Significance of Management Reporting Tools in Management Accounting System of Banking and Finance Service Industry

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Abstract

Internal stakeholders are kept "up-to-date" on company activity through management reports. Internal reports are used by managers and senior executives to govern the company, make decisions, and track development. Leadership uses management reports to keep an eye on their division. This research paper's goal is to examine how well-aware, useful, and successful management reporting tools are among workers in Pune's banking and financial services industry. With the aid of a carefully constructed questionnaire, researchers used the survey method to gather data from 120 respondents. The researcher determined that the descriptive research design and the convenience sample method using non-probability are appropriate for the investigation. The results of this study can be used by the banking and finance industries to build and improve management reporting tools that would help management accounting systems.

Keywords: *Management Accounting, Management reporting tools, Awareness, Usage, Effectiveness, etc.*

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Introduction

Management Accounting

The term "managerial accounting" refers to a system of accounting that produces documentation, reports, and statements that aid management in making better judgments about the operation of their company. Internal uses make up the majority of managerial accounting. Managerial accountants concentrate on comprehending the cash flows, financial transactions, operating expenses, and internal rate of return for their organisation. This accounting data is gathered, examined, and then transformed into reports and presentations that assist in budgeting and future investment decisions.

The three cornerstones of managerial accounting are decision-making, controlling, and planning. The focus of managerial accounting, which primarily consists of four major functions: (1) budgetary planning, (2) cost discovery, (3) cost and profit analysis, and (4) performance reporting, is on the preparation of these data and reports.

Management Reporting Tools

Decision-making is improved by an efficient management reporting system. Management reporting system increases management efficiency, increases receptivity to problems and boost the effectiveness of resources used to deliver organisational services. Management must have accurate information about the company's financial situation in order to make wise business decisions. Your company's financial reporting will also be used by potential investors and banks to determine if they want to make an investment or extend you a loan. By using project reporting, hazards can be found early on and fixed. Everyone may easily view spending with the help of reports, which improves budget management. Reporting really makes team performance more visible across the board for the project.

The programme must start with metrics, correct data, and healthy data in order to support corporate strategies. This is a component of management reporting. Data must be accurate and have a dependable source in order to support the company's long- and short-term goals. The fundamental goal of financial reporting for any organisation is to provide the essential information about the firm's financial situation, cash flow position, and the various commitments of the company that is useful for its users for tracking business performance, the understanding.

Banking and Financial Service Sector

The service sector includes the banking industry. The service sector is the tertiary sector of the economy. This industry offers services to both the general public and businesses. The top 10 banking software tools typically use Java,. NET, Python, Ruby, and Ruby. Additionally, there are particular technologies for core banking development, such as Temenos, Finastra, and Oracle FLEXCUBE. Businesses can automate the collecting of financial data and more precisely follow trends that have an impact on their objectives with the use of financial reporting software. Financial reports give business owners more access and understanding into how their company is doing.

In terms of both new companies joining the market and current financial services companies seeing rapid growth, India has a varied financial sector. Commercial banks, insurance firms, non-banking financial institutions, co-ops, pension funds, mutual funds, and other smaller financial organisations make up the sector. The banking regulator recently permitted the creation of new organisations, like payment banks, expanding the variety of organisations operating in the market. Commercial banks make up more than 64% of the total assets held by the financial system, making the financial sector in India primarily a banking sector.

Literature Review

R. Sharma (2012), This paper gives us a glimpse of system application and products in data processing, as well as the changing trends in information technology. Enterprise resource planning (ERP) using SAP Methodology and tools for ERP deployment The provides it a comprehensive solution to allow an organisation to plan and execute the SAP ERP software implementation. The ASAP approach is utilised as the SAP implementation reference model in this study.

Mengwei Lu (2014) in the research paper published “Discovering Microsoft Self-service BI solution: Power BI” the researcher mentioned that, as a result, we determined the order in which administrative documents are created, identified information flows, and identified the major source documents and accounting records of information for management decision-making, and developed and proposed management documents that allow one to quickly gather accounting data and process it for decision-making. Internal reporting is the primary source of data for management decision-making in the evaluation and optimization of structural units, business processes, and other agricultural organisation segments. The calculation of certain reporting indicators is heavily influenced by the organisational and technological characteristics of a company and its structural units.

