of central banks to supervise and regulate financial institutions, as measured by key institutional performance indicators (gradual development of prudential rulebook that is consistent with international standards, financial reporting and monitoring, financial institution examinations) (Saeed, 2016)

Lately, the problem has still been a challenging part of the Somaliland economy. The Somaliland government did in 2015 publicly go out and admitting that the country has accounting problems. According to (ILO, 2013) there is an inadequate regulatory framework for the finance sector; inadequate client protection; weak legal infrastructure and the regulation that lags technology and immediate financial regulatory priorities being on setting up offices and institutions.

In Somaliland, the use of computerized Accounting System in the various banks is significantly changing the way banking activities are being organized. Electronic commerce is now regarded as the solution for the new commercial revolution that has taken place in the advanced world which in one way or the other lacking in Somaliland, and by offering reasonable banking products and services to customers, banks had to adopt computerized Accounting System. Moreover, considering the recent improvement in the country's infrastructure then one can say that the banks had nothing to say but to effectively adopt this technology in order for them to improve their services for their customers (Ahmed, 2013).

## **1.2. Statement of the problem**

Inadequate financial reports have for a long time been a serious problem in Somaliland. The major challenge in the business is that there are difficulties in controlling the quality of data when reporting financial results, because for several reasons. First, inadequate attention or recognition of computerized accounting as a result of inadequately qualified workers to handle the computer. Second, corporate financial statements necessarily depend on estimates and judgment calls that can be

widely off the mark, even when made in good faith. Finally, managers and executives routinely encounter strong incentives to deliberately inject error into financial statements (Ahmed, 2013).

The lack of good quality data is making it difficult for businesses to understand how they can grow. It is also opening them up to financial penalties from the regulators (Michael, 2015). An inaccurate financial statement can lead to an inaccurate profit-margin calculation. If the error causes company calculate a lower-than-necessary number, it could be aiming for a sales goal that is actually too low to meet your basic operating costs, also if the error with your financial statement is an inaccurate account of sales, this can have a negative effect on the valuation of your business. Companies' Stakeholders may be affected by inaccurate reporting, especially if they uncover the inaccuracies. Faulty reporting will hurt the company's credibility with the board of directors and investors (Thomas, n.d.)

The Challenges of Corporate Financial Reporting research by (SLMOF, 2013) surveyed over 20 finance executives at businesses in Somaliland. The study revealed that Accounting and finance departments find it a challenge to report financial data, despite the existence of well-established computerized accounting systems.

Locally, a few studies have been done research on the effects of computerized accounting systems on the quality of organizational performance which included; Ahmed (2013), the study assessed the impact of computerized accounting systems and financial performance in SMEs in Hargeisa. (Saeed, 2016) studied the Impact of computerized accounting system on performance of payroll accounting of Manufacturing companies in Hargeisa. No studies have done the effect of computerized accounting systems on the quality of financial reports of commercial banks, especially in Hargeisa Somaliland. Thus this study intended to fill the gap in the literature regarding Does the use of Computerized Accounting System affect the quality of financial reports of selected commercial banks in Hargeisa Somaliland.

### **1.3. Purpose of the study**

The purpose of this study was to establish the effect of computerized accounting systems on the quality of financial reports of selected commercial banks in Hargeisa Somaliland.

### **1.4. Objectives of the study**

The study was guided by the following objectives.

- I. To establish the effect of Accounting Data Processing on the quality of financial reports of selected commercial banks in Hargeisa, Somaliland.
- II. To establish the effect of Accounting Data storage on the quality of financial reports of selected commercial banks in Hargeisa, Somaliland.
- III. To establish the effect of Accounting Data retrieval on the quality of financial reports of selected commercial banks in Hargeisa, Somaliland.

### **1.5. Research Questions**

- I. What is the significant effect of Accounting Data Processing on the quality of financial reports of selected commercial banks in Hargeisa, Somaliland?
- II. What is the significant effect of Accounting Data storage on the quality of financial reports of selected commercial banks in Hargeisa, Somaliland?
- III. What is the significant effect of Accounting Data retrieval on the quality of financial reports of selected commercial banks in Hargeisa, Somaliland?

### **1.6. Hypotheses**

H<sub>01</sub>: Accounting Data Processing has no significant effect on quality financial reports of selected commercial banks in Hargeisa, Somaliland.

H<sub>02</sub>: Accounting Data storage has no significant effect on quality financial reports of selected commercial banks in Hargeisa, Somaliland.

H<sub>03</sub>: Accounting Data retrieval has no significant effect on quality financial reports of selected commercial banks in Hargeisa, Somaliland.

## **1.7. Scope of the study**

### **1.7.1. Geographical Scope**

The research was carried out in selected commercial banks in Hargeisa, Somaliland. This is due to the availability of data about the topic of the study.

### **1.7.2. Content /Variable Scope**

The research was based on two variables these are computerized accounting systems which comprise of definitions and components of computerized accounting software and financial reports which also comprises of definitions of financial reports, benefits, and effectiveness of accounting system used by the selected commercial banks in Hargeisa Somaliland.

### **1.7.3. Time Scope**

The study was conducted for the period of 10 Months that is to say July 2017 to April 2018. Whereby proposal writing was done from July to September 2017, data collection was done between February 2018, and after that, the final report was written in March 2018 and submitted.

## **1.8. The significance of the study**

The findings of this study will contribute to the existing body of knowledge on the impact of CAS on the quality of financial reports of selected banks in Somaliland and help stakeholders in the accounting profession to become aware of the extent of adoption of CAS on the quality of financial reports as well as the positive and negative impacts of adoption of Computerized accounting systems on Quality of financial reports in selected commercial banks

The findings of this study will also serve as a stimulant and stepping stone for future researchers and academicians by suggesting areas where further studies need to be conducted on the same or similar topics.

Also, successful completion of the study will enable the researcher to partially fulfil the requirements for the award of a Masters' degree in Business Administration (MBA Finance and accounting) offered by Kampala international university.

Finally, the study will be useful to other Firms wishing to implement computerized accounting systems as it will enable them to identify challenges posed while implementing best practices and be able to mitigate such challenges.

## 1.9. OPERATIONAL DEFINITION OF KEY TERMS

- **Computerized accounting system:** The computerized accounting system is the application of the computer-based software used to input, process, store, and output accounting information.
- **Financial reporting:** Financial reporting is the process of producing statements that disclose an organization's financial status to management, investors and the government.
- **Accounting Data Processing:** Processing accounting data involves calculations, classification, summarization, and consolidation. In manual accounting systems, this processing occurs through the established manual methods and the recording, posting, and closing steps in the journals and ledgers. Automated processing can be accomplished by batch processing or online and real-time processing.
- **Accounting data storage:** accounting data storage is the part of the accounting system that keeps data accessible to the information processors.
- **Accounting Data retrieval** is a system of removing Accounting records from their storage places. The file arrangement should support the retrieval of records by either arranging them numerically or alphabetically so as to ease retrieval.
- **Relevance:** relevance is the concept that the information generated by an accounting system should impact the decision-making of someone perusing the information. The concept can involve the content of the information and/or its timeliness, both of which can impact decision making. In particular, information that is provided to users more quickly is considered to have an increased level of relevance.
- **Reliability:** Accounting reliability refers to whether financial information can be verified and used consistently by investors and creditors with the same results. Basically, reliability refers to the trustworthiness of the financial statements.
- **Understandability:** Understandability is the concept that financial information should be presented so that a reader can easily comprehend it. This concept assumes a reasonable knowledge of business by the reader, but

does not require advanced business knowledge to gain a high level of comprehension.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0. Introduction**

This section of literature review focused on the theoretical, conceptual and Empirical reviews it also shows the gap identified from the existing studies.

#### **2.1. Theoretical Review**

This section aims at looking at different theories proposed by various scholars

##### **2.1.1. Systems Theory**

Systems theory was developed in 1966 by Kaufmann to explain historical development as a dynamic process and was more fully developed in 1968 by biologist Bertalanffy (Sugut, 2012). Bertalanffy argued that everything is interconnected and therefore, we should study the interconnectedness as a means of understanding the world. The systems theory method of analysis involves, first the deconstruction of what is to be explained that is the phenomenon under consideration, secondly, the formulation of explanation that accounts for the behaviour of properties of the component separately and finally the synthesis of these explanations into an aggregate understanding of the whole. General systems theory like other innovative frameworks of thought passes through phases of ridicule and neglect. It has benefited, however, from the parallel emergence and rise to eminence of cybernetics and information theory. Systems theory is relevant to this study because the methods proposed by the theory is to model complex entities created by multiple interactions of components by abstracting from certain details of structure and component and concentrating on the dynamics that define the characteristics functions, properties, and relationships that are internal or external to the system, Computerized Accounting System is a computer-based system, which combines accounting principles concepts as well as the concept of information system to record, process, analyze and produce financial information to its users to make economic decisions (Gelinas, Sutton, & Hunton, 2004).



