

# THE INFLUENCE OF TRANSPARENCY AND ACCOUNTABILITY ON PUBLIC SECTOR FINANCIAL PERFORMANCE: EVIDENCE FROM TANZANIA

## ABSTRACT

The current study intended to examine the direct influence of accountability and transparency on public sector financial performance, as the results of adoption of accrual based IPSAS in Tanzania. Guided with New Public Management Theory (NPMT), a cross sectional-survey design was applied in collecting data from 178 public sector entities in Tanzania. This was achieved by the application of a drop and pick approach. Partial Least Squares-Structural Equations Models (PLS-SEM) was employed in determining the relationship between hypothesized constructs. It was found that, accountability has a positive and significant influence on financial performance while transparency has an insignificant. Since accountability and transparency affects the livelihood of the Tanzanian communities and others, findings of the current study create social-implications related with accountability and transparency, on the way public officials use public resources in the provision of various social services.

**Keywords:** *Accountability, Transparency, Accrual based IPSAS, New Public Management Theory, Public Sector Financial Performance, Tanzania.*

## INTRODUCTION

Effective financial performance of public sector entities has been a significant demand by various development partners and international organisations including the International Monetary Fund (IMF) and the World Bank (WB) as well as citizens (Akinleye & Alaran-Ajewole, 2018). These agencies have placed much emphasize on the reforms of financial management system of developing nations, so as to achieve intended public sector entities' financial performance (Salia & Atuilik, 2018; El-Mousawi & Ahmad, 2019). This in turn improves public service delivery among public organisations (Olola, 2019; Faris, 2021). To achieve intended financial performance in public entities, Muraina & Dandago (2020) and Mssusa, Chalu, & Temu, (2020) documented that, some of the developing countries including Tanzania have adopted and implemented accrual based International Public Sector Accounting Standards (IPSAS). Such adoption and implementation aimed at improving financial management and performance of public organisations through transparent and accountable provision of public services (Matekele & Komba, 2020; Atuilik & Salia, 2019).

According to Olusegun (2019) and Nakmahachalasint & Narktabtee (2018) adoption and implementation of accrual based IPSAS assist in the preparation and presentation of the general -purpose financial reports, which provide information about the financial position and performance of the reporting entity during a particular reporting period. This helps stakeholders in assessing financial performance of the concerned public sector entities (Gomes, Brusca, and Fernandez, 2019). As per IFAC (2021) assessment of financial performance of PSE contributes in the achievement of effective public service delivery objectives. For the purpose of improving financial performance of PSE in Tanzania, the government of Tanzania through the National Board of Accountants and Auditors (NBAA) instituted mandatory adoption and implementation of accrual based IPSAS in Central and Local Governments as well as other related public sector entities (Kalugendo, 2019). Specifically, Local Government Authorities (LGAs) adopted IPSAS accrual for the first time in the financial year 2008/2009 while central government and other public sector entities adopted in the financial year 2012/2013. Moreover, in responding to the growing demand for

high quality, transparent and accountable financial statements that align with IPSAS, NBAA launched an IPSAS diploma course in January 2016.

On the other hand, adoption and implementation of accrual based IPSAS is intended in enhancement of transparency and accountability among public institutions (Ademola, Ben-Caleb, Madugba, Adeboyegun, and Eluyela, 2020). This is through transparent presentation of financial statements and disclosure of financial and non-financial information which can assist users to make rational decisions as well as making public leaders to be highly accountable.

Despite the adoption and implementation of accrual based IPSAS in various public sector entities in Tanzania, the Controller and Auditor General (CAG) has reported existence of inadequate public sector financial performance, year after year. For example, in the financial year 2018/19, the CAG disclosed that, 23 out of 140 public authorities and other bodies were continuously recording deficits and 8 were financed by debts while 6 have negative equity. This is also empirically supported by Mssusa, Chalu, & Temu (2021) who stated that, existence of such inefficiencies make public institutions in Tanzania, not to able to discharge their functions, therefore affecting the service delivery as well as contributing to inefficiency public sector financial performance. This creates a knowledge gap regarding the effects of adoption of accrual based IPSAS in terms of transparency and accountability on public sector financial performance. This is also in agreement with the researchers' best understanding and knoweldge that, the influence of transparency and accountability on financial performance of public institutions has not received much attention, mainly in developing countries like Tanzania.

