



THE EFFECT OF THE GOVERNMENT FINANCIAL INFORMATION MANAGEMENT SYSTEM (GFMIS) ON GOVERNMENT FINANCIAL PERFORMANCE IN IRAQ

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Article history:	Abstract:
Received: 14 th January 2024 Accepted: 1 st March 2024	This research aimed to investigate the effect of the Government Financial Information Management System (GFMIS) on Government financial performance In Iraq. The research results demonstrated that GFMIS affected the Government's financial performance positively and significantly. The results also showed that there were no differences between the study samples with regard to the research variables represented in GFMIS and Government financial performance according to the demographic variables being studies.

Keywords: government financial management information system, financial Performance

INTRODUCTION:

GFMIS, the Government Financial Information Management System, is regarded as one of the BRP systems, which can be defined as an electronic system that links all government administrative agencies, and includes all public financial management functions, including financial and accounting operations that take place in all stages of budget preparation and implementation, starting from the planning stage. The strategy ends with the issuance of the final reports with the aim of ensuring the integration of information and procedures. Which in turn enables government institutions to use and manage their information, material and human resources effectively and efficiently by providing an integrated solution for all their needs related to information processing (Hanna et al., 2023).

The profitability of any financial organization is largely dependent on its financial performance. Many accounting information systems have been put into place and used in order to ensure that they have a beneficial effect on financial performance. The majority of businesses are currently raising their information systems spending as well as their budgets. Furthermore, information costs are under pressure from competitive and economic factors. Building information systems that assist individuals, governments, and parastatals in carrying out their duties is a common use of information technology. (Gofwan, 2022).

Determining the relationship between financial performance and Iraqi government institutions as well as the Government Financial Information Management System was the aim of this study.

THE RESEARCH PROBLEM:

The government has been plagued by persistent financial embezzlement and inadequate control systems in public financial management, resulting in subpar service delivery and excessive spending. From this vantage point, the following are the suggested primary research questions;

- 1- How might Financial Performance be enhanced by the Government Financial Information Management System (GFMIS)?
- 2- Are there statistically significant differences among the study sample members with regard to GFMIS or Government financial performance due to differences in demographic variables?

RESEARCH OBJECTIVES:

- 1- Ascertain the degree to which the government's financial information management system affects the financial performance of the government.



- 2- Revealing differences between the opinions of study sample members regarding the government information management system or government financial performance is due to differences in demographic variables

RESEARCH HYPOTHESES:

- 1- There is no significant effect of the government financial information management system on government financial performance.
- 2- There are no statistically significant differences among the study sample members with regard to the government information management system or government financial performance due to differences in demographic variables.

RESEARCH IMPORTANCE:

- The importance of the study emerges from:
- 1- Addressing a topic of great importance, as achieving financial discipline, efficiency and effectiveness in allocating state resources is an important goal, also there is a need to provide a level of transparency, disclosure and control.
 - 2- Providing ways to adopt the best modern scientific methods to raise the efficiency of the public finance management system leading to the provision of accurate financial information in a timely manner to use it in making better decisions.
 - 3- 3. To the best of the researcher's knowledge, no Iraqi study has examined the question of how the Government Financial Information Management System (GFMIS) implementation affected the country's financial performance.
 - 4- Stressing the importance of the Government Financial Information Management System (GFMIS), one of the key instruments for improving public financial management.

THEORETICAL FRAMEWORK:

1- The Government Finance Management Information System (GFMIS):

All financial and non-financial activities that occur throughout the budget cycle are included in the government's Financial Information Management System (GFMIS), an electronic system that connects all government agencies, starting from the strategic planning stage and ending with the accountability stage (Azam et al., 2023).

2- Financial Performance:

Financial performance was a measure of the organization's capacity to raise money and cut expenses while still fulfilling its commitments. By depending on various financial procedures, such as creating budgets and tables of results accounts, it is necessary to properly diagnose the institution's financial health in order to determine if it can create value and endure in the long run. (Bockfoss & Bouabdallah, 2023).

PREVIOUS STUDIES:

There are many studies that have addressed the relationship between GFMIS and other variables, some of which can be presented below;

The research project (2022) by Mohammed et al. aimed to demonstrate how implementing the Government Financial Management Information System (GFMIS) may fortify the internal control frameworks of government organizations. To accomplish the research goal, the researcher looked over and assessed prior studies that were pertinent to the field of study. Based on these data, the researcher concluded that the government financial management information system's deployment increases internal control mechanisms in government institutions. This is because it fortifies the numerous control tasks and aids in achieving effective control, producing outputs that are precise and error-free.. Additionally, it affects the accuracy of government financial reports, providing information that improves the effectiveness of internal control systems to prevent theft or loss of government resources and assets.

The study of (Yousif & AL-Emam, 2022) aimed to find out the effect of implementing the Government Financial Information Management System (GFMIS) on the effectiveness of budget implementation. The study sample consisted of (110) people included accountants, managers and employees in the departments of the Ministry of Finance. The findings demonstrated that applying the government financial information management system has a statistically significant positive influence on enhancing government financial management systems, including the budget execution system and the payments and receipts system.

