International Journal of Science and Research (IJSR)
ISSN: 2319-7064
Index Copernicus Value (2016): 79.57 | Impact Factor (2017): 7.296

Financial Reporting and Governmental Value Creation in Selected Commercial Banks in Rwanda

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Abstract: ***Financial reporting is imperative for firms' information preparation and presentation for stakeholders' use. The commercial banks in Rwanda faced governmental value degradation due to management's self interests and unskilled accountants that were not able to provide financial information that portrays real taxable income. This study examined the effect of financial reporting on government's value creation in selected commercial banks in Rwanda. Triangulation design was adopted for this study, ex post facto design was used for secondary data and primary data were collected from 142 respondents' working selected commercial banks in Rwanda. The multiple regression models were used for the analysis. The findings showed that financial reporting has significant effect on governmental value creation. This study concluded that financial reporting applied by commercial banks in Rwanda is fundamental for governmental value creation. This study recommended that government of Rwanda should focus on improvement of financial reporting practices by creating an autonomous body that should monitor financial reporting from private, public companies, NGO and Non-Profit organizations so that it increases its tax revenue base and tax net.***

Keywords: Banks, Financial reporting, Government, Tax revenue, Value creation

1. Introduction

The contribution of the private sector in the economic development of the nation cannot be overemphasized. Starting from the developed nations like the USA, it has been documented that it is the role of private sector or businesses to help the government achieve its goals. This is done through the entrepreneurship that develops the new businesses, which ultimately provide jobs, pay taxes and other duties to the government agencies. This shows the role of entrepreneurs is to create the employment for you people and improve life conditions for a long period of time (Hathaway & Litan, 2014).

The experience of UK shows that, the private sector through its entrepreneurship intentions has revolutionised the nation's economy, where the population gets access to different products and services that satisfy their needs. New industries are built, agriculture has been modernised, energy production enhanced the way businesses are done, and government has a reliable source of income so that it can provide the basic necessities to its growing population. This is done in terms of social and economic development factors such as schools, waterworks, hospitals, roads among others. This is because it is important to have an educated society which becomes engine of the development (Mitchell, 2011). In Sub-Sahara Africa, governments rely heavily on the revenues collected from private sector through taxation channel. They collect different types of taxes and duties so that they can be able to run their operations and develop their respective nations. Nigeria has been relying on oil income as a single source of income generating activity and had forgotten to diversify its source of income, yet the prices of oil have never been stable. Thus, it faced economic crisis caused by the oil prices falls (Banado & Karoye, 2011; Oseni, 2013). Adesoji and Chike (2013), Depomu, James and Asaolu (2015), Owolabi and Okwu (2011) opined that tiers governments of Nigeria should put much consideration on their internally generated revenues and manage them effectively and efficiently in order to achieve sustainable development. Those revenues come from taxes such as pay as you earn, capital gain taxes, Value Added Tax (VAT), and licenses duties for the services rendered by governmental arms.

Rwanda as a landlocked country with few resources, it relies on internally generated revenue in striving to increase its self-reliance and resilience in financing its budgets. The agriculture is the main source of income for the population, thus, government of Rwanda put in place the internally generated revenue collection office which is Rwanda Revenue Authority (RRA) and mandated it to do a fair tax administration for sustainable development. The collected taxes and other duties help in maintaining government operating, investing and financing activities, that especially enhance infrastructural development, environmental protection, housing projects for different categories of citizens, health and educational capital expenditures (IPAR-Rwanda, 2011).

Financial reporting has been investigated empirically, and it was found that it has a significant influence on value creation for different stakeholders of the reporting entity. This is the ability of the firm to produce the company's financial position and performance that satisfy shareholders, governments, employees, and creditors (Bath, 2018, Kyle, Roy & Wilks, 2015). Financial performance is basis for the governmental value creation. This is because firms deduct personal income, companies income tax and VAT from the operations and file them to the government through taxation mechanism. Therefore, this study investigated the effect of financial reporting on governmental value creation in selected commercial banks in Rwanda.

2. Review of the Literature

2.1 Financial Reporting

Financial reporting is a comprehensive accounting process that provides relevance and reliability of financial information which is useful for decision making. It is the responsibility of managers to put in place accounting system that enhances good quality of financial information to come out and be presented to different users and partners of the business entity. This kind of information should be free from management intentions to manipulate the figures towards misleading stakeholders (Francis, Olsson & Schipper, 2006).

