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EFFECT OF ACCOUNTING INFORMATION SYSTEM EXPENDITURE ON THE FINANCIAL REPORTING QUALITY OF SELECTED TERTIARY EDUCATIONAL INSTITUTIONS IN SOUTHWEST NIGERIA

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Abstract

The role of technology in improving financial reporting quality has become increasingly vital across various sectors. Despite its numerous benefits, the implementation of AIS can present challenges, especially in terms of cost, security, and staff training. The study examined the effect of accounting information system expenditure on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria. The study employed survey research design using structured questionnaire. The population of the study comprised of twenty (20) tertiary institution in southwest Nigeria where a sample of seven (7) university tertiary educational institutions in southwest Nigeria were purposively selected. The respondents include twelve (20) principal staffs of each of the sampled university tertiary educational institution in southwest Nigeria to give a total of 140 respondents. Both descriptive and inferential statistics were employed for the purpose of the data analysis. Multiple regression analysis was used to examine the effect of Accounting Information System Expenditure on the financial reporting quality of selected tertiary institutions in Southwest Nigeria. Findings from the result of multiple regression analysis on the effect of Accounting Information System Expenditure on the timeliness of selected tertiary institutions in Southwest Nigeria showed that four (4) out of the five (5) explanatory variables were significant in explaining the variation of timeliness. These variables are Operating expenses (p=0.000) Human resources expenses (p=0.0000) Research and development expenses (p=0.0000) Software expenses (p=0.0000). The finding established that accounting information system expenditure has effect on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria. It is therefore recommended that tertiary educational institutions should prioritize expenditure on strategic AIS components such as software upgrades, staff training, and cyber security tools. Finally, Institutions should implement financial reporting quality evaluation frameworks that track the return on AIS expenditures.

Key words: Accounting Information System (AIS), Information Technology, Financial Reporting Quality and Nigerian Tertiary Institution

Introduction

The role of technology in improving financial management has become increasingly vital across various sectors, including educational institutions. Accounting Information Systems (AIS) are technological systems designed to collect, store, and process financial data for decision-making purposes Romney & Steinbart (2018). In tertiary institutions, AIS helps to streamline financial operations, manage budgets, monitor cash flows, and ensure accountability in handling funds. In Nigeria, tertiary institutions such as universities, polytechnics, and colleges of education face significant financial challenges, including limited funding, mismanagement of resources, and inefficiencies in revenue collection Akinyemi (2020). The implementation of AIS presents an opportunity to address these challenges by automating financial processes, improving transparency, and enhancing overall financial performance Owolabi & Dada (2019).

The importance of AIS lies in its ability to improve operational efficiency and accuracy in financial management. Through automation, AIS reduces manual data entry, minimizing the chances of human error and fraud while saving time. Additionally, it provides real-time access to financial data, enabling managers and stakeholders to make informed decisions quickly. AIS also help organizations to comply with accounting standards and regulations, ensuring transparency in financial reporting Owolabi & Dada (2019). As a result, institutions that adopt AIS benefit from enhanced financial performance, better internal controls, and improved decision-making processes.

Financial reporting quality refers to the accuracy, transparency, and completeness of financial reporting. High-quality financial reporting provides reliable and relevant information to investors, analysts, and other stakeholders, enabling them to make informed decisions about investing in a company Adeniji & Egbunike (2018). The quality of financial reporting is critical for maintaining the integrity of financial markets and promoting investor confidence. Companies that engage in high-quality financial reporting are more likely to attract investment capital and maintain a positive reputation in the market Francis *et al*., (2016). Financial reporting quality in Nigerian banks has become a significant concern in recent years, particularly after the sectors crisis in 2009 Financial Reporting Council of Nigeria (2018). The crisis highlighted the need for improved financial reporting quality, transparency, and accountability in the sector Oladejo & Adetifa (2019). Several studies have examined the relationship between financial reporting quality and the performance of Nigerian banks. Some of these studies suggest that there is a positive correlation between financial reporting quality and the performance of banks, highlighting the importance of maintaining high-quality financial reporting Nwobu & Ezejiofor (2019)

Conceptual Review

Accounting Information System (AIS)

Defining AIS has been difficult today and research in this area is quite diverse. It includes behavioural studies of audit decision – making tools, field studies of organizational systems, development of general ledger systems, and development of accounting models that effectively utilize advancement in computer technology. Also, the application of different technology solutions to AIS situations, and many other types of studies. In general, an information system is used to represent the real world phenomena with a set of symbols which are captured and implemented within a computerized environment Meigs (2019).