Furthermore, limited empirical studies have been conducted in developed countries, ignoring developing nations (Akinleye & Ajewole, 2018; Atuilik & Salia, 2019; Gamayuni, 2019; Ademola et al., 2020). These studies have not examined influence of accountability and transparency as attributes of accrual based IPSAS adoption on public sector financial performance. Therefore, specifically, the current study examines the effects of transparency and accountability as attributes of IPSAS implementation and adoption on the financial performance of selected public institutions in Tanzania. Theoretically, the findings of our current study contribute in scarce literature related with public sector accrual accounting mainly in developing nations like Tanzania. This is because most of the studies have placed much focuses in developed countries while ignoring developing nations. In addition, this study intended to fulfill the gaps related with the effects of adoption of IPSAS in Tanzanian context, mainly in terms of the influence of transparency and accountability on public sector financial performance. To the best of the researchers' understanding and knoweldge, there is scarce studies, which has been done in Tanzanian environment covering the stated effects of implementation of accrual accounting. Therefore, this study adds knowledge to the limited literature on accrual accounting, locally and internationally. After introducing the background of the study, the subsequent parts are arranged as follows. Theoretical and empirical literature review related with establishment of the study hypotheses are presented in the second section. In the third section, methodology of the study is provided followed by presentation and discussions of the study findings. Finally, the last section deals with conclusion, implications and areas for further study.

## **LITERATURE REVIEW**

### **Guiding theory**

This study was guided by New Public Management Theory (NPMT) as advocated by Hood (1995). This theory calls for public sector entities to institutes practices of private sector like accountability and transparency into management of public organisations. This implies that,

NPMT requires administration of public institutions to establish strong assignment of responsibilities, creating measurable standards and introducing performance measurements programmes which puts more emphasis on results based, rather than on procedures and controls. When these are practised in public institutions, it means that, government organisations have adapted and implemented private sector best practices (Han, 2019). Some of the private sector practices which have been adopted and implemented in public sector is accrual accounting system (Tran, Nguyen and Hoang, 2020). This has been done through adoption and implementation of accrual based IPSAS. Implementation of accrual based IPSAS in public organisations brings transparency and accountability, mainly in the use, provision and management of public resources (Matekele and Komba, 2020). Consequently, policymakers and numerous stakeholders such as World Bank and Citizens, strive for imposing responsibility on public entities for their actions and seek guarantee that public institutions are acting according to their assigned objectives and responsibilities (Masdar, Furqan, Masruddin and Meldawaty, 2021). This necessitated our empirical study, which aimed at examining the influence of transparency and accountability on financial performance of public sector entities in Tanzania.

### **Hypotheses development**

#### **Transparency and public sector financial performance**

Atuilik and Salia (2019) documented that, transparency involves systematic disclosure of government actions that have consequences on government accounts and on which the reporting entities have a duty to disclose all information to stakeholders so that they can know how their resources are being managed. This implies that, when stakeholders and other interested parties have a clear picture of what is going on in various public institutions, they become in the best position to understand and evaluate financial performance of the concerned public entity. Arellano-Gault and Lepore (2011) found that, the efficiency of public institutions is highly increased when their activities are done in a transparent manner. This goes in agreement with NPMT, which requires management of public institutions to act in a more transparent way when undertaking their responsibilities while remembering that, public stakeholders including development partners, citizens and employees have interest in their financial performance (Boston, 2016). Recognising this, Mizrahi and Minchuk (2019) highlighted that, existence of effective and reliable transparency aids in creating public trust and awareness on performance of public institutions. This in turn increases responsibility of the public sector entities in the provision of public services while understanding that, public stakeholders and interested parties are highly interested on their financial and non-financial performance. Some of the recent studies coined with NPMT such as Han (2019) and Tran, Nguyen and Hoang (2020) have determined that, performance of public organisations is positively influenced by transparency. This makes the current study to hypothesize that:

*H<sub>1</sub>: Transparency positively influences public sector financial performance*

#### **Accountability and public sector financial performance**

Accountability is recognised as the obligation to demonstrate, review, and take responsibility for performance in order to achieve the desired results with the available resources (Alola, 2019; Ademola et al., 2020; Muttaqin & Mulyasari, 2018). In case of public sector entities, this implies that, public institutions demonstrate accountability when they are strongly accountable to public resources providers and other interested parties as well as to whom public services are provided and delivered. According to the IFAC (2020) and IPSASB (2019), public sector entities discharge their accountability obligations when there are responsible with their actions related with the management of public resources, service delivery and results of planned objectives. As per NPMT, existence of accountability among public institutions contributes in assessment and evaluation of public sector financial

performance. This is also supported by Han (2019) who concluded that, performance of public entities and institutional accountability are positively related. This leads to the following hypothesis:

