

**INFLUENCE OF ACCOUNTING INFORMATION  
SYSTEM ON THE PERFORMANCE OF SMEs IN  
JORDAN: THE ROLE OF GOVERNMENT  
SUPPORT AS MODERATOR**

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**UNIVERSITI SAINS MALAYSIA**

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**by**

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## **LIST OF ABBREVIATION**

AIS	Accounting Information System
CEOs	Chief Executive Officers
GDP	Gross Domestic Production
GE	General Electric
GS	Government Support
GS	Growth Sales
IGR	Internally Generated Revenues
RBT	Resources Based Theory
RBV	Resource-Based View
ROA	Return on Asset
ROI	Return on Investment
SMEs	Small and Medium Enterprises

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**PENGARUH SISTEM MAKLUMAT PERAKAUAN KE ATAS  
PRESTASI PERUSAHAAN KECIL DAN SEDERHANA(PKS) DI  
JORDAN: PERANAN SOKONGAN KERAJAAN SEBAGAI  
PENYEDERHANA**

**ABSTRAK**

PKS memainkan peranan yang berpengaruh dalam dunia perindustrian, terutamanya di negara-negara membangun, dengan menyumbang secara signifikan kepada KDNK, keusahawanan, inovasi dan penciptaan pekerjaan baharu. Dalam kedua-dua ekonomi maju dan sedang pesat membangun, PKS sering dianggap sebagai enjin kemajuan sosioekonomi. Firma PKS menyumbang 98 peratus daripada semua perniagaan di Jordan. Matlamat utama AIS adalah untuk menyampaikan maklumat kewangan dan bukan kewangan kepada perniagaan. Perusahaan PKS menghadapi pelbagai halangan, dengan masalah yang berpunca daripada kekurangan sistem maklumat perakaunan yang mencukupi yang diiktiraf sebagai salah satu punca utama kegagalan syarikat dalam PKS. Untuk berkembang maju dalam persekitaran perniagaan yang kompetitif, PKS memerlukan maklumat kewangan dan bukan kewangan. Tambahan pula, sokongan kerajaan untuk PKS boleh difahami kerana dasar dan tindakan yang menggalakkan membantu dan mendorong PKS untuk berkembang. Kajian itu menyiasat kesan sistem maklumat perakaunan terhadap prestasi PKS di Jordan, dengan sokongan kerajaan bertindak sebagai pembolehkan penyederhana. Hasilnya, kajian ini mencadangkan rangka kerja teori untuk mengkaji kesan sokongan kerajaan terhadap prestasi PKS. Kajian kuantitatif menggunakan persampelan rawak mudah manakala soal selidik tinjauan disebarikan

melalui platform dalam talian. Daripada jumlah 500 peserta, hanya 291 sampel yang sah menyertai jemputan tinjauan. Teknik regresi berbilang digunakan untuk menilai data. Penemuan menunjukkan bahawa AIS dan sokongan kerajaan mempunyai kesan bercampur-campur terhadap prestasi PKS. Dalam persekitaran ini, AIS dan sokongan kerajaan memberi sumbangan yang besar kepada PKS dengan meningkatkan prestasi kewangan dan bukan kewangan. Akhir sekali, adalah dicadangkan bahawa penggunaan AIS adalah penting bagi PKS di Jordan untuk meningkatkan prestasi mereka.

**INFLUENCE OF ACCOUNTING INFORMATION SYSTEM ON THE  
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**ABSTRACT**

SMEs play an influential role in the industrialized world, particularly in emerging nations, by contributing significantly to GDP, entrepreneurship, innovation, and the creation of new jobs. In both developed and emerging economies, SMEs are often regarded as the engine of socioeconomic progress. SMEs firms account for 98 percent of all businesses in Jordan. The prime aim of AIS is to deliver financial and non-financial information to businesses. SMEs enterprises confront a variety of obstacles, with problems stemming from a lack of sufficient accounting information systems being recognized as one of the leading reasons of company failure in SMEs. To thrive in the competitive business environment, SMEs require both financial and non-financial information. Furthermore, government support for SMEs is understandable since favorable policies and actions help and motivate SMEs to grow. The study investigated the impact of accounting information systems on SMEs performance in Jordan, with government support serving as a moderating variable. As a result, the study proposes a theoretical framework for examining the impact of government support on the performance of SMEs. A quantitative study using Purposive sampling whereas survey questionnaire disseminated over an online platform due to covid-19 pandemic. From a total of 500 participants, only 291 valid samples participated to the survey

invitation. Multiple regression techniques were used to evaluate the data. The findings suggest that the AIS and government support have a mixed impact on SMEs' performance. In this environment, AIS and government support make a substantial contribution to SMEs by improving financial and non-financial performance. Finally, it is suggested that the usage of AIS is critical for SMEs in Jordan to improve their performance.