Accounting Information System is considered a subsystem of Management Information System (MIS). Sutton (2020) defines accounting information system that operates functions

of data gathering, processing, categorizing and reporting financial events with the aim of providing relevant information for the purpose of score keeping, attention directing and decision making. Accounting Information System (AIS) combine the study and practice of accounting with the design, implementation, and monitoring of information systems. Such system use modern information technology resources together with the traditional accounting controls and methods to provide users the financial information necessary to manage their organizations. The study of AIS begins with the recognition that information is a business resource.

Like the other business resource of raw materials, capital and labour, information is vital to the survival of the contemporary business organization. Every business day, vast quantities of information flow to decision makers and other users to meet a variety of internal needs. In addition, Information flows out from the organization to external users, such as customers, suppliers and stakeholders which have interest in the firm Zoubi (2017). Moorthy*et al.*, (2018) defines accounting information system as a system that operate functions of data gathering, processing, categorizing and reporting financial events with the aim of providing relevant information for the purpose of score keeping, attention directing and decision making. Accounting information usually is categorized under two groups namely; Information that influences decision making and mainly used for the purpose of controlling the organization and information that facilitates decision making process and mostly used for coordination with an organization.

Huber (2019) argues that, integration of accounting information system leads to coordination in organization which, in turn, increases the quality of the decisions. Generally, Accounting Information System; (AIS) provides financial reports on a daily and weekly basis and also provides useful information for monitoring decision-making process and performance of the organization. By reviewing research studies, several researches have been conducted on the issue of accounting information system and decision making. The number of which shows the importance of the research in this area. Accounting information system provides primary data for decision making. Information technology has caused many changes in reporting information. Thus, the characteristics of information currently prepared can help decision-makers and seek more alternatives to the solution of the problem in hand. Accessibility to information related to the main transactions of an organization leads to a categorized detailed information which facilitates decision making in any difficult situation Chong (2016).

Therefore, Accounting Information System (AIS) translates representations of economic activities into a format that is valuable to accountants and to their customers i.e., business decision makers, who need information about economic activities. Accountants are being pressured to redefine their contribution to organizations and to expand the scope of their activities beyond financial statement preparation and analysis. An accounting information system captures, stores, manipulates, and presents data about an organization's value-adding activities to aid decision makers in planning, monitoring, and controlling the organization. This definition certainly includes financial accounting systems, which have the primary purpose of generating financial statements in accordance with Generally Accepted Accounting Principles (GAAP) Augustine *et al.*, (2018).

However; this definition recognizes that businesses must perform a wide range of value-adding activities (such as production, distribution, sales, etc.) to be successful, and that the types of information needed to manage such activities will be extensive. Therefore, the scope of corporate systems that are included under the AIS umbrella is much broader than the general ledger system and the programs that prepare journal entries to feed it. Actually, AIS is a system that aids in processing transactions and in tracking the data that result from such

transactions. These systems also must provide performance measurements (financial and non-financial) and help to enforce management control objectives. This definition has strong integrative implication Zoubi (2018).

Information Technology

Information technology plays a vital role in the accounting profession. It can be strategic weapons to support the objective and strategy organization. Most organizations get competitive advantage by new information system. In the view of this fact, the key to organization's survival is the continuous improvement of its performance. The need to integrate these often diverse systems led to the accountant's appreciation of shared databases that provide a picture of the organization's data, eliminating duplications and reducing data conflicts Marriot & Marriot (2018).