*H<sub>2</sub>: Accountability positively influences public sector financial performance*

## **METHODOLOGY**

### **Study Area**

This study was undertaken in Tanzanian Mainland, mainly consisting of Central Government (ie government ministries and departments, positioned in Dodoma City), Public Authorities and LGAs which are located in various regions across Tanzania Mainland (URT, 2020). The selection of the stated public entities was enhanced by their adoption and implementation of accrual based IPSAS in Tanzania (URT, 2019). Consequently, this created a suitable ground to consider the effects of IPSAS adoption in terms of efficiency in resource utilizations and quality of financial reporting on public sector financial performance.

### **Study Design, Population and Data Collection**

This study used cross sectional survey design, which allows gathering of adequate amount of data from respondents directly while applying survey instrument (Saunders, Lewis & Thornhill, 2012;Kothari & Garg, 2019). The target population for the current study was 581 public sector entities operating in Tanzania while employing accrual based IPSAS in financial reporting. This was considered the right population because the study intended to examine the impacts of IPSAS Adoption on Financial Performance of Public Sector Entities (Bananuka, et al., 2018; Matekele and Komba, 2020).The study population includes 52 Central governments, 184 Local Government Authorities (LGAs) and 345 Public Authorities (URT, Consolidated Financial Statements, 2020). These population groups were selected on the basis that they are users of IPSAS in the preparation and presentation of financial statements. Moreover, these entities have much awareness on accrual accounting and they are highly involved in adoption and implementation of the systems while discharging their professional accountability. Therefore, based on these arguments, the unit of analysis for the study was public sector entities while unit of inquiry was accountants from the selected public sector entities. Specifically, one respondent (Chief Accountant/Accountant) was considered from each public sector entities, mainly involving heads of finance and accounts departments. This study used stratified random sampling on the selection of PSEs and thereafter a simple random sampling (Saunders, Lewis & Thornhill, 2012;Kothari & Garg, 2019). This implies that, public sector entities are grouped into various categories comprising Local Government Authorities (LGAs), Central Government and Public Authorities. The current study employed Yamane (1967) formula to determine the sample size. Based on this, a simplified formula for computing sample size when the targeted population is institutions and not individuals is well established. Therefore, using Yamane's Formula, (1967) a sample size was as follows:

$$n = \frac{N}{1 + Ne^2}$$

Where by: n - sample size (PSE)

N – Total population (PSEs)

e -level of precession

From the above formula, the minimum sample size is derived as follow:

$$n = \frac{581}{1 + 581(0.05)^2}$$

$$n = 237(\text{PSE})$$

Based on the stated sample size of 237 PSE, the study allocated its sample size across the entire population proportionately. Initially, this research intended to collect data from 237 respondents. As such, a total of 237 questionnaires were distributed across 21 Central Governments entities, 75 LGAs and 141 Public Authorities. The researchers applied a drop and pick methods of administering the survey instrument as advocated by Kumar (2019). At the end of data collection process, as shown in Table I a total of 178 questionnaires, equivalent to 75.0 percent, had been completed and returned for analyses. Therefore, the analysis under this chapter draws from 178 respondents and not 237 as originally expected.

### Measurement of Variables

The public sector financial performance was measured by five (5) statements adopted and modified from Aduwo (2019) and Zheng, Wang, Liu, & Mingers, (2019) while transparency was measured by using five (5) statements adopted and modified from Izueke et al., (2020). Five (5) statements were used to measure accountability as per Izueke et al., (2020). Generally, all variables were measured by using five (5) point Likert scale ranging from strongly disagree to strongly agree.

## DATA ANALYSIS AND RESULTS

Collected data were analysed using the descriptive analysis and Partial Least Squares-Structural Equation Models (PLS-SEM) under SMARTPLS3. Descriptive analysis was employed in analysing demographic data while PLS-SEM was used in establishing effect of transparency and accountability on financial performance of the public sector entities. PLS-SEM is highly suitable in analysing and evaluating complex statistical models (Hair et al., 2022). It is also applicable for examining models having large number of constructs (Albert et al., 2022). Additionally, two procedures as advocated by Hair et al., (2022) were considered when analysing data by using PLS-SEM. Firstly, the outer model (measurement model) was undertaken in order to determine reliability and validity of the model. Secondly, after being assured with reliability and validity of the measurement model, the next analysis was to determine the inner model (structural model) of the study. This involved conducting PLS bootstrapping with 499 resamples. This assisted in generation of path coefficients values and other related values, as advocated by Magno, Cassia, & Ringle (2022).