# CHAPTER 1

## INTRODUCTION

### 1.1 Overview

This chapter provides an overview of research that begins with this study, discusses the problem statement, explains the main study objectives, and introduces the major research questions. The predicted theoretical and practical contributions are then detailed. As the chapter comes to a close, it examines the study's significance and, last, defines the major terminology used in this study.

### 1.2 Background of Study

Scholars, specialists, and professionals from practically every field of study have decided that SMEs' ability to contribute to the emerging economy in many nations is critical (ALAWAQLEH, 2021; Alshirah et al., 2021; Lutfi, 2022; Pakurár, Haddad, Nagy, Popp, & Oláh, 2019; Zayed & Sinha, 2019). SMEs are a critical driver for progression and expansion, in addition to their importance and commitment to the development of the economy through the creation of business possibilities (Oluoch, 2016).

The majority of these studies focused on the causes of SMEs' failures, and a few of elements was identified as determinants influencing SMEs' performance (AlQershi, Mokhtar, & Abas, 2020; Fahmi Ibrahim, Diyana Najwa Haji Ali, & Nur Suaidah Awang Besar, 2020a; Lamoureux, Movassaghi, & Kasiri, 2019; Wang, Goh, Sornette, Wang, &

Yang, 2021). A small business's presentation can be described as how well it improves the worth of its partners, which include proprietors, purchasers, society, and even the government. It reveals how successfully the organization's management manages its resources (Moullin, 2007). Neely et al. (1995) defined firm yield as a tool for measuring a business firm's performance to meet its objectives. Firms fulfill their objectives if they can better serve the needs of their customers than their competitors. The productivity of an organization can also be determined by financial and non-financial factors (Leitão & Franco, 2008). As a result, it is frequently quantified or subjectively estimated (Augustine, Bhasi, & Madhu, 2012).

SMEs acts as financial landscape of most economies around the world, particularly in developing countries. According to estimates, over 95% of businesses worldwide are SMEs (Quartey, Turkson, Abor, & Iddrisu, 2017). For instance, in France, estimated account is 99.8%, meanwhile in United Kingdom is about 99.9%, then in Australia is about 99.8%, Canada with 99.8% and lastly is United States with the percentage of 99.7% (Fernet, Torrès, Austin, & St-Pierre, 2016). According to Agwu and Emeti (2014), over 80% of SMEs are suffocating owing to a lack of capital and other associated challenges. Funding or capital problems are most emerging problems for SMEs future success. Therefore, SMEs need governmental assistant (Agwu and Emeti, 2014).

In Jordan, for example, the service sector accounts for almost 67 percent of the country's GDP (Fanek, 2016). Jordan's service sector has witnessed several

advancements that place it on par with that of other nations. This sector is regarded as the most crucial contributor to Jordan's total national product (GDP). When compared to other financial sectors in Jordan, the farming and assembly industries, for example, contributed over 65 percent of GDP in 2016 and account for over 70 percent of vacant opportunities for Jordanians (Kanyare & Mungai, 2017).

On the other hand, SMEs have been seen as helpful in reducing poverty through abundance and business arrangements if fully developed. This area of large business can assist any administration that advances it in increasing a country's GDP, producing charges and other Internally Generated Revenues (IGR), and obtaining bravery in the country's administration economy. Similarly, the benefit derived from SMEs' unique commodities and services, as well as the sound market seriousness it promotes, allows for the development of a robust private-driven financial sector with forward-thinking business people (Etuk, Etuk, & Michael, 2014).

