

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 result of the adoption of accrual-based IPSAS in Tanzania. Guided by 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) were 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 affect the livelihood of the Tanzanian communities and others, the findings of the current study create social implications related to 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; Lyezia, & Katamba, 2024). These agencies have placed much emphasis on the reforms of the financial management system of developing nations, so as to achieve the 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 are aimed at improving the financial management and performance of public organisations through the 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 the financial performance of the concerned public sector entities (Gomes, Brusca, and Fernandez, 2019). As per IFAC (2021) assessment of the financial performance of PSE contributes to the achievement of effective public service delivery objectives. To improve the 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 it in the financial year 2012/2013. Moreover, in response 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, the adoption and implementation of accrual-based IPSAS is intended to enhance transparency and accountability among public institutions (Ademola, et al., 2020). This is through transparent presentation of financial statements and disclosure of financial and non-financial information which can assist users in making 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 the existence of inadequate public sector financial performance, year after year. For example, in the financial year 2018/19, 2019/20, and 2020/21 the CAG disclosed that 23 out of 140 public authorities and other bodies were continuously recording deficits 8 were financed by debts while 6 had negative equity. This is also empirically supported by Mssusa, Chalu, & Temu (2021) who stated that the existence of such inefficiencies makes public institutions in Tanzania, unable 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 the 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 knowledge that, the influence of transparency and accountability on the 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; Lyezia, & Katamba, 2024). These studies have not examined the 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 to scarce literature related to public sector accrual accounting mainly in developing nations like Tanzania. This is because most of the studies have placed much focus on developed countries while ignoring developing nations. In addition, this study intended to fill the gaps related to the effects of the adoption of IPSAS in the 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 knowledge, there are scarce studies, which has been done in the Tanzanian environment covering the stated effects of the 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 reviews related to the establishment of the study hypotheses are presented in the second section. In the third section, the methodology of the study is provided followed by a presentation and discussions of the study findings. Finally, the last section deals with the conclusion, implications, and areas for further study.

LITERATURE REVIEW

Guiding theory

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

implies that NPMT requires the administration of public institutions to establish strong assignments of responsibilities, create measurable standards, and introduce performance measurement programmes that put 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). One of the private sector practices that have been adopted and implemented in the public sector is the accrual accounting system (Tran, Nguyen, and Hoang, 2020). This has been done through the 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 the World Bank and Citizens, strive to impose responsibility on public entities for their actions and seek to guarantee that public institutions are acting according to their assigned objectives and responsibilities (Lyezia, & Katamba, 2024; Masdar, Furqan, Masruddin and Meldawaty, 2021). This necessitated our empirical study, which aimed at examining the influence of transparency and accountability on the 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 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 the 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 transparently. This goes in agreement with NPMT, which requires the management of public institutions to act more transparently when undertaking their responsibilities while remembering that, public stakeholders including development partners, citizens, and employees have an interest in their financial performance (Boston, 2016). Recognising this, Mizrahi and Minchuk (2019) highlighted that, the existence of effective and reliable transparency aids in creating public trust and awareness of the performance of public institutions. This in turn increases the responsibility of the public sector entities in the provision of public services while understanding that, public stakeholders and interested parties are highly interested in 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 the performance of public organisations is positively influenced by transparency. This makes the current study to hypothesize that:

H₁: Transparency positively influences public sector financial performance

Accountability and public sector financial performance

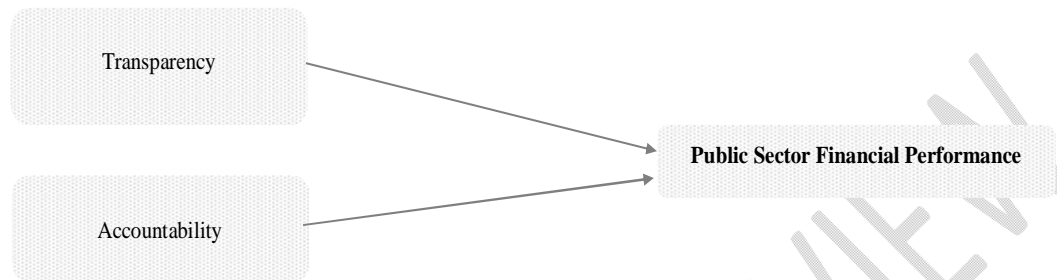
Accountability is recognised as the obligation to demonstrate, review, and take responsibility for performance to achieve the desired results with the available resources (Alola, 2019; Ademola et al., 2020; Muttaqin & Mulyasari, 2018). In the case of public sector entities, this implies that public institutions 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 they are responsible for their actions related to the management of public resources, service delivery, and results of planned objectives. As per NPMT, the existence of accountability among public institutions

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

H₂: Accountability positively influences public sector financial performance

Figure I show the conceptual framework for this study.

