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Effect of Financial Accountability on Performance of Rwanda Women's Network

UWONKUNDA Belinda
Masters student, University of Kigali- Rwanda

Abstract *Financial accountability has been one of the most problematic and prevalent issues for business worldwide for many years. A continuous increase in financial entanglement and number of corporate defamations had an important impact on understanding and analyzing financial accountability and in turn on audit of the same and its regulation. The growth in finance misappropriation cases indicates that it is high level need exists for research approaches that had better enable auditors and investigators to discover and intercept potential misappropriation. The main goal of the study objective was to sustain the effects of financial accountability on the performance of Rwanda women's network in Rwanda. in Rwanda. The study adopted a descriptive research design. Stratified random sampling design was used to select the sample of 98 respondents on whom to conduct the research. A structured questionnaire was used to collect the primary data. Descriptive and inferential statistics were employed to analyze the data. The study also established a significant relationship between independent variables which are Budgeting, Internal control and Reporting and performance of Rwanda women's network NGO. R-squared (R^2) equals to 0.770 (or 77%) and adjusted R-squared equals to 0.762 (or 76.2%); the results show the goodness of fit of the estimated model. Up to 77% of long-run appreciation in performance is influenced by changes in budgeting; internal control and reporting as implemented by RWN. The other remaining 23% can be explained by other factors not examined in this study. The findings of ANOVA as p-value is less than 0.05, this means that the performance of RWN was significantly influenced by at least one variable among all independent variables of the model. The results of calculated F-value equals to 65.98 and this is greater than critical F-Value of 1.2495. Therefore, the general regression model is significant. From the findings, while holding other factors constant, an increase in budgeting; internal control and reporting causes an improvement in performance of RWN. Therefore, the p-values are less than 0.05 and there are significant determinant of performance of RWN means the study findings conclude that good performance of RWN score is directly related to effective independent variables.*

Keywords: Financial Accountability, Performance, Non-governmental Organizations

I. INTRODUCTION

Globalization is not just affecting giant companies but also non-governmental organizations, which are beginning to recognize the importance of management of finances that can accomplish polyglot, multi-currency requirements (Lee, Ali and Kandasamy, 2008). Manifesting financial accountability is therefore much more than building and maintaining accounting and auditing systems. It represents more than just the technical capability of financial managers. Accountability is not complete.until it encompasses the wide ranging activities, attitudes and reporting between stakeholders (Osho, Matthew, 2014).

Non-governmental Organization (NGO) suggest that an association, society, foundation, charitable trust, non-profit corporation, or other juridical person that is not considered under the particular legal system as part of the governmental sector and that is not operated for profit –viz., whether any profits are earned, they are not and cannot be distributed as such. It usually does not include trade unions, political parties, profit-distributing cooperatives, or churches, which are usually regulated under separate legislation. Non-Governmental Organizations (NGOs) have played a significant role in the socio-economic development of rural communities in Africa since colonial times. Today globalization is not just affecting giant companies but also non-governmental organisations, which are beginning to recognize the importance of finance systems that can manage multi-lingual, multi-currency requirements (Lee, Ali and Kandasamy, 2008c). National borders are losing their 2 importance as the multinational corporate world develops at a rapid pace. Ambitious NGOs are expanding internationally, and finance managers working in this multinational environment face increasingly complex issues (PwC, 2009). To be successful, they must understand the challenges and differences of doing business in a foreign country, from differences in international accounting In Rwanda about 70% of Rwandan Small Medium Enterprise (SME), collapse within 3 years (Katuntu, 2005) due to lack of financial accountability. Lack of or weak financial Accountability is therefore an indicator of poor performance in some organization. Rwanda, the smallest and most densely populated country in the heart of Africa, has benefited since 2009 up to 2014 from the United States Agency for International Development (USAID) funds to support the ministries of Rwanda. The following functional areas of operation were frequently mentioned: (1) Capacity building, (2) Advocacy, (3) Education, (4) Water and (5) Humanitarian interventions. A frequency count designed to determine the main areas of operation for NGOs cited the following areas (from highest to lowest): (1) Health, (2) Education, (3) Welfare, (4) Environment, (5) Relief, (6) Informal sector, (7) Water, (8) Population and (9) Agriculture. In developing countries and especially African, the perception of NGOs as service providers is now well established (Wells, 1997). To provide all these services, NGOs have commonly depended on funding from donor agencies, multilateral lenders, charitable institutions, and government ministries for their own administration and for conducting programs.

1.1 Statement of the Problem

Increased expenditures through NGOs led to the accumulation of NGOs, who in turn used local community organizations as their doorway for development work at the grassroots. This resulted in proliferation of organizations in the development space; however, the growth has been sluggish due to the mismanagement of funds in the NGOs institutions, which has led to donors shying away.

