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Evaluation of Accounting Information Quality of Small and Medium-Sized Enterprises: An Empirical Study in Vietnam

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Abstract

Nowadays, small- and medium-sized enterprises (SMEs) are placed among the key components of the economy in both developed and developing countries. They are internationally known as the driving force based on their enormous contributions to Gross Domestic Product (GDP) and generating new employment. They are generally presumed as the leader of environmental sustainability, economic prosperity, and innovation, particularly for the economy of developing countries such as Vietnam. However, SMEs have difficulty in raising capital, as well as access to credit. One of the reasons is that there are inadequacies in accounting information quality in SMEs as well as the provision of accounting information and accounting information confidentiality. The main objective of this study was to identify, evaluate, and measure the attributes of accounting information quality of SMEs in Hanoi. The study was based on a field survey using a semi-structured questionnaire on a sample of 150 accountants. The study has identified and measured six (6) attributes of accounting information quality of SMEs that have great effects on accountants. There is, statistically, no significant difference in the level of accounting information quality of SMEs in Hanoi from these different business areas. There is no, statistically, significant difference in the level of accounting information quality of SMEs in Hanoi between the mentioned three groups of the job description. Based on the findings, some recommendations are given for SMEs to improve accounting information quality.

Keywords: Accounting Information Quality, Accounting, SMEs, Finance

JEL Classification Code: M41, F65, D80

1. Introduction

An accounting information system is one of the subsystems in the management information system that is very important in all companies (Salehi, 2011). Quality information would help managers understand the organization to see changes occurring both inside and outside the organization so that they would react quickly and accurately to those changes (Susanto, 2013). Accounting information quality was used

to assist information users in making beneficial decisions (Shipper & Vincent, 2003). The accounting information quality plays an important role, affecting capital providers and stakeholders' decision-making (Beest et al., 2009). In addition, the accounting information quality has a positive relationship with the accounting information system application process (Wongsim & Gao, 2011).

Industry 4.0 is based upon the changes from advanced information technologies. Therefore, information is considered as one of the important resources of enterprises. Daily business activities have generated huge amounts of information to both internal and external users of the enterprise. Therefore, improving the quality of information becomes the top focus of enterprises.

Small and medium-sized enterprises (SMEs) play a very important role in each country's economy, including countries with a high level of development (Liu, 2012). SMEs have a role in the national economic growth, the creation of the gross domestic product (GDP), national value-added, and employment. The existence and the role

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of SMEs are influential to the regional, national as well as global economies (Hindasah & Nuryakin, 2020). In Hanoi, since May 2018, there have been a total of 232,000 enterprises in Hanoi city, of which, the number of SMEs account for over 97%, contributing more than 40% of GDP to the city, and creating jobs for more than 50% of workers (Van, 2018).

From the beginning of the year to April 30, 2020, Hanoi City had granted business registration certificates to 7,780 newly established enterprises with registered capital of VND 116,859 billion, (a decrease of 12% in the number of enterprises compared to the same period last year, an increase of 37% in the registered capital compared to the same period last year), implemented dissolution procedures for 805 enterprises (increase by 12% compared to the same period last year), 5,075 enterprises registered to suspend operations (36% higher compared to the same period last year), the number of SME who restarted operations were 2,364 (down 4% over the same period), bringing the total number of enterprises in Hanoi to 286,631 enterprises (Duy, 2020). In addition, SMEs had difficulty in raising capital, as well as access to credit (Thuy & Cuong, 2016). One of the reasons is that there are inadequacies in the quality of accounting information in SMEs as well as the provision of accounting information and accounting information confidentiality. Therefore, the assessment of accounting information quality at SMEs is necessary and meaningful to improve the quality of accounting information, to help SMEs easily access credit, improve business capital, thereby contributing to improving business efficiency and competitiveness, thereby meeting international standards.