### Descriptive Analysis for Demographic Variables

Table I shows that, majority of respondents in terms of types of public sector entities majority of the entities were public authorities, standing for 77.0 percent. In terms of age of the PSE, more than half of the public sector entities (60.1 percent) had 16 years and above from the date of their establishment. In terms of academic qualifications, 69.7 percent of the respondents had master degree whereas 77.0 percent are professional accountant (CPA). Majority of the respondents had working experience of 11 to 15 years while 60 percent are working as chief accountants.

<b>Variables</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percent</b>
<b>Types of public sector entities</b>			
	LGAs	22	12.4
	Central Government	19	10.7
	Public Authorities	137	77.0
	<b>Total</b>	<b>178</b>	<b>100</b>
<b>Age of the public sector entities</b>			
	0 to 5 years	5	2.8

	6 to 10 years	22	12.4
	11 to 15 years	44	24.7
	16 years and above	107	60.1
	<b>Total</b>	<b>178</b>	<b>100.0</b>
<b>Academic Qualification</b>			
	Bachelor degree	51	28.7
	Master degree	124	69.7
	PhD	3	1.7
	<b>Total</b>	<b>178</b>	<b>100.0</b>
<b>Professional Qualifications</b>			
	CPA	137	77.0
	ACCA	22	12.4
	Others (not certified)	19	10.7
	<b>Total</b>	<b>178</b>	<b>100.0</b>
<b>Working Experience</b>			
	0-5 years	35	19.7
	6-10 years	37	20.8
	11-15 years	70	39.3
	16-20 years	14	7.9
	21 years and above	22	12.4
	<b>Total</b>	<b>178</b>	<b>100</b>
<b>Position of the Respondents</b>			
	Director of Finance	46	26
	Chief Accountant	106	60
	Accountant	26	15
	<b>Total</b>	<b>178</b>	<b>178</b>

**Source:** Field Data, (2024)

### **Descriptive results for dependent and independent variables**

Mean and standard deviation were taken into account to establish descriptive analysis of the dependent and independent variables, used in our study. This aimed at determining general distribution of the sample related with accountability and transparency as independent variables and financial performance as dependent variable. In the current study, a 5-point Likert-type scale was used to group the mean scores into three (3) groups. These are high, moderate and low. For easier explanation, scores between 1.00 and 2.33 were considered low, while moderate scores were amongst 2.34 to 3.67, but those between 3.68 and 5.00 were regarded as high. This grouping has also been applied by previous studies including Hansford and Hasseldine (2012) and Woodward and Tan (2015).

As shown in Table II, the general descriptive analysis for dependent and independent variables shows that, financial performance (FP), was ranked to as having the highest mean value of 4.37. Transparency (TRANS) scored mean value of 4.35 followed by accountability (ACC) which recorded mean value of 4.34. Based on previous studies such as Hansford and Hasseldine (2012) and Woodward and Tan (2015), it is concluded that, generally the mean values for each variable is high. Specifically, as presented in Table II, accountability (ACC)

had an overall mean value of 4.34. This was significantly influenced by respondents' assessment that, accountability is a core component of IPSAS implementation (ACC2). This had mean value of 4.49 and standard deviation of 0.71. Constructs related with accountability to stakeholders (ACC3) and financial accountability (ACC4) had the similar mean value of 4.34 while their standard deviation were 0.80 and 0.81 respectively. Improvement of accountability level due to IPSAS implementation (ACC1) has mean value of 4.30 and standard deviation of 0.84. Finally, discharge of accountability obligations (ACC5) scored lowest mean value of 4.25 while its standard deviation was 0.86. Additionally, as shown in Table II, transparency (TRANS) has an overall mean value of 4.35. This was mainly contributed by mean value of 4.47, which related to disclosure of financial information and non-financial information (TRANS3). Its standard deviation was 0.73. It was secondly contributed by IPSAS ensures high standards (TRANS1) which scored mean value of 4.42 and standard deviation of 0.70. A mean value of 4.34 and standard deviation of 0.74 were recorded related with the use public resources and services delivery with high standards of transparency (TRANS5). Statements related with better decisions that increases transparency (TRANS2) and disclosure of future service delivery activities (TRANS4) had lowest mean values of 4.31 and 4.21 respectively. Their standard deviations were 0.80 and 0.86 respectively.

