International Journal of Research in Management
www.managementpaper.net
Online ISSN: 2664-8806; Print ISSN: 2664-8792
Received: 04-05-2019; Accepted: 06-06-2019; Published: 06-06-2019
Volume 1; Issue 3; 2019; Page No. 18-20

The influence of accounting systems on financial accountability in non-governmental organizations

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DOI: https://doi.org/10.33545/26648792.2019.v1.i3a.17

Abstract
The objective of this paper is to examine the influence of accounting systems on financial accountability in non-governmental organizations (NGOs). The quantitative research approach was employed in the study and with the application of the cross-sectional research design using 317 respondents as sample size. The primary instrument was a self-administered survey and the data were collected and analyzed with the help of Statistical Package for Social Scientists (SPSS) for the purpose of examining the hypothesized relationship between perceived accounting systems and financial accountability. The results of regression analysis revealed that perceived accounting systems in NGOs have a significant influence on financial accountability policies. The results provide useful information for policymakers not only in NGOs, but also governmental entities that could be used in formulating appropriate policies to enhance the financial accountability.

Keywords: Accounting systems, financial accountability, Non-governmental organizations

Introduction

According to Brody (2004) [2], financial accountability is the absence of fraud as well as fiscal honesty in the organization. It entails the process of ensuring good explanations and clarification of all financial activities, recording and reporting to donors, ministries and constituents. The philosophies guiding the accountability encompass accounting for making reports, explanation and justification of one's activities, as well as accommodating tasks of the results. However, Frumkin (2011) [10] raised concerns regarding Non-governmental organizations accountability (NGOs), specifically on the oversight mechanism and adequacy of reporting. According to McGann (2006), the NGO sector are

Undergoing a crisis of transparency and accountability, and it has dented its credibility to a large extent. Thus, this issue has led to foremost financial scandals which was discovered to be affecting the organizational trustworthiness (Reports, 2010) [18]. It is a known fact that the NGOs are complex and diverse, having large variations in purpose, income streams, members, structure of governance and activities, size and advocacy goals, as well as operational mechanisms (Lyons, 2001) [12]. And as such, this large sector is under-researched, not well understood when compared with the governmental organizations, and such requires further investigation (May, 2012; Rogers, Kelly & McCoy, 2019) [13, 19].

Despite the emphasis on financial accountability, the Reports (2010) [30] showed that some NGOs reported deficits, embezzlement, lack of transparency, and poor financial records by their Managers, and the demand accountability in NGOs is on the rise. Most funders of NGOs demand for books of accounts and audited reports to foster transparency. Frumkin (2011) [10] agreed that most NGOs with many CBOs were not keeping proper records of books of accounts (Collins, 2006) [5]. They indicated that the accounting systems in several non-profits organizations were not properly executed and great number of prospective managers of nonprofit financial reports are not sure of the availability of appropriate information, as well as the method not knowing how to access this information. Poor financial accountability in Non-Government Organizations may be a sign of poor accounting systems with weak internal control and monitoring measures, hence the study of Accounting systems and financial accountability is of utmost importance.

Literature Review

A. Accounting System

The accounting system is consisted of business papers, procedures, reports and records that are being utilized by firms for the purpose of recording transactions as well as feedback on their effects (Neave, 2009) [14]. This is because the effective and efficient management of the organization depends on proper accounting system. According to Collins (2006) [5], an accounting system process whereby transactions are being written and recorded for safe keeping. This gives the organizations sense of direction and accountability as receipts are given for all the received expenditures, as well as asking for receipts for every time money is spent.

B. Financial Accountability

Financial accountability deals with the financial outlook of an organization (Dhanani & Connolly, 2015) [7]. It is termed to be the foundation of any good administration and management (Dellaportas *et al*., 2012; Reheul *et al*., 2014) [6, 17], and most of the non-governmental literatures focuses on the process of exploring and discharging of accountability in finance through the method of disclosures and reporting practices from the generated resources through the means of annual reports (Reheul *et al*., 2014) [17]. It is on this note that Fedosov and Paientko

(2018) [8, 9] reiterated that financial accountability implies the process of updating the concerned parties about the financial performance and position, service effort as well as accomplishment. Barberis (1998) [1] maintained that financial accountability is difficult and have been a problem over a long period of time. He concluded that there is the necessity for proper financial accounting and accountability development for effective and efficient governance. In the same vein, Cendon (1999) maintained that accountability could be political in nature, professional, administrative as well as democratic in nature, and as such rely on accurate information. Hence, this forms the reason of why accountability of financing from the macro perspective is of utmost importance. Thus, concluded that accountability is the foundation of management. However, Chan (2003) concluded that financial accountability serves a tool for managing and protecting public and organizational fund. Fedosov and Paientko (2017) [8] emphasized that the development of the accountability of financing is highly paramount for developing countries, and that auditing and accounting in different countries are carried out in the same format which is expected to be held in high esteem.

C. The Non-Governmental Organization (NGO)

Non-Governmental Organization (NGO) in this article is regarded as variously charity and Non-Profit organizations. According to Peter (2006) [16], no-profit profit is the "Third sector" being differentiated from the public and private organizations and to recognize its uniqueness and diversity. NGOs also due operates just like business ventures, but are not there for profit making, and as such, they generally exist to serve some public need without profit making intention. They exist like any other forms of business because they have bank accounts, receive income from sales, own productive assets and other forms of activities which includes grants and donations. They also make and have a passive investment, have employees as well as going into a different type of contracts. Everything done in an NGO is ultimately aimed at serving clients who are the beneficiaries of NGO services being rendered.

