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Accounting Information Systems Usage and Financial Performance of the Hospitality Sector in Uganda: A Review Paper of the Hotels Industry in Fort Portal City

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ABSTRACT: This study examines how Accounting Information Systems (AISs) Usage accounts for financial performance of the hospitality sector in Uganda and adopted a systematic review method of the hotel sector with focus on Fort Portal City. To assess financial performance of hotels in Fort Portal City, literature and published reports about financial performance of the sector were reviewed for a period of 7 years from 2017 – 20224. This period provided a trend in performance of the sector in the city. The study included studies focusing on the overall financial performance of the hotels sector on one hand as well as those that have had detailed focus on either adoption or use of accounting information systems to manage business information with intent of informing decisions. Data were sourced from Google Scholar and Science Direct databases for the period under review. The collected data were synthesized and findings summarized in a thematic manner to aid discussions. Results indicate that accounting information systems usage positively and significantly predict financial performance of Hotels through aiding timely capturing and processing of information which informs decisions that are important to enhance profitability, liquidity and return on assets. Further still, AISs usage results into: higher transparency, better risk management, and stronger financial controls translating into better investment decisions and portfolio allocations. Based on the findings, researchers conclude that AISs usage positively and significantly predict financial performance of firms. The study thus recommends that firms/ hotels should consider investing in more advanced and efficient systems to improve their financial performance.

1.0 INTRODUCTION

The need for appropriate timely information has become a must possession for enabling firms to compete in their respective markets as well as setting competitive prices for the firms' services. Accordingly, Accounting Information Systems (AISs) have been identified as the most important systems for firms to compete by aiding routine capturing of information needed to make business decisions that improve processes and translate into higher levels of firm performance. Premised on the above preamble, this review paper examines the relationship between Accounting Information Systems and financial performance of the hotels industry in Fort Portal City. In the recent years, financial performance of many organizations has received increasing attention because it affects the overall organizational performance (Lam & Zhang, 2017; Adusei & Amoako, 2021). As noted by (Mubiru & Were, 2021), performance is the ability of a firm to be able to gain and manage its resources in ways that can gain competitive advantage. Performance is evaluated based on company's productivity or processing inputs into outputs; company's profitability (its earrings are more than its cost) and lastly market premium or where a company's market value exceeds the book value

(Nguyen & Tran, 2021).Therefore, performance becomes difficult to define and measure (Adu - Gyamfi & Anku - Tsede, 2019). Consequently, researchers in the strategic management field offer a wide range of modeling used for describing and analyzing financial performance (Adu - Gyamfi & Anku - Tsede, 2019; Al - Dmour, Alfaqih, Alshurideh, & Al - Dmour, 2019).

According to (Al - Dmour, Alfaqih, Alshurideh, & Al - Dmour, 2019), financial performance is the degree with which financial objectives are achieved. Further submissions from (Ayandele & Saini, 2018) indicate that financial performance entails a process of measuring results of a company's policies and operation based on monetary terms. Some of the notable measures of financial performance include gross profit margin, net profit margin, which reveals how a firm has earned, or earnings in relation to their sales. Another variable is return on assets, which determines its ability to make use of the assets, liquidity which measures a firm's ability to hold appropriate cash and near cash assets and the return on equity, which reveals what investors can take from their investments (Adusei & Amoako, 2021).

On the other hand, an accounting information system is a total suit of components that together comprises all inputs, storage, transactions, processing, collecting and reporting of financial transaction data (Zhang & Wu, 2020). Accordingly, the need for accounting information system is due to increase in the number of transactions as a result of the policy of continuous expansion of the businesses (Zhang & Wu, 2020; Adusei & Amoako, 2021).

While financial performance has been widely studied from various fields; Banking sector (Awasthi, Sangle, & Bhowmick, 2019); listed companies (Wu, Wang, & Wang, 2019; Garcia - Merino & Pascual - Ezama, 2019) as well as SMEs (Fadzly & Md Nasir, 2020), little has been done in the hospitality sector. Further still, studies in the hospitality sector such as (Ayandele & Saini, 2018) are outside Uganda while (Mubiru & Were, 2021) only focuses on hotels in the central business district of Kampala. This study therefore examines how AISs account for financial performance in the hotels sector in Fort Portal City.