Moreover, the research tradition in the accounting field, concentrating on, for example, transaction processing, data structure modeling, computer fraud and security as well as system development methodologies, seems not to have produced a useful understanding of the interplay between modern IT and accounting management control Meig (2019). The effectiveness of accounting information systems can be received by providing management information to assist concerned decisions. The effectiveness of accounting information system (AIS) can be evaluated as added value of benefits Moorthy*et al., (*2009). The effectiveness of accounting information system (AIS) is a measure of success to meet the established goals Patel (2016). The success of accounting information system (AIS) implementation is defined as profitably applied to area of major concern to the organization, is widely used by one or more satisfied users, and improves the quality of their performance.

The definition of information system indicates that an information system has the following components. It is designed to accomplish one or more objectives or goals. For example, an information system may be designed to collect and process data about financial to help accountant prepare financial statements. Process of accounting information system consists of input, output, data storage, processor, user, and control measure. Data must be entered into the information system to be processed. Data are the facts that are collected and processed by the information system. Data are meaningless and useless unless they are processed or analysed, hence, should be processed and transformed to meaningful, organized, and useful form that is called information. Output is the meaningful and useful information produced by the information system.

In this research effectiveness of Accounting Information System (AIS) refers to collecting, entering, processing data, storing, managing, controlling, and report information of accounting so that an organization can achieve financial statements quality. Accounting information system (AIS) consists of reliability, relevance, and timeliness. Reliability is defined as accuracy and consistency/stability of available information, relevance refers to adequacy, preciseness, and significance of available information and timeliness is defined as currency of available information Karim (2019). For example, financial statements are produced by the accounting information system is an output. In order to produce useful and meaningful accounting information, data must be processed. The most companies process data by using computers.

Financial Reporting Quality

Financial reporting quality is essential for several reasons. First, it enhances the credibility and trustworthiness of an organization's financial statements, which is crucial for attracting investment capital and maintaining investor confidence. Accurate and reliable financial information helps investors and creditors assess the organization's creditworthiness,

profitability, and ability to meet its obligations Alkali & Adelopo (2016). Financial reporting quality facilitates effective capital allocation and efficient functioning of capital markets. Investors rely on high-quality financial information to compare and evaluate investment opportunities, allocate resources, and make informed decisions Barth*et al*., (2019). Transparent and consistent financial reporting practices enable market participants to assess the relative performance and risk profiles of different organizations, contributing to the overall efficiency of capital allocation. Moreover, financial reporting quality serves as a means of accountability for management. By providing a true and fair view of an organization's financial report, it enables stakeholders to evaluate the effectiveness of management's stewardship and decision-making. It also helps identify areas of improvement, potential risks, and opportunities for value creation Ayzer & Cema (2018).

Financial reporting quality refers to the reliability, transparency, and accuracy of the financial information disclosed by an organization in its financial statements. It is a crucial aspect of corporate governance and plays a vital role in facilitating informed decision-making by investors, creditors, regulators, and other stakeholders Abaniwonda (2020). High-quality financial reporting provides users with a clear understanding of an organization's financial position, performance, and cash flows. It ensures that the financial statements reflect the economic reality of the organization and are free from material misstatements, errors, or omissions Adaramola & Oyerinde (2014).

Ensuring financial reporting quality involves various factors. Organizations must comply with relevant accounting standards and regulatory requirements, such as GAAP or IFRS, and apply them consistently Bartov *et al*., (2018). They should maintain robust internal controls to prevent and detect errors, fraud, or intentional misstatements. External audits conducted by independent audit firms add an extra layer of assurance and contribute to the reliability of financial reporting. Financial reporting quality is crucial for the integrity and effectiveness of financial markets. It provides stakeholders with accurate, reliable, and transparent information, enabling them to make well-informed decisions. Organizations that prioritize financial reporting quality not only enhance their credibility and trustworthiness but also contribute to the overall efficiency and stability of the financial system Caldwell & Karri (2015)

Nigerian Tertiary Educational Institutions

Nigerian tertiary educational institutions refer to post-secondary educational establishments that provide higher education and vocational training, such as universities, polytechnics, and colleges of education. These institutions play a crucial role in Nigeria's educational system by offering academic programs that prepare students for professional careers and contribute to the country’s socio-economic development through research, innovation, and skill acquisition. Universities in Nigeria are typically focused on academic research and degree programs, while polytechnics emphasize technical and vocational training Okebukola (2021).