Bolanle Clifford Ishola, CLN and Rhoda OseIsiwele-Ishola (2014) in the research paper published “Information as a Tool for Effective Management” the researcher mentioned that, we live in a society where everyone requires knowledge in order to stay relevant in the grand scheme of things; information has become a veritable and important instrument in every endeavour. As a result, knowledge is required in every element of man's life and will continue to be required. As a result, there is a strong desire and need for information. Information is critical for improved performance at all levels of management. It also defends the highest principles of proper and meaningful administration. This allows for the production of relevant results. It is claimed that ignorance is a disease. As a result, the first step in man's fight against ignorance is to be adequately informed at the appropriate time and in the right location.

Oracle (2015) in the research paper published, “Benefits of Application Management Suite for Oracle E-Business Suite” the researcher mentioned that, thousands of large organisations throughout the world rely on Oracle E-Business Suite to run their operations. IT administrators must use advanced management solutions like Oracle Application Management Suite for Oracle E-Business Suite to ensure high availability and performance of their Oracle E-Business Suite application environments. Oracle Application Management Suite for Oracle E-Business Suite uses the Oracle Enterprise Manager Framework to provide enhanced management capabilities for Oracle E-Business Suite that will improve IT operations efficiency, minimise application ownership costs, and reduce risks. Oracle continues to invest in increasing the capabilities of the E-Business Suite, as evidenced by the Oracle E-Business Suite 12.2 releases.

M.Chandrashekhar, Dr.Sharad Mahajan And Dr.Dattatraya.K.Chavan (2017) in the research paper published "Study on Implementing SAP in Automotive Component Manufacturing(SME) Industry in India" the researcher mentioned that, SAP provides a number of advantages to auto component makers. The adoption of SAP in an auto comp firm was discussed in this study. This paper demonstrated an effective study related to the project. The SAP Modules, Architecture and Strategies, SAP Management and Solutions, and the implementation outcome were all on display. Finally, the implementation's pain areas and the flexible SAP solution to alleviate them were used to elevate the organisation to a higher level.

Benjamin Brown (2018) in the research paper published "The Total Economic Impact™ of Microsoft Dynamics 365 For Finance And Operations" the researcher mentioned that, Forrester Consulting, which is based on independent and impartial research, helps executives flourish in their enterprises. Forrester Consulting services connect you directly with research analysts who bring expert insight to your specific business difficulties, ranging in scope from a quick strategy session to custom projects. Forrester produced a composite organisation and a financial model that represents the seven customers who were interviewed. Microsoft Dynamics 365 for Finance and Operations is a cloud-based enterprise resource planning (ERP) solution that clients use to run their firms' fundamental operations.

W. Harry (2010), ERP implementation critical failure factors the papers suggest existing literature on ERP implementation challenges and causes of ERP implementation failure during the implementation phase. To better understand the causes of failure, a multi-case research was conducted. Three frequent key failure elements were researched and discussed in order to detect and analyse them.

Research Methodology

Objectives of the study

- To study the awareness of management reporting tools used in management accounting system in banking and finance service sector.
- To study the usage of management reporting tools for management accounting system in banking and finance service sector.
- To study the effectiveness of management reporting tools used in management accounting system in banking and finance service sector.
- To study the significance of management reporting tools for techniques of management accounting system in banking and finance service sector

Hypothesis of the Study

- H1: Management reporting tools are highly effective for management accounting system of banking and financial service sector.
- H2: Management reporting tools are highly effective for trend analysis and forecasting.

Scope of the study

The present study is related to the perception of employees in banking and financial service sector about management reporting tools. The researchers have selected only five *management reporting tools* in the present study as below;

- *Oracle eBiz suite*
- *SAP*
- *MFG PRO*
- *Tally ERP*
- *Microsoft Dynamics 365*

Sampling

Researcher has collected the data from 120 respondents (employees in banking and finance service sector) with the help of non-probability convenience sampling method.

Methods of Data collection
Researcher has collected the primary data with the help of well-structured questionnaire, having interaction with the employees in different banks and finance companies in Pune city. Internet, books, magazines, and articles etc. are the various sources from where researcher has collected the secondary data.

Reliability and Validity
The researcher has carried out reliability test using SPSS. The Cronbach's Alpha identified is 0.790, and it is more than 0.700, that's why the Questionnaire is measured to be reliable. The researcher has used face validity and content validity and confirmed that this research tool is valid for the study.

