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# Impact of Accounting Information on Management Decision Making in Lagos State Tertiary Institutions

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## ABSTRACT

*The study examined the impact of accounting information on management decision making in Lagos State tertiary institutions in Nigeria. Accounting information has become part and parcel of tertiary institutions especially during this period of global development in the 21st century economy. This study was guided with two questions, two objectives and two hypotheses. This study adopted a descriptive research design. The population of the study consists of all staff of the selected tertiary institutions in Mainland Local Government Area of Lagos State. A structured questionnaire was used to collect information from the elicited respondents. Data collected were analysed using Pearson's Correlation of weighted mean average. The results of the findings revealed that there is no significant relationship between accounting information and institutional performance in Lagos State. It was further revealed that accounting information has no significant relationship with management decision making in tertiary institutions in Lagos State. This indicates that, accounting information has no significant impact on management decision making and institutional performance of tertiary institutions in Nigeria.*

**Keywords:** Accounting Information, management, decision making, tertiary institutions

## Introduction

Accounting information is the best means of financial language to communicate financial performance of business operations and activities to various stakeholders of the entity, through the statement of profit or loss, other comprehensive income, the statement of financial position and the statement of cash flow. Akinlade (2019) opined that, accounting information is the language of business and basic tool for recording, classifying and summarizing in a useful manner and in monetary terms, events and transactions which are of financial character and the subsequent interpretation to the users of financial statement. Accounting information is characterized with high quality that determines the effectiveness and efficiency of the entity in making appropriate decisions (Aleisa & Tijani 2020).

Accounting must be presented in such a way and manner that, it will be useful in helping users to make their respective decision. It must be characterized with the following: relevant, reliable, timely, understandable and neutrality. To enhance creditability and utility of information the decision making process, established concepts, principles, standard and legal requirements are strictly followed in order to translate physical facts into money values and ensure that all types of report are integrated and prepared on constituent basis (Ogunmayi, 2018).

Information is said to be vital, when the information provided serves widely the requirements of the system users. Information is the main source of decision-making, so information must be characterized by a set of characteristics which are understandable, reliable, timeliness, neutral, comparable and comprehensive in order to achieve the goals required for decision maker (Elvisa & Erkan, 2015).

Accounting information system according to Kanakriyah (2017) played an important role in the management of entities and its provides the appropriate information for both internal managers and external parties concerned. The information system of the company according to Ana (2019) stated that, making qualitative and quantitative business decisions require having adequate, timely and comprehensive information in contemporary business conditions characterized by globalization and rapid market changes.

Decision making is the process of making choices by identifying a decision, gathering information and assessing alternative causes of action. Accounting information provides managers with the necessary information they need. Management decision is one of the most important facets that pervade all organization and constitute its progress and/or failure in actualization of pre-determined goals and objectives. Akinlade (2019) stated that, management accountants use both financial and non-financial information to aid business decision-making. In other words, business decision making helped to achieve the goals and objectives of the organization. Financial information used by management accountants include sale growth, profits, return on capital

employed and market shares, non-financial information include customer satisfaction level, production quality, performance of competing products and customer loyalty.

Although, there is a long list of benefits associated with relationship that exist between Accounting Information and decision making of an organisation. It is of no surprise that most of the organizations are folding up as a result of mismanagement and ineffective decision making at all level of organisation. On these facts and the limit in the scope of the study, this stated problem can be addressed with the following questions to be answered.

- i. What is the relationship between accounting information and institutional performance in Lagos State?
- ii. What are the impacts of accounting information on management decision making in tertiary institution?

### **Objectives of the study**

This main objective of this study is to examine the impact of accounting information on management decisions making of an organization. The specific objectives therefore are;

- i. To ascertain the relationship between accounting information and institutional performance.
- ii. To determine the impact of accounting information on management decision making in tertiary institution.

### **Research Hypotheses**

The following hypotheses were formulated and tested.

$H_{0_1}$ : There is no significant relationship between accounting information and institutional performance?

$H_{0_2}$ : There is no significant impact of accounting information (AI) on management decision making in tertiary institutions.

### **Literature Review**

Hafij, Jamil & Syeda (2014) examined the role of accounting information in strategic decision making in manufacturing industries in Bangladesh. Five strategic decision areas such as basic strategic decision, manufacturing decision, human resource decision, long term investment decision and marketing decision were considered for the study. They employed statistical package for the social science (SPSS) for data analysis. The results of the finding proved that there is significant relationship between accounting information and strategic decisions and strategic decisions in all the selected areas. It was also revealed from the analysis of the opinion of the respondents that 44.44% of the respondents always use accounting information in making strategic decision in manufacturing industries in Bangladesh.

The result is in line with Alnajjar (2016) who investigated the impact

of accounting information systems on the management performance and organizational performance. The result showed that the accounting information systems significantly impact the management performance and organizational performance. Through applying accounting information systems, the obtain information will be more useful, for decision making in order to achieving the company's goals and objectives, which increase the company performance.

