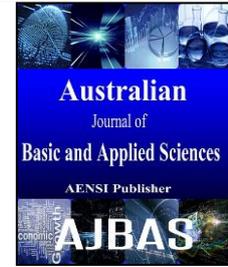




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### The Role of Accounting Information Systems in enhancing Human Resources Management Cycle in Jordanian Islamic Banks an Empirical Study

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#### ABSTRACT

This paper aims to identify the role of AIS in enhancing the human resources cycle in Jordanian Islamic Banks. this study designed a questionnaire includes 31 questions and distributed to 92 of HRM employees at Jordanian Islamic Banks, only 68 questionnaires were returned yielding 74% response rate. The results showed that accounting information system was found to positively correlate with enhancing the human resources management cycle (i.e. hiring function, training function, performance evaluation function, and compensation function). This study provides outputs that are beneficial for decision-makers in Jordanian Islamic Banks to benefit from AIS in the human resources management cycle since the results showed how can AIS enhance the HRM cycle.

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#### INTRODUCTION

The Human Resources Management cycle involves an organization determining its employment needs in line with its business strategy. This paper aims to identify the role of AIS in enhancing the HRM performance which expected to improve the HRM functions through providing timely and accurate information.

The human resources management (HRM) cycle is a recurring set of business activities and related data processing operations associated with effectively managing the employee workforce such as, 1. Recruiting and hiring new employees 2. Training 3. Job Assignment 4. Compensation 5. Performance evaluation 6. Discharge of employees, due to voluntary or involuntary termination (Romney, 2012).

Many authors define accounting information system as a collection of data and processing procedures that creates needed information for its users. On other hand an organization's human resources management activity includes the personnel function, which is responsible for hiring or laying-off employees. HR must properly maintain the personnel and payroll records for employees, as well as handle the many actions associated with employees' terminations. Nevertheless, the primary objective of the personnel function is to hire, train,

and employ qualified people to do an organization's work (Simkin, 2015).

Karthekeyan, (2010) argued that accounting information systems play an important role in the operation of today's success. It provides service by supplying information to the needy personnel in the organization. For which the resources of the organization should be managed properly. The basic resources – five M's – are: Money, Manpower, Materials, Machine, and Methods, recently, the management scholars have added one more M called management of information. These resources are to be maintained and managed in right manner to have a well-defined and a well-designed accounting information system.

Ismail, and King (2005) and Zakaria, Zainal, Nasurdin (2011) stated that human resource management (HRM) practices play an important role in improving productivity, performance and survival of the organization. By adopting the practices of human resources, it will enable the organization to attract, retain and motivate employees to support the mission, objective and organizational strategy towards an enhancement of organizational performance.

#### Problem Statement:

Accounting information system is expected to play a central role in Human Resources Management

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Cycle through hiring, training, performance evaluation, and compensation. Thus, if AIS provides timely and accurate information, the HRM will meet the organization goals and business strategy which in turn would enhance the company's performance.

***This study will answer the following questions:***

- 1- What is the role of AIS in Hiring function?
- 2- What is the role of AIS in Training function?
- 3- What is the role of AIS in Performance evaluation function?
- 4- What is the role of AIS in compensation function?

***Objectives of the study:***

The study aims to explain how the accounting information systems can help Human Resources Management in Jordanian Islamic Banks to achieve the following objectives:

- 1- To determine the role of accounting information systems in Hiring function.
- 2- To determine the role of accounting information systems in Training function.
- 3- To determine the role of accounting information systems in Performance evaluation function.
- 4- To determine the role of accounting information systems in compensation function.

***Literature Review:***

There are many researchers studied the relationship between HRM and AIS such as Adel M Qatawneh (2013), Nabizadeh., Omrani. (2014), AbuRumman. (2013). For example, Adel M Qatawneh (2013) studies the role of human resources accounting information on Accounting Information System (AIS) he highlighted the need to recognize human resource accounting information and AIS as the greatest development in the world of business. He added that the human resources accounting information affect the reliability of AIS, the operational performance, cost of reduction, customer services. He designed and distributed a questionnaire to the Jordanian listed companies in Amman stock exchange (ASE). The results showed that human resource accounting information has a positive impact on the AIS and also human resources accounting information has a significantly relationship with AIS development, cost reduction, improving the operational performance of the companies and finally with the customer services.