### **2.1.2. Technology Acceptance theory**

Technology Acceptance theory was developed in 1986 by Davis. The model deals more specifically with the prediction of the acceptability of an information system. The purpose of this model is to predict the acceptability of a tool and to identify the modifications which must be brought to the system in order to make it acceptable to users. This model suggests that the acceptability of an information system is determined by two main factors: perceived usefulness and perceived ease of use. Perceived usefulness is defined as being the degree to which a person believes that the use of a system will improve his performance. Perceived ease of use refers to the degree to which a person believes that the use of a system will be effortless. Several factorial analyses demonstrated that perceived usefulness and perceived ease of use can be considered as two different dimensions (Hauser & Shugan, 1980; Larcker et Lessig, 1980; Swanson, 1982).

As demonstrated in the theory of reasoned Action, the Technology Acceptance Model postulates that the use of an information system is determined by the behavioural intention, but on the other hand, that the behavioural intention is determined by the person's attitude towards the use of the system and also by his perception of its utility. According to Davis, the attitude of an individual is not the only factor that determines his use of a system, but is also based on the impact which it may have on his performance. Therefore, even if an employee does not welcome an information system, the probability that he will use it is high if he perceives that the system will improve his performance at work. Besides, the Technology Acceptance Model hypothesizes a direct link between perceived usefulness and perceived ease of use. With two systems offering the same features, a user will find more useful the one that he finds easier to use (Dillon and Morris, on 1996).

According to Davis (1986) perceived ease of use also influences in a significant way the attitude of an individual through two main mechanisms: self-efficacy and instrumentality. Self-efficacy is a concept developed by Bandura (1982) which explains that the more a system is easy to use, the greater should be the user's

sense of efficacy. Moreover, a tool that is easy to use will make the user feel that he has a control over what he is doing (Lepper 1985). Efficacy is one of the main factors underlying intrinsic motivation (Bandura 1982; Lepper 1985) and it is what illustrates here the direct link between perceived ease of use and attitude. Perceived ease of use can also contribute in an instrumental way of improving a person's performance. Due to the fact that the user will have to deploy fewer efforts with a tool that is easy to use, he will be able to spare efforts to accomplish other tasks (Davis, 1986).

### **2.1.3. Contingency Theory**

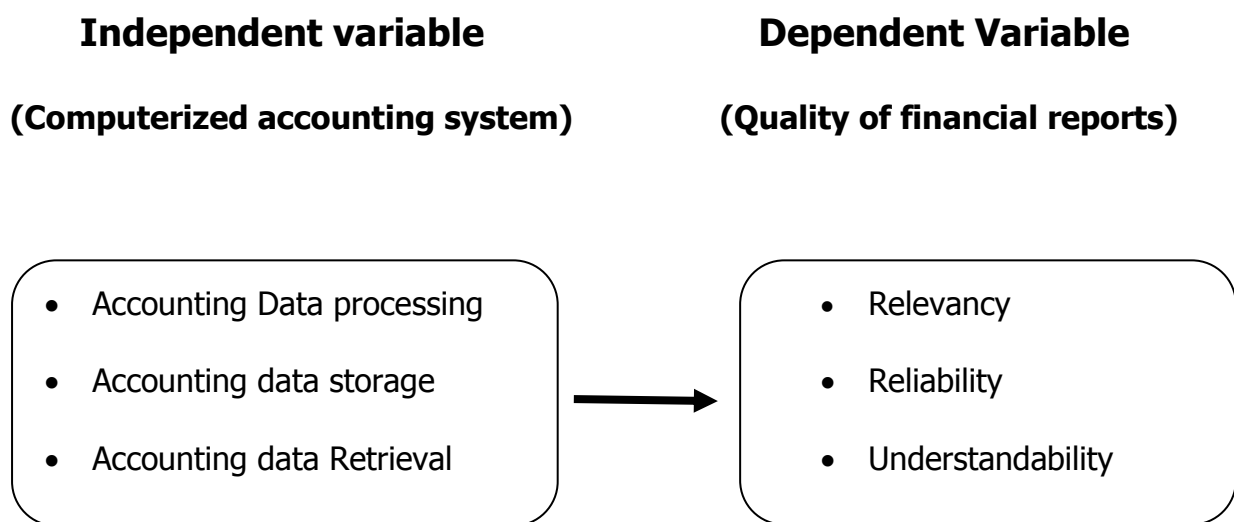
Contingency theory suggests that an accounting information system should be designed in a flexible manner so as to consider the environment and organizational structure confronting an organization. Accounting information systems also need to be adapting to the specific decisions being considered. In other words, accounting information systems need to be designed within an adaptive framework (Gordon, n.d).

The first paper to specifically focus on the contingency view of accounting information systems in the accounting literature was "A Contingency Framework for the Design of Accounting Information Systems," (Gordon & Miller, 1976) This paper laid out the basic framework for considering accounting information systems from a contingency perspective (Gordon, n.d).

Gordon and Narayanan (1984) investigated Management accounting systems, perceived environmental uncertainty and organization structure, and concluded that environmental uncertainty is a fundamental driver for designing management accounting systems among successful organizations. A key finding in this study was that, as decision makers perceive greater environmental uncertainty, they tend to seek more external, nonfinancial and ex-ante information in addition to internal, financial and ex-post information. This latter finding has been confirmed by several studies that followed the Gordon and Narayanan paper (Gordon, n.d).

Although extensively studied in the last two decades, contingency theory has been given relatively little consideration in terms of the factors that influence the accounting information systems. Few organizations appear to have systematic processes in place for managing the evolution of their measurement systems and few researchers appear to have explored two of the main questions: What are the requirements of accounting information in the banking industry? And, how efficient is the accounting systems in the banking industry? This paper addresses these questions by providing empirical evidence of accounting information contingencies based on a sample of selected commercial banks in Somaliland.

## 2.2. Conceptual Framework



**Figure 2. 1 Conceptual framework**

Source: (Brecht & Martin, 1996)

### **Explanation of the conceptual framework**

The conceptual framework in figure 2.1 shows the relationship between computerized accounting systems and quality financial reports of selected commercial banks in Hargeisa, Somaliland. It also indicates computerized accounting systems as the independent variable and quality financial reports as the dependent variable. The independence variable (computerized accounting systems) was conceptualized in terms of Accounting Data processing, Accounting data storage and Accounting data Retrieval. Whereas the dependent variable (quality financial reports

was measured Relevancy and Reliability). It is clear that the electronic processing storage and retrieval of accounting information plays an important producing high-quality financial reports which business owners can use when making business decisions.

### **2.2.1. Computerized Accounting Systems**

According to VanBaren (2017), a computerized accounting system is a system used by businesses for recording their financial information. Many systems are available and companies look for a system to match their needs.

Hennie (2009) defines computerized accounting as the accounting done with the aid of a computer. It tends to involve dedicated accounting software by digital spreadsheets to keep track of a business' or clients financial transactions. Computerized accounting involves the use of computers to handle large volume of data with speed, efficiency, and accuracy aimed at overcoming the fundamental however, does not mean change in principle, the principle of accounting remains the limitations of manual accounting and hence producing quality and reliable work same with daybooks ledgers double entry only that the accounting processing is done by computer packages

Abdel-Salam (2001) described a computerized accounting system as a method or scheme by which financial information on business transactions are recorded, organized, summarized, analyzed, interpreted and communicated to stakeholders through the use of computers and computer-based systems such as accounting packages. He emphasized that it's a mechanized process of facilitating financial information inflows as well as the automation of accounting tasks such as database recording and report generation. Abdel-Salam (2001) adds that computerized accounting systems are advantageous in consolidating information channels meaning that files that were previously been duplicated by several departments will now be consolidated into a single file. A computerized accounting system is a delivery system of accounting information for a purpose such as providing reliable accounting information to users (Romney & Steinbart, 2014)

According to Michael (2015), a computerized accounting system is a system that uses computers to input, process, store, and output accounting information in form of financial reports. It records all transactions that routinely deal with the events that affect the financial position and performance of the entity. He adds that Computerization of system can certainly help in minimizing some errors when preparing accounting records Another view adds that computerized systems are advantageous in consolidating information channels meaning that files which had previously been duplicated by several departments are now consolidated into a single file.

### **2.2.2. Quality of Financial Reports**

Hennie (2009) defines financial reporting as the process of presenting financial information or data about a company's financial position, operating performance and its flow of funds for an accounting period.