Accounting information systems refers to the process of analyzing data and communicating an organization's financial activity to interested parties (Kimmel, Weygandt, & Kieso, 2020). Any business's profitability, growth, and existence rely heavily on the pleasantness of decisions made through control. These decisions are based on how pleasant and timely the numbers are provided by proper accounting. As a result, all SMEs must obtain and handle accurate data, which necessitates establishing a good Accounting Information System (AIS) to guide and enhance decision-making. It

has been discovered that the best accounting statistics device is vital for the successful control of any business entity, big or tiny (Smirat, 2013).

There appears to be a rising reliance on information technology within the business world, with accounting information systems structures being used to update the overall accounting process. This is due to a desire to improve the efficacy and efficiency of the company (Lallo & Selamat, 2013). Meanwhile, the AIS concept appears to unite accounting and statistical structures in an interdisciplinary system. The primary goal of AIS is to provide organizations with financial and non-financial information (Salehi, Rostami, & Mogadam, 2010).

Financial and non-financial accounting, on the other hand, appeared to be the most common data source for SMEs' management (Smirat, 2013). Despite the use of AIS, there is still a loophole, indicating that SMEs are still unable to function with data management efficiency, incapacity to control the operation system, and many choices are taken on a hasty basis. Accepting the preliminary data era is tied to this purpose. (Lallo & Selamat, 2013).

The idea of government involvement in the advancement of inventiveness in all areas are required in executing the better operation and management of the regional autonomy, a vote-based system, and good administration standards. Each of the three is distinct from the others, and it has become the main strategy for reform (Herliana, 2015). Government funding for the growth of SMEs typically depends on government

methodologies, on the grounds that without government support policies, SMEs would not be able to expand quickly, overcome crises, or compete in the serious globalized business environment (Iweka, Babajide, & Olokoyo, 2016). In order to reap the greatest benefits from the SMEs sector, the government must ensure relative political dependability. In any case, the role of government support policy in the implementation of SMEs is largely ignored in sociology, especially in administration studies.

Jordan's government faces a monumental challenge in promoting and encouraging SME businesses. The region generates revenue and creates jobs on the lookout, thus assisting in the reduction of poverty and, as a result, the government's duty. The government is responsible for establishing the norms, rules, and agreements that these SMEs must follow. The guidelines cover costs that SMEs are required to pay, operation permits, and local SMEs' protection against global markets (Bank, 2014). The report demonstrated how public reactions and government funding fueled the growth of SMEs. Issues such as high tax assessment rates and a high cost of authorization are realities that make it difficult for SMEs to start up and develop. Jordan's government has a huge challenge ahead of it in terms of helping and inspiring SMEs. Different aspects of credit management, risk mitigation, and financial management are all factors that affect how these SMEs present themselves (Masoud, 2020). Jordanian SMEs (especially small businesses) continue to struggle due to a simple lack of ability to operate, particularly in collaboration, within the country's internal environment, just as Jordanian SMEs (specifically small businesses) continue to struggle due to a lack of government support for SMEs (Alzuod, Isa, & Othman, 2017). As a result, the purpose of this research is to

investigate the impact of accounting information systems on the performance of SMEs in Jordan, as well as the role of government support.

### **1.3 Problem Statement**

The fundamental problem of this research is that SMEs are facing challenges in terms of financial and non-financial performance due to good accounting information systems in Jordan. These issues are also interconnected with governmental policies and support. Governments all over the world have proposed a variety of policies and programs for SMEs to improve financial sustainability, lifestyle, and economic growth in the long run (Cooke, Heidenreich, & Braczyk, 2004; Howells, 2005). Governments, regardless of country, are tasked with determining regional and local factors that affect business ventures. This is because, in today's information-based economy, entrepreneurship has emerged as one of the most important drivers of sustainable financial growth and development (Doh & Kim, 2014). Despite SMEs (business consequences) making a significant contribution to GDP, monetary growth, and economic progress goals, there is a high rate of unfavorable conditions across the world (Anwar, Khan, & Khan, 2018). In this regard, studies have looked into a variety of determinants that may affect success, such as technology, start-up funding, marketing, management skills, education level, social networks, age of owner, government, gender, financial support, lack of government support (N. Gupta & Mirchandani, 2018; Yang, Ishtiaq, & Anwar, 2018) and SMEs' failure (Desai & Shaikh, 2018; J. Gupta & Gregoriou, 2018). Due to a lack of assets and talents, SMEs need both financial and non-financial assistance to survive in

the competitive business world(U. KHAN, ZHANG, & SALIK, 2020; Pu, Qamruzzaman, Mehta, Naqvi, & Karim, 2021; Slalmi, Malainine, & Economics, 2021).