2. Literature Review

2.1. Accounting Information Quality According to Vietnamese Accounting Standards (VAS)

Currently, Vietnamese accounting standards (including Vietnamese accounting standards - VAS, accounting law, accounting regime, etc.) have not specified the quality of accounting information. However, from the accountants' requirements, information users can assess the quality of accounting information. Accordingly, the accounting requirements include: (i) All economic/financial transactions are fully recorded in the accounting records, accounting books, and financial statements. (ii) Accounting information and data are recorded in a timely manner. (iii) Accounting information and data are recorded in a clear, understandable, and accurate manner. (iv) Status, nature, contents, and value of economic/financial transactions are recorded truthfully and objectively (v) Accounting information and data must be continuously recorded from the

beginning to the end of every economic, financial activity, from the establishment to the shutdown of the accounting unit; the accounting data of a period must continue that of the previous period. (vi) Accounting information and data are classified and sorted systematically in a way that can be compared and verified (National Assembly, 2015). Therefore, the attributes of accounting information quality include (i) Completeness: Reflecting operations that are fully recorded and presented, not omitted; (ii) Understandability: information must be presented clearly, honestly, and accurately describing the nature, content, and value of the arising economic transactions (iii) Objectivity: not distorting information and data.

2.2. The Quality of Accounting Information According to International Financial Reporting Standards (IFRS)

According to International Accounting Standard No. 1 (IAS1) - Presentation of financial statements: The quality of accounting information includes two (02) attributes, which are (i) basic attributes and (ii) additional quality attributes.

Basic attributes include: (i) Honesty: Information is complete (information must fully represent the nature of the economic event presented) (ii) Neutral (information must not be biased, must not be falsified intentionally to achieve the personal desired outcome or influence the decision in a particular direction); no error (information is presented without material misstatement, clearly presented on financial statements, no extra-economic operations, etc) (iii) Relevance: Information that enables users to easily adapt his or her decisions to suit the circumstances. To determine the value of the accounting information to the decision of users, the accounting information must ensure its predicted value and the confirmed value.

Additional quality attributes include: (i) Timeliness: Information must reflect contextual relevance, which means it is useful to users before it loses its ability to influence a decision (ii) Comparability: A requirement to quantify information according to a unified criterion to help users realize the similarities and differences between economic phenomena. Therefore, when measuring and recording, accountants must consistently use accounting methods and procedures over accounting periods without changing arbitrarily (iii) Verifiability: When information is presented honestly, that is, it must be based on proven data, not without foundation; (iv) Intelligibility: Accounting information must be presented, explained clearly and concisely, no polymorphic words that make it difficult for users to understand (v) Materiality: Referring to the degree of influence or misrepresentation when presenting information; information is material if the information affects the decision of the decision-maker.

2.3. Accounting Information Quality from Other Perspectives

The standard for the accounting information quality includes accuracy, timeliness, suitability, and completeness (McLeod & Schell, 2007). Information quality must be accurate, reliable, timely, complete, and provided in a suitable format (Stair & Reynolds, 2010). The quality of accounting information is created by the quality of accounting information systems (Laudon & Laudon, 2013). The qualitative characteristics of useful information include relevance, reliability, completeness, timeliness, understandability, and verifiability (Rommey & Steibart, 2017). The criteria for evaluating the quality of accounting information from both the financial accounting and management accounting perspectives include honesty, objectivity, completeness, timeliness, understandability, comparability, and appropriateness for the decision-making of managers (Loan, 2020).

Following the above studies, we synthesize the attributes of accounting information quality as following (Table 1).

3. Research Subject and Methodology

3.1. Research Subject

The subject of this research is the accounting information quality of SMEs in Hanoi.

3.2. Qualitative Research Methodology

This research used a qualitative research methodology based on in-depth interviews with three (3) lecturers of the National Economics University and University of Labor and Social Affairs with extensive experiences in accounting in SMEs. These are the two leading universities in Vietnam in training accounting and finance. At the same time, three (3) experts were also interviewed who are chief accountants in SMEs. The contents of the interviews focused on the subject of accounting information quality of SMEs in Hanoi.

3.3. Quantitative Research Methodology

For the purpose of this research, a questionnaire was designed which consisted of six (6) variables with a 5-point Likert scale from 1: “Strongly disagree” to 5: “Strongly agree”. The method of data collection was accomplished through the survey with a number of accountants in SMEs in Hanoi. A total of 150 questionnaires were sent and 120 respondents’ questionnaires were received with full information for data entry and analysis. The size of this sample was consistent with the study of Hair et al. (2010) that the research sample must be at least 5 times the total number of indicators in the scales. The questionnaire of this study included six (6) indicators, and therefore, the minimum sample size to be achieved is $5 * 6 = 30$ observations.