According to Frank Wood and Sangester (1999), financial reporting is all about presenting useful information to users so that proper decisions can be made. His implication about financial reporting is that financial information should aid in the evaluation of amounts, timing, and uncertainties of cash flows. Also, financial reporting should furnish information about the entity's economic resources, claims against those resources, owners' equity and changes in the resources and claims.

Indira (2008), emphasized that financial reports should provide information about financial performance during a period management discharge it's stewardship responsibility to owners. It should likewise be useful to managers and directors themselves in making decisions on behalf of the owners. Indira argues that accounting information is very necessary if decisions are to be made accurately and rationally by the various interested parties or users of financial information. These are broadly classified into external and internal users. Where internal users include management and employees while the external users include donors, shareholders, creditors, government, competitors and the general public.

According to Carl, Wailes and Fess (1999), the quality of financial reports depends on the intended users of the information and should be evaluated with respect to

the needs of the users. Federation of Accounting Standards Board (FASB) defined quality as a hierarchy of accounting qualities with relevance and reliability considered as the primary characteristics while representing faithfulness, verifiability, neutrality comparability, consistency and understandability considered as secondary characteristics. Accounting reliability refers to whether financial information can be verified and used consistently by investors and creditors with the same results. Basically, reliability refers to the trustworthiness of the financial statements. Reliability, information is said to be reliable if it is free from material errors and bias and represents faithfully that purports to represent emphasized (Frank & Sangester, 1999)

According to Frank wood and Sangester (1999). Neutrality is the demand that accounting information should not be selected to benefit one class and neglect to other. Reliable information is verifiable, neutral and has representative faithfulness. Relevance is also a very important characteristic of quality. Frank wood indicates that financial information is relevant if it is capable of making a difference in decisions made by helping users to form predictions about the outcomes of the past, present, and future events either to confirm or correct prior expectations. Comparability is another characteristic of quality information. Frank wood and Sangester (1999) Also stresses that users must be able to compare the financial statements of the enterprise over time in order to identify trends in its financial position and performance.

According to Indira (2008), reliability is also another important characteristic of quality financial information. This arises as a result of the perishability of accounting information. To benefit users, financial information must be presented at the right time otherwise it loses relevance.

According to Pillai (2007) Understandability as a quality of financial reporting that enables users to perceive the significance of the financial information. He argues that users are assumed to have a reasonable knowledge of business and willingness to study and understand the information. International Accounting Standards Board adds that information should not be excluded on grounds that it may be difficult for

certain users to understand Relationship between Computerized Accounting and Financial Reporting

According to Frank and Sangester (1999) reliability is regarded as one of the main qualities. People must be able to depend on the figures and the facts printed on your financial statements and to make sure that they are true. It must be verifiable. Free from error. E.g. you can always look at a receipt to verify the amount of an expense. As you already know, when you get audited, you must verify all transactions that occurred in your business.

### **2.3. Effect of data processing on quality of financial reports**

According to Turner and Weickgenannt (2013), Processing accounting data involve calculations, classification, summarization, and consolidation. In manual accounting systems, this processing occurs through the established manual methods and the recording, posting, and closing steps in the journals and ledgers. Automated processing can be accomplished by batch processing or online and real-time processing.

Magdalene (2011) did a study to establish the effect of computerized accounting and financial reporting and the findings were that computerized accounting system involves processing accounting data into information to facilitate quick decision making through timely preparation of financial reports and financial reporting, in this case, refers to the way in which financial information is recorded, processed and conveyed to the end users of this information in particular. Magdalene (2011) also stresses that computerized accounting systems collect and process account data into meaningful information that is used by management to make timely and effective decisions. The computer carries out the entire data processing through classifying, sorting, calculating, and summarizing the data and production of reports.

Dalci and Tanis (2015) on their study, "Benefits of Computerized Accounting Information Systems on the JIT Production Systems", concluded that Improvements in the technology have enabled companies to collect, process, and retrieve data quickly. In addition, there is less likelihood of error when data are processed with computers.

According to Soudani (2012), AIS was found that an important factor in building an organizational performance through collection, storage and processing of financial and accounting data to be evaluated by its impacts on the improvement of the quality of accounting information, decision-making process, performance evaluation, internal controls and facilitating company's transactions.

#### **2.4. Effect of data Storage on quality of financial reports**

According to Abdel-Salam (2001) keeping accurate accounting records is a vital part of financial reporting in any organization. Apart from helping it to keep its float financially and legally, it is a requirement of the shareholders. However computerized accounting system involves the use of computers to handle a large volume of data with speed, efficiency, and accuracy aimed at overcoming fundamental challenges which do not change the principle. The principle of accounting remains the limitations of many accounting and hence producing quality and reliable work.

According to Dalci and Tanis (2015), after the data are collected and entered into computers, they are processed. The most common data processing activity is data maintenance. Data maintenance is the processing of transactions to update stored data. In addition to the external data entered into the information system, there should be internally stored data used for processing.

Accounting records are important as they are sources of information and thus they must be numbered and stored properly for the purpose of record retrieval. Crane (1997) defined data storage as the housing of records when whether semi-active or inactive, must still be retained. Crane also pointed out that records should be stored in a well-built records centre, the archives, commercial storage and the basement.

#### **2.5. Effect of data retrieval on quality of financial reports**

Reed (2010) defined record retrieval as a system of removing records from their storage places. Reed stated that file arrangement should support the retrieval of records by either arranging them numerically or alphabetically so as to ease retrieval. Reed further explained that retrieval should be done by authorized personnel in a record centre. He explained that accounting record documents should



be arranged to ensure that files containing restricted information are accessible only to authorized personnel and officials.

Best practices for successful record retention program should include; training and education, checklists to ensure inclusions of all required documentation prior to closing a file, paying attention to detail, documenting pertinent information relative to the transaction providing and obtaining instructions in writing, records maintained in an organized manner and stored in a designed area and written standard operating procedures addressing record retention (Reed, 2010).

Murungi and Kayigamba (2015) did a study on the Impact of Computerized Accounting System on Financial Reporting in the Ministry of Local Government of Rwanda. The main purpose of their study was to assess the impact of computerized accounting system on financial reporting in the Ministry of Local government in Rwanda. The study revealed computerized accounting system enables data to be available instantly and be made available to different users in different locations at the same time meaning that reporting can be done at any time.

## **2.6. Empirical literature review**

This section discussed the empirical review both international and local evidence of studies that had been carried out by other researchers.

Shiraj (2015) studied the impact of using computerized accounting systems in financial reporting among SMEs. The objectives were including to understand the major advantages and disadvantages of using the computerized accounting systems in financial reporting among the small and medium enterprises. The research findings showed that there is a strong significant positive relationship between computerized accounting systems and financial reporting. The researcher concluded that there will be potential in the computerized accounting system in SMEs and there is a positive impact on computerized accounting system revealed by the computerized accounting system user.

A study by Allan, Augustine and Kennedy (2017) on The Determinants of Computerized Accounting System on Accurate Financial Report in Listed Banks on

the Ghana Stock Exchange. The main purpose of their study was to identify the determinants of computerized accounting systems on accurate financial reporting. The study revealed that because of the numerous benefits that are associated with the computerized accounting system, more importantly, its ability to produce and present relevant and faithful representative of financial reports to end users (Banks), management of the selected banks are trying to migrate all their activities onto the Computerized Accounting System. Based on the empirical findings of the study, they concluded that there is a strong positive correlation (84%) between Computerized Accounting System and accurate financial reporting.

A Study by Akesinro and Adetoso (2016) on the effects of computerized accounting system on the Performance of Banks in Nigeria. The main purpose of the study was to examine the effects of computerized accounting systems in appraising the performance of banking industries. The study discovered that the importance of computerized banking system in Nigeria banking industries, for example, the use of computer has made internet and electronic banking possible, they concluded that computerized banking system has a significant impact on commercial bank's profitability.

Sugut (2014) did a study to establish the effect of computerized accounting systems on the quality of financial reports of NGOs in Nairobi County. The findings showed that quality of computerized accounting systems affects the quality of financial reports of the NGOs to a great extent. The study concluded that computerized accounting systems factoring in its speed, timeliness, accuracy and the possibility of producing quality data affects the quality of financial reports of the NGOs.

A Study by Mutiso and Kamau (2013) on the Factors Influencing Complexity in Financial Reports Preparation Evidence from the Banking Sector in Kenya. The objectives included assessing whether the disclosures adoption of international reporting standards regulations and lack of competence by the preparers have contributed to the complexity of the reports, the study found out that the identified variables positively contributed to the complexity of financial reports preparation.

Management interference, lack of guidance on interpretations and frequent updates of standards were identified as the main challenges of preparing financial reports.