According to Safkaur and Yanti et al., 2021, the vast majority of small and medium-sized enterprises (SMEs) rely on outside accounting operators to prepare their reporting process whenever the entrepreneur does not have accurate records or does not understand the data and statistics contained within the report, as is the case in most cases. For control and decision purposes, they are either unaware of or dissatisfied with the importance of accounting and financial reporting obligations. Therefore, the vast majority of small and medium-sized enterprises (SMEs) are periodically unable to execute accounting responsibilities on their own time. (Safkaur, Yanti, Fery, Azwardi, & Accounting, 2021; Songling, Ishtiaq, Anwar, & Ahmed, 2018; Zayed & Sinha, 2019).

Identifying the size of the SMEs sector in a developing country, such as Jordan, where data are sometimes incorrect or simply unavailable, is a herculean task, primarily because the informal economy in developing nations is typically larger than the official economy in developed countries. On the other hand, it is widely known that small and medium-sized enterprises (SMEs) contribute between 50 percent and 70 percent of GDP in developing nations (Alshirah et al., 2021; Asmuni, 2020). . Meanwhile, Jordan has one of the maximum open and loose economies with inside the Middle East and North Africa (MENA) region (Mohammad, 2018). This was achieved when non-traditional sectors are beginning to emerge in Jordan. Despite this, Jordan still has a long way to go

towards creating a healthy business environment for entrepreneurs (Schiff, Schmidt, & Troncoso, 2015).

As a result, SMEs operating inside the within national territories usually seek outside resources and services to ensure their existence and avoid failure. Government support for SMEs' innovativeness is beneficial because reasonable regulations and policies motivate and push SMEs to move forward (U. KHAN et al., 2020; Pu et al., 2021; Slalmi et al., 2021)As a result, establishing relationships with authorities and political bodies is not only crucial for newly established businesses to collect good sources, but it is also essential for established SMEs. Governments provide a variety of assistance options for SMEs' survival, including customized business solutions, excellent support, technological, immediate, control competencies enhancement, management fee reduction, building links with external bodies, economic incentives, economic assistance, global marketplace entry, and prison machine reinforcement (Wilson, 2007).

Researchers investigating SMEs and financial events (Aremu & Adeyemi, 2011; Hak-Su, 2007; Kongolo, 2010) discovered a number of concerns. One of the issues with execution implementation is why just a few SMEs can finish it. Failures of SME's were also looked at (Abereijo & Fayomi, 2005; Falkena et al., 2002; Harash, Al-Tamimi, & Al-Timimi, 2014). A scenario like this would undoubtedly elicit responses from both governments and SMEs. Several studies have tried to give sufficient answers by emphasizing the importance of government policy in determining outcomes (Dandago & Usman, 2011; Mohd Shariff, Peou, & Ali, 2010).



According to Park and Peter et al., In many cases, government regulations provide possibilities for SMEs to flourish, although agricultural and post-battle international regions are the most likely to enact measures that are beneficial to SMEs' development. Among government officials and policymakers, there is a scarcity of critical information regarding SMEs, as well as a lack of access to key information about SMEs (Park, Lee, & Kim, 2020; Peter et al., 2018).

Jordan has faced various economic challenges over the last ten years, the result of an economic crisis that started with the global financial crisis in 2007 and intensified with the start of the Arab Spring in several Arab countries. The Arab Spring began in December 2010 when Tunisian street vendor Mohammed Bouazizi set himself on fire to protest the arbitrary seizing of his vegetable stand by police over failure to obtain a permit, which was ended in 14 January 2010 Furthermore, the closure of borders with Iraq and Syria, as well as the drop in oil prices, had an effect on Jordan's economic development, rates, and exports. Jordan's public finances have also been impacted by a decrease in grants and public revenues as a consequence of the declining economic cycle, which has exacerbated the country's public debt in recent years. This stagnant economy was reflected in a decline in the number of jobs produced in the local sector, contributing to a rise in unemployment rates, which reached 18.6% in the third quarter of 2018. (Amman Chamber of Commerce, 2020).