<b>Table II: Descriptive Statistics for Independent and Dependent Variables</b>			
<b>CODES</b>	<b>VARIABLES</b>		
<b>ACC</b>	<b>ACCOUNTABILITY (ACC)</b>	<b>Mean</b>	<b>Std. Deviation</b>
ACC1	IPSAS implementation improve the accountability level in public sector financial reporting	4.30	0.84
ACC2	Accountability is a core component of IPSAS leads to better financial performance in public sector	4.49	0.71
ACC3	Public sector entities are accountable to those who have invested their trust, confidence and resources	4.34	0.80
ACC4	IPSAS requires public sector entities to report on their financial accountability to the public through the inclusion of financial and non-financial information in the financial reports	4.34	0.81
ACC5	The discharge of accountability obligations requires the provision of information of about the entity's management of the resources entrusted to it for the delivery of services to public	4.25	0.86
<b>Overall Mean for ACC</b>		<b>4.34</b>	
	<b>TRANSPARENCY (TRANS)</b>	<b>Mean</b>	<b>Std. Deviation</b>
TRANS1	IPSAS ensures high standards which serve as catalyst for preparation of sound and transparent financial statements thereby improving operational performance	4.42	0.70
TRANS2	Better decisions in resources allocations increases transparent in financial and operational activities	4.31	0.80
TRANS3	Disclosure of financial information and non-financial information useful for decision making purposes demonstrates transparency	4.47	0.73

TRANS4	The disclosure of future service delivery activities and objectives in the financial reports supports assessment of the sustainability of service delivery by public sector entities	4.21	0.86
TRANS5	High standards of transparency exist among public sector entities in the delivery of services	4.34	0.74
<b>Overall Mean for TRANS</b>		<b>4.35</b>	
FP	<b>FINANCIAL PERFORMANCE (FP)</b>	<b>Mean</b>	<b>Std. Deviation</b>
FP1	Quality reporting is a critical part of the performance management of public sector entities	4.35	0.69
FP2	Efficiency, effectiveness, and economy are the major components of value for money attainment	4.37	0.76
FP3	With IPSAS based reporting users can measure and evaluate how public sector entities are utilizing the available resources	4.33	0.76
FP4	Existence of value for money in the delivery of public services demonstrates good financial performance in public sector	4.37	0.75
FP5	Information about the financial performance inform assessments whether the entity has acquired resources economically, and used them efficiently and effectively to achieve its service delivery objectives	4.44	0.76
<b>Overall Mean for FP</b>		<b>4.37</b>	

**Source:** Field Data, (2024)

### Assessment of the Reflective Measurement Model

This involves evaluation of the quality of the model as estimated by PLS-SEM. It mainly includes evaluating the reliability and validity measures of the research data. Our study applied Cronbach alpha and Composite reliability for the aim determining reliability of the model. This involved evaluation of how much each of the indicators variance is explained by the concerned constructs. As presented in Table III, Cronbach alpha and composite reliability as well as reliability coefficients (rho\_A) for the each of the three (3) variables involved in our current study are within the required minimum threshold of atleast 0.7. This implies that, there is the demanded level of reliability in terms of Cronbach alpha, reliability coefficients and composite reliability have been met. Average Variance Extracted (AVE) and Discriminant Validity were applied to determine Validity of the model. Since the required threshold for AVE is 0.50, it is stated that there is convergent validity in terms of AVE. This is because; Table III shows that the lowest score for AVE is 0.583 for transparency (TRANS) while the highest score is 0.704 for financial performance (FP). This means that, the constructs are explained by more than 50 percent of each of the indicators variances that comprises the construct.

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
ACC	0.849	0.855	0.893	0.626
FP	0.788	0.797	0.877	0.704
TRANS	0.760	0.788	0.847	0.583

**Source:** Field Data, (2024)

On the other hand, Table IV depicts the discriminant validity computed as per the requirements of Fornell-Larcker criterion. This was done in order to assess the extent in

which constructs are empirically distinct from each other in the concerned model. Generally, as per Fornell and Larcker (1981) there is guarantee of discriminant validity in our model.