The number of tertiary educational institutions in Nigeria has significantly increased over the years, with both public and private institutions providing a wide range of academic disciplines. The government plays an essential role in regulating and accrediting these institutions, ensuring that they meet educational standards. Additionally, these institutions are often central to policy debates related to funding, quality of education, and their role in fostering national development. However, Nigerian tertiary educational institutions face numerous challenges, including inadequate funding, infrastructural decay, and management issues, which can hinder their ability to achieve their full potential Ogunleye & Olumide

(2019). Despite these challenges, Nigerian tertiary educational institutions continue to produce graduates who contribute to various sectors of the economy, including business, healthcare, engineering, and agriculture. These institutions are also engaged in research and community service aimed at addressing local and national challenges, contributing to Nigeria's overall growth and development Adesina (2016).

Theoretical framework

This section presents the theoretical review for the study. Two (2) relevant theories reviewed were contingency theory and conservatism and earnings quality theory.

Contingency Theory

Woodward (1958) propounded that contingency theory suggests that information system should be designed in a flexible manner so as to consider the environment and organizational structure confronting an organization. Information systems also need to be adapted to the specific decisions being considered. In other words, information systems need to be designed within an adaptive framework. Review of accounting information system literature also indicate that most AIS studies have incorporated contingency factors such as organizational structure, business strategy, and environmental condition in their research model but have neglected the influence of IT on AIS design.

Furthermore, few studies that have examined the relationship between AIS design and IT have defined IT in a narrow perspective Ismail (2004). Similar to IT researches, these studies viewed IT from the technological perspective only but failed to incorporate other perspectives of IT sophistication such as informational, functional and managerial. Saira (2017) suggested that a more comprehensive AIS study is needed to explain the relationship between IT and accounting and its subsequent impact on organization in general and accounting/accountants in particular. Most of previous IT/AIS studies were conducted in developed countries Ismail & King (2015). Very few of such studies have been carried out in developing countries especially in the Middle East.

Due to the continuous flow of considerable amount of empirical studies which investigate the contingency factors and accounting IS and indicates the importance and vitality of this theory, this study is theoretically and empirically constituted upon contingency theory which has long been applied in both accounting and information system disciplines.

Conservatism and Earnings Quality Theory

Zhang (1972) propounded that recent financial scandals all over the world, from Enron and World com in Europe has led to pointing fingers of accusation toward financial reporting. Financial statement and on top of them profit and loss statement is focused by investors. Recently, the subject of quality of reported profit has drawn attention of many researchers. One aspect earnings quality is conservatism, that is, the higher profit is obtained by conservatism, the higher quality it has. The concept of conservatism has a long history in accounting. Irrespective of the fact that many accountants agreed on the existence of conservatism for drawing up financial statement, there has been no comprehensive and all-inclusive definition has been presented about it. Nevertheless, two main features of conservatism have been examined in accounting texts: first, descending support of capital book value to its market value; and the second is to tending toward acceleration in identifying of costs and delayed recognition of revenues.

According to Financial Accounting Standard Board (2017), conservatism is also described as estimations of two same receivable or payable fund in the future while incidence probability of both is identical, then conservatism dictates using of the estimation which is less optimistic. The view of financial statement makers, conservatism is considered as an effort to select a certain methods from accounting accepted techniques that result in the following outcomes:

- Slower recognition of sales revenue
- Faster recognition of cost
- Evaluation of assets less than real values
- Evaluation of liabilities greater than real values

The effects of Conservatism can be attributed to two items: first, are financial reporting standards which require conservative reporting and second is the selected accounting procedure by management to provide financial statements. Often, the conservatism image is given as the second aspect in related literature. Conservatism principle sometimes viewed as an advantage to compensate for some of managements' optimistic views and its tendency toward exaggeration in financial statements which have become evident during twentieth century. Conservatism leaves the subject of resultant profits from maintenance since many accountants believed that by determination of the interested evaluation alternatives, users of financial accounting information will be probably misled. In recent years, the impact of the given concept has been reduced due to a pressure for revealing of more relevant and more reliable information. Theory of earnings quality was proposed as financial analyzers and Bourse brokers, since they felt that the reported profit might not indicate power of profit to the extent that it is embodied in mind. They found that prediction of future profits based on the reported results is a difficult task. Moreover, Analysers understood that because of several weak points in measurement of accounting information, analysis and synthesis of corporative financial statement is a complex duty.