1.2 Statement of the problem

Financial performance is a general measure of a firm's overall financial health over a given period of time (Al - Dmour, Alfaqih, Alshurideh, & Al - Dmour, 2019) and it is measured in terms of overall profitability, Return on assets, liquidity, and solvency, timely collection of receipts and settlement of payments (Chauhan & Setiawan, 2019; Al - Dmour, Alfaqih, Alshurideh, & Al - Dmour, 2019). Generally, Accounting Information Systems (AIS) play a vital role in managing financial information within organizations. For hotels, which operate in a highly competitive industry, efficient financial management is crucial for achieving sustainable growth and maintaining a competitive edge (Adusei & Amoako, 2021). Further still, effective adoption and use of accounting information systems (AISs) is believed to spur high levels of financial performance. This is by helping firms to streamline financial transactions, enhance financial reporting, improve cost control, and manage revenue efficiently as well as supporting decision making (Nguyen & Tran, 2021).

Hotels in Fort Portal City employ accounting Information Systems to record financial transactions, process and store information as well as generate financial reports about the operations with intent of achieving improved financial performance through increased profitability, high liquidity and high return on Investment(ROI) (Mubiru & Were, 2021; Okanya & Ojambo, 2021). Despite the employment of AISs, hotels in Fort Portal city operate at losses, have low liquidity levels and generally record a low ROI (Okanya & Ojambo, 2021). To this researcher, this manifestation could probably be attributed to inadequacies usage of AISs. Against this background, the current study will examine the effect of AISs on financial performance of the Hotels industry in Fort portal City.

1.3 Literature Review

A study by, (Singh, Agrawal, & Gupta, 2017) explored the impact of information technology (IT) on the financial performance of hotels in India and established a positive significant influence of IT on financial performance. Another study by (Osho, Ogbo, & Amaihian, 2020) examined the relationship between AISs and performance in Nigerian hotels with findings revealing that the use of AISs positively influenced the financial performance of the hotels. Further still, (Khalid A & Haniffa, 2017) investigated the influence of accounting information systems on the financial performance of hotels in a developing country context and established a positive relationship between information systems and financial performance. In a related study, (Tanyi & Ofori, 2019) examined the effects of AISs on financial performance of Cameroonian Hotels and established a positive relationship between the use of AISs and financial performance of the firms in question.

In the recent years, financial performance of many organizations has received increasing attention because it affects the overall organizational performance (Lam & Zhang, 2017; Adusei & Amoako, 2021). As noted by (Mubiru & Were, 2021), performance is the ability of a firm to be able to gain and manage its resources in ways that can gain competitive advantage. Performance is evaluated based on company's productivity or processing inputs into outputs; company's profitability (its earrings are more than its cost) and lastly market premium or where a company's market value exceeds the book value (Nguyen & Tran, 2021). Therefore, performance becomes difficult to define and measure (Adu - Gyamfi & Anku - Tsede, 2019). Consequently, researchers in the strategic management field offer a wide range of modeling used for describing and analyzing financial performance (Adu - Gyamfi & Anku - Tsede, 2019; Al - Dmour, Alfaqih, Alshurideh, & Al - Dmour, 2019).

2.0 METHODS

2.1 Type of Review Conducted

I conducted mixed method review of the hotel sector in Uganda with focus on Fort Portal City. In particular, the paper focused on hotels sector in Fort portal City. To assess financial performance of hotels in Fort Portal City, literature and published reports about performance of the sector were reviewed for a period of 7 years from 2017 - 2024. The reason for using this period was to provide a trend in performance of the sector in the city.

2.2 Types of Studies Included

The study included studies focusing on the overall financial performance of the hotels sector on one hand as well as those that have had detailed focus on either adoption or use of accounting information systems to manage business information with intent of informing decisions.

2.3 Target Participants

In this review, studies involving the sector regulators, the practitioners, hotel owners as well as employees of the sector were included. To gather a comprehensive of financial performance and augmented indicators or measures of the variable, other studies on financial performance outside the hotels industry were included. This is because all participants in these studies are believed to have rich information about the study variables and associated objectives.

2.4 Phenomenon of Interest/Outcome

Researchers included studies that reported on how Accounting Information Systems influence financial performance of the firms under study. For example, (Singh, Agrawal, & Gupta, 2017) explored the impact of information technology (IT) on the financial performance of hotels in India and established a positive significant influence of IT on financial performance. Another study by (Osho, Ogbo, & Amaihian, 2020) examined the relationship between AISs and performance in Nigerian hotels with findings revealing that the use of AISs positively influenced the financial performance of the hotels. Further still, (Khalid A & Haniffa, 2017) investigated the influence of accounting information systems on the financial performance of hotels in a developing country context and established a positive relationship between information systems and financial performance. In a related study, (Tanyi & Ofori, 2019) examined the effects of AISs on financial performance of Cameroonian Hotels and established a positive relationship between the use of AISs and financial performance of the firms in question.