**Table IV: Discriminant Validity: Fornell-Larcker Criterion**

Variables	ACC	FP	TRANS
ACC	0.791		
FP	0.759	0.839	
TRANS	0.583	0.628	0.763

**Source: Field Data, (2024)**

In addition, Heterotrait-Monotrait Ratio (HTMT) was also taken into account to examine discriminant validity of our model. Table V presents the results for HTMT ratio. As per the required threshold of being 0.9 or below, it is therefore declared that, there is discriminant validity in terms of HTMT ratio (Henseler et al;2015).Fernández, Landroquez, Vélez-Colon and Cepeda-Carrión (2018) also supports that, existence of HTMT ratio which is clearly below 0.9, offers evidence of proper discriminant validity in the study.

**Table V: Heterotrait-Monotrait Ratio (HTMT)**

Variables	ACC	FP	TRANS
ACC			
FP	0.825		
TRANS	0.713	0.796	

**Source: Field Data, (2024)**

**Assessment of the formative Measurement Model**

This involved examination of the extent to which formatively specified constructs associates with alternative reflectively measured variables. Specifically, this was undertaken by considering three elements namely convergent validity, indicator collinearity and statistical relevance and significance of weights of indicators. To attain this, Variance Inflation Factor (VIF) was considered. Table VI shows that, the VIF values for each construct used in our study is below 3, which is the required threshold as per Hair et al;(2022). Therefore, there is no collinearity issues since all VIF values are close to three (3) and below.

**Table VI: Collinearity Statistics (VIF): Outer VIF Values**

Constructs	VIF
ACC1	1.960
ACC2	2.014
ACC3	1.423
ACC4	2.063
ACC5	1.892
FP3	2.188
FP4	1.497
FP5	1.792
TRANS1	1.898
TRANS3	1.422
TRANS4	1.699
TRANS5	1.279

**Source: Field Data, (2024)**

**Assessment of the Structural Model**

The structural model was evaluated after assurance that, reflective measurement model in terms of reliability and validity is guaranteed. This also was done after guarantee from

formative model that there is no there is no collinearity concerns. The following sub-parts deals with detailed evaluation of the structural model:

### Results for Models Explanatory Power

For the purpose of assessment of explanatory power of the model, the coefficients of determination ( $R^2$ ) was examined. As presented in Table IX outcomes for coefficient determination ( $R^2$ ) is 0.756 while adjusted  $R^2$  is 0.750. This means that, explanatory power of the model that is used to evaluate goodness of fit for financial performance is 75 percent. This is deliberated as substantial since variations in financial performance is highly explained by, accountability and transparency. As recommended by Hair et al., (2022) our model confirms required goodness of fit.

### Evaluation of the Predictive Power of the Model

In addition to the consideration of  $R^2$  values to evaluate the quality of structural model, it is also necessary to take into account the predictive relevance of the model (Hair et al 2022). This is commonly denoted by  $Q^2$ . This evaluation is highly needed when using PLS-SEM. To attain this, blindfolding procedures was applied. Basically, to examine the predictive power of the model through  $Q^2$ , blindfolding procedures are normally applied to variables related with reflective measurement model (endogenous variables). Application of blindfolding procedures resulted in Construct Crossvalidated Redundancy (Table VII), Construct Crossvalidated Commuality (Table VIII). As presented in the stated Tables, the values of  $Q^2$  is more than zero. This means that, as per Hair et al (2022) there is predictive significance of our model. On the other hand, if these values ( $Q^2$ ) were below zero, our model could have lost predictive power.

Variables	SSO	SSE	$Q^2 (=1-SSE/SSO)$
ACC	890.000	890.000	
FP	534.000	263.533	0.506
TRANS	712.000	712.000	

Source: Field Data, (2024)

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
ACC	890.000	502.109	0.436
FP	534.000	321.219	0.398
TRANS	712.000	485.117	0.319

Source: Field Data, (2024)

### Results for Hypotheses Testing

This study intended to examine the influence of accountability and transparency on financial performance of the selected public sector entities in Tanzania, as the results of IPSASs implementation. To achieve this, two (2) hypotheses were developed. To obtain results for structural model evaluation, procedures related with PLS bootstrapping for 499 resamples were undertaken. This resulted in generation of values for path coefficient and other related probability values (p values) as it was considered by using PLS-SEM aided by SMARTPLS3. Table IX shows the outcomes for structural model mainly related with path coefficients (hypotheses testing). The structural model for financial performance is illustrated in Figure I.