Methodology

This study employed quantitative method of research and a cross-sectional design method was utilized as data was retrieved from respondents and analyzed at a point of time only. Thus, the approach gives room for examining the association that exists between the independent and dependent variables based on the responses from the target respondents. The Study Population consisted of NGOs operating in Sudan-Darfur and thus have a targeted population of size of 1770 respondents and the respondents comprises members of the board, management committee and others. Thus, 317 questionnaires were distributed in accordance to Sekaran and Bougie (2013), and 260 valid questionnaires were returned. The data for this study was analyses using the statistical package for social sciences (SPSS) version23.

Measures

The soundness of the accounting system of the NGO was measured by using a 5-point Likert scale as emphasized by Mwabilu *et al* (2004) and a modification was made to suit an NGO setting. The dimensions measured under the accounting system were record keeping, compliance and monitoring. Accountability of financing was also measured in accordance to Mwabilu *et al* (2004) Likert scale of 5 points. The dimensions measured under financial accountability include fiscal reporting and adherence to legal requirements.

Analysis of data

The collected data from respondents or field was compiled, sorted, edited, classified and coded in sheet, and it was evaluated with the help of a computer-based program of Statistical Package for Social Scientists (SPSS) in order to obtain correlations. Correlation analysis using cross tabulations was employed so as to show the association between system of accounting and accountability of financing in NGOs (Coakes & Steed, 2010). This research also employed the rotational factor analysis approach in extracting factors that measured the constructs of the research (Coakes & Steed, 2010). Also, through the application of the rotational varimax method, factors that have Eigen values which are greater than one were obtained, and neglected those that scored value coefficient of 0.50. The Pearson's correlation coefficient and regression analysis were executed for the aim of establishing the association between the constructs or variables (Coakes & Steed, 2010).

Results of regression analysis

Here, regression analysis was employed in finding the effect of the independent variable on the dependent variable. Knowing fully well that the independent variable is the accounting system and the dependent variable considered was financial accountability of selected NGOs. Table 1 below presents the regression model of the variables. The results in the table below were presented to explore the level to which the accounting system influences financial accountability.

Table I: Regression analysis of the study

Unstandardized coefficients			Standardized Coefficients		
Model	***β***	**Sid. Error**	***β***	**t-value**	**p-value**
(Constant)	0.927	0.320		2.899	0.004
Accounting Systems	0.732	0.117	0.426	6.272	0.000
Dependent Variable: Financial Accountability					
R-square	0.446				
Adjusted *R*-square	0.442				
F Statistic	100.673				
Sig	0.000				

The results in the table above indicated that the accounting system will predict 44.2% of the changes in the financial accountability (Adjusted *R*-square = 0.442). The regression model seems to be statistically significant at level of 0.000. The results further revealed that accounting system exerts a significant effect on financial accountability (β= 0.426, p<0.05.

Discussion

The research examined the association between accounting system and accountability of financing, and the findings revealed a significant relationship between accounting system and financial accountability. This is in accordance with the study of Pattanayak (2011) [15] who noted that recording and reporting financial information was a key element in an accounting system which requires keeping a consecutive record of events and transactions that are measured in monetary terms, summarized

and classified in a suitable arrangement that is in accordance to the business organizational needs that transforms to financial accountability in the organization. Additionally, Kamaruddin and Ramli (2018) [11] found that accounting system based on internal control practices improves the financial accountability in Islamic non-profit organizations.

Organizations with a fairly good accounting system had all their accounting entries supported by documentation that give rise to the transactions. Their books of accounts could be easily tracked from the source documents in the accounting system. This was supported by Codjice (2011) [4], who elaboration on financial accounting standards said that accounting standards for record keeping covered rules for debits and credits, and how these affect financial accounts. The study found that some administrators, managers and staff of NGOs are knowledgeable and comply with applicable laws and regulations, as the annual budget and financial reports of the organizations followed generally accepted financial principles, and as such enhances financial accountability.

Tibaijuka (2009) [21] emphasized that when providing capacity building for the non-governmental organizations, it is paramount for financial reports prepared to be in accordance with grant or national accounting standards, as this gives room for clear and common understanding as well as enhance comparison among other non-governmental organizations and agencies. This provides others with a clear picture and understanding of the NGO financial condition. Sutcliffe (2003) [20] noted that, a foremost obstacle to the attainment of better accountability and financial accountability of governments as well as their agencies in several fields' lack of commonly accepted and recognized standards of financial reporting for these bodies. Thus, showing the crucial role that accounting system plays in enhancing financial accountability.

Conclusion

The present study examined the influence of perceived accounting systems on financial accountability in Non-governmental organization. The result of the study revealed that there is a significant relationship between accounting systems and financial accountability. Thus, the implication of the result is that accounting system plays a great role in influencing the financial accountability of non-governmental organizations in Sudan-Darfur. Future studies may look at possible mediator or moderator variables (e.g., transparency) between perceived accounting systems and financial accountability.

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