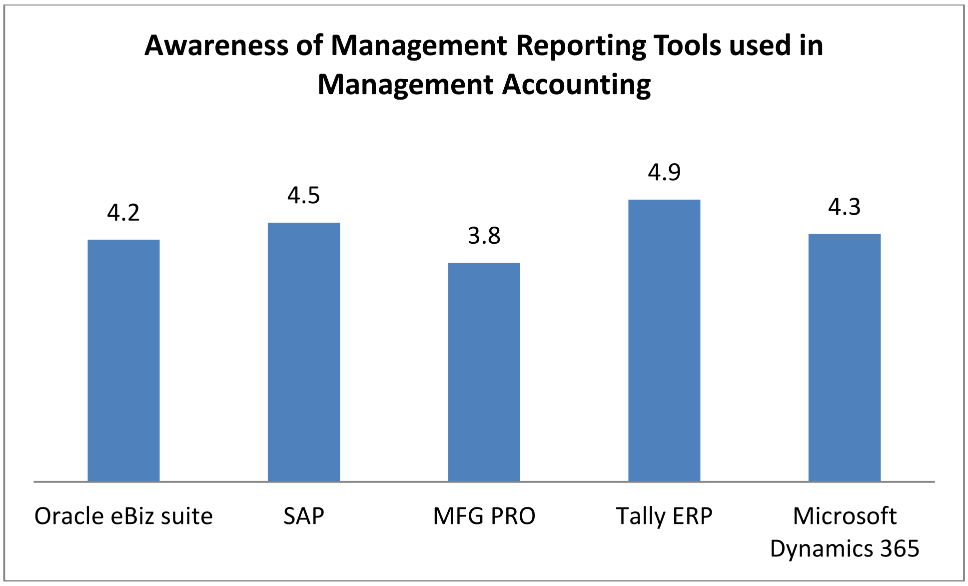
Research Design

Type of Research Design	Descriptive Research Design
Sampling Technique	Non-Probability Convenience Sampling
Sampling Area	Pune City
Sample Size	120 (employees in BFSI)
Primary Data	Well-structured questionnaire
Secondary Data	Research papers, Articles, Books, Journals etc.
Data Analysis tools	IBM SPSS-20

Data Analysis
Awareness of Management Reporting Tools used in Management Accounting

Measurement tool	Very low awareness	Low awareness	Average	High awareness	Very High awareness
Rating Scale	1	2	3	4	

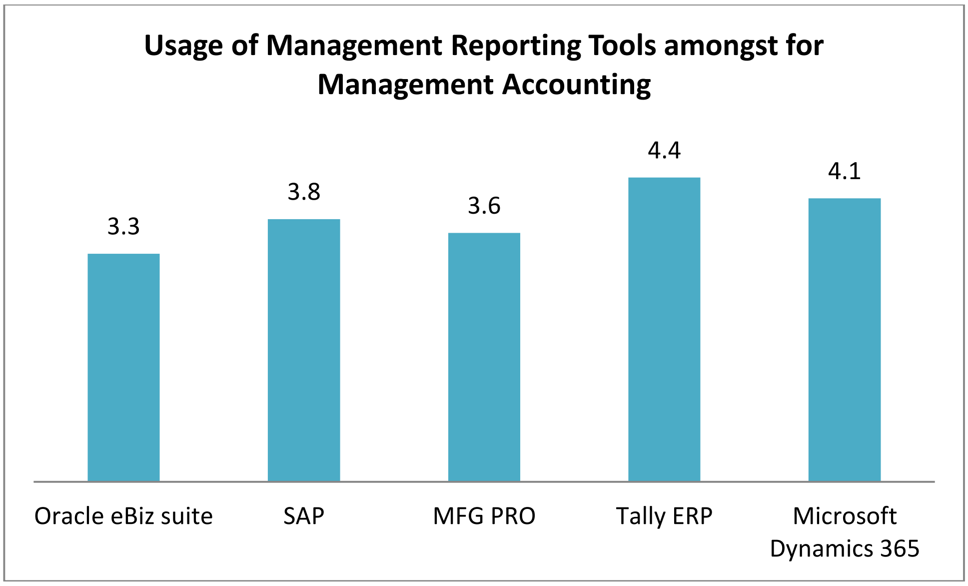
Management Reporting Tools	Mean
Oracle eBiz suite	4.2
SAP	4.5
MFG PRO	3.8
Tally ERP	4.9
Microsoft Dynamics 365	4.3
Average Mean	4.3



Usage of Management Reporting Tools amongst for Management Accounting

Measurement Tool	Very low usage	Low usage	Average	High usage	Very High usage
Rating Scale	1	2	3	4	5