Alexandra-Daniela (2012) investigated the role of financial accounting information in managerial decision-making covering a wide range of fields. The study revealed that financial accounting information help managers know what happened in the past and the present situation of the company, make visible those events that are not perceptible by daily activities, provide a quantitative overview of the company and help managers to prepare for future activities and decisions. The study further revealed that decisions are taken not only in terms of information and status quo, but based on personal beliefs and representations that shape the personal vision of the world.

Mahmoud and Noor (2011) examined the relationship between three contingency factors and Accounting Information System design in Jordanian Companies. Questionnaires were used to collect and analyze the data. The results of the finding revealed significant and positive relationships between four dimensions of information technology sophistication and accounting information system design but no significant relationship was found between environmental conditions and the sophistication of Accounting Information System (AIS) design. Also, the study revealed that managerial IT sophistication, informational IT sophistication and functional IT sophistication are more important than technological sophistication in influencing AIS design. The result from the findings further deepened current understanding of AIS design and its influence factors in Jordan.

Akanbi (2017) investigated accounting information system and management decision making in manufacturing company in Nigerian. Data were collected through questionnaire while Chi-square ( $X^2$ ) statistics was used for data analysed. The results showed that there was a strong relationship between the use of organizations accounting information system and managerial efficiency. It results further revealed that AIS could be used to control fraud and mismanagement. It was concluded that the use of accounting information system enhanced decision making in manufacturing industries.

Akinniyi, Akinola and Olagunju (2018) examined the relationship between accounting information and management decision in manufacturing companies in Osun state, Nigeria. Data were sourced primarily with the aid of structured questionnaire. Empirical research designs and inferential analysis were carried out with the aid of statistical package for social sciences. The t-test results carried out confirmed a positive relationship between accounting information and management decisions in manufacturing organizations.

Kariyawasam (2016) studied the relationship that exists in accounting information that end up affecting the decisions made in the Sri Lankan manufacturing sector and found out that accounting information has statistically significant relationship with both marketing and industrial related strategic decision making of companies in Sri Lanka's manufacturing sector. Harendra (2016) investigated the relationship between accounting information and decision making in the Sri Lankan manufacturing Sector. Primary data for the study were collected through questionnaire and survey. Data were analysed using Pearson's correlation. The result of findings indicated that accounting information has a statistically significant strong positive correlation with marketing, strategic decision making and manufacturing related strategic decision making of companies operating in Sri Lanka's manufacturing sector.

Garedew (2019) investigated the impact of accounting information system in decision making in Ethiopia. Primary data were collected from respondents with open and close ended questionnaires and interview. The result of the findings showed that accounting information system has significant effect on decision making process in development association. He further recommended that to solve financial reporting problems, organisations must invest in continues short term training and as well as on information technology tools to advance their efficiency, effectiveness and their overall performance.

Shuhidan, Mastuki & Wan (2015) detected a significant impact of Accounting Information System (AIS) on the organizational performance; they also discovered a strong relationship between AIS success and organizational performance. Whereas Onaolapo and Odetayo (2012) found out that Accounting Information System (AIS) enhance organizational effectiveness especially in global technology advancement, agrees with Sebastian (2019), who detected the role and place of accounting information in the decision making stating that accounting information occupies a very important place in the architecture of the economic information system, having the highest degree of certainty and the possibility of an accurate representation of economic phenomena both at micro and macroeconomic levels.

### **Contingency Theory**

Contingency theory is an organisational theory that claims that accounting information system should be designed in a flexible manner so as to consider the environment and organizational structure confronting with an organization. According to Erick, Jared and Tefera (2021) contingency theory must considered the circumstances under which the practices are implemented and utilization must be taken into account in order to design effective management accounting control systems. Nohria & Khurana, (2010) and Magaji, Lawan & Naziru (2018) looked into the various forms of contingency as relevant to management decision making through its impact on technology , environment , budgeting system , control and information

disclosure with the aim of enhancing decision making of the organisation.

## Methodology

A descriptive survey was used for this study. The instrument for data collection was questionnaire titled “Impact of Accounting Information on Management Decision Making. Questionnaire” (IMAIOMDMQ). The researcher adopted a four – point (4) Likert scale which ranges from Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD). The total population of the study was made up of all key staff of four (4) selected institutions in Mainland Local Government Area of Lagos State using Unilag, FCE(T), Yaba College of Technology and St Augustine College of Education. Ninety (90) staff was randomly selected from the tertiary institutions. Ninety (90) copies of questionnaires were distributed and 83 copies were retrieved from the respondents and were used for the study. Data collected were analysed using Weighted Mean Average and ANOVA. The decision rule for the study was 2.5. Any means score of 2.5 and above is regarded as accepted while any mean score below 2.5 is regarded as rejected.

