Proceedings of 9th International Business and Social Science Research Conference
6 - 8 January, 2014, Novotel World Trade Centre, Dubai, UAE, ISBN: 978-1-922069-41-2

The Use of Accounting Information in Public Sector Budget Decision-making Processes

Latifa Mbelwa

Since the 1980s, public sector entities have been exposed to accounting reforms under an umbrella of New Public Management (NPM). The main purpose behind the adoption of accounting reforms is to increase efficiency in decision-making by producing useful accounting information. However, it has been generally argued that the adoption of these accounting reforms by the public sector entities in developing countries is attributed to seeking to establish financial legitimacy rather than to increase organisational efficiency (Mzenzi, 2013; Mkasiwa, 2011; Adhikari and Mellemvik, 2011; Tambulasi, 2007; Sarker, 2006). Therefore, research on the use of accounting information by the public sector entities in the developing countries is vital. This study deployed an interpretative approach and an exploratory case study strategy involving twin cases of Local Government Authorities (LGAs). The institutional theory—and its three theoretical frameworks which are Old Institutional Economics (OIE), New Institutional Sociology (NIS) and New Institutional Economics (NIE)— has been used in the process of developing the model and in the overall interpretation of the study findings.

This study establishes a model for determinants of the use of accounting information in the budgetary decision-making processes based on the study of LGAs in Tanzania. The model explains the linkage of cause-and-effect of variables influencing the use of accounting information in the budget decision-making processes for external financial legitimacy and organisation efficiency. The study findings have established instrumental-conceptual use and symbolic legitimating use as the main dimensions of the use of accounting information in the budgetary decision-making processes of the LGAs under study. It has further identified four categories of factors that influence instrumental-conceptual use and symbolic legitimating use of accounting information in the budget decision-making processes. These are (i) external institutional pressure, (ii) internal institutional and contingent, (iii) individual actors' characteristics and (iv) processing of accounting information-related factors. The study also has also established that instrumental-conceptual use of accounting information increases both the organisation's budget efficiency and external financial legitimacy in the LGAs under review. On the other hand, the symbolic legitimacy use of accounting information was found to decrease the organisation's budget efficiency but increase the external financial legitimacy. This is mainly attributed to external institutional pressures that result in decoupling behaviour in the use of accounting information in budgetary decision-making processes. The model suggest that the external financial legitimacy should be an outcome of the internal organisation budget efficiency if there is a coupling of the actual instrumental use rather than symbolic use of accounting information and the use of accounting information designed to impress upon development partners or funders such as the CG and donors.

Field of Research : Accounting

Keywords: The use of accounting information, Determinants, Budget Decision Making processes, Public Sector, Financial Legitimacy and organization Efficiency as well as Developing Country.

Latifa Mbelwa, University of Dar es Salaam Business School (UDBS) – Accounting, University of Dar es Salaam (UDSM), Dar es Salaam, Tanzania, Email: latifambelwa@yahoo.com, mbelwa@udbs.udsm.ac.tz.