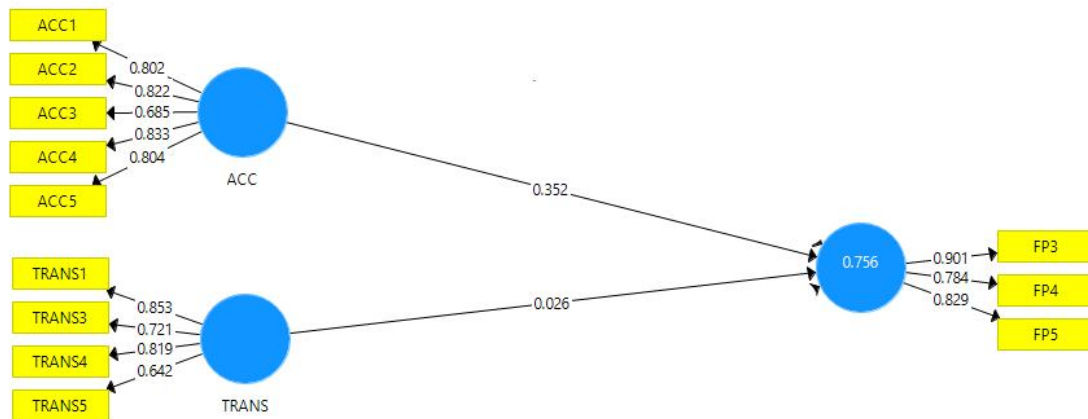
Hypotheses	Relationship	Path Coefficients	P Values	T Statistics	Decision
H <sub>1</sub>	TRANS -> FP	0.026	0.676	0.418	Rejected

H <sub>2</sub> .	ACC -> FP	0.352	0.000	3.730 <sup>x</sup>	Accepted
R <sup>2</sup> = 0.756					
R <sup>2</sup> Adjusted=0.750					
x=significant at 0.01					

**Source: Field Data, (2024)**

According to the results presented in Table IX and Figure I, the outcomes for the association between the exogenous variables and endogenous variable are as follows: For H<sub>1</sub>, the results established that, the anticipated connection between transparency (TRANS) and financial performance (FP) to be positively insignificant. Transparency has coefficients values of values 0.026 and probability values of 0.676. This implies that, H<sub>3</sub> is totally rejected. In case of H<sub>2</sub>, the findings show that, the expected relationship between accountability (ACC) and financial performance (FP) is positive and significant relationship. This is demonstrated by coefficients and probability values of 0.352 and 0.000 for accountability. This relationship is significant at 0.01. Therefore, it suggests that H<sub>2</sub> is accepted.

**Figure I: Structural model for financial performance**



**DISCUSSION OF THE RESULTS**

The findings reported that, the connection between transparency and financial performance of public sector entities is positive and statistically insignificant. These outcomes indicate that, there is a positive association between transparency of public entities but such association is not supported statistically by our results. These results imply that, transparency has no contribution towards public sector financial performance. These findings go contrary with the IPSASB (2021), IMF (2014), and Narktabtee and Nakmahachalasint (2018). These studies highlighted that; performance of public sector entities is significantly explained by existence of transparency in public entities. This means that, transparency in public sector entities contributes in improved delivery of public services, hence leading to desired financial performance. Additionally, Hamed-Sidhom, Hkiri and Boussaidi (2022) declared that, adoption of IPSAS has resulted in reduction of perceived corruption level as the results of increased transparency in provision of public services. This suggests that, enhanced transparency and accountability has been promoted by the use of high-quality accrual accounting standards, hence contributing in operative financial performance.

On the other hand, it was revealed that, accountability has a positive and significant influence on financial performance the public sector entities. This indicates that, when public entities are highly accountable, financial performance of such entities becomes highly improved. Our findings indicate that, in public sector entities, accountability plays a key role in achieving required financial performance. This suggests that, for public entities to harvest their required purposes of establishment which is effective provision of public service, it is essential for them to demonstrate high level of accountability. For this case, accountability in public service is highly demonstrated through provision of public service with intended level of financial and non-financial performance. In addition, such accountability is evaluated through financial performance as presented in the financial reports prepared as per accrual accounting by various public sector entities. This is also in agreement with Narktabtee and Nakmahachalasint (2018) implementation of accrual based IPSAS has improved financial accountability in various public sector entities.