The steps of data analysis were as follows:

- (i) Descriptive statistics,
- (ii) Cronbach’s Alpha to assess the reliability of the scale, and
- (iii) Independent *T*-test and ANOVA.

4. Results

4.1. Descriptive Statistics

Information of data collected is shown in Table 2. It shows that among the 120 respondents, about 38.3% were male while the remaining 74 (61.7%) were female. Of these, 72 of them (or 60.0%) are 27 years old or younger, and 40.0% of the participants were over 27 years old. Among the respondents, accounting staff accounted for 39.2%, general accounting accounted for 34.2%, while the remaining 26.7% or 32 respondents were chief accountants. Of these, 53.3% of the participants had work experience for 5 years or less, and over 5 years accounted for 46.7%. Among the respondents, 54% respondents worked for industry and construction SMEs, 45.0% respondents worked for commercial SMEs, and 55.0% respondents worked for service SMEs.

Table 1: Attributes of Accounting Information Quality of SMEs

Code	Scale	Sources
Accounting Information Quality (AIQ)		
AIQ1	Completeness of accounting information	McLeod and Schell (2007), Stair & Reynolds (2010), National Assembly (2015), Rommey and Steibart (2017),
AIQ2	Timeliness of accounting information	
AIQ3	Clarity and understandability of accounting information	
AIQ4	Truthfulness and reliability of accounting information	
AIQ5	Appropriateness of accounting information	
AIQ6	Verifiability of accounting information	

Next, Table 3 indicates that the respondents agree with the dependent variables of “Accounting information quality of SMEs” where six (6) attributes were quite high with an average of 3.777 compared with the highest of the Likert 5-point scale. All 6 attributes were rated at an average of 3.58 or higher.

Table 2: Respondent Characteristics

	Frequency	Percent	Valid Percent
Gender			
Male	46	38.3	38.3
Female	74	61.7	100.0
Age			
To 27 years old	72	60.0	60
Over 27 years old	48	40.0	100.0
Job Description			
Accounting staff	47	39.2	39.2
General accountants	41	34.2	73.3
Chief accountants	32	26.7	100.0
Work Experience			
To 5 years	64	53.3	53.3
Over 5 years	56	46.7	100.0
Business Areas			
Industry and construction	54	45.0	45.0
Commercial and service	66	55.0	100.0
Total	120	100.0	

4.2. Cronbach’s Alpha

The accounting information quality of SMEs has been measured by Cronbach’s Alpha. Results of testing the attributes’ Cronbach’s alpha are presented in Table 4 below. The results also show that attributes of the dependent variables have Cronbach’s Alpha coefficients that are greater than 0.6, and the correlation coefficients of all attributes are greater than 0.3. So, all the attributes of the dependent variables are statistically significant (Hair et al., 2014; Hoang & Chu, 2008).

4.3. Independent T-test

Comparison of the results of the evaluation of accounting information quality of SMEs between participants who worked for industry and construction enterprises with those who worked for commercial and service enterprises can be seen in Table 5. According to the results shown in Table 6, Sig Levene’s Test is 0.448, which is more than 0.05. The variance between industry and construction enterprises and commercial and service enterprises is not different. Moreover, Sig. value $T\text{-test} = 0.904 > 0.05$, which means that there is, statistically, no significant difference in the level of accounting information quality of SMEs (from different industries) (Hair et al., 2010; Hoang & Chu, 2008).

4.4. ANOVA

ANOVA test was needed to make a comparison of the results of the evaluation of accounting information quality of SMEs between the three industries including accounting staff, general accounting, and chief accountant. Table 6 shows that the Sig Levene Statistic of 0.141 is more than 0.05, which means that the hypothesis of homogeneity variance among the variable value groups (different job descriptions) has not been violated. Table 7 shows that, Sig. = 0.960 is more than 0.05, which indicates that there is no, statistically,

Table 3: Descriptive Analysis of Attributes of Accounting information quality of SMEs