2.5 Search Methods

2.5.1 Electronic Databases

We searched **Google Scholar** (June 10th, 2024) and **ScienceDirect** (June 14th, 2024). Using a similar inclusion and exclusion criteria, we also searched reference lists of all studies obtained from the electronic databases that merited inclusion. However, we did not search for grey literature.

2.5.2 Search Strategy

Researchers formulated a comprehensive search strategy for the electronic databases with search strings and synonyms of all search terms while employing Boolean operators (AND, OR). In particular, focus was paid on financial performance and augmented indicators on one hand and also searched for scholarly articles on accounting information Systems on the other hand. Later on, the two variables and started to search for AISs and financial performance were merged. To tailor the findings to the study area of focus, the term hotel sector and consequently gathered facts about the study variables as well as the objectives was included.

2.6 Data Extraction and Management

Data was extracted from included studies in this review using a predesigned and pretested data extraction form (see appendix 1). Extracted data in the form included information on study citation, location, settings, participants (including number, sex and age), study design, data analysis method, study purpose/AIS and key findings of interest to the review.

2.7 Data Analysis

Analysis was performed on the extracted data by use of thematic and content analysis. The various findings extracted were grouped into themes and tailored content and then analyzed with regard to frequencies and general descriptions. The study then synthesized the extracted results on study variables and objectives after which discussions with existing literature were done. In the end, the researcher came up with a position regarding the hypothesized impact of AISs on financial performance of hotels in Fort Portal.

3.0 RESULTS

3.1 Search Results

A total of 175 titles and abstracts were obtained from the identified search engines of which 10 eligible articles was retained. After assessing full texts of the 10 articles, 2 article was excluded because of focusing on other industries as opposed to the hotels and hospitality sector. Finally, 8 studies were included in the analysis: (Adu - Gyamfi & Anku - Tsede, 2019; Lam & Zhang, 2017;

Khalid A & Haniffa, 2017; Ayandele & Saini, 2018; Osho, Ogbo, & Amaihian, 2020; Tanyi & Ofori, 2019; Mubiru & Were, 2021; Singh, Agrawal, & Gupta, 2017).