Hayale and Khadra (2015) on their study, "evaluation of the effectiveness of control systems in computerized accounting information system on Jordanian banking sector", concluded that Jordanian domestic banks use fraud and error reduction controls through computerized accounting information system to enhance the effectiveness of financial control.

El-Dalabeeh (2012) aimed to identify the role of computerized accounting information systems in reducing the costs of medical services at King Abdullah University Hospital, and the findings were that computerized accounting information systems play an important role in reducing the costs of medical services at King Abdullah University Hospital compared with non-computerized systems, which usually require bigger costs and do not contribute to reducing the costs of medical services.

Amviko (2011) conducted a research aimed to identify the impact of computerized accounting information systems on financial reporting in Kampala, the financial reports generated to conform to some of the quality attributes of good financial information. This was emphasized by a positive correlation of response to quality attributes of timeliness and accuracy though it was on a low scale the findings were that that computerized accounting system actually has an influence on the quality of financial reports for publication purposes.

Alshebeil (2010) aimed to identify the role of accounting information systems in achieving competitive advantage for Jordanian commercial banks, and the findings were that there is a statistically significant impact on accounting information systems on achieving the dimensions of competitive advantage by improving the pricing process for banking services, reducing costs of banking services, increasing the speed of provided services, and increasing market share

Lainhart (2016) aimed to identify The Effectiveness of Control Systems in Computerized Accounting Information Systems. The objectives included evaluating

the level of Control Systems effectiveness in Computerized Accounting Information Systems. The author concluded that adequate security and controls exist in a computerized accounting system. That is to say, there is the impact of computerized accounting system in financial control.

## **2.7. Summary of Literature Review and research gap.**

Computerized accounting systems appear to have significant influence on the quality of financial reports from previous empirical studies, Present review of literature shows that studies in Somaliland have only attempted to evaluate the implementation of computerized accounting systems on organizations, other studies related the governance with financial reports, the gap exists in that studies has gone to the depth of studying the effects of computerized accounting systems on the quality of financial reports.

From the literature reviewed above, many studies have been conducted on the impact of computerized accounting systems on efficiency, effectiveness (Lainhart, 2016) (Akesinro & Adetoso, 2016) and performance of accounting functions. However, but there is little research which has been conducted on the impact of computerized accounting system on the quality of financial reporting. As a result, there is a knowledge gap. This study aims to fill that gap.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

### **Introduction**

This chapter describes the research methodology that was used to guide the study under the following sub-headings: the research design, target population, sample and sampling design, data collection instruments, data collection, Data Validity and Reliability, data analysis procedure, decision rule, and Ethical Considerations.

### **3.0. Research Design**

The research adopted a descriptive research design to establish the effect of computerized accounting on the quality financial reports of selected commercial banks in Hargeisa Somaliland. Descriptive survey research was defined as a scientific method in which information is collected without changing the environment it includes surveys and fact-finding enquiries of different kinds, which seeks to obtain information that discloses existing phenomenon (Mugenda & Mugenda, 2003). The major purpose of descriptive research design is to describe the state of affairs as it exists at present (Kothari, 2006). The study also involved quantitative approach. Quantitative research involves the collection of numerical data in order to explain, predict and control phenomena of interest, data analysis being more statistical (Amin, 2005). It involves collecting data in order to test hypotheses or answer questions concerning the current status of the subject under the investigation.

### **3.1. Target Population**

The target study population was 75 which involved Management, Accounting department, ICT department, banking operations department, of the case study who actually record and even use the same information generated the system.

**Table 3.1: Target Population**

<b>Target</b>	<b>Dahabshiil Bank</b>	<b>Dara-salaam Bank</b>	<b>Total</b>
Management	9	8	17
Accounting department	10	8	18
ICT department	9	7	16
Banking operations dept.	14	10	24
Total	42	33	75

Source: (Human resource departments of Dahabshiil Bank and Dara-salaam Bank, 2017).

### **3.2. Sampling Design and Procedure**

The study used purposive sampling based on judgment on possession of specialized accounting experiences and knowledge on information technology. Amin (2005) suggests that purposive sampling is suitable to select individuals within the sample who have specialized information or experiences about the study problem by virtue of their managerial position or related specific attributes possesses relevant to the study this was applied by selecting Management, Accounting department, ICT department, banking operations department.

**Slovin's formula**      
$$n = \frac{N}{1+N(e^2)}$$

Whereas:

n = no. of samples

N = total population

e = error margin / margin of error

$$n = \frac{75}{1+75(0.05)^2} = 63$$

For the purpose of this research, sample size is sixty three (63).

**Table 3. 1 Showing the Sample category and size of respondents for this study**

<b>Category</b>	<b>Dahabshiil Bank</b>	<b>Dara-salaam Bank</b>	<b>Total</b>
Management	7	6	13
Accounting department	9	7	16
ICT department	8	6	14
Banking operations dept.	11	9	20
Total	36	27	63

**Source: Primary 2018**

### **3.3. Sources of data**

#### **3.3.1 Primary data**

The study was conducted using the raw data that was collected from the field. The data was collected using the research instruments of questionnaires these enabled the collection of data appropriate for the study to depict the situation prevailing at a time in the study.

### **3.4. Data type and collection methods**

This study used a self-administered questionnaire for primary data collection, which was designed by the researcher to distribute it to the members of the study sample. The questionnaire was divided into three sections. Section A deal with the Bio-data of the respondents, the section B deal with the independent variable, Computerized Accounting Systems. And the section C deal with the dependent variable which is quality of financial reporting. Questions were printed in clear and simple language possible for the respondents to understand. The respondents then selected the correct options by ticking the correct answers.

### **3.5. Data Validity and Reliability**

The validity of a questionnaire refers to the extent to which it measures what it claims to measure (Mugenda & Mugenda, 2003). In testing validity, the researcher prepared questionnaires and presented them to the supervisor for scrutiny and suggestions on the relevance, clarity, and suitability of the information. The supervisor then made suggestions which were incorporated into the final draft. Content Validity Index (CVI) was used which should not be less than 0.7.

The content validity (CV) method can be calculated by using the formula:

$$CVI = \frac{\text{no of items declared valid}}{\text{total no of items}} = \frac{20}{24} = 0.833$$

Thus, since the CVI computed was above 0.7, the standard Cronbach alpha, the instruments were considered valid this was also in line with Amin (2005) who noted that the overall CVI for the instrument was calculated by computing the average of the instrument and for the instrument to be accepted as valid the average index should be 0.70 or above (Amin, 2005).

To ensure reliability, the researcher conducted a pilot test and the questionnaire was given to 33 respondents who were part of the target population and after two weeks, the same questionnaire was given to the same people and the Cronbach's Alpha reliability coefficient which ranges in value from 0 to 1 was computed using SPSS. In this approach, an alpha ( $\alpha$ ) of 0.7 indicates acceptable reliability, and 0.8 or higher indicates good reliability (Mohsen & Dennick, 2011).

**Table 3. 2 Reliability Test Results**

Cronbach's Alpha	N of Items
.781	24

**Primary Data, (2017)**

Since the alpha of 0.781 was above 0.70, the findings indicated that the instrument had internal consistency and was therefore reliable.

**3.6. Data Analysis**

The data was collected and analyzed by using quantitative data analysis method. The quantitative method involved both descriptive and inferential analysis. Descriptive analysis such as frequencies and percentages were used to present quantitative data in form of tables. Descriptive statistics involved the use of statistics of means, standard deviation. The data on mean attained a numerical scale that was designed based on highest value minus lowest and divided by the



highest value in the Likert scale. The interpretations of the data for both the independent and dependent variables were interpreted using the following mean ranges.

**Table 3. 3 Mean Range**

<b>Mean Range</b>	<b>Response</b>	<b>Interpretation</b>
4.21-5.0	Strongly agree	Very satisfactory
3.41-4.20	Agree	satisfactory
2.61-3.30	Neutral	Neutral
1.81-2.60	Disagree	un satisfactory
1.00-1.80	Strongly disagree	very satisfactory

Regression analysis was used to prove the nature of the effect between computerized accounting systems and quality financial reports of selected commercial banks in Hargeisa, Somaliland; The decision rule based on the 95% confidence interval (0.05) level of significance where the significance was considered at 0.05 level of significance.

**3.7. Analytical Model**

The study also aimed to make use of various inferential statistics. The variables factored in the multivariate regression model. The measures of the independent variables, using the rating/Likert scales were converted to mean values and then to percentages to permit the application of linear regression model.