With many fraud and corruption scandals and individuals abusing disaster relief, donations have subsequently slowed for many organizations. The overall National Development objectives of the NGOs among others include accelerated economic growth and rising productivity of all sectors, equitable distribution of national income, alleviation of poverty, enhanced agricultural productivity and improved rural urban balance (GoK, 2009). For these goals or objectives to be realized all factors of production including NGOs performance must closely be coordinated to optimally harness on their complementary role. NGOs financial impropriety in the country continues to grow with consequential negative effect on NGO earnings, loss to public and investor confidence as well as underperformance (Porter and Gowthorpe, 2004).

There has been growth in financial misappropriation cases among NGOs indicating the need for research on approaches that can better enable auditors and investigators to discover and prevent potential misappropriation in NGOs.

1.2 Objective of the Paper

To assess the effects of financial accountability on the performance of Rwanda women's network in Rwanda.

1.3 Research Hypotheses

Ho: There is no relationship among financial accountability and performance of Rwanda women's network.

H1: There is significant relationship among financial accountability and performance of Rwanda women's network.

II. REVIEW OF RELATED LITERATURE

2.1 Theoretical Review

2.1.1 Resource Mobilization Theory

In voluntary organization /NGO /NPO, of all the resources required, a resource in the form of 'money' is the most important one. Without this resource, we cannot activate the other resources in the agency / community. In the market-oriented economy like ours, it is the monetary resource, which determines the expansion or contraction of other resources. The success of any NGO /community organization agency lies in its ability to raise enough funds (monetary resources), or to convert other resources in such a way that it can be exchanged for the money, or to plan its activities into fundable projects (Tam et al; 1992). In the earlier days when 'Alms Giving' and charity was held a high and respected place, the persons who were concerned with community affairs, were able to collect the necessary funds from the wealthy people. However nowadays the motives behind giving charity and the dimensions of the community problems have drastically changed. The result effect is that the resources are drying. Organizations do not casually emerge but require the mobilization of resources. Resource mobilization is a common theory that forms part of the study of social movements.

III. METHODOLOGY

The study used a regression model to predict the extent to which the identified independent variables affect the dependent variable.

The following model represented the regression line:

Y= Bo+B1X1+B2X2+B3X3+E…

Where; Y= performance

X1=budgeting

X2= internal control

X3= reporting

B1-B3= coefficient of estimates

E=error term

IV. FINDIINGS

4.1. Presentation of regression summary

Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Sig.*
1	*(Constant)*	*-.032*	*.300*		*-.214*	*.1.830*
	Budgeting	*.418*	*.066*	*.633*	*12.562*	*.000*
	Internal control	*.480*	*.058*	*.827*	*16.31*	*.000*
	Reporting	*.526*	*.064*	*.821*	*16.258*	*.000*

a. Dependent Variable: Performance of RWN

Based on the model coefficient result the model becomes:

PRWN=-0.032+0.418BUD+0.480IC+0.526REP+εt;

Considering other variables stay constant, the independents variables have following influences on dependent variable, as well as:

As explained by Ho1 saying that budgeting has significant effect on performance of Rwanda women's network; therefore, this is justified by the change of one percent (1%) of budgeting leads to 41.8% change in performance of RWN.

As explained by Ho2 saying that internal control has significant effect on performance of Rwanda women's network; therefore, this is justified by the change of one percent (1%) of internal control leads to 48% change in performance of RWN.

As explained by Ho3 saying that reporting has significant impact on performance of Rwanda women's network; therefore, this is justified by the change of one percent (1%) of reporting leads to 52.6% change in performance of RWN.

From the findings, while holding other factors constant, an increase in budgeting; internal control and reporting causes an improvement in performance of RWN. Therefore, the p-values are less than 0.05 and there are significant determinant of performance of RWN means the study findings conclude that good performance of RWN score is directly related to effective independent variables.

4.2 Regression analysis

4.2.1 ANOVA

ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.0585	3	1.686	65.98	.000[a]
	Residual	0.69	36	.019		
	Total	5.7485	39			

a. Predictors: (Constant), Budgeting; internal control and reporting

b. Dependent Variable: Performance of RWN

Critical F-Value= 1.2495

The findings of ANOVA as p-value is less than 0.05, this means that the performance of RWN was significantly influenced by at least one variable among all independent variables of the model. The results of calculated F-value equals to 65.98 and this is greater than critical F-Value of 1.2495. Therefore, the general regression model is significant.

4.2.2 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827[a]	.770	.762	.02733

a. *Predictors: (Constant), Budgeting; internal control and reporting.*

R-squared (R2) equals to 0.770 (or 77%) and adjusted R-squared equals to 0.762 (or 76.2%); the results show the goodness of fit of the estimated model. Up to 77% of long-run appreciation in performance is influenced by changes in budgeting; internal control and reporting as implemented by RWN. The other remaining 23% can be explained by other factors not examined in this study.