Figure I: Conceptual Framework



Source: Authors, (2024)

METHODOLOGY

Study Area

This study was undertaken in the Tanzanian Mainland, mainly consisting of the Central Government (ie government ministries, departments, and agencies 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 utilization and quality of financial reporting on public sector financial performance.

Study Design, Population and Data Collection

This study used a cross-sectional survey design, which allows the gathering of an adequate amount of data from respondents directly while applying survey instruments (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 the Financial Performance of Public Sector Entities (Bananuka, et al., 2018; Lyezia, & Katamba, 2024; 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 of accrual accounting and they are highly involved in the 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 a unit of inquiry was accountants from the selected public sector entities. Specifically, one respondent (Chief Accountant/Accountant) was considered from each public sector entity, 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's (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 follows:

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

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

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 Government entities, 75 LGAs, and 141 Public Authorities. The researchers applied drop-and-pick methods of administering the survey instrument as advocated by Kumar (2019). At the end of the data collection process, as shown in Table I a total of 178 questionnaires, equivalent to 75.0 percent, had been completed and returned for analysis. 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), Lyezia, & Katamba, (2024) and Zheng, Wang, Liu, & Mingers, (2019) while transparency was measured by using five (5) statements adopted and modified from Izuoke et al., (2020). Five (5) statements were used to measure accountability as per Izuoke et al., (2020). Generally, all variables were measured by using a five (5) points 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 the effect of transparency and accountability on the financial performance of the public sector entities. PLS-SEM is highly suitable for analysing and evaluating complex statistical models (Hair et al., 2022). It is also applicable for examining models having a 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 to determine the reliability and validity of the model. Secondly, after being assured of the 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 5,000 resamples. This assisted in the 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 the majority of respondents in terms of types of public sector entities majority of entities were public authorities, standing for 77.0 percent. In terms of the age of the PSE, more than half of the public sector entities (60.1 percent) were 16 years and above from the date of their establishment. In terms of academic qualifications, 69.7 percent of the respondents had a master's degree whereas 77.0 percent were professional accountants (CPA). The majority of the respondents had working experience of 11 to 15 years while 60 percent are working as chief accountants.

Table I: Demographic Characteristics of the Respondents			
Variables	Categories	Frequency	Percent
Types of public sector entities			
	LGAs	22	12.4
	Central Government	19	10.7
	Public Authorities	137	77.0
	Total	178	100
Age of the Public Sector Entities			
	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
	Total	178	100.0
Academic Qualification			
	Bachelor degree	51	28.7
	Master degree	124	69.7
	PhD	3	1.7
	Total	178	100.0
Professional Qualifications			
	CPA	137	77.0
	ACCA	22	12.4
	Others (not certified)	19	10.7
	Total	178	100.0
Working Experience			
	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
	Total	178	100
Position of the Respondents			
	Director of Finance	46	26
	Chief Accountant	106	60
	Accountant	26	15
	Total	178	178

Source: Field Data, (2024)

Assessment of the Reflective Measurement Model

This involves the 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 of determining the reliability of the model. This involved the evaluation of how much each of the indicators' variance is explained by the concerned constructs. As presented in Table II, Cronbach alpha and composite reliability as well as reliability coefficients (rho_A) for each of the three (3) variables involved in our current study are within the required minimum threshold of at least 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 the 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 II 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 indicator variances that comprise 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 III depicts the discriminant validity computed as per the requirements of the Fornell-Larcker criterion. This was done to assess the extent to which constructs are empirically distinct from each other in the concerned model. Generally, as per Fornell and Larcker (1981), there is a guarantee of discriminant validity in our model.