The regression equation form:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon \dots\dots\dots (1)$$

$$QFR = \beta_0 + \beta_1ADP + \beta_2ADS + \beta_3ADR + \epsilon \dots\dots\dots (2)$$

Where

Y = Quality of Financial Reports (QFR) as measured by Financial Report Information

X1 = Accounting data processing (ADP)

X2= Accounting data Storage (ADS)

X3= Accounting data retrieval (ADR)

$\epsilon$  = Margin of error/Disturbance term

### **3.8. Test of Significance**

Statistical significance of the independent variables was determined by using the P-value. The study employed linear regression analysis to establish the effect of Computerized accounting systems on the quality of financial reports. The decision rule based on the 95% confidence interval (0.05) level of significance where the significance was considered at 0.05 level of significance.

### **3.9. Decision rule**

Decision Rule Based on P-value, If  $P \leq \alpha$  (0.05) then the  $H_0$  is rejected. And If  $P > \alpha$  (0.05) then  $H_0$  is accepted.

### **3.10. Ethical Considerations**

The researcher protected the statutory rights of the participants to be investigated and also avoided undue interruption, obtain informed consent and protect their privacy rights. The researcher framed research questions objectively so as to widen the scope of the study and maintain confidence in the research process. The researcher was sensitive to social differences and considered conflicting interests. Lastly, the researcher was endeavor to report all findings completely, and objectively with full information on methodologies to allow research work to be assessed by supervisors and to increase public confidence and reliability.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.0. Introduction

This chapter discusses the interpretation and presentation of the findings. The purpose of the study was to analyze the effects of computerized accounting systems on financial reports of selected commercial banks in Hargeisa Somaliland. The researcher made use of frequency tables and figures to present data.

#### 4.1. Response Rate

In this study, the researcher targeted a sample size of 109 respondents from the selected commercial banks in Hargeisa Somaliland of which 107 responses were obtained. This represented a 98% response rate. This is a reliable response rate for data analysis as Babbie (2002) posited that any response of 50% and above is adequate for analysis.

**Table 4. 1 Response rates to the study**

<b>Respondents</b>	<b>Sample</b>	<b>Response</b>	<b>Response rate</b>
Dahabshiil Bank	36	35	97
Dara-salaam Bank	27	26	96
Total	63	61	97

**Source: primary data (2018)**

According to Table 4.1 above, out of the 36 questionnaires administered in Dahabshiil Bank, 35 were fully answered, giving a response rate of 97%. Out of 27 questionnaires administered in Dara-salaam Bank, 26 were fully answered and returned, implying a response rate of 96%. The overall response rate of the respondents was thus 98%. With that high response rate of 97%, the findings of the study were representative of the actual population and sample size, and could, therefore, be generalized.

## 4.2. The nature of respondents

This includes mainly background information of the respondents. Among the cranial socio-demographic characteristics considered in the research study included Gender Distribution, Age differences, Time spent working with Bank, Position held/ responsibility, educational levels, as well as Department of the respondents. The biographic data of respondents which is in the research study is presented as below.

**Table 4. 2 : Distribution of respondents by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Valid Percent</b>
Male	51	83.6
Female	10	16.4
Total	61	100

**Source: Primary data, 2018**

From the study findings Table: 4.2 analyses the Gender composition of respondents in the study area. Most of the respondents (83.6%) were males with females constituting slightly over sixteen percent (16.4%). Socio-cultural expectations of the society reason more males engage in financial and calculative businesses or institutions than females. These argue that females tend not to prefer offering science as well as the mathematical education they are thus left for men hence men execute what they have acquired by working in such financial institution. To the researcher, females were fewer than males because they prefer largely offering arts in higher institutions of and therefore have largely ended as social workers, secretaries to mention but a few From the study findings.

**Table 4. 3 : Distribution of respondents by Age**

<b>Age difference</b>	<b>Frequency</b>	<b>Valid Percent</b>
18 – 29	21	34.3
30 – 39	15	24.1
40-49	18	29.6
50 and above	7	12
<b>Total</b>	<b>61</b>	<b>100</b>

**Source: Primary data, 2018**

From the study findings in Table 4.3 the Respondents aged between 18 – 29 years comprised of slightly over thirty four percent (34.3%), those aged between 30 – 39 years comprised of slightly over twenty four percent (24.1%) and those aged between 40-49 years comprised of slightly over twenty nine percent (29.6%) whereas those aged fifty years and above comprised of twelve percent (12.0%). As indicated above, the variations in age structure were pointed out as a result of various factors, the major one being the fact that people lying in the age bracket of 18 – 29 are the youth who now days largely engage in high institutions of learning a warning them satisfying qualifications alongside fresh brains thus are largely opted for by such efficiency yearning financial institutions. This thus explains why those falling between 18 – 29 years are many compared to the rest. Others in the bracket of 30 – 39 and above were fewer because these qualified earlier thus cannot easily cope up with the ever-increasing modern systems of finance handling especially due to current usage or utilization of modern information and technology equipment and methods.

**Table 4. 4 : Distribution of respondents by level of education**

<b>Education level</b>	<b>Frequency</b>	<b>Valid Percent</b>
Certificate	5	8.4
Diploma	9	14
Bachelor degree	38	61.7
Master degree	8	13.1
PhD	2	2.8
<b>Total</b>	<b>61</b>	<b>100</b>

**Source: Primary data, 2018**

The findings in table 4.4 show that (61.7%) of the respondents are degree holders, (14.0%) are diploma holders, (13.1%) have masters qualification, (2.8%) have PhD and only (8.4%) have certificate qualification. This implies that data for the study was obtained from learned respondents who have easily got adopted to use computer-based systems hence the reliability of the data.

**Table 4. 5 : Frequency distribution of the respondents experience in their current position**

<b>Duration</b>	<b>Frequency</b>	<b>Valid Percent</b>
1-5 year	11	18.69
6 -10 years	20	32.71
11 – 15 years	17	27.10
16 – 20 years	13	21.50
<b>Total</b>	<b>61</b>	<b>100</b>

**Source: Primary data, 2018**

From table: 4.5, Respondents were asked about the number of years stayed at the bank. It was hoped that the respondents' time of the stay on work influenced their impact in the area. Those who had stayed longer in the study area were further believed to have witnessed several changes, trends and patterns of services offered by the institutions to their clients. Slightly more than eighteen percent (18.69%) had worked at the Banks for a period of 1-5 years. Slightly over thirty two percent (32.71%) of the respondents had worked at the banks for a period of 6 -10 years, Slightly over twenty percent (27.10%) of the respondents had worked at the banks for a period of 11 – 15 years. while the rest of the respondents (21.50%) had worked with the banks for a period of 16 – 20 years. Hence those over two years were more knowledgeable than those below five years.

**Table 4. 6 : Distribution of respondents by Department/section**

<b>Department/Sections</b>	<b>Frequency</b>	<b>Valid Percent</b>
Management	12	19.7
Accounting department	16	26.2
ICT department	13	21.3
Banking operations dept.	20	32.8
Total	61	100

**Source: Primary data, 2018**

As indicated from the above table 4.6, among the background characteristics of respondents that were noted by the researcher was the position of responsibility,

respondents held in the area of study. Slightly more than nineteen percent (19.7%) of respondents were management. Slightly more than twenty-six percent (26.2%) of respondents were the Accounting department, slightly more than twenty-one percent (21.3%) from the ICT department, while slightly more than thirty-two percent (32.8%) of respondents were from the Banking operations department. To the researcher, banking operation department participated more than any other department because they were easily found less busy compared to the rest of Banks employee who hardly got time to respond to the researchers' request.

### 4.3. Descriptive Statistics

#### 4.3.1. Computerized accounting systems

The independent variable in this study (Computerized accounting systems) was broken into three constructs and these were; accounting data processing (measured with four questions or items), accounting data storage (measured with four questions or items) and accounting data retrieval (measured with four questions or items). All these questions were based on a five-point Likert scale, in which respondents were required to show the extent to which they agree or disagree with each question or item. The SPSS software was used to analyze their responses using means and ranks as indicated by the following tables.

**Table 4. 7 effect accounting data processing on quality of financial reports**

<b>S/N</b>	<b>Items on Accounting data processing</b>	<b>Mean</b>	<b>Std</b>	<b>Interpretation</b>
1	There is a reduction of processing time by optimal work distribution.	3.93	0.816	Very satisfactory
2	The accounting information at the bank is processed as expected.	3.96	0.776	Very satisfactory
3	All accounting data is processed through the system	3.31	0.915	Very satisfactory
4	The system is able to identify errors while data processing	3.21	0.997	satisfactory
	<b>Average mean</b>	<b>3.58</b>		Very satisfactory

Results in Table 4.7 indicated that Accounting data processing was rated high and this was indicated by the average mean (mean=3.58), implying that Accounting data processed well in selected commercial banks in Hargeisa Somaliland. Results still indicated that There is a reduction of processing time by optimal work distribution (mean =3.93), the accounting information at the bank is processed as expected (Mean=3.96), All accounting data is processed through the system (mean=3.31) and the system is able to identify errors while data processing (Mean=3.21).