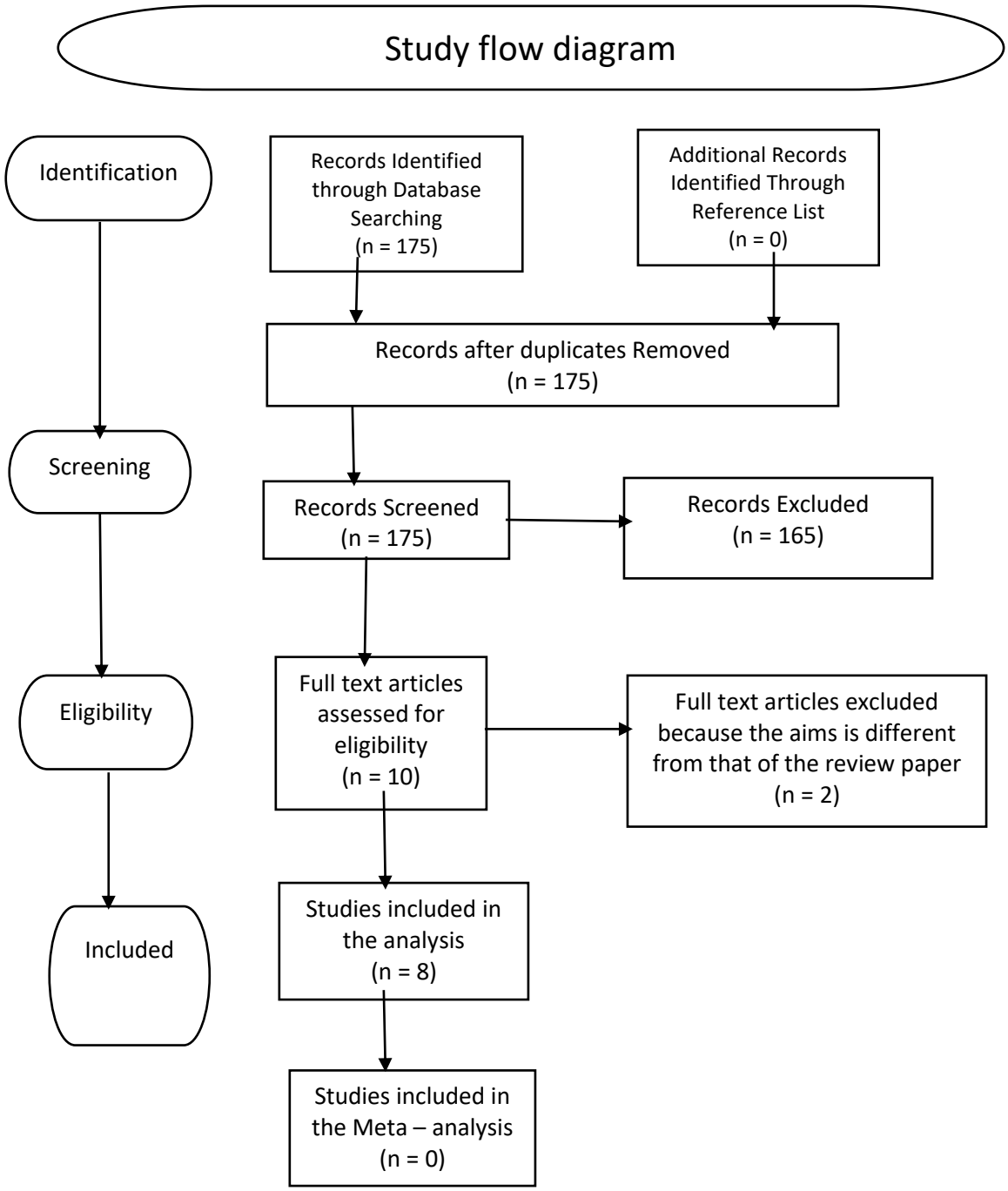

Figure 1: Study Flow Diagram

3.2 Description of Included Studies

3.2.1 Study Location and Settings

I included studies which were conducted in Ghana (Adu - Gyamfi & Anku - Tsede, 2019; Khalid A & Haniffa, 2017), China (Lam & Zhang, 2017), Uganda (Mubiru & Were, 2021), Nigeria (Ayandele & Saini, 2018; Osho, Ogbo, & Amaihian, 2020), Cameroon (Tanyi & Ofori, 2019) and India (Singh, Agrawal, & Gupta, 2017). All the eight studies were conducted in the hotels sector.

3.2.2 Study Designs

Included studies followed a cross – sectional survey design (Adu - Gyamfi & Anku - Tsede, 2019; Ayandele & Saini, 2018; Lam & Zhang, 2017; Khalid A & Haniffa, 2017; Mubiru & Were, 2021) and a case study design(Singh, Agrawal, & Gupta, 2017; Tanyi & Ofori, 2019; Osho, Ogbo, & Amaihian, 2020).

3.2.3 Study Participants

This review included a total of 2520 participants; 117(Adu - Gyamfi & Anku - Tsede, 2019), 423(Lam & Zhang, 2017), 341(Ayandele & Saini, 2018), 622(Khalid A & Haniffa, 2017), 423(Singh, Agrawal, & Gupta, 2017), 197(Mubiru & Were, 2021), 244(Tanyi & Ofori, 2019) and 163(Osho, Ogbo, & Amaihian, 2020).

3.3 Characteristics of Included Studies

Table 1: Characteristics of Included Studies

Study citation/location/settings	Participants (number, sex, age)	Study design	Data analysis method	Study purpose/AIS	Key findings of interest to the review
(Adu - Gyamfi & Anku - Tsede, 2019)/Ghana/Hotels and Hospitality	117 Hotels practitioners, 25 years and above	Cross – sectional Survey	Correlations and Regression analysis	To assess the effect of Accounting Information Systems on Financial Performance of Hotels Sector in Ghana	Accounting information systems positively and significantly predict financial performance of Hotels through aiding timely capturing and processing of information which informs decisions
(Lam & Zhang, 2017)/China/Hotels Sector	423 Hotel owners and operators aged 25 years and above	Cross – sectional Survey	Regression Analysis	To examine the impact of Integrated Accounting Systems on Hotel Financial Performance in China	Integrated Accounting Systems positively predict financial of performance of hotels. The relationship is moderated by systems users attitude
(Ayandele & Saini, 2018)/Nigeria/Hotels and Leisure Industry	341 participants drawn from both enders, practitioners in the hotels industry	Mixed methods cross-sectional study	Descriptive statistics, Regression Analysis	To investigate the impact of Accounting Information Systems on Financial Performance of Hotels in Nigeria	Adoption of Accounting Information Systems accelerated financial performance of hotels although the contribution grew bigger with international hotels compared to locally owned hotels
(Khalid A & Haniffa, 2017)/Selected developing Countries/ Hotels sector	622 hotels owners and managers	Cross – sectional Survey Design	Regression Models	To examine the impact of information systems on financial performance of hotels in developing countries	Adoption of IT moderately predicts financial performance of hotels