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 the discriminant validity of our model. Table IV presents the results for the HTMT ratio. As per the required threshold of 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 support that, the existence of the HTMT ratio which is clearly below 0.9, offers evidence of proper discriminant validity in the study.

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 the examination of the extent to which formatively specified constructs are associated 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, the Variance Inflation Factor (VIF) was considered. Table V shows that the VIF values for each construct used in our study are below 3, which is the required threshold as per Hair et al;(2022). Therefore, there are no collinearity issues since all VIF values are close to three (3) and below.

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 the reflective measurement model in terms of reliability and validity is guaranteed. This also was done after guaranteeing from the formative model that there were no collinearity concerns. The following sub-parts deal with a detailed evaluation of the structural model:

Results for Models Explanatory Power

For assessment of the explanatory power of the model, the coefficients of determination (R^2) were examined. As presented in Table VIII outcomes for coefficient determination (R^2) is 0.756 while adjusted R^2 is 0.750. This means that the 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 are highly explained by, accountability and transparency. As recommended by Hair et al., (2022) our model confirms the 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 the 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 were applied. To examine the predictive power of the model through Q^2 , blindfolding procedures are normally applied to variables related to the reflective measurement model (endogenous variables). Application of blindfolding procedures resulted in Construct Crossvalidated Redundancy (Table VI), and Construct Crossvalidated Communality (Table VII). As presented in the stated Tables, the values of Q^2 are 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

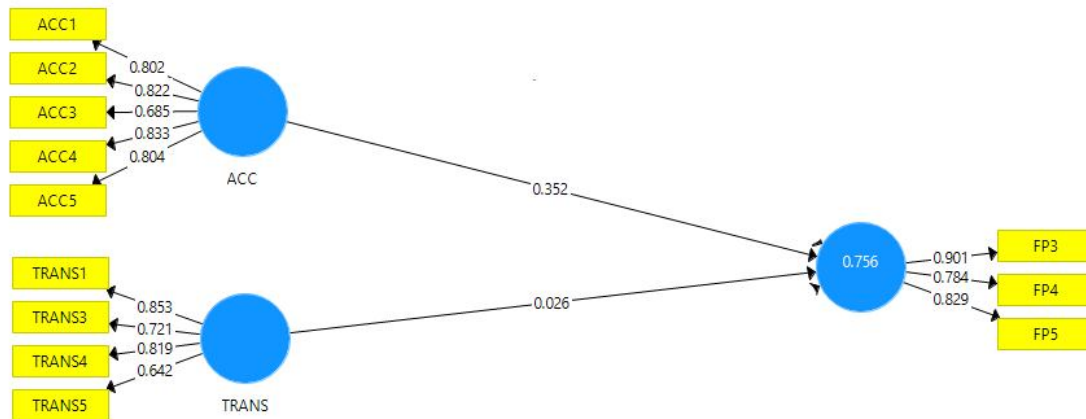
This study intended to examine the influence of accountability and transparency on the financial performance of the selected public sector entities in Tanzania, as the result of IPSAS implementation. To achieve this, two (2) hypotheses were developed. To obtain results for structural model evaluation,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

Hypotheses	Relationship	Path Coefficients	P Values	T Statistics	Decision
H ₁	TRANS -> FP	0.026	0.676	0.418	Rejected
H ₂	ACC -> FP	0.352	0.000	3.730 ^x	Accepted
$R^2 = 0.756$					
$R^2_{Adjusted} = 0.750$					
x=significant at 0.01					

Source: Field Data, (2024)

According to the results presented in Table VIII and Figure II, the outcomes for the association between the exogenous variables and endogenous variables are as follows: For H₁, the results established that the anticipated connection between transparency (TRANS) and financial performance (FP) is positively insignificant. Transparency has coefficient values of 0.026 and probability values of 0.676. This implies that H₁ is rejected. In the case of H₂, the findings show that the expected relationship between accountability (ACC) and financial performance (FP) is positive and significant. 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 H₂ is accepted.