The basic question is that why analysers are not using the reported net profit and or corporative equity (without equalization) in their assessment and observe precaution. Answer is in that one should pay attention not only to profit quantity in determination corporative value, but also to its quality. Earnings quality means a potential ground for growth of profit and probability of realization of future profits. In other words, value of a given equity does not depend only on equity of each share of the corporation in current year, but it is subjected to corporative future expectancy and profitability power for the next years and coefficient of certainty to it. Earnings quality is to express the reported profit honestly. One of the items which may effect on earnings quality is the method of presenting information about profit. That is the more relevant and reliable profit information is the higher quality the given profit has. Researchers and accounting professional practitioners deems the importance of profit as one of the significant criteria of performance assessment and determinant factor for corporative value so it requires assessing the reported profits by the commercial units.

To evaluate this profit, one concept is used which is called earnings quality. Some of financial analysers who deem earnings quality as a normal, continuous, repeatable profit and creator of resultant cash flow from an operation, argued that earnings quality is a figure that lies between reported net profit and the resulting cash flow from operation minus non–iterative figures. By a briefly view on enterprise main goal (increase in stockholders' wealth), it is characterized that study on effect of conservative accounting on profit qualitative properties is very important so that it tries to achieve to the given objective by determination of effect of conservative accounting on each of profit qualitative characteristics. Having examined both contingency theory and conservatism and earnings quality theory the study used contingency theory to carry out the investigation.

Statement of the Problem

Currently, most organizations continue to increase spending on information system and their budgets continue to rise. However, economic conditions and competition create pressures about costs of information. Although other objectives are also considered very important as listed above, but profit maximization is usually consider first, because it maximizes the shareholders wealth which is the ultimate aim of investing in a business Oyerogba et al., (2014). Some studies have found a positive relationship between AIS adoption and financial reporting quality; others have found no significant relationship or even a negative relationship.

More research is needed to determine the reasons for these mixed results and to provide a more definitive understanding of the relationship between AIS adoption and profitability. The extent to which the adoptions of accounting information system affect financial reporting quality among tertiary educational institutions in southwest Nigeria is yet to be fully and clearly projected. This study is examined the effect of accounting information system expenditure on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria

Research Objectives

The general aim of the study is to examine effect of accounting information system expenditure on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria while the specific objectives are to;

i. examine the effect of Accounting Information System Expenditure on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria.
ii. assess the significant relationship between Accounting Information System and financial reporting quality of selected tertiary educational institutions in Southwest Nigeria
iii. evaluate the effect of Accounting Information System Practices on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria.

Research Questions

i. What is the effect of Accounting Information System Expenditure on financial reporting quality of selected tertiary educational institutions in Southwest Nigeria?
ii. What relationship exists between Accounting Information System expenditure and financial reporting quality of selected tertiary educational institutions in Southwest Nigeria?
iii. What is the effect of Accounting Information System Practices on financial reporting quality of selected tertiary educational institutions in Southwest Nigeria?

Research Hypotheses

The following hypotheses formulated in the null form are postulated in the study area to test their level of significance.

H_{01}: Accounting information system expenditure does not have effect on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria

H_{02}: Accounting information system expenditure have no significant relationship with

Financial reporting quality of selected tertiary educational institutions in Southwest Nigeria

H_{03}: Accounting information system practices has no significant effect on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria.