(Singh, Agrawal, & Gupta, 2017)/India/ Hotels	423 managers and employees	Cross – Sectional Survey Design	Descriptive statistics, Regression Analysis	To investigate the effect of information technology on financial performance of Hotels in India	Financial performance improved with adopted of IT in managing business information which facilitated operational efficiency
(Mubiru & Were, 2021)/Uganda/Hotels sector	197 operators of hotels	Case study	Descriptive statistics, Regression Analysis	To investigate the impact of Accounting Information Systems of Financial Performance of Hotels in Uganda	Adoption of AISs positively predicts financial performance of hotels business
(Tanyi & Ofori, 2019)/Cameroon/Hotels Sector	244 managers and proprietors of hotels	Case Study	Correlations and Regression Analysis	To examine the effect of accounting information systems on financial performance of hotels in Cameroon	Adoption and usage of AISs positively associated with and equally positively predicted financial performance of Hotels
(Osho, Ogbo, & Amaihian, 2020)/Nigeria/Hotels Industry	163 hotel managers and owners	Case Study	Descriptive Statistics and Regression Models	To examine the effect of Accounting Information Systems on Financial Performance Hotels in Nigeria	Effective use of AISs positively predicts financial performance of Hotels

4.0 DISCUSSION OF RESULTS AND CONCLUSIONS

The review aimed at examining the effect of Accounting Information Systems on Financial Performance of the hotels sector with focus on Fort Portal City. Specifically, the review examined how automated data recording affects financial performance of the hotels sector as well how data recording and storage affects financial performance of the hotels sector in Fort Portal City. Findings from (Adu - Gyamfi & Anku - Tsede, 2019; Khalid A & Haniffa, 2017; Lam & Zhang, 2017) showed that adoption and effective use of AISs positively predicts financial performance of the hotels in question. It also emerged that the adopted tenets of AISs in the study positively account for positive variations in financial performance of the hotels under study.

The results imply that investing in more advanced and efficient systems improves financial reporting, analysis, and decision-making processes leading to better financial transparency, accuracy, and timely reporting, which may result in improved financial performance. Further still, results imply that firms with better accounting information systems are more likely to perform well financially. As a result, investors may perceive such companies as having higher transparency, better risk management, and stronger financial controls translating into better investment decisions and portfolio allocations. This position is consistent with (Singh, Agrawal, & Gupta, 2017; Osho, Ogbo, & Amaihian, 2020; Khalid A & Haniffa, 2017) who found a positive significant impact of AISs on financial performance of firms.

Results from the review also imply that AISs improve data quality and integrity in business organizations. This in turn helps the businesses to focus on data validation, security measures, and regular audits to ensure that the information generated by the system is reliable and trustworthy. Accordingly, results imply that a robust accounting information system can provide timely and accurate financial data, enabling better-informed strategic decision-making by management thereby enabling the business firms to integrate financial data into their decision-making processes and gain a competitive advantage. This view is consistent with (Tanyi

& Ofori, 2019) who submitted that when objectively implemented, AISs positively inform financial performance by streamlining information flow and data collaboration which quickens decisions and improve performance.

From the results, it is further implied that improving accounting information systems can lead to process streamlining and increased efficiency in financial reporting. This may result in cost savings and resource optimization for the organization. Equally, with improved accounting information systems, businesses may be better equipped to identify and manage financial risks. Additionally, accurate financial reporting facilitated by the systems can aid in compliance with relevant accounting standards and regulations. Findings are supported by works of (Al - Dmour, Alfaqih, Alshurideh, & Al - Dmour, 2019; Fadzly & Md Nasir, 2020) who concluded that adoption of AISs by business firms eases their data management function and positively their performance.

5.0 CONCLUSION

Based on the findings of the review, the researchers concludes that AISs through automated data recording, automated data processing and storages as well as automated data reporting positively and significantly predict financial performance of firms.

5.1 Limitations

Relying on only eight studies may not capture the full breadth of existing research on AIS in Uganda's hospitality sector; significant findings or diverse perspectives present in other relevant studies might have been omitted due to this narrow scope. The finding on accounting information systems usage may not reflect the recent technological advancements or changes in the hospitality industry's operational dynamics in Uganda; this temporal gap can affect the relevance of the findings to current AIS applications. There is also a possibility that studies with negative findings regarding AIS impact are less likely to be published, leading to an underreporting of neutral or negative results and overrepresentation of favorable outcomes.

5.2 Suggestions

Drawing from the findings, the researchers thus recommend that firms/ hotels should consider investing in more advanced and efficient systems to improve their financial performance. This is because enhanced accounting systems can lead to better financial transparency, accuracy, and timely reporting, which may result in improved financial performance.

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