**Table 4. 8 effect accounting data storage on quality of financial reports**

<b>S/N</b>	<b>Items on accounting data storage</b>	<b>Mean</b>	<b>Std.</b>	<b>Interpretation</b>
1	The system allows users to store data in a manner that does not require a large amount of physical space.	3.96	0.846	Very satisfactory
2	The bank keeps electronic database storage and physical sources documents in their file cabinets.	3.97	0.707	Very satisfactory
3	There are Data backup procedures put in place to prevent the loss of data.	3.69	0.757	Very satisfactory
4	The accounting information is stored in a different location.	2.65	1.019	satisfactory
	Average mean	3.86	0.458	Very satisfactory

**Source: primary data, 2018**

Results in Table 4.8 indicated that four items were used to measure accounting data storage and it was also rated very satisfactory and this was indicated by the average mean of 3.86, implying that accounting data storage is Very satisfactory at selected commercial banks in Hargeisa Somaliland. The responses still show that; the system allows users to store data in a manner that does not require a large amount of physical space (Mean=3.96), the bank keeps electronic database storage and physical sources documents in their file cabinets (mean=3.97) There are Data backup procedures put in place to prevent the loss of data (Mean=3.69) and the accounting information is stored in a different location (Mean=2.65).



**Table 4. 9 effect of accounting data retrieval on quality of financial reports**

<b>S/N</b>	<b>Items on accounting data retrieval</b>	<b>Mean</b>	<b>Std.</b>	<b>Interpretation</b>
1	The system permits fast and accurate retrieval of accounting information.	4.07	0.7304	Very satisfactory
2	The data is instantly available and can be made available to different users in different locations at the same time.	4.03	0.6059	Very satisfactory
3	The system provides efficient recovery and tracking of accounting information across the bank.	3.80	0.6507	Very satisfactory
4	There is a security system in access to information by those who want to use the data.	3.70	0.9030	Very satisfactory
	<b>Average mean</b>	<b>3.90</b>	<b>0.419</b>	Very satisfactory

**Source: primary data, 2018**

Results in Table 4.9 indicated that accounting data retrieval was also measured using four items (questions) and it was rated high (mean=3.90), implying that accounting data is retrieved as expected at selected commercial banks in Hargeisa Somaliland. Still, results indicated that; the system permits fast and accurate retrieval of accounting information (Mean=4.07 the data is instantly available and can be made available to different users in different locations at the same time (Mean=4.03), the system provides efficient recovery and tracking of accounting information across the bank (Mean=3.80) There is a security system in access to information by those who want to use the data (Mean=3.70).

#### **4.3.2. Quality of financial reports**

Quality of financial reports is the dependent variable in this study and was broken into three constructs and these are; Relevancy (with four questions), Reliability (with four questions), and Understandability (with four items). Each of these questions was based on a five-point Likert scale and respondents were asked to rate quality of

financial reports by indicating the extent to which they agree or disagree with each question, their responses were analyzed using SPSS and summarized using means and standard deviations as indicated in table 4.10;

**Table 4. 10 Quality of financial reports**

<b>S/N</b>	<b>Items on Relevancy</b>	<b>Mean</b>	<b>Std.</b>	<b>Interpretation</b>
1	There is increase in relevance of accounting information which benefit the business and aid managers in decision-making	4.08	0.58473	Very satisfactory
2	The financial reports are timely and contributes in improving the feedback information provided to decision-makers	4.10	0.56526	Very satisfactory
3	There is possibility of comparing the performance of the business with itself and similar firms over a period time making verifiability possible.	3.55	0.84935	Very satisfactory
4	The system adds a predictive value to the information provided to various users promoting accuracy in prediction	4.11	0.53776	Very satisfactory
	<b>Average Mean</b>	<b>3.96</b>	<b>0.3162</b>	Very satisfactory
	<b>Items on Reliability</b>			
1	there is sufficient reliable information on budget implementation	4.16	0.47879	Very satisfactory
2	Arithmetic errors in the financial reports have greatly reduced.	4.11	0.58804	Very satisfactory
3	The systems contribute to neutrality of the provided information and are reliable	3.53	0.74375	Very satisfactory

4	There is improvement in the extent that the stakeholders can rely on the financial reports this is because of accuracy and quality of the financial reports.	4.16	0.51669	Very satisfactory
	<b>Average mean</b>	<b>3.99</b>	<b>0.31271</b>	Very satisfactory
	<b>Items on Understandability</b>			
1	There is increase in understandability of financial reports by various users.	3.40	0.85627	Very satisfactory
2	The notes are properly numbered and cross-referred to the original balance sheet and income statement items so that users can easily understand.	4.14	0.58999	Very satisfactory
3	CAS improve the ability to understand the information provided to the decision-makers	4.07	0.6482	Very satisfactory
4	the annual report is a well organized	4.24	0.4922	Very satisfactory
	<b>Average mean</b>	<b>3.96</b>	<b>0.3515</b>	Very satisfactory
	<b>Overall mean</b>	<b>3.97</b>	<b>0.021</b>	Very satisfactory

**Source: primary data, 2018**

Results in Table 4.10 indicated that the quality of financial reports is high and this was indicated by the overall mean of 3.97, which implies that Commercial banks in Hargeisa Somaliland have resources which can make the quality of financial reports high. With respect to Relevancy; this was the first construct on the dependent variable and was measured using four items/questions and it was rated very satisfactory (average mean=3.96), implying that There is an increase in relevance of accounting information which benefits the business and aid managers in decision-making (mean=4.08). Still, results indicated that the financial reports are timely

and contribute in improving the feedback information provided to decision-makers (mean=4.10), There is a possibility of comparing the performance of the business with itself and similar firms over a period time making verifiability possible. (Mean=3.55) However, the system adds a predictive value to the information provided to various users promoting accuracy in prediction (mean=4.11).

Concerning Reliability; results in Table 4.10 indicated that this construct was rated very satisfactory and this was indicated by the average mean of 3.99. Still, results indicated that there is sufficient reliable information on budget implementation (mean=4.16), Arithmetic errors in the financial reports have greatly reduced (Mean=4.11) The systems contribute to the neutrality of the provided information and are reliable (mean=3.53) and There is an improvement in the extent that the stakeholders can rely on the financial reports this is because of accuracy and quality of the financial reports (Mean=4.16).

With respect to Understandability; results in Table 4.3 indicated that this construct was rated very satisfactory and this was indicated by the average mean of 3.96. Still, results indicated that there is an increase in understandability of financial reports by various users(Mean=3.40), the notes are properly numbered and cross-referred to the original balance sheet and income statement items so that users can easily understand. (Mean=4.14), CAS improve the ability to understand the information provided to the decision-makers (Mean=4.07), furthermore, the annual report is a well-organized (Mean=4.24).

#### **4.4. Inferential statistics**

##### **4.4.1. Study Hypothesis Test Results Using Regression models:**

Regression analysis was used to establish the effect of the independent variable, the control variables on the dependent variable.

**Table 4. 11 The results of a simple regression test of the effect of accounting data processing on quality of financial reports of selected commercial banks.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.357 <sup>a</sup>	.127	.113	.53975

a. Predictors: (Constant), ADP

Regression analysis results in the Model Summary table revealed that accounting data processing accounted for 12.7% on quality of financial reports of selected commercial banks n Hargeisa Somaliland. And this was indicated by r-squared of 0.127 implying that accounting data processing contributes to the quality of financial reports of selected commercial banks n Hargeisa Somaliland at 12.7%.

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.508	1	2.508	8.610	.005 <sup>a</sup>
	Residual	17.188	59	.291		
	Total	19.697	60			

a. Predictors: (Constant), ADP

b. Dependent Variable: QFR

The ANOVA table indicated that accounting data processing significantly affects the quality of financial reports of commercial banks in Hargeisa Somaliland and this was indicated by the F-value= 8.610 and Sig-value=0.005, since the sig. value (0.005) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that accounting data processing contributes positively to the quality of financial reports of commercial banks in Hargeisa Somaliland.

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.512	.558		18.850	.000
	ADP	.453	.154	.357	2.934	.005

a. Dependent Variable: QFR

**Source: primary data, 2018**

The coefficients table indicated that considering the standard error, accounting data processing significantly and positively influences quality of financial reports of selected commercial banks in Hargeisa Somaliland ( $\beta=0.453$ , Sig=0.005).

### DECISION

The null hypothesis is rejected and alternate hypothesis is accepted. That means accounting data processing has a significant effect on quality financial reports of selected commercial banks in Hargeisa, Somaliland.