Methodology

The study employed survey research design using structured questionnaire. The population of the study comprised of twenty (20) tertiary institution in southwest Nigeria where a sample of seven (7) university tertiary educational institution in southwest Nigeria were purposively selected. The respondents include twelve (20) principal staffs of each of the sampled university tertiary educational institution in southwest Nigeria to give a total of 140 respondents. Both descriptive and inferential statistics were employed for the purpose of the data analysis. Descriptive statistics include frequency tables and percentage count while inferential statistics such as multiple regression analysis was used to test the study hypotheses. Multiple regression analysis was used to examine the effect of Accounting Information System Expenditure on the financial reporting quality of selected tertiary institutions in Southwest Nigeria

Empirical Analysis

Multiple regression analysis result on the effect of accounting information system expenditure on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria

The hypothesis tested in Table 1a 1b and 1c in this analysis investigated whether accounting information system (AIS) expenditures influence the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria. The null hypothesis (H_0) posits that AIS expenditure broken down into categories such as operating expenses, human resource (HR) expenses, research and development (R&D) expenses, error reduction, and fraud reduction has no significant effect on institutional performance. This hypothesis was tested using regression analysis, which explores how well a set of independent variables predicts a dependent variable in this case performance. The model summary presents crucial statistics such as R, R Square (R^2), Adjusted R^2, and the standard error. The R value of 0.984 shows an extremely strong correlation between AIS expenditures and performance. More importantly, the R^2 value of 0.969 implies that approximately 96.9% of the variation in institutional financial reporting quality is explained by the expenditure categories included in the model. This is a very high explanatory power, indicating that these financial investments are closely tied to how well the institutions perform. The adjusted R^2 of 0.967, which accounts for the number of predictors, still supports this strong relationship.

The coefficients table helps to understand the individual contribution of each predictor variable to the dependent variable. Each variable is associated with a regression coefficient (B), a t-value, and a significance level (p-value). These help to determine which specific types of AIS expenditures are most influential. The constant (intercept) value is 0.131, with a p-value of 0.036, indicating a statistically significant base level of financial reporting quality when all predictors are zero. Among the predictors, "Reduce errors" had the strongest positive effect on performance with a coefficient of 0.725 and a highly significant p-value of 0.000. This means that reducing errors through effective AIS practices substantially enhances institutional performance. Likewise, both HR expenses (B = 0.237, p = 0.000) and R&D

expenses (B = 0.530, p = 0.000) were also significant and positively associated with performance. This indicates that spending on personnel and academic advancement initiatives yields better institutional outcomes.

Interestingly, operating expenses had a statistically significant negative effect on financial reporting quality (B = -0.594, p = 0.000). This suggests that an increase in operating expenses, without strategic allocation or control, might reduce overall reporting quality. It could imply inefficiencies or excessive administrative costs that do not directly contribute to institutional success. This finding is important for management, as it highlights the need to monitor and optimize operational spending. The variable "Reduce fraud" had a coefficient of 0.093 and a p-value of 0.119, which is above the 0.05 threshold. This means it was not statistically significant in predicting performance in this model. While reducing fraud is generally a desirable goal, this result may indicate that either the measures currently in place are ineffective, or their impact is indirect and not immediately reflected in overall institutional performance. Further investigation could be required to understand why this aspect did not yield a significant effect.

The regression results provide robust evidence that AIS expenditure does significantly affect the financial reporting quality of tertiary institutions in Southwest Nigeria. With an R^2 of 96.9% and significant contributions from most expenditure types, it is clear that effective accounting system investments can drive better institutional outcomes. Since the overall model and most variables are statistically significant, the null hypothesis is rejected in favor of the alternative hypothesis. This means stakeholders and policymakers in the education sector should prioritize well-structured AIS spending to boost institutional efficiency and output.

Table 1a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984[a]	.969	.967	.21135

Source: Researchers computation using SPSS version 22, 2025

a. Predictors: (Constant), Operating expenses, Human resources expenses, Research and development expenses, Reduce errors, Reduce fraud

Table 1b: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	163.463	5	32.693	731.865	.000[a]
	Residual	5.271	118	.045		
	Total	168.734	123			

Source: Researchers computation using SPSS version 22, 2025

a. Predictors: (Constant), Operating expenses, Human resources expenses, Research and development expenses, Reduce errors, Reduce fraud

b. Dependent Variable: Financial reporting quality

Table 1c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.131	.062		2.118	.036
	Operating expenses	-.594	.070	-.661	-8.484	.000
	Human resources expenses	.237	.053	.221	4.513	.000
	Research and development expenses	.530	.075	.526	7.031	.000
	Software expenses	.725	.054	.817	13.393	.000
	Cost of risk	.093	.059	.092	1.569	.119