Nabizadeh., Omrani. (2014) examined the relationship between AIS effectiveness and Managerial Knowledge, use of external and internal consultant as well as Firm's Size. Data is collected through questionnaires from 37 manufacturing firms which are members of Iran Association of Detergent, Hygienic and Cosmetic Industries. T-test and Logistic Regression were applied to test the hypotheses. Findings suggest that AIS is related to managerial knowledge, use of accounting and

auditing firm's consultancy, internal IT employee's consultants and firm's size. In Spain, Grande., Estébanez., Colomina. (2011), investigated the impact of accounting information systems on performance evaluation in Small and Medium Sized Enterprises (SMEs), firms' improved performance indicators and productivity. This empirical study is based on a survey carried out among small and medium-sized firms to ascertain the extent to which development and implementation of accounting information systems had taken place, and subsequently an analysis was made as to how much this introduction may impact on improvement in outcome indicators and productivity. The results showed that there is a positive relationship among the SMEs that use AIS for fiscal and bank management and better performance measures. This research provides value added in accounting literature given the scarcity of works dealing with the relationship between the application and use of AIS and performance and productivity indicators in SMEs. While Harash, Al-Timimi, and Radhi (2014) explore the influence of Accounting Information System (AIS) performance in Small and Medium Enterprises (SMEs) in Iraq, They discussed the effects of using AIS on the performance of SMEs. They found that using AIS is influenced by several characteristics such as: reliability, relevance, and timeliness which positively affect SMEs' performance.

Abu Rumman (2013) studied the impact of management information systems of Human resources on the training needs in Al-Balqa Applied University. He also evaluated and followed-up training programs offered by the Human Resource Management at the university. The Findings indicated that there is statistically significant relationship between management information systems of human resources and identifying training needs and training programs goals in the Al Balqa Applied University. The study recommended that there is a need to identify the training needs at the university level in the long term, when designing management information systems of human resources. Hayajneh, Al-Omari, Al-Mobaideen, Allahawiah (2012) aimed to describe the impact of human resources information systems in identifying training needs, defining the goals of training programs, the implementation of training and evaluation and follow-up the effectiveness of training in industrial companies in Aqaba city, the study found that there was a link between human resources information systems and training needs, defining the goals of training programs, the implementation of training, evaluation and follow-up the effectiveness of training in industrial enterprises in Aqaba city.

Sadiq, Khan, Ikhlaq, and Bahaudin (2012) investigated the impact of information system on the performance of human resources department. They focused on how modern technology is helping

in ensuring effectiveness of HR functions. They stated that Human Resource Information System (HRIS) is an opportunity for organizations to make the HR department administratively and strategically participative in operating the organization. The main objective is to understand the extent to which HRIS is being used in increasing the administrative and strategic functions of the HR department. They conducted a survey of 18 HR Managers from various private corporations operating in Pakistan. The results showed that HRIS is positively used as a tool to achieve greater administrative efficiency by adding value in the department. They remarked that HRIS utility as a strategic tool is still not been fully recognized, and this is preventing the system to be used to its fullest potential. Yu (2009) described the impact of information technology on the HR function transformation, the Information technology is expected to improve the performance of Human Resource Management (HRM) by shifting its focus from administration or personnel management to strategic HRM. The research consists two parts: a theoretical review and a meta-analysis of empirical data. In conclusion, he reveals that HRIT not only is considered to support HR professionals to be strategy partner of business but also boosts a wide level of participation into HR practices.

#### **Hypotheses of the study:**

1- There is a significant role for AIS in Hiring function.

2- There is a significant role for AIS in Training function.

3- There is a significant role for AIS in Performance evaluation function.

4- There is a significant role for AIS in Compensation function.

#### **Research Methodology:**

This study aims to test the HRM employees perception toward the role of accounting information systems in enhancing the human resources management cycle, this study designed a questionnaire includes 31 questions and distributed to 92 of HRM employees at Jordanian Islamic Banks, only 68 questionnaires were returned yielding 74% response rate.

Before the final questionnaires were distributed to the respondents, six accounting lecturers at four Jordanian universities were asked to give feedback on the items asked. Then the reliability of the questionnaire was tested, According to Hair, Money, Samouel, & Page, (2007), the instrument is deemed to be acceptable when the alpha values are between 0.6 and 0.7, and has high reliability if it is above 0.7. The reliability coefficients for each variable of the study are shown below. Table 1 shows that the reliability coefficients of the questionnaire's items are more than 0.7, which is considered as highly reliable, according to Hair et al. (2007).