The research of (Azam et al., 2023) aimed to evaluate the impact of implementing the Government Financial Information Management System (GFMIS) on improving oversight of public funds and detecting cases of financial and administrative corruption. The field study included 7 units represented all administrative units of the Egyptian Ambulance Authority affiliated with the Egyptian Ministry of Health. The sample consists of 240 individuals distributed equally among the four categories (financial management, senior management, audit management, academics). The results indicated that the application of (GFMIS) in government units supported its financial situation, as their resources are managed efficiently. It also contributes to the tightening of control over public funds through its vital role in activating program budgeting



and performance, The findings also showed that, depending on their level of education, the study samples' perspectives on the elements of putting the government financial information management system into place differed significantly. The study of (Hanna et al., 2023) aimed to assess the effects of Zagazig University's government units, which included 16 units of accounts, on the Financial Information Management System for the Government (GFMIS). The study came to the following recommendations for using the GFMIS system: The necessary and appropriate processes and changes will be outlined in this proposal in order to address issues that prevent the system from being applied effectively and efficiently and from attaining integration with all other financial systems.

The research of (Saleh, 2023) aimed to explore the extent to which users of the government financial management information system are aware of its role in improving the quality of financial reports, the impact of information technology application and the effectiveness of (GFMIS). Applied to 160 Persons (accountants, employees, and managers). The research concluded a set of results, where the application of the government financial management information system leads to increasing the effectiveness of the electronic link between all ministries and government departments, as well as efficiency and effectiveness in the use of government resources. Contribute to achieving financial discipline and compliance, reduce errors, and control and monitor corruption cases due to its ability to record all government financial operations in accordance with regulations and laws, in addition to providing reports on any deficiencies that are discovered. Contribute to providing appropriate financial information and data for all government units. Enhancing the role of accounting disclosure and reducing financial risks by providing credible and reliable information.

By applying it to government units in the Menoufia Governorate, the study by Zalat et al. (2023) sought to determine the factors influencing the evaluation of financial control over public funds in light of the Government Financial Information Management System (GFMIS). A sample of (202) people, including Central Auditing Organization auditors, representatives of the Ministry of Finance, and accounting staff in government agencies, participated in the survey. The study found differences between the opinions of the respondents about each of the determinants of the accounting information system in government units and the mechanisms of oversight of public funds, and the existence of a correlation between the application of the accounting information system in government units and the mechanisms of oversight of public funds.

There are many studies that have addressed the relationship between Financial Performance and other variables, some of which can be presented below;

The study of (Setiawan & Rosa, 2023) sought to ascertain, by a synthesis of ten journals focusing on return-on-investment analysis in a firm already listed on the Indonesia Stock Exchange, the extent to which return on investment influences a company's stock value and financial performance. The Indonesia Stock Exchange's stock price movement of a firm is influenced by its return on investment, or ROI. A company's high stock price is indicated by a high ROI value. On the other hand, a low ROI value suggests that the stock price of the company is low. A corporation with strong financial performance is indicated by a high ROI value; if the ROI value is low, the company's financial performance is subpar.

The goal of the study (Khalifaturofi'ah, 2023) was to find out how financial innovation, financial ratios, cost effectiveness, and solid corporate governance affected the financial performance of Indonesian banks. The data used in this study comes from Indonesia's conventional banks' annual financial statements. (2009–2018). The findings indicate that banks' financial performance is impacted by financial innovation. Cost effectiveness has a detrimental impact on banks' financial success. The financial ratio positively affects net interest margin and return on asset. It is represented by the loan to deposit ratio and the capital adequacy ratio (CAR). Nonperforming loans and equity to total assets are used as proxies for the financial ratio, which has a negative effect on return on equity and return on asset. In contrast, the financial performance of Indonesian banks is significantly impacted negatively by strong corporate governance (GCG), as indicated by the proportion of managerial ownership (PMO). The percentage of an independent board of directors serves as a proxy for GCG.

The impact of profitability, capital structure, liquidity, and earnings management on the firm value of companies in the building materials construction subsector listed on the Indonesia Stock Exchange between 2018 and 2021 was investigated by Ilham et al. (2023). Financial statements from every business in the building materials construction subsector were used in this investigation. Sixteen companies in the building materials construction subsector that were listed on the Indonesia Stock Exchange made up the study's sample. The findings demonstrated that capital structure and profitability had a positive and considerable impact on business value, whereas earnings management and liquidity had no discernible impact. The simultaneous test's findings indicated that the business value was significantly influenced by profitability, capital structure, liquidity, and earnings management.

Few studies—one exception aside—discuss the relationship between financial performance. In the study of Jebriil (2014), the effect of Jordan's government financial management information system (GFMIS) on financial performance



differentiation is investigated. The study sample consisted of thirty-six workers from government ministries and divisions who were utilizing this technology. The main findings of this study suggest that customer services, accounting, human resources, and financial management are all impacted by the adoption of this system.

THE RESEARCH METHOD:

The questionnaire:

Since "The Government Financial Information Management System" is a unidimensional construct, the first portion of the questionnaire, which was a complete instrument employed in this study, was related to that independent variable. In the second section, it also discussed the dependent variable "financial performance" as a multifaceted construct. Lastly, the demographic characteristics are included in the third section. An instrument for semantic differentiation was employed using the Likert scale, a five-point rating system.