Source: Researchers computation using SPSS version 22, 2025

a. Dependent Variable: Financial Reporting Quality

Discussion of findings

The findings from this study underscore the significant influence of Accounting Information System (AIS) expenditure on the financial performance of tertiary educational institutions in Southwest Nigeria. The high percentage of respondents who strongly agreed or agreed that AIS expenditure improves the accuracy of financial records and software expenses in financial transactions corroborates prior literature affirming the importance of AIS in improving financial data integrity and reliability. For instance, Olayemi & Adebanjo (2022) found that accurate and timely financial reporting is one of the most notable benefits derived from AIS expenditure in public sector institutions, reducing human error and enhancing the credibility of financial statements.

Similarly, the study revealed that human resource-related expenditure on AIS contributes significantly to better decision-making. This supports the assertion by Ezenwoke & Ajayi (2021) that investment in qualified personnel to manage AIS results in more timely, informed, and strategic financial decisions in higher education institutions. Decision-making effectiveness is largely dependent on the availability of real-time data and analysis, which robust AIS platforms can provide when appropriately resourced. Interestingly, the findings showed a mixed response regarding the impact of research and development (R&D) expenses related to AIS on departmental efficiency. While some respondents recognized improvements, a substantial percentage either disagreed or remained undecided. This finding aligns with the results of the study by Musa & Dauda (2023) who argued that the long-term benefits of R&D investments in accounting systems are often underappreciated in Nigerian public institutions due to delayed implementation, limited staff engagement, or lack of technical understanding.

The study further demonstrates that AIS expenditure is perceived to significantly reduce fraud in financial transactions, a finding that supports the conclusion of Abubakar & Yusuf (2020) who emphasized the role of AIS in enhancing internal controls and providing electronic audit trails that reduce the risk of manipulation and unauthorized financial activities. The automation of accounting processes through AIS discourages fraudulent acts

by promoting transparency and accountability. Moreover, the collective agreement among respondents on the role of AIS in enhancing transparency and accountability aligns with the position of Ogunleye & Nwankwo (2021) who highlighted that institutions investing in AIS not only achieve greater financial control but also enjoy stakeholder trust and compliance with regulatory standards. These systems allow for real-time tracking of transactions and ensure that all financial activities are adequately documented and accessible for audit purposes.

The findings reveal that AIS expenditure when effectively allocated to operations, human capital, and fraud control strategies positively impacts institutional financial reporting quality. However, the mixed views on R&D spending suggest a need for better communication of AIS innovation outcomes and user training to realize full benefits. These findings suggest that tertiary institutions in Nigeria should prioritize structured AIS investments, staff development, and continual system evaluation to achieve efficient financial management and long-term sustainability.

Conclusion

Based on the summary of findings of this study, it was concluded that accounting information system expenditure has effect on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria. Also, accounting information system expenditure has significant relationship with financial reporting quality of selected tertiary educational institutions in Southwest Nigeria. Furthermore, accounting information system practices has no significant effect on the financial reporting quality of selected tertiary educational institutions in Southwest Nigeria.

Recommendations

Following the conclusion, the study therefore recommends that

- Tertiary educational institutions should prioritize expenditure on strategic AIS components such as software upgrades, staff training, and cyber security tools. This would enhance the accuracy, reliability, and timeliness of financial reports, thereby improving performance.

- Institutional finance departments should develop distinct budget lines for AIS-related expenses (e.g., licensing, human capital, system maintenance) to ensure consistent funding and planning for financial automation tools.

- Institutions should implement financial reporting quality evaluation frameworks that track the return on AIS expenditures to assess whether financial investments in the system are translating into tangible improvements such as cost savings, reduced fraud, or faster reporting.

- AIS should be integrated across all departments, including bursary, procurement, research units, and academic planning, ensuring a coordinated financial reporting quality impact across the institution.

- Institutions should utilize AIS data analytics tools for strategic planning, budgeting, and forecasting, which will support timely and data-driven decision-making that directly impacts financial reporting quality.

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