	N	Minimum	Maximum	Mean	Std. Deviation
Accounting Information Quality (AIQ)					
AIQ1	120	2	5	3.88	0.693
AIQ2	120	2	5	3.78	0.651
AIQ3	120	3	5	3.91	0.594
AIQ4	120	2	5	3.78	0.654
AIQ5	120	3	5	3.68	0.648
AIQ6	120	2	5	3.58	0.559
Valid N (listwise)	120			3.77	

Table 4: Results of Cronbach’s Alpha Testing of Attributes

Reliability Statistics				
Cronbach’s Alpha		N of Items		
0.826		6		

Item-Total Statistics				
	Scale Mean If Item Deleted	Scale Variance If Item Deleted	Corrected Item-Total Correlation	Cronbach’s Alpha If Item Deleted
AIQ1	18.73	5.273	0.629	0.791
AIQ2	18.83	5.339	0.662	0.783
AIQ3	18.70	5.943	0.503	0.816
AIQ4	18.83	5.552	0.575	0.802
AIQ5	18.93	5.515	0.597	0.798
AIQ6	19.03	5.806	0.607	0.797

Table 5: Differences of Accounting Information Quality of SMEs-Independent Test

		Levene’s Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	(Lower)
AIQ	Equal variances assumed	0.579	0.448	0.121	118	0.904	0.01038	0.08551	-0.15895	0.17971
	Equal variances not assumed			0.120	105.758	0.905	0.01038	0.08672	-0.16156	0.18233

Table 6: Test of Homogeneity of Variances

AIQ			
Levene Statistic	df1	df2	Sig.
1.989	2	117	0.141

Table 7: ANOVA

AIQ					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.018	2	0.009	0.041	0.960
Within Groups	25.610	117	0.219		
Total	25.628	119			

a significant difference in the level of accounting information quality of SMEs between the mentioned job descriptions (Hair et al., 2014; Hoang & Chu, 2008).

5. Discussion and Implications

Quality information supports better decision-making and directly increases the profitability of the organization, but quality information does not automatically guarantee that any decision made is better, because the decision-making figure is human (Baltzan, 2012). Therefore, SMEs in Hanoi need to improve the quality of human resources, especially accounting human resources, and human resources at SMEs must be recruited in accordance with their capacity and expertise.

Accounting human resources need to have access to training and development programs on the use of accounting information systems to improve data creation,

data collection, storage, testing, and quality of accounting information provision. Accordingly, SMEs need to complete the accounting apparatus, the document system, the system of accounts, and accounting reports in accordance with the current accounting law and with the characteristics of SMEs.

In the current trend of integration and globalization, SMEs need support to maximize resources and increase product competitiveness. Therefore, SMEs in Hanoi need support and guidance from functional agencies such as Hanoi People's Committee, Hanoi Tax Department, small and medium enterprise associations, etc. Support packages may be exemptions from administrative procedures, concessional loan packages, tax exemption or reduction, guidance on updating tax documents, tax declaration and payment, fostering the training of human resources in corporate governance, accounting, etc.

Good accounting information quality contributes to improving the firm performance of SMEs because performance is a complex concept and can be measured by many different methods. In general, performance is understood as the degree to which an individual or an organization achieves the goals. For an enterprise, in particular, performance is normally measured by the final result in terms of financial aspect or nonfinancial aspect such as profit, revenue, customer satisfaction (Le & Nguyen, 2020).

Human resources are one of the factors that affect accounting information quality. So, the SMEs need to enhance the working spirit of individuals and departments according to the general provisions of the company and publicize the work processes, procedures, records necessary for each profession so that employees can always perform correctly and accurately, creating consistency in the work (Ha, 2020).

6. Conclusion

Each year, SMEs create over one million new jobs, utilize up to 51% of the labor force in society, and contribute more than 40% of GDP to the country. Though there is a significant number of SMEs, most of them operate on a small scale and have a low level of development (Le & Nguyen, 2020). The authors have assessed the current status of the accounting information quality of SMEs in Hanoi. The research results show that the accounting information quality of SMEs in Hanoi includes six (6) attributes. This study is a useful reference for SMEs to improve the quality of accounting information. Although the study subject is very convincing, it is accountants (chief accountants, general accountants, and accountants) who know best about an enterprise's accounting information quality, but the sample is still small and can influence research results. Therefore, future research will continue to expand each sample size and develop more attributes of accounting information quality in SMEs in Hanoi.

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