Minister of Industry, Trade, and Supply Tariq Hammouri (2019) announced that one of Jordan's most serious problems is that the country's economy is unproductive, relying solely on the services sector, tourism, trade, and a few extractive industries like pharmaceuticals and fertilizers, which relation to the budget deficit and high public and internal debt, which reached 29 billion dollars in 2018, the volume of exports is limited in relation to the volume of imports. Despite these problems, he noted, Jordan retains security stability. Maintain a degree of economic stability and a 1.9 percent real growth rate. In general, Jordanian RGDP growth at constant prices was stable between 2010 and 2018, with annual growth rates between 1.9% to 2.7% (Central Bank of Jordan, 2018).

In Jordan, based on recent report from Amman Chamber of Commerce (2017), the number of SMEs in general, and of those in services sector registered within the period 2013-2017 are reduced and not growing properly, because, some SMEs failed during the first to five years of their establishment due to their inability to sustain in the service sector. This is an suggestion of the business's capability to produce and deliver good financial and non-financial performance. For instance, Jordan SMEs estimated failure rate at 65% (Amman Chamber of Commerce, 2020).

Kareem et al., suggested that by using given accounting records that enable for verification and administration, accounting information systems may assist SMEs in managing their existing issues in costing, consumption, and profits (Kareem et al., 2021). They also added that SMEs' financial priorities have altered significantly, and the use of personal computers for board accounting records planning has not yet

achieved its maximum potential. It is due to the abuse and misunderstanding of accounting data that people are unable to make decisions based on the financial element of their situation, which causes them to be frustrated and dissatisfied with their situation (Kareem et al., 2021).

SMEs in Jordan accountable for 98% of total private sector employment and employ 71 percent of the workforce. Due to the economy's generally limited scale, there are few large corporate enterprises available, and there is also a genuine lack of center-level funding. (business development administrations that promote growth and internationalisation) to high-potential SMEs in all areas the lack of proper funding mechanisms and a widespread belief that R&D and growth finance should be guided by government entertainers keep private sector involvement in innovative projects at a low level. There is also fragile cooperation among the people.

The performance of SMEs is an essential economic issue, the contribution of SMEs to Jordan's GDP is 16%, in middle-income countries, 39% and in high-income countries, 51% (Musa & Chinniah, 2016) . Meanwhile, Jordan has recorded a high rate of employee turnover from 3% to 27% within SMEs (Al-khrabsheh, Abo-Murad, & Bourini, 2018) . In addition, SMEs employ large numbers from the workforce ranging between 50% to 60% of the workforce and account for 50% of the national total goods and services output, which puts the unemployment ratio to about 18.3% in 2017 (Department of Statistics, 2017).

On the other hand, SMEs were found to be effective in reducing poverty by providing money and jobs when they were fully developed. This business sector can assist any government that advances it in raising a country's GDP, generating taxes and other Internally Generated Revenues (IGR), and bringing stability to the country's entire economic system. Similarly, the benefit provided by SMEs' specialized services and products and the sound marketplace competitiveness encourages to create a challenge for a strong non-public propelled financial sector, with marketers who are progressing (Etuk et al., 2014).

Any commercial enterprise's success, growth, and survival are dependent on a large number of high-quality decisions made through control. These decisions are based on the excellent quality and timeliness of the records provided by proper accounting. As a result, it will be critical for each SME to obtain and maintain accurate records, which will necessitate establishing a valid Accounting Information System (AIS) to assist in the decision-making process. It has been determined that the ideal accounting records equipment is critical for the successful management of any commercial company entity, large or small (Smirat, 2013).

There appears to be a rising reliance on records technology within the business world, with accounting records structures being used to update the overall accounting process. This is due to a desire to improve the efficacy and efficiency of the business (Lallo & Selamat, 2013). Meanwhile, the AIS concept looks to unite accounting and

records structures in an interdisciplinary system. The primary goal of AIS is to provide organizations with financial and non-financial information (Salehi et al., 2010).