## Results and Discussion

**Research question one:** What is the relationship between accounting information and institutional performance in Lagos State?

**Table 1:** Mean Rating and Standard Deviation on the relationship between accounting information and institutional performance in Lagos State.

S/N	Items	$\bar{x}$	SD	Remark
1.	Accounting Information in your institution improves management decision making.	3.68	0.541	Accepted
2.	Accounting Information is used in your institution to determine internally generated revenue (IGR)	3.55	0.648	Accepted
3.	Accounting Information is used to determine the stability of your institutions.	3.55	0.501	Accepted
4.	Accounting Information reduces operating costs in your institution.	3.13	0.861	Accepted
5.	Accounting Information improves staff incentives in your institution.	3.12	0.782	Accepted
6.	Accounting Information provides the users of accounting data with financial reports periodically and regularly.	3.42	0.662	Accepted

Source: Field Survey (2021)

Table 1 above showed the opinions of respondents on the relationship between

accounting information and institutional performance in Lagos State. The mean ratings of the respondents are 3.68, 3.55, 3.55, 3.13, 3.12 and 3.42 with their corresponding standard deviation of 0.541, 0.648, 0.501, 0.861, 0.782 and 0.662 respectively. These are seen to be within the criterion mean of minimum of 2.50 and maximum of 4 for acceptance level. The result from the table above indicated that all respondents agreed on the extent items 1-6, on the relationship between accounting information and institutional performance.

**Research question 2:** What are the impacts of accounting information on management decision making in tertiary institutions?

**Table 2:** The mean ratings and standard Deviation of the respondents on the impacts of accounting information on management decision making in tertiary institutions.

S/N	Items	$\bar{x}$	SD	Remark
1.	Accounting Information is used to measure your institutional performance.	3.50	0.649	Accepted
2.	Accounting Information is used to evaluate the liquidity position of your institution?	3.37	0.708	Accepted
3.	Does Accounting Information play important role in planning the institutional strategy performance?	3.43	0.716	Accepted
4.	Do you use Accounting Information for cost management in your institution?	3.21	0.932	Accepted
5.	Accounting Information does not have anything to do with your institution decision making.	2.02	1.053	Rejected
6.	Accounting Information is used to determine the institution goals and objectives.	3.12	0.937	Accepted

Source: Field Survey (2021)

Table 2 presents the views of the respondents on the extent in which accounting information impact the management decision making of the tertiary institutions. The mean ratings of the respondents are: 3.50, 3.37, 3.43, 3.21, 2.02 and 3.12 with their corresponding standard deviation of 0.649, 0.708, 0.716, 0.932, 1.053 and 0.937 respectively. The result from the table indicated that both respondents agreed on the extent in which accounting information impact management decision making of the institutions except the item 5 (with a mean rating of 2.02) which sought the opinion of the respondents on the accounting information does not have anything to do with the institution decision, the respondents disagree in their view, that accounting information are relevance to the decision making.

## Testing of Research Hypotheses

**Hypothesis One:** There is no significant relationship between accounting information and institutional performance?

**Table 3:** One way – ANOVA Analysis on accounting information (AI) and institutional performance

		Sum of squares	Df	Mean squares	F	Significance
Mgt.	Between group	12.657	2	6.329	0.320	0.727
	Within group	1604.045	81	19.803		
	Total	1616.702	83			

Source: Field Survey (2021)

From the table 3 above it was discovered that the P- value 0.727 was greater than alpha 0.05 showing that the null hypothesis was accepted. This revealed that there is no significant relationship between accounting information and institutional performance.

**Hypothesis Two:** There is no significant impact of accounting information (AI) on management decision making in tertiary institutions.

**Table 4:** One way – ANOVA Analysis on accounting information (AI) and management decision making.

		Sum of squares	Df	Mean squares	F	Significance
Performance	Between group	1.331	2	0.665	0.549	0.580
	Within group	98.229	81	1.213		
	Total	99.560	83			

Source: Field Survey (2021)

Table 4 above presents one way ANOVA analysis on the accounting information and management decision making in tertiary institutions.. It was discovered that the P- value 0.580 was greater than alpha 0.05 showing that the null hypothesis was accepted. This revealed that there is no significant relationship between accounting information and management decision making in tertiary institutions.

## Conclusion

The results of the findings revealed that there is no statistically significant relationship between accounting information and management decision



making of tertiary institutions in Lagos state. This finding is consistent with Mahmoud and Noor ((2011) who showed that there is no significant relationship between environmental conditions and the sophistication of Accounting Information System design. This means that an effective use of accounting information by the tertiary institutions have no impact on the institutional performance . The result of the finding further revealed that accounting information in tertiary institutions were not related to management decision making of the tertiary institutions. This study disagreed with the work of Gacheru (2017) who asserted that there is positive relationship between accounting information and decision making. Accounting information is a language of business which one must understand before going into business in order to know the right method to achieve the stated goals and objectives of the industries.

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