In the context of implementation of accrual accounting, most of the previous studies have advocated that, implementation of accrual based IPSASs brings accountability in public organisations. This is evidenced by Ademola et al., (2020) and Chytis et al., (2020) as well as Gamayuni (2019) that, call for greater accountability in public entities have been accelerated by the adoption of IPSASs. This implies that, when activities of public entities are conducted openly and in responsive manner while complying with relevant laws, regulations and policies; their accountability becomes improved. As the results of improved accountability, provision of public service is highly enhanced hence calling for high financial performance. On top of that, our results concur with Tran, Nguyen & Hoang (2021) that, performance of public entities is significantly explained by accountability. They insisted that, for effective improvement in public sector performance there is a high need for public entities to have a well-designed, documented and applicable accountability systems. This will also improve quality of financial reports, which in turn contributes in improved financial performance. Concurring with Tran, Nguyen & Hoang (2021), Tran and Nguyen (2020) found that, performance of public organisations is significantly mediated by public accountability. These results call for improvement in public accountability in order to achieve intended financial and non-financial performance in various public sector entities. Generally, review of previous studies related with effects of implementation and adoption of IPSAS, have highlighted that, adoption of IPSAS has contributed in increased accountability level in PSE (Muraina & Dandago, 2020). This in turn has improved financial performance of PSE through presentation of financial reports with desired quality. These findings signify that, in enhancing financial performance of public sector it is essential to consider accountability in provision of public service. Mbelwa, Adhikari & Shahadat (2019) emphasized that, implementation of IPSASs has significantly contributed in managerial accountability among public entities. To sustain this, it is necessary for public entities to broaden accountability in terms managerial and institutional accountability through the effective application of IPSAS. This in turn promotes financial performance among public entities.

## **CONCLUSION, IMPLICATIONS AND AREAS FOR FURTHER STUDIES**

### **Conclusion**

The current study intended to examine the direct influence of accountability and transparency on public sector financial performance, as the results of adoption of accrual based IPSAS in Tanzania. Guided with NPMT, a cross sectional-survey design was applied in collecting data from 178 accountants and auditors by using a drop and pick approach. PLS-SEM was employed in determining the relationship between hypothesized constructs. Based on the results of hypotheses testing, it was found that, accountability has a positive and significant

influence on financial performance the public sector entities. Besides that, insignificant connection between transparency and public sector financial performance was documented.

### **Implications**

Results for the current study offers various implications. Since accountability and transparency affects the livelihood of the Tanzanian community and others, findings of the study create social-implications of accountability and transparency on the way public officials use public resources. This impacts the masses of the lives of numerous communities. Provision of public services by public officials who are publicly accountable demonstrates existence of efficiency and effectiveness in utilisations of scarce public resources. This also implies that, public interest on the limited public resources will be met since there are accountability and efficiency in government spending.

This study concluded that, transparency had no significant contributions towards financial performance of public sector entities, as the results of adoption of IPSAS. This implies that, reporting entities need to re-cultivate a culture of transparency, so as to achieve intended benefits of IPSAS adoption. This is because, when transparency is not in existence in public sector entities, automatically, it is very difficult for reporting entities to prepare and present financial reports which are relevant, faithful represented, reliable, verifiable, understandable and timely provided. On the other hand, this implication demand accountants, auditors and professional bodies to rethink their basis of what constitutes transparency in various public sector entities.

Additionally, as the results of adoption of accrual accounting in Tanzanian public sector, the element of financial performance has been introduced. This is not common in government sector. Its implications in public sector environments informs that, public officials are not aware and accustomed towards assessing and evaluating their financial performance. This continues to create implications in public sector financial reporting that, adoption and implementation of accrual-accounting practices and norms borrowed from private sector need further considerations and deliberations.

### **Limitations and Areas for Future Studies**

Since the study aimed at establishing the effects of transparency and accountability on public sector financial performance, as the result of adoption of IPSAS in Tanzania; therefore, based on its limitations, the following are recommended as areas for future studies:

For the view of obtaining in-depth understanding of what contributes to effective public sector financial performance, it is recommended to apply other means of data collection namely focus group discussion, interview and observations. This implies that, since the current study considered only survey instrument as a means of data collection, more studies should take into account the suggested methods. Additionally, potential studies based on the stated means of data collection, will be qualitative and not quantitative in nature, hence assisting in overcoming limitations of the current study.

Since this study covered some of the selected public entities in Dar es Salaam, Morogoro and Dodoma, further studies need to be undertaken while considering large number of remaining regions in Tanzania Mainland and Zanzibar. This could also be extended in other developing countries like Kenya, Uganda and Rwanda.

Finally, future studies should pay attention on other effects of adoption of IPSAS including improved financial reporting quality and efficiency in resources utilization. These attributes have not been empirically tested to establish their effects on public sector financial performance as the results of adoption of accrual based IPSAS in developing nations like Tanzania.

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