**Table1:** Reliability Coefficients of Measurement of Variables.

No. of Items	Variables	Cronbach's Alpha
6	Hiring Function	0.852
6	Training Function	0.899
6	Performance evaluation	0.791
8	Compensation	0.754
5	AIS	0.805

#### **Factor Analysis:**

Before performing the factor analysis, the assumptions of normality, homoscedasticity, and linearity were checked (the results will be exhibited below) (Hair, Black, Babin, Anderson, & Latham, 2010). In line with that, this study used Kaiser Meyer Olkin (KMO) measure of sampling adequacy, which indicates the inter-correlation among the variables and the validity of the variables to enter factor analysis. Bartlett's test of sphericity is needed to test the intercorrelation among the items. For this test, the significance level of less than 0.05 is required to perform the factor analysis. Table 5.3 below shows the guide to interpret findings of factor analysis (Kaiser, 1970, 1974). The KMO was 0.702 and the sphericity test was significant at  $\leq .005$ . The results showed that the loading on factors range from 0.794 to 0.487 such results indicate that the construct validity of each variable was ascertained by running factor analysis, which is elaborated above.

#### **Hypotheses Testing:**

**H1: There is a significant role for AIS in enhancing Hiring function:**

The result of simple regression between AIS and Hiring function shows that the  $r$  value is 0.471 ( $F = 179.327$ , Sig. < 0.001), this means that AIS is significantly and positively related to enhancing hiring function. Which means, for one unit increase in the independent variable (AIS), the dependent variable (Hiring function) will increase by 0.471 ( $t = 5.312$ ,  $p = .000$ ). Based on this result, the first hypothesis is supported.

**H2: There is a significant role for AIS in enhancing Training function:**

Table 2 exhibits the results of a simple regression between AIS and Training function shows that the  $r$  value is 0.317 ( $F = 52.477$ , Sig. < 0.001). This means that AIS has a positive and significant role in enhancing training function. Table 2 also shows that for each unit increase in the AIS there is an

expected increase in the dependent variable by .317 ( $t = 8.639$ ,  $p = 0.000$ ), suggesting that AIS enhances significantly the training function. Hence, the second hypothesis is supported.

**H3: There is a significant role for AIS in enhancing Performance evaluation function:**

Table 2 below shows that the  $r$  value is 0.688 ( $F = 110.103$ , Sig.  $< 0.050$ ). This means that AIS has a positive and significant role in enhancing performance evaluation function. The table also shows that for each unit increase in AIS there is an

expected increase in performance evaluation by .688 ( $t = 9.447$ ,  $p < 0.050$ ). Hence, the third hypothesis is also supported.

**H4: There is a significant role for AIS in enhancing Compensation function:**

The result of simple regression between AIS and enhancing compensation function is demonstrated in Table 2. It shows that the  $r$  value is 0.192 ( $F = 5.873$ , Sig. = 0.005). This means that there is a positive significant role for AIS in enhancing compensation function. Hence, the fourth hypothesis is supported.

**Table 2:** Simple Regression Summary.

	N	t	p value	R	F value
AIS with Hiring Function	68	5.312	0.000*	0.471	179.327
AIS with Training function.	68	6.401	0.000*	0.317	52.477
AIS with Performance evaluation function	68	9.447	0.050**	0.688	110.103
AIS with Compensation function.	68	3.857	0.005*	0.192	5.873

\* Significant at 0.01; \*\* Significant at 0.05; \*\*\* Significant at 0.10.

**Conclusions:**

The results of this study have contributed both to theory and practice. On the theoretical level, this study has highlighted the importance of using accounting information systems in enhancing the human resources management cycle (i.e. hiring function, training function, performance evaluation function, and compensation function). Additionally, on the practical level, this study showed how human resources management can use accounting information system to enhance its functions which would be beneficial to the company's performance.

Accounting information system was found to positively correlate with enhancing the human resources management cycle (i.e. hiring function, training function, performance evaluation function, and compensation function). These results support partially the results of Hayajneh *et al* (2012) and Grande *et al* (2011). The importance of this study arises from an absence of empirical studies on the role of accounting information systems on enhancing the human resources management cycle in Jordan or even in other countries. This study provides outputs that are beneficial for decision-makers in Jordanian Islamic Banks to benefit from AIS in the human resources management cycle. It is important to test these relationships in other sectors to expand the literature on the role of accounting information system in enhancing the human resources management cycle.

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