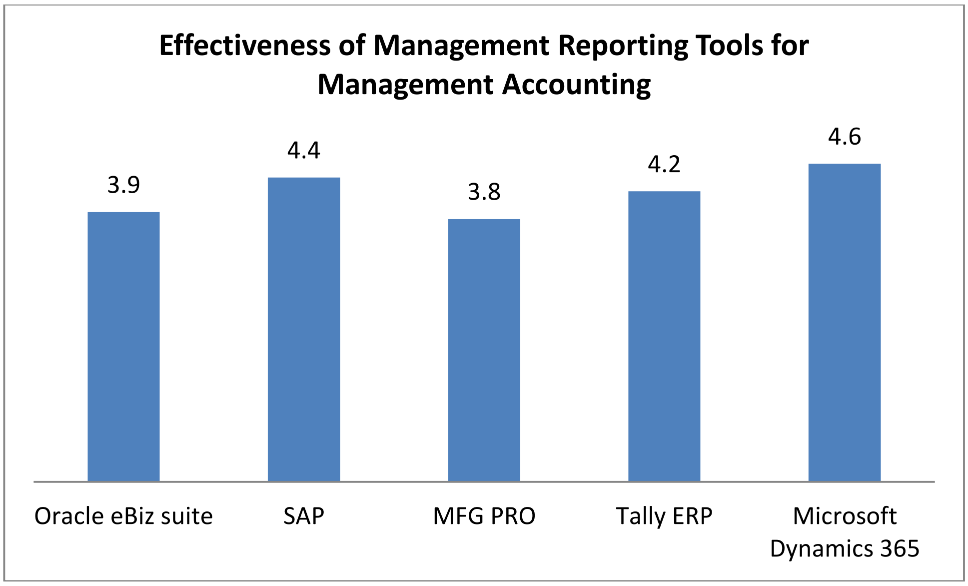
Management Reporting Tools	Mean
Oracle eBiz suite	3.3
SAP	3.8
MFG PRO	3.6
Tally ERP	4.4
Microsoft Dynamics 365	4.1
Average Mean	3.8



Effectiveness of Management Reporting Tools for Management Accounting

Measurement tool	Very low effective	Low effective	Average	High effective	Very high effective
Rating Scale	1	2	3	4	5

Management Reporting Tools	Mean
Oracle eBiz suite	3.9
SAP	4.4
MFG PRO	3.8
Tally ERP	4.2
Microsoft Dynamics 365	4.6
Average Mean	4.2

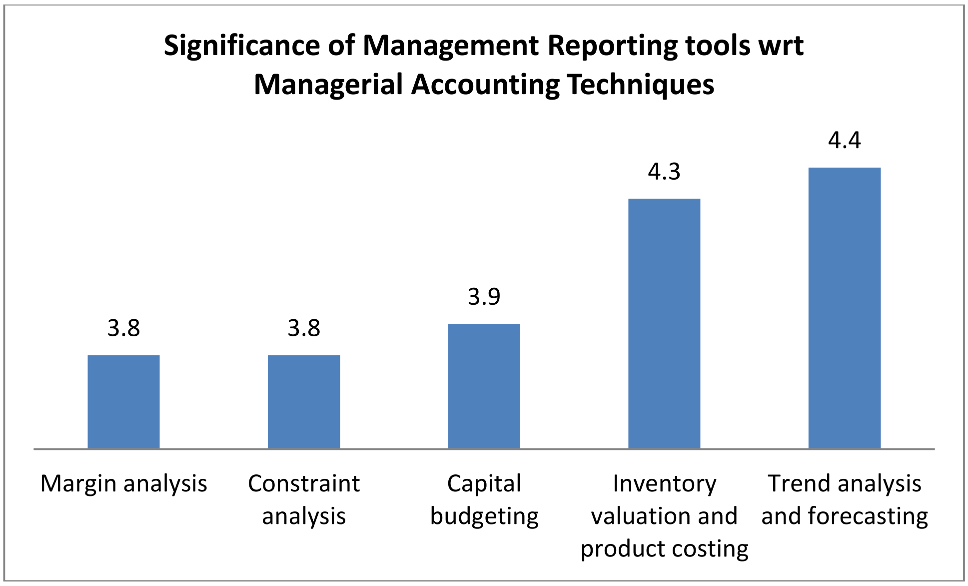


Ranking for the Significance of Management Reporting Tools for Management Accounting

	Awareness	Usage	Effectiveness
Oracle eBiz suite	4	3	4
SAP	2	2	2
MFG PRO	5	5	5
Tally ERP	1	1	3
Microsoft Dynamics 365	3	4	1