4.3 Pearson's correlation analysis

Correlations among variables				
	Budgeting	*Internal control*	*Reporting*	*Performance of RWN*

Budgeting	*Pearson Correlation*	*1*	*.545***	*.308***	*.690***
	Sig. (2-tailed)		*.000*	*.007*	*.000*
	N	*98*	*98*	*98*	*98*
Internal control	*Pearson Correlation*	*.545***	*1*	*.217*	*.729***
	Sig. (2-tailed)	*.000*		*.058*	*.000*
	N	*98*	*98*	*98*	*98*
Reporting	*Pearson Correlation*	*.308***	*.217*	*1*	*.586***
	Sig. (2-tailed)	*.007*	*.058*		*.000*
	N	*98*	*98*	*98*	*98*
Performance of RWN	*Pearson Correlation*	*.690***	*.729***	*.586***	*1*
	Sig. (2-tailed)	*.000*	*.000*	*.000*	
	N	*98*	*98*	*98*	*98*

The variation of Pearson Coefficient correlation is between -1 and 1; thus according to the results of P-Values (probability significance), they are categorized as positive correlation; therefore, this leads to confirm that there is significant relationship between financial accountability and performance of RWN.

The P-value (probability) of all results for correlation coefficient are lower than the conventional 5% ($P<0.05$); therefore, the correlation coefficients are statistically significant, this lead to confirm the significant relationship among variables means independent variables affected statistically the dependent variable at significant level.

V. CONCLUSION AND RECOMMENDATION

R-squared (R2) equals to 0.770 (or 77%) and adjusted R-squared equals to 0.762 (or 76.2%); the results show the goodness of fit of the estimated model. Up to 77% of long-run appreciation in performance is influenced by changes in budgeting; internal control and reporting as implemented by RWN. The other remaining 23% can be explained by other factors not examined in this study.

The findings of ANOVA as p-value is less than 0.05, this means that the performance of RWN was significantly influenced by at least one variable among all independent variables of the model. The results of calculated F-value equals to 65.98 and this is greater than critical F-Value of 1.2495. Therefore, the general regression model is significant.
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The study recommends that in order to implement a durable financial accountability that lead to performance of RWN, the researcher suggests employees of RWN to work with the professional accountants constantly in order to make their financial duties achievable and to provide the financial outputs; therefore, basing on study findings:

The employees of RWN, who have particularly, the financial accountability into their attribution and responsibilities, are suggested to allow RWN actors learn from each other's experiences, building on expertise and knowledge; to ensure that the financial risks mitigation measures in auditing services are in place with all tangible alternatives; to reveal RWN financial mistakes and offers paths for learning and improvements and to provides a way to assess the financial crucial link between implementers and beneficiaries on the ground and decision-makers.

In light of the research findings, the following recommendations were made: The study recommends that the boards and officers of those NGOs should be responsible for managing and preserving the charitable assets that benefit all stakeholders. The study recommends the following guidelines to assist board members and others in carrying out their oversight of NGOs financials. Whatever their mission or size, all NGOs should have policies and procedures established so that; boards and officers understand their fiduciary responsibilities, financials are managed properly and the charitable purposes of the organization are carried out. A failure to meet these obligations is a breach of fiduciary duty and can result in financial and other liability for the board of directors and the officers. Effective internal controls should be encouraged to protect an organization's financials and assist in their proper management.

The study also recommends that it is the primary responsibility of directors and officers to ensure that the NGOs are accountable for their programs and finances to the contributors, members, and the public and government regulators. Accountability requires that the organization comply with all applicable laws and ethical standards; adhere to the organization's mission; create and adhere to conflict of interest, ethics, personnel and accounting policies; protect the rights of members; prepare and file its annual financial report with the NGOs Coordination Board and appropriate state regulatory authorities and make the report available to all members of the board and any member of the public who requests it. The development and maintenance of the organization's internal controls will help to ensure accountability.

The study also recommends that there should be written job descriptions for directors, officers and trustees, employees, volunteers and consultants. The work of the organization will be more easily accomplished and problems will be avoided if all involved understand what is expected of them and the limits of their authority. A comprehensive description of the chief executive officer's job should make clear his or her responsibilities in the day-to-day activities of the organization and set forth exactly what information is expected by the board and when it must be communicated.

The study finally recommends that appropriate training should be arranged for all involved. New directors, officers, employees and volunteers should be trained by those who are familiar with the organization and its operations including financial accountability. Directors, officers, trustees and others who serve a non-profit organization should not have any personal or business interest that may conflict with their responsibilities to the organization. To avoid such conflicts, it is wise to have a "conflicts of interest policy" that clearly states the procedures to be followed if a board member's personal or financial interests may be advanced by an action of the board. Crucial to the governance of a not-for-profit organization is the establishment of an audit committee. Typically, an audit committee is composed of members of the board of directors who are independent of any financial interest in the organization and at least one of whom has expertise in accounting.

Area of further research

The current researcher would like to provide the partial suggestions regarded to further researchers who can be willing to carry out researches, thus they are suggested to take reference to this study results in order to fulfil the gaps left by current researcher. Therefore, they are suggested to work on following research topics:

I. 1. The impact of budgeting on performance of NGOs;

II. 2. The effects of internal control on performance of NGOs;

3. The influence of reporting on performance of NGOs

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