However, there was plenty of evidence that economic and non-economic accounting maintained the critical objective for SMEs' management (Smirat, 2013). Notwithstanding the use of AIS, study suggests that SMEs continue to have inadequate database management, inadequate full automation, but most judgement is conducted on an occasional basis. This purpose can be attributed to the use of preliminary facts generation (Lallo & Selamat, 2013).

As a result, it is critical to logically investigate the consequence of accounting information systems on the performance of SMEs in Jordan, using government support as a steering variable. Previous research revealed the need for more logical investigations into the relationship between the construct factors of AIS, GS, and SMEs execution .Along these lines, this investigation will look into the forerunners of AIS in their relationship with SMEs, what regions of SMEs satisfaction occur, what position does growth sales and return on investment play, and the effects on SMEs' performance in Jordan (Mohammad, 2018; Oluoch, 2016; Susanto, 2015).

#### **1.4 Objectives of the Study**

The study's primary purpose is to investigate the impact of accounting data machines on the overall performance of SMEs in Jordan's carrier industry, with the usage of

government assistance as a moderating variable. To accomplish this, the following specific objectives are set forth:

- i. Examine the influence accounting information systems on the financial performance of SMEs.
- ii. Determine the influence of accounting information systems on the non-financial performance of SMEs;
- iii. Explore whether government support has a moderating impact on the relationship between the accounting information systems and financial performance of SMEs ;
- iv. Investigate whether government support has a moderating impact on the relationship between the accounting information systems and non-financial performance of SMEs.

## **1.5 Research Questions**

Based on the problem identified above, the following research questions are put forward to this thesis:

- i. Does accounting information system has an influence on financial performance of SMEs?
- ii. Does accounting information systems has an influence on non-financial performance of SMEs?
- iii. Is government support play a moderating role in the relationship between the accounting information systems and financial performance of SMEs?
- iv. Is government support play a moderating role in the relationship between the accounting information systems and non-financial performance of SMEs?

## **1.6 Significance of the Study**

Small medium enterprises (SMEs) have always been considered to be the backbone of Jordan Economy. Small and medium-sized enterprises (SMEs) have played a critical role in economic growth and fair development in developing nations. It is impossible to overstate the value of an accounting information system in any organization, particularly in small and medium-sized firms. Small and medium-sized enterprises (SMEs) rely on accounting information systems that are crucial to the survival. SMEs, on the other hand, make poor decisions as a result of a lack of accounting information.

### **1.6.1 Practical Significance**

The accounting information systems and the performance of small and medium-sized enterprises (SMEs) in Jordan are the primary focus of this research. Furthermore, by combining financial and non-financial measures, it is possible to measure the total performance of SMEs in a methodical manner. The most significant conclusion of this study is that it is one of the only studies of its type that has been able to appreciate the moderating function played by government assistance. As a result, it will aid in determining the significance of the involvement of relevant government agencies such as, for example, the Ministry of Labour and the Ministries of Planning and International Cooperation and Industry and Trade, which will gain a better understanding of the critical accounting information systems and how it benefits the overall performance of SMEs in Jordan. Specifically, the research will assist in the benefit recognition of the value of accounting information systems and the overall performance of SMEs for the

future success of the firm. The outcomes of this research will assist government agencies in understanding how governmental assistance might improve the performance of SMEs. It is possible to put into operation excellent accounting information systems in certain instances from the standpoint of Jordan. Furthermore, investors will be better aware about the value of accounting information systems in increasing the decision-making components for SMEs' development, investment, and financing, as a result of this research. Agency employees may have a better understanding of the practical effects of their work activities if accounting information systems are made available. Resources and energy will be saved due to good accounting information systems implementation in the SMEs in Jordan.

### **1.6.2 Theoretical Significance**

Because of the conceptualization of resource-based perspective theory to respond to current literature or discussion, the outcomes of this research will close the gap or clarify each part of the accounting information systems. In terms of theoretical significance, this research aims to contribute to financial and entrepreneurial literacy by presenting a modern paradigm as an essential alternate theoretic framework for understanding accounting information systems on the financial and non-financial performance of SMEs in the service sector of Jordan. Second, this research aims to contribute to financial and entrepreneurial literacy by presenting an alternate theoretic framework for understanding accounting information systems on non-financial performance of SMEs in the service sector of Jordan.