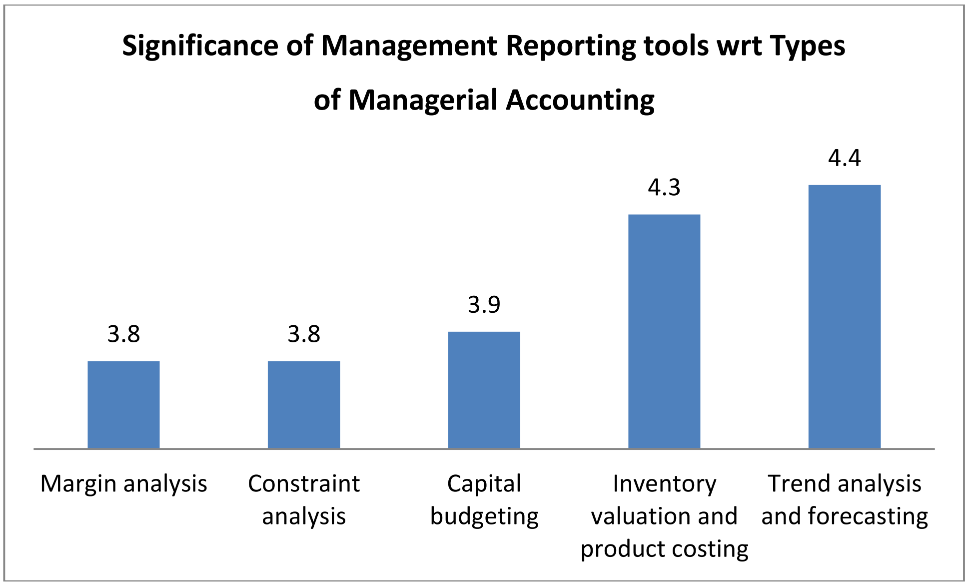
Significance of Management Reporting tools wrt Managerial Accounting Techniques

Techniques	Mean
Margin analysis	3.8
Constraint analysis	3.8
Capital budgeting	3.9
Inventory valuation and product costing	4.3
Trend analysis and forecasting	4.4
Average Mean	4.0



Significance of Management Reporting tools wrt Types of Managerial Accounting

Types	Mean
Product Costing and Valuation	4.2
Cash Flow Analysis	4.3
Financial Leverage Metrics	3.7
Accounts Receivable (AR) Management	3.6
Average Mean	4.0



Hypothesis Testing

Hypothesis 1

- Null Hypothesis (H0): Management reporting tools are not effective for management accounting system of banking and financial service sector.
- Alternative Hypothesis (Ha): Management reporting tools are highly effective for management accounting system of banking and financial service sector.
- The researchers have tested the null hypothesis with the help of IBM SPSS 20. The researchers have applied Z test to check the null hypothesis. The P value identified is 0.01 which is less than 0.05 so the null hypothesis is rejected and alternative hypothesis is accepted at 5% level of significance.

Hypothesis 2

- Null Hypothesis (H0): *Management reporting tools* are not effective for trend analysis and forecasting.
- Alternative Hypothesis (Ha): *Management reporting tools* are highly effective for trend analysis and forecasting.
- The researchers have tested the null hypothesis with the help of IBM SPSS 20. The researchers have applied Z test to check the null hypothesis. The P value identified is 0.01 which is less than 0.05 so the null hypothesis is rejected and alternative hypothesis is accepted at 5% level of significance.

Findings

- It is observed that Awareness of Management Reporting Tools used in Management Accounting is high as the mean average is 4.3. The awareness about Tally ERP is highest (Mean 4.9).
- It is observed that Awareness of Management Reporting Tools used in Management Accounting is high as the mean average is 3.8. In todays scenario also Tally ERP is widely used as management reporting tool.
- It is observed that management reporting tools are effective for management accounting in banking and finance service sector as the average mean observed is 4.2. Microsoft dynamics 365 (Mean 4.6) and SAP (Mean 4.4) are highly effective management reporting tools.
- Awareness and usage of Tally ERP is high but comparatively effectiveness is average as new tools like SAP and Microsoft are more effective.
- MFG PRO have low awareness, low usage and low effectiveness as compared to other management reporting tools.
- Management reporting tools highly significant related to managerial accounting types and techniques as the mean observed is 4.0.
- Management reporting tools are highly effective for trend analysis and forecasting (mean 4.4), cash flow analysis (4.3) and Inventory valuation (Mean 4.3).

Conclusion

Management reporting tools are significant for efficient functioning of management accounting of banking and finance service sector in India. In future alongwith traditional management reporting tools new advanced reporting tools will become the boost for the banking and finance service sector by efficient and effective handling of management accounting system.

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