Figure II: Structural model for Public Sector Financial Performance



DISCUSSION OF THE RESULTS

The findings reported that the connection between transparency and the financial performance of public sector entities is positive and statistically insignificant. These outcomes indicate that there is a positive association between the 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 to the IPSASB (2021), IMF (2014), and Narktabtee and Nakmahachalasint (2018). These studies highlighted that; the performance of public sector entities is significantly explained by the existence of transparency in public entities. This means that transparency in public sector entities contributes to improved delivery of public services, hence leading to desired financial performance. Additionally, Hamed-Sidhom, Hkiri, and Boussaidi (2022) declared that the adoption of IPSAS has resulted in the reduction of perceived corruption level as the result of increased transparency in the provision of public services. This suggests that enhanced transparency and accountability have been promoted by the use of high-quality accrual accounting standards, hence contributing to operative financial performance.

On the other hand, it was revealed that accountability has a positive and significant influence on the financial performance the public sector entities. This indicates that, when public entities are highly accountable, the 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 achieve their required purpose of establishment which is the effective provision of public service, they need to demonstrate a high level of accountability. In this case, accountability in public service is highly demonstrated through the provision of public service with the 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's (2018) implementation of accrual-based IPSAS has improved financial accountability in various public sector entities.

In the context of the implementation of accrual accounting, most of the previous studies have advocated that the implementation of accrual-based IPSASs brings accountability to 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 a responsive manner while complying with relevant laws, regulations, and policies; their accountability becomes improved. As a result of improved accountability, the 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, the 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 well-designed, documented, and applicable accountability systems. This will also improve the quality of financial reports, which in turn contributes to improved financial performance. Concurring with Tran, Nguyen & Hoang (2021), Tran and Nguyen (2020) found that, the performance of public organisations is significantly mediated by public accountability. These results call for improvement in public accountability to achieve intended financial and non-financial performance in various public sector entities. Generally, a review of previous studies related to the effects of the implementation and adoption of IPSAS has highlighted that the adoption of IPSAS has contributed to increased accountability levels in PSE (Muraina & Dandago, 2020). This in turn has improved the financial performance of PSE through the presentation of financial reports with desired quality. These findings signify that in enhancing the financial performance of the public sector it is essential to consider accountability in the provision of public service. Mbelwa, Adhikari & Shahadat (2019) emphasized that the implementation of IPSASs has significantly contributed to managerial accountability among public entities. To sustain this, public entities must broaden accountability in terms of 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 result of the adoption of accrual-based IPSAS in Tanzania. Guided by 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 the financial performance the public sector entities. Besides that, the insignificant connection between transparency and public sector financial performance was documented.

Implications

The results of the current study offer various implications. Since accountability and transparency affect the livelihood of the Tanzanian community and others, the 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. The provision of public services by public officials who are publicly accountable demonstrates the existence of efficiency and effectiveness in the utilization of scarce public resources. This

also implies that public interest in the limited public resources will be met since there is accountability and efficiency in government spending.

This study concluded that transparency had no significant contributions towards the financial performance of public sector entities, as the result of the adoption of IPSAS. This implies that, reporting entities need to re-cultivate a culture of transparency, to achieve the 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 relevant financial reports, faithfully represented, reliable, verifiable, understandable, and timely. On the other hand, this implication demands accountants, auditors, and professional bodies to rethink their basis of what constitutes transparency in various public sector entities.

Additionally, as a result of the adoption of accrual accounting in the Tanzanian public sector, the element of financial performance has been introduced. This is not common in the government sector. Its implications in public sector environments inform that public officials are not aware and accustomed to 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 the 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 the adoption of IPSAS in Tanzania; therefore, based on its limitations, the following are recommended as areas for future studies:

For the view of obtaining an 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 instruments 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, hence assisting in overcoming the limitations of the current study.

Since this study covered only public sector entities in Tanzania, further studies need to be extended to other developing countries like Kenya, Uganda, and Rwanda. Finally, future studies should pay attention to other effects of the adoption of IPSAS including improved financial reporting quality and efficiency in resource utilization. These attributes have not been empirically tested to establish their effects on public sector financial performance as the result of the adoption of accrual-based IPSAS in developing nations like Tanzania.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Authors hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of manuscripts.

THE SMARTPLS SOFTWARE (VERSION 3.0)

Authors used a 30-day trial version, which doesn't require a copyright license.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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