The sample and data collection method:

- To measure the Government Financial Information Management System, the study used a questionnaire with 17 items that were all taken from the study by Yousif and AL-Emam (2022). In terms of financial performance, the study finally adopted the nine items that were utilized in the study by Bockfoss and Bouabdallah (2023).
- Using the purposive sampling technique, a representative sample of 173 government companies in Iraq was obtained. Senior management representatives, financial management officials, and audit department representatives made up the study sample..

RESULTS:

Reliability Analysis Results:

Using Cronbach's alpha coefficient, the questionnaire's validity was assessed for each of the subsequent stages of study. The findings are displayed below:

Table (1)
Reliability Coefficients

Variables	Cronbach's Alpha
The Government Financial Information Management System	0.882
Financial Performance	0.898

Source: Cronbach's Alpha Analysis.

Every Cronbach's Alpha coefficient in Table 1 had a value greater than 0.7. The Government Financial Information Management System ($\alpha=0.882$) is the second most reliable system, behind Financial Performance ($\alpha=0.898$). This suggested that the information gathered through the questionnaire is reliable for the stages of analysis that come after.

Testing the Hypotheses:

H1-There is no significant effect of the government financial information management system on government financial performance.

This hypothesis was tested using linear regression analysis, and the outcomes are displayed below;

Table 2:
The GFMIS dimensions effect on financial Performance

Independent Variables	Dependent Variable	Beta	T	(Sig.)
GFMIS	Financial Performance	0.737	18.545	0.000
R= (0.737) R²= (0.543) Adjusted R²= (0.542) F (Sig.) =343.905 (0.000)				

Analyzing linear regression is the source.

The results shown in Table 2 can be interpreted as follows;

- 1- The value of F (Sig.) equals 0.000, which means that the model fit is good.



- 2- $R = (0.737)$, which means that the government financial information management system and the government financial Performance are significantly and positively related.
- 3- Standardized Coefficient (Beta $\beta = 0.737$), and it is positive & significant, which mean that the government financial information management system has a positive and significant effect on the government financial Performance. Ultimately, H1 was accepted.
- 4- The determination coefficient value $(R^2) = (0.543)$, which means that 54.3% of the changes in the government financial Performance in Iraq Companies are due to the application of the government financial information management system with a confidence level of 95%.

H2: There are no statistically significant differences among the study sample members with regard to the government information management system or government financial performance due to differences in demographic variables.

The following sub-hypotheses are derived from this hypothesis;

H2/1: There are no statistically significant differences among the study sample members with regard to the government information management system or government financial performance due to differences in Qualification.

This hypothesis was tested using the Kruskal Wallis Test, and the outcomes are displayed below;

Table 3: Results of the analysis of differences according to academic qualification

Variables	Qualification	N	Mean Rank	Chi-Square (Sig)
GFMIS	Bachelor's	253	146.63	1.168 (0.558)
	Master's	35	137.69	
	Ph.D	3	189.50	
government financial performance	Bachelor's	253	145.02	0.368 (0.832)
	Master's	35	151.30	
	Ph.D	3	167.17	

According to the results from table 3 H2/1 was accepted as there are no statistically significant differences among the study sample members with regard to the government information management system or government financial performance due to differences in their Qualification.

H2/2: There are no statistically significant differences among the study sample members with regard to the government information management system or government financial performance due to differences in experiences.

This hypothesis was tested using the Kruskal Wallis Test, and the findings are displayed below.;

Table 4: Results of the analysis of differences according to academic Years of Experience

Variables	Years of Experience	N	Mean Rank	Chi-Square (Sig)
GFMIS	Less than 5	48	149.25	3.567 (0.312)
	5 -10	93	148.17	
	10 -15	62	128.78	
	More than 15	88	154.06	
government financial performance	Less than 5	48	154.80	7.795 (0.050)
	5 -10	93	140.96	
	10 -15	62	124.90	
	More than 15	88	161.39	

According to the results from table 4 H2/1 was accepted as there are no statistically significant differences among the study sample members with regard to the government information management system or government financial performance due to differences in their experiences.

CONCLUSION:



The research results demonstrated that GFMS affected the Government's financial performance positively and significantly. The results also showed that there were no differences between the study samples with regard to the research variables represented in GFMS and Government financial performance according to the demographic variables being studied.

And in light of the results of the study that have been reached the study recommended the necessity of increasing the departments' interest and knowledge in applying the government financial information management system (GFMS) because of its multiple functions for planning, control and decision-making in a wider manner, developing the Internet and data base and developing the computers used in the ministries and government departments that apply the government financial information management system. To raise its performance level, provide it the necessary speed to stay up with the accounting environment's evolution, and assist management in the areas of planning and control. Therefore, the primary recommendations of this study are as follows: the government financial management information system must be developed further; the Internet, databases, and computers used in government ministries and departments must be developed; these will improve the system's performance and give it the necessary speed to keep up with the accounting field's rapid development and to support management in the areas of planning and control.

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