Students of Management and Social Sciences, as well as students from other related disciplines and other researchers, would find the findings of this study to be informative and a valuable resource for reference purposes, in comparison. Additional study in areas such as the financial and non-financial performance of SMEs in Jordan might be of enormous use to future academics since it would spark ideas for further research in these areas. The relevance of accounting information systems for the performance of SMEs, both financial and nonfinancial, will be underlined as a result of the research. This research will be committed to the presentation of accounting data that is relevant and helpful in order to more effectively and efficiently execute the plan, formulate policy, and develop company strategies.

Finally, This study would be further enrich the Instrument development to measure accounting information systems from four dimension, government support and financial and non-financial performance of SMES in Jordanian perspective.

### **1.7 Scope of the Study**

The study examines the impact of accounting information systems on the overall performance of Jordanian small and medium-sized firms, with government support serving as a moderating variable. According to the Amman Stock Exchange (ASE) (2017), Jordan's economic system is divided into three key sectors: the service sector, the industrial sector, and the financial sector (Amman Stock Exchange Report, 2017).

Throughout 2013 and 2018, the research will concentrate on the service sector, especially electrical and electronic companies that operate in Amman, Irbid, and Zarqa, in Jordan((JIC), 2018). It was decided on these time frames since the number of SMEs and those in the services sector that were registered during these years has decreased significantly. Furthermore, according to the data, 98 percent of Jordanian businesses are small and medium-sized enterprises (SMEs), which are important contributors to the country's economy, but have seen poor participation throughout these time periods (Amman Chamber of Commerce, 2020).

This study would be further investigating the SMEs performance both from the financial aspect and non-financial aspect. Further, this study would be focus on the impact of accounting information systems highlighting four fundamental features named understandability, relevance, reliability and accuracy. In addition to that governmental support is playing as moderating role between accounting information systems and SMEs performance from Jordan.

## **1.8 Operational Variables Definition**

**i. Small and medium scale enterprises (SMEs):** SMEs refers to enterprises employing 5 to 20 employees, and their total assets (or sales volume) are less than one million JD annually; while those with 21 to 100 employees and their total assets or sales volume are between one to three million JD annually are classified as medium (Awad, 2015; K. Sibanda, Hove-Sibanda, & Shava, 2018).

**ii. Performance of SMEs:** The performance of a business relates to its capability of attaining the target output that meets the stipulated requirements. Nevertheless, performance tends to be measured financially, even though certain small enterprises are also measured through non-financial performance. For this study, performance usage will be related to achieving financial and non-financial performance. (Afriyie, Du, & Musah, 2019; Ardito, Petruzzelli, Panniello, & Garavelli, 2019).

**iii. Financial Performance of SMEs:** The financial performance refers to the level of company's financial performance. The present study employs the following two financial performance indicators: ROI and sales growth (Ellitan, 2003; Matovu, 2011; Uhlaner, van Stel, Duplat, & Zhou, 2013; (Ardito, Scuotto, Del Giudice, & Petruzzelli, 2019).

**iv. Non-financial Performance of SMEs:** Owner/supervisor delight or frustration of entrepreneurship after the start-up system and the evaluation consists of delight at the enterprise go back on investment, income growth, everyday delight and willingness to begin the identical enterprise (Anwar, Clauss, & Issah, 2021; Anwar et al., 2018).

**v. Accounting information system (AIS):** AIS is required to comprehend the firm's financial status; it serves as the foundation for decision making. For the purpose of this study, the dimension AIS will be used as four measurement components; understandability, relevance, reliability and accuracy (Ganyam & Ivungu, 2019; Fahmi Ibrahim, Diyana Najwa Haji Ali, & Nur Suaidah Awang Besar, 2020b).

**vi. Government:** Government agencies are striving to enhance the business climate for SMEs by business make formation practises, imposing stricter and straightforward regulatory requirements, constructing business infrastructure and parks, guaranteeing a supply of business land at a reasonable price, and broadening access to markets through agreements (Kundurpi, Westman, Luederitz, Burch, & Mercado, 2021).