**Table 4. 12 : The results of a simple regression test of the effect of accounting data storage on quality of financial reports of selected commercial banks.**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 <sup>a</sup>	.117	.102	.54302

a. Predictors: (Constant), ADS

Regression analysis results in the Model Summary table revealed that accounting data storage accounted for 11.7% on quality of financial reports of selected commercial banks in Hargeisa Somaliland. And this was indicated by r-squared of 0.117 implying that accounting data storage contributes to the quality of financial reports of selected commercial banks in Hargeisa Somaliland at 11.7%.

### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.299	1	2.299	7.797	.007 <sup>a</sup>
	Residual	17.398	59	.295		
	Total	19.697	60			

a. Predictors: (Constant), ADS

b. Dependent Variable: QFR

The ANOVA table indicated that accounting data storage significantly affects the quality of financial reports of commercial banks in Hargeisa Somaliland and this was indicated by the F-value= 7.797 and Sig-value=0.007, since the sig. value (0.007) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that accounting data storage contributes positively to the quality of financial reports of commercial banks in Hargeisa Somaliland.

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.482	.596		17.585	.000
	ADS	.421	.151	.342	2.792	.007

a. Dependent Variable: QFR

**Source: primary data, 2018**

The coefficients table indicated that considering the standard error, accounting data storage significantly and positively influences quality of financial reports of selected commercial banks in Hargeisa Somaliland ( $\beta=0.421$ , Sig=0.007).

### DECISION

The null hypothesis is rejected and alternate hypothesis is accepted. That means accounting data storage has a significant effect on quality financial reports of selected commercial banks in Hargeisa, Somaliland.

**Table 4. 13 : The results of a simple regression test of the effect of accounting data retrieval on quality of financial reports of selected commercial banks.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.377 <sup>a</sup>	.142	.128	.53516

a. Predictors: (Constant), ADR

Regression analysis results in the Model Summary table revealed that accounting data retrieval accounted for 14.2% on quality of financial reports of selected commercial banks n Hargeisa Somaliland. And this was indicated by r-squared of 0.142 implying that accounting data retrieval contributes to the quality of financial reports of selected commercial banks n Hargeisa Somaliland at 14.2%.

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.799	1	2.799	9.773	.003 <sup>a</sup>
	Residual	16.898	59	.286		
	Total	19.697	60			

a. Predictors: (Constant), ADR

b. Dependent Variable: QFR

The ANOVA table indicated that accounting data retrieval significantly affects the quality of financial reports of commercial banks in Hargeisa Somaliland and this was indicated by the F-value= 9.773 and Sig-value=0.003, since the sig. value (0.003) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that accounting data retrieval contributes positively to the quality of financial reports of commercial banks in Hargeisa Somaliland.



**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.870	.728		13.559	.000
	ADR	.553	.177	.377	3.126	.003

a. Dependent Variable: QFR

**Source: primary data, 2018**

The coefficients table indicated that considering the standard error, accounting data retrieval significantly and positively influences quality of financial reports of selected commercial banks n Hargeisa Somaliland ( $\beta=0.553$ , Sig=0.003).

**DECISION**

The null hypothesis is rejected and alternate hypothesis is accepted. That means accounting data retrieval has a significant effect on quality financial reports of selected commercial banks in Hargeisa, Somaliland.

**Table 4. 14 : effect of Computerized accounting system on quality of financial reports of selected commercial banks in Hargeisa Somaliland.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581 <sup>a</sup>	.338	.303	.47824

a. Predictors: (Constant), ADR, ADP, ADS

Regression analysis results in the Model Summary table revealed that computerized accounting systems accounted for 33.8% on quality of financial reports of selected commercial banks n Hargeisa Somaliland. And this was indicated by r-squared of 0.338 implying that computerized accounting systems contributes to the quality of financial reports of selected commercial banks n Hargeisa Somaliland at 33.8%.

### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.660	3	2.220	9.706	.000 <sup>a</sup>
	Residual	13.037	57	.229		
	Total	19.697	60			

a. Predictors: (Constant), ADR, ADP, ADS

b. Dependent Variable: QFR

The ANOVA table indicated that computerized accounting system significantly affects the quality of financial reports of commercial banks in Hargeisa Somaliland and this was indicated by the F-value= 9.706 and Sig-value=0.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that computerized accounting system contributes positively to the quality of financial reports of commercial banks in Hargeisa Somaliland.

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.316	.900		8.129	.000
	ADP	.465	.137	.367	3.401	.001
	ADS	.310	.138	.251	2.241	.029
	ADR	.472	.164	.322	2.874	.006

a. Dependent Variable: QFR

**Source: primary data, 2018**

The coefficients table indicated that considering the standard error, that there is a significant positive relationship ( $p=.001$ ) ( $B=.465$ ) between accounting data processing and quality of financial reports. The results also show that there is a significant positive relationship ( $P=.029$ ) ( $B=.310$ ) between accounting data storage

and quality of financial reports. Further, the results indicate that there is significant positive relationship ( $P=.006$ ) ( $B = .472$ ) between accounting data retrieval and quality of financial reports.

It is clear computerized accounting systems significantly and positively influences the quality of financial reports of selected commercial banks in Somaliland since all coefficients are positive. So the model will be

$$Y=7.316+0.465X_1+.310X_2+0.472X_3$$

## **CHAPTER FIVE**

### **DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0. Introduction**

This chapter focuses on the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. Also suggested areas that need further research following the study objectives and study hypothesis.

#### **5.1. Discussion of findings**

This study was set to examine the effect of Computerized accounting on quality of financial reports of selected commercial banks in Hargeisa Somaliland, three specific objectives guided this study and these were; (i) To establish the effect of accounting data processing on the quality of financial reports in Somaliland. (ii) To establish the effect of accounting data storage on the quality of financial reports in Somaliland. (iii) To establish the effect of accounting data retrieval on the quality of financial reports in Somaliland.

##### **5.1.1. The effect of accounting data processing on the Quality of financial reports**

The study found that accounting data processing significantly and positively influences the quality of financial reports of selected commercial banks in Hargeisa Somaliland. This means that good accounting data processing positively affects the quality of financial reports of selected commercial banks, hence there is a direct relationship between Accounting data processing and quality of financial reports. These findings agree with what Amviko (2011) studied in which she aimed to identify the impact of computerized accounting information systems on financial reporting in Kampala, the financial reports generated to conform to some of the quality attributes of good financial information.

Amviko (2011) argued the financial reports generated conform to some of the quality attributes of good financial information. This was emphasized by a positive

correlation of response on quality of timeliness and accuracy though it was on a low scale.

### **5.1.2. The effect of accounting data storage on the quality of financial reports.**

The study also found that that accounting data storage significantly and positively influences the quality of financial reports of selected commercial banks in Hargeisa Somaliland. This means that a unit increase in accounting data storage positively affects the quality of financial reports of selected commercial banks, hence there is a direct relationship between accounting data storage and quality of financial reports. This finding is in line with Sugut (2014) who noted that computerized accounting systems factoring in its speed, timeliness, accuracy and the possibility of producing quality data affects the quality of financial reports.

Allan, Augustine and Kennedy (2017) on their study the determinants of computerized accounting system on accurate financial report in listed banks on the Ghana stock exchange, concluded that based on the empirical findings of the study, it can be concluded that there is a strong positive correlation (84%) between Computerized Accounting System and accurate financial reporting.

### **5.1.3. The effect of accounting data retrieval on the quality of financial reports.**

Further, the study established a positive and significant relationship between Accounting data retrieval and quality of financial reports of selected commercial banks in Hargeisa Somaliland. This means that a unit increase in accounting data retrieval positively affects the quality of financial reports of selected commercial banks by 0.214, hence there is a direct relationship between accounting data retrieval and quality of financial reports. Similarly, Ntah (2012) argued that computerized accounting system contributes a lot towards quality financial reports in Microfinance institutions and other organizations that prepare financial reports. The study reveals that Microfinance institutions are able to maintain financial reports with qualities of timeliness, reliability, relevancy and understandable, accuracy and efficiency because of the computerized accounting system. The researcher sides with

findings of the study and conclude that computerized accounting has greatly led to improved quality financial reports because of the advantages it offers to the preparation of financial reports.

## **5.2. Conclusions**

### **5.2.1. The effect of accounting data processing on the quality of financial reports.**

According to the findings accounting data processing has a positive significant effect on Quality of financial reports of selected commercial banks in Hargeisa Somaliland. Therefore accounting data processing has a considerably high influence on the Quality of financial reports of selected commercial Banks, hence concluding that there is a need for improving accounting data processing to enhance the quality of financial reports.