Financial reporting is a set of procedures, process, rules, regulations and minimization of discretional behaviour that are used in treatment of business transactions preparation and presentation of accounting information to the stakeholders and its level of relevance, reliability, transparency, faithfulness of such information towards eminent decision making (De-Meyere, Bauwhede & Van-Cauwenberge, 2018, Paktinat & Darush, 2015). Financial reporting should have quality itself before anyone may expect from it qualitative financial information (Diaz, Gregory & Wayne, 2017; Watson, 2012). Thus, financial information should come out of a well structured financial accounting system, so that the financial statements convey information to users for decision making. It provides a true and fair information about the underlying the past financial position and financial performance of an entity, and it must be transparent for decision makers (Biddle, Gilles & Verdi, 2009; Tasios & Bekiaris, 2012).

Financial reporting allows economic and financial decisions to be taken effectively and that professional accountants attach more attention to these qualities while preparing financial statements as required by IASB framework (Mbobo & Ekpo, 2016). Qualitative financial statements should show financial elements and even the relationships between them so that a clear comparison can be done for informed decision making (Ahmed, Abbod & Al-Qadi, 2018). It is through qualitative annual reports that current and past financial position and performance of a firm are measured, and that future plans are based on. Once financial statements are qualified, there would be less profit manipulation, less earnings management, corporate governance would be improved, internal audit and control would be measured effective (Chan-Jane, Tawei & Chae-Jung, 2015).

Business transactions should be reported in a form or a way that follows accounting standards, principles, rules and regulations in order to report to owners of capital and capital market/stock exchange participants with relevant information for investment decision. Financial reporting reduces information asymmetry that may exist between managers and others users of financial information that have interests in business being reported for investors, communities, regulators, employees, customers among others. Thus, disclosure practice should be done with caution in order to serve them better (Gaynor, Andrea, Molly & Teri, 2016). Kariuki and Jagongo (2013) posited that accounting information system is relevant in keeping financial data and in production of financial statements which show clear information concerning accounts and their figures which both are important for firms' planning, evaluation and examination of transparency of transactions, position and performance of the businesses. It has also been opined by Chen, Hope, Li and Wang (2011) that quality of financial information is imperative in minimizing information risks, performance, liquidity, where managers get less occasion for maximizing their self interests and then obey rules of making appropriate decisions for operations, investment and financing.

Quality of financial reporting is a foundation of decreasing information asymmetry that should arise as a result of agency problem. Business partners perceive that quality of financial statements has significant effect on investment decisions as well on firms' future cash flows activities (Rajgopal & Venkatachalam, 2011). Whereas Kibiya, Ahmad and Amran (2016) argued that qualify of financial reporting is beneficial to different stakeholders value creation, where firms get opportunity of raising capital that helps them to increase their level of investment and diversify their activities, financial performance, and government agencies which also get increase in tax returns from a large number of reporting firms.

Financial reporting quality helps in decreasing the risk in terms of information asymmetry and provides evidence for quality of liquidity position increase. Financial reporting quality is imperative for provision of useful financial information through quality financial statements (Qingyuan, Li &Tielin, 2015). Financial reporting quality is the basis for provision of quality of financial information as contained in financial statements and not only for earnings quality measurements (Costello & Wittenberg-Moerman, 2011). Dechow, Myers and Shakespeare (2010) argued that financial reporting quality is important in provision earnings response coefficients, properties of earnings and external indicators for financial reporting. This confirmed that having good earning quality is an indicator of how company's earnings process is important for effective decision making. Seyed (2014) demonstrated that financial reporting quality has significant relationship with investors decisions in capital market transactions.

Financial reporting has two branches of measurements: (1) it can be measured quantitative. This refers to financial reporting quality which comprises the earnings quality, accrual quality, income smoothing, accounting conservatism, International Financial Reporting Standards (IFRS) adoption and full information disclosure index and (2) qualitative characteristics of financial information (relevance, faithful representation, comparability, timeliness, understandability and verifiability). These explain what the users of financial statements expect from each reporting firm (Abolaji & Adeolu, 2015; Ahmed, Abbod & Al-Qadi, 2018; Dichev, Graham, Harvey & Rajgopal, 2016; Enomoto, Kimura & Yamaguchi, 2017; Kim & Li, 2018; Okafor, 2018; Roghayeh, Mohammadreza, & Homayoon, 2013; Sanyaolu, Iyoha & Ojeka, 2017; Shiguang & Lianbo, 2017; Paoloni, Paolucci & Menicucci, 2017; Yahaya, Kutigi & Mohammed, 2015).