**vii. Government Support:** Government support has been defined as the attitude, values, skills, and power of a group or individuals working in an institute or an organization to generate income (Danish, Asghar, Ahmad, & Ali, 2019). One must notice that while considering government support in an organization, innovation is one of the most important elements for its growth and success, so research on the subject is specifically needed in the entrepreneurial context (Danish et al., 2019) .

**viii. Owner/manager:** The owner/manager or chief executive officer of the firm is the only person who fully understands the objectives and directions of the firm and owner-manager who considered themselves an innovator or inventor of change increased the likelihood of growth substantially (Blackburn, Hart, & Wainwright, 2013b; Isaga, Masurel, & Van Montfort, 2015).

## **1.9 Thesis Structure**

There are five chapters to the thesis. Chapter one covers the study's history, the problem's statement, the study's questions, the study's purpose, the study's importance,

the study's scope and delimitation, the operationalization of the concepts, and the study's approach. The relevant literature as well as the theoretical framework are examined in the second chapter. The literature review was separated into two sections: conceptual evaluation and empirical evaluation. With government support acting as a moderator, the resource-based theory was utilized to describe the connected accounting information systems and overall performance of SMEs in Jordan.

The method used is discussed in Chapter 3, which includes the study design, study area, study population, sampling frame, pattern size dedication, sampling procedures, study instruments, study instrument validity, study instrument reliability, data collection techniques, moral attention, and information evaluation techniques. A mixed technique was used for this investigation. This method comprises using a combination of quantitative and qualitative methodologies to collect analytic, narrative, and descriptive data in order to explain the disparities between accounting information systems and overall performance of Jordanian SMEs. The researcher was able to combine the advantages of both approaches and use one's strength to help the other's weak spot.

The examination and interpretation of data, as well as the presentation of findings, are the topics of the fourth chapter. This involves examining the respondents' socio-demographic features, their views on the accounting information systems, and their views on the overall performance of SMEs and government supports. It is necessary to test hypotheses and discuss the findings. Chapter five is the emphasis of the summary,

conclusion, and suggestions. Contributions to the body of knowledge and recommendations for further study could be made.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will look at each of the accounting information system independent variables and the dependent variable of SMEs' overall performance in Jordan, and the moderating variable of president support. It is critical to assess what students have accomplished about understanding the concept under consideration better. This chapter will cover related material on the relationship between the assembled variables. This includes the conceptual and empirical evaluations of the literature, the theoretical and conceptual frameworks of the literature, and the study's conceptual framework.

#### **2.2. SMEs in Jordan**

The Jordanian market is primarily regarded a SMEs economic model where small and medium firms (SMEs) comprise 98 percent of Jordanian businesses and their Employees constitute about 60 percent of the labor force with such a total output counts approximately 50 percent of the GDP. SMEs sector has been confronted with various issues that have begun with growth occurring in Jordan into a completely liberated and open market economy. The entire thing was swiftly moving and upgrading, which resulted in a skewed and a long-lasting influence on SMEs.

Jordan launched its open market strategy and deregulation in 2000 and afterwards Nine years later the SMEs sector was struck again with the economic collapse. SME plays a crucial part in increasing Jordanian employment segment. It shows the primary elements impacting the improvement and employment chances generation. There is rising evidence that SMEs play a crucial role in the economic growth in Jordan. SME's supply the bulk of new work possibilities and provide much of the ingenuity that drives economic advancement. SMEs is the only answer to provide new work prospects to a big number of Jordanians. This research emphasizes this to assess how SMEs may minimize economic difficulties in any nation and taking Jordan as case study. Ministry of Industry and Trade classify SMEs based on the number of employees and the paid capital investment as summarized in the following table (2.1).

Table 2.1: Definition of SMEs

<b>Classification</b>	<b>Capital Investment (JD)</b>	<b>No. of Employees</b>
<b>Micro</b>	Less than 30,000	1-9
<b>Small</b>	30,000	10-49
<b>Medium</b>	30,000	50-249
<b>Large</b>	30,000	250 and above

**Source: Jordan Enterprise Development Corporation**

There are few laws and regulation that are followed and maintained in Jordan for SMEs such as Ministry of Industry and Trade law 18/1998, Chamber of Industry law 10/2005, Jordan investment board law 18/1991, Investment law 68/2003, Jordan Enterprise