### **5.2.2. The effect of accounting data storage on the quality of financial reports.**

According to the findings accounting data storage has a significant effect on Quality of financial reports of selected commercial Banks in Hargeisa Somaliland. Therefore accounting data storage has a considerably high influence on the Quality of financial reports of selected commercial Banks. Hence concluding that accounting data storage contribute most to the quality of financial reports of financial reports of selected commercial Banks.

### **5.2.3. The effect of accounting data retrieval on the quality of financial reports.**

According to the findings, it is evident that accounting data retrieval has a positive significant effect on quality of financial reports of selected commercial Banks. Therefore computerized accounting system contributes a lot towards financial reports of selected commercial banks and other institutions that prepare financial reports. The study reveals that selected Commercial Banks in Hargeisa are able to maintain financial reports with qualities of timeliness, reliability, relevancy and understandable, accuracy and efficiency because of the computerized accounting system. The researcher sides with findings of the study and conclude that

computerized accounting has greatly led to improved quality of financial reports because of the advantages it offers to the preparation of financial reports.

### **5.3. Recommendation**

#### **5.3.1. The effect of accounting data processing on the quality of financial reports.**

From the study findings, it was clear that accounting data processing significantly affects the quality of financial reports of the selected commercial banks in Hargeisa Somaliland. The study, therefore, recommends that in order to ensure that the banks have quality understandable reports; banks should improve their accounting data processing by investing in computerized accounting systems since it is seen to affect the financial reports to a great extent.

#### **5.3.2. the effect of Accounting data storage on quality of financial reports of selected commercial banks in Hargeisa Somaliland**

According to the above findings, the study recommends improving accounting data storage by focusing computerized accounting systems in terms of keeping up with the latest developments in the fields of hardware, software and databases and conducting regular maintenance in order to increase the quality of financial reports of selected commercial banks in Hargeisa Somaliland. The banks are also recommended to develop their work procedures in line with computerized accounting systems.

#### **5.3.3. the effect of Accounting data retrieval on quality of financial reports of selected commercial banks in Hargeisa Somaliland**

The researcher recommends to the Based on the findings of objective three of the study, that the banks should improve their accounting data retrieval by investing computerized accounting systems since it is seen to affect the accuracy of financial reports to a great extent. The study further recommends that the banks should train its staff through seminars and workshops on the usage of the computerized accounting software especially accounting data retrieval in order to upgrade the competency level.

#### **5.4. Limitations of the Study**

The study observed several limitations during this research study, the first limitation was seen during data collection, in that the time was quite short to reach all respondents given their geographic locations thus leading to the 96% respondents, secondly it was noted that some questionnaires were not filled since the management did not respond well and since the study adapted the drop and pick method of distributing the questionnaires which relied majorly on the respondents ability to fill the questions effectively, the researcher had no control over the respondents. Lastly, resources that could have facilitated the conduct of the research expenses such as transportation expenses, research expenses, documentation expenses and feeding were quite modest.

#### **5.5. Contribution to knowledge**

This study contributed to the current understanding of how computerized accounting systems affect the quality of financial reports. The holistic analysis of this study added to existing research by identifying that computerized accounting systems such as accounting data processing, accounting data storage and data retrieval storage significantly affect the quality of financial reports. To holistically analyze the significant effect of these systems, has not been done before. The study confirmed results of existing studies that also emphasized the effect of computerized accounting systems on quality of financial reports (e.g. Sugut 2014, Amviko 2011, Azhar 2017, Darmansyah, Sutardi and Hamidah 2014). However, the study also provides empirical evidence that computerized accounting systems factoring in its speed, timeliness, accuracy, Data Security and the possibility of producing quality data affects the quality of financial reports of the selected commercial banks in Hargeisa Somaliland. Moreover, the study contributed that the measures of quality of financial reports are relevancy, reliability and understandability that were not emphasized in existing computerized accounting and quality of financial reports literature.



## **5.6. Suggestions for Further Research**

The study also was limited to Computerized accounting systems thus the study recommends an additional study on the effect of other determinants of financial reporting such as:

1. The effect of Firm size on quality of financial reports in Hargeisa Somaliland;  
The effect of firm leverage on quality of financial reports in Hargeisa Somaliland
2. The effect of Profitability on quality of financial reports in Hargeisa Somaliland
3. The effect of Liquidity on quality of financial reports in Hargeisa Somaliland

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## Appendix

### RESEARCH QUESTIONNAIRE

Dear Respondents, The researcher is a student at Kampala International University (KIU) pursuing Masters of Business Administration in Finance and accounting. The questionnaire is designed for academic purposes and for partial fulfilment the Award of a Degree in Master of Business Administration (MBA). It's only through your response that the work can be completed well. Therefore any information disseminated will be handled with maximum confidentiality. Please spare a few of minutes of your time to answer the following questions, they mostly involve ticking a response in the space provided and a few filling in.

### **TITLE: COMPUTERIZED ACCOUNTING SYSTEMS AND QUALITY FINANCIAL REPORTING OF SELECTED COMMERCIAL BANKS IN HARGEISA, SOMALILAND**

Name of the BANK .....

Instruction: Tick the right option in box or fill in the blank spaces.

### SECTION A

#### Bio-data

##### 1. Gender

A. Male [ ]                      B. Female [ ]

##### 2. Age

A. Below 18 years [ ]                      B. 18 – 29 [ ]  
C. 30 – 39 [ ]                                  D. 40-49 [ ]  
E. 50 and above [ ]

##### 3. Academic Qualifications

A. Certificate [ ]                      B. Diploma [ ]  
C. Bachelor degree [ ]



D. Master degree [ ]

E. Others; specify \_\_\_\_\_

**4. Number of years stayed at the bank**

A. 1-5 years [ ]

B. 6 -10 years [ ]

C. 11 – 15 years [ ]

**5. Department/Sections**

A. Account/Audit [ ]

B. Banking operation dep. [ ]

C. Management [ ]

D. ICT dep. [ ]

**SECTION B**

**Computerized accounting systems**

**Accounting data processing**

The following statement relates to the role of accounting data processing in improving the quality of financial reports. Please indicate the extent you agree or disagree with the following statements.

Tick 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	There is a reduction of processing time by optimal work distribution.					
2	The accounting information at the bank is processed as expected.					
3	All accounting data is processed through the system					
4	The system is able to identify errors while data processing					

## Accounting data Storage

The following statement relates to the role of accounting data Storage in improving the quality of financial reports. Please indicate the extent you agree or disagree with the following statements.

Tick 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	AIS allows the users to store data in a manner that does not require a large amount of physical space.					
2	The bank keeps electronic database storage and physical sources documents in their file cabinets.					
3	There are Data backup procedures put in place to prevent the loss of data.					
4	The accounting information is stored in a different location.					

## Accounting data retrieval

The following statement relates to the role of accounting data retrieval in improving the quality of financial reports. Please indicate the extent you agree or disagree with the following statements.

Tick 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	The system permits fast and accurate retrieval of accounting information.					
2	The data is instantly available and can be made available to different users in different locations at the same time.					
3	The AIS provides efficient recovery and tracking of accounting information across the bank.					
4	There is a security system in access to information by those who want to use the data.					

## SECTION C

### Quality of Financial Reports

Rate the quality of financial reports of the bank using a scale of 1-5. Where 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	Excellent					
2	Very good					
3	Good					
4	Fair					
5	poor					

### Relevancy of financial Reports.

The following statement relates to Relevancy of financial Reports of the bank. Please indicate the extent you agree or disagree with the following statements.

Tick 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	The system increases relevance of accounting information which benefit the business and aid managers in decision-making					
2	The system outputs are timely and contributes in improving the feedback information provided to decision-makers					
3	The system improved the possibility of comparing the performance of the business with itself and similar firms over a period time making verifiability possible.					
4	The system adds a predictive value to the information provided to various users promoting accuracy in prediction					

## Reliability of financial Reports

The following statement relates to Reliability of financial Reports of the bank. Please indicate the extent you agree or disagree with the following statements.

Tick 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	there is sufficient reliable information on budget implementation					
2	Arithmetic errors in the financial reports have greatly reduced due to AIS.					
3	The outputs of AIS contribute to neutrality of the provided information and are reliable					
4	AIS improve the extent that the stakeholders can rely on the financial reports this is because of accuracy and quality of the financial reports.					

## Understandability of financial reports

The following statement relates to understandability of financial Reports of the bank. Please indicate the extent you agree or disagree with the following statements.

Tick 1=Strongly Agree, 2= Agree, 3= Neutral, 4= disagree, 5= strongly disagree

S/no	Description of items	1	2	3	4	5
1	The system increases understandability of AIS reports by various users.					
2	The system notes are properly numbered and cross-referred to the original balance sheet and income statement items so that users can easily understand.					
3	The system improves the ability of					

	understanding the information provided to the decision-makers					
4	the annual report is a well organized					

**Thank you for your valuable time**