2.2 Governmental Value Creation

Companies provide a certain level of value creation to the government, this is measured in terms of their contribution to the Gross Domestic Product (GDP), job creation/ employment provision to the citizens of a nation, payment of taxes and duties that help government to provide certain services, physical infrastructures and social infrastructures that all development the population welfare. These infrastructures are important not only to the population but also to the business entities, where government proceed to the creation and availability of investment opportunities, security, justice, order, rules and regulations to business sectors, etc. that all help companies to run their business. Such government contribution is considered as an indirect participation or capital that companies receive from the public services which in return have to generate also indirect returns in terms of taxes, duties, employment and even corporate social responsibility in supporting the government's projects (Chari & Mohanty, 2009; Hillman & Keim, 2001).

Government agencies provide licenses and authorization for making investment in any business sector and facilitate the investors to start and arrange agreement for foreign investment and give them motivation to start and run factories at low taxes rates or even tax free sectors (Chinelo & Anyanwaokoro, 2017). Ankudinov and Lebedev (2014), Chari and Mohanty (2009), Hartomo and Akt (2014), Parrot and Tierney (2012) viewed that value creation to the government is justified at the same level as the shareholders' value contribution, and even more than shareholders, in terms of income taxes, personal taxes, payroll taxes, different duties and excise, tolls, surcharge and taxes on ownership of properties etc. The quantitative measure of government value creation is the difference between companies payments to government and what the entities enjoyed from the government either financially or intangible consumable that the government availed to the industries.

Government value creation is an indicator of the financial position, profitability and sustainability of the company since it requires payments on what it generated as profit which is taxable like income taxes and personal taxes, licensing because it expects to continue to operate for is going concern as key indicator of the future operating activities of such entity. Companies that are profitable and sustainable create job to the citizens, distribute income and enhance government revenues, through the payment of different taxes, use local economic resources in order to add value to national income through transformation and export of locally produced products which have accepted quality on international markets, thus, creation capacity of foreign exchange and value to local currency through bringing foreign currencies that compete with national currency. It has to be recognized that private companies or sectors contribute significantly in poverty reduction through sharing economic power within citizens by empowering the citizens (Shyam, 2017).

Job creation is a key factor that companies give and provide for government in terms of social welfare, that helps in improving quality of life of citizens and poverty reduction of financial challenges. Fair sources of income to the population by private companies is consistently accepted as a source of self-determination and a source of enhancing life conditions, that they give to people with working age (Dangelmaier, 2012). Companies, source of new employment attract young talented employees. Once they achieve their breakeven points, they share their benefits with government not only in terms of employment but also in terms of income taxes, duties and excise that help to finance government expenditure and also they bring technological products and services that allow inflows and outflows of business transactions that educate population in terms of technological adoption (Hathaway & Litan, 2014).

Companies create job and promote economic growth. Each firm's expansion is to provide productivity. This requires recruitment of qualified staff that are knowledgeable in terms of production and service delivery. Thus, in developed economies and developing nations private sector hires a big number of age-working people even if they are constrained by fall and closure of relevant businesses (Decker, Haltiwanger, Jarmin & Miranda, 2014). IMF (2011) demonstrated that private sector companies either local or international are the source of growth, development and employment and help government to satisfy the citizens wants and needs especially when the resources distribution is concerned. From the year 2000, developed, developing and even low level income countries' economies have been growing quickly because of the wakeup from the private sector and privatization process that aimed at profitability, growth, and sustainability of business activities by reducing government participation in business especially those that can be done by individuals and private companies towards effectiveness and efficiency of their operations. This report shows that there is a great value that has been created by private companies in national economies where there is dynamism in economic development and growth on both side, ownership and governments and regardless the economic crisis that characterizes today's business and economy, private sector is still a weapon to fight it and get sustainable economic development of a nation.

Private companies help the governments to raise income and wealth that are key drivers of reduction of poverty. This report posits that it is the primary obligation of private sector in supporting government interventions. Thus, it is also the responsibility of companies to play their social responsibility role in offering the jobs. Thus, the government value creation by companies is their contribution to the economic growth and development, where new products and services are availed to the population at reasonable costs/price. By offering job, taxes will be created and paid to the governments and as a result it will be able to use them for infrastructure development (Mitchell, 2015). Companies live in an integrated system where they have relationships with government and have to generate value for the public through distribution of part of their profits earned during a given period of time which is normally one year. Government puts in place investment opportunities, such as infrastructures which allow businesses to thrive and from that profit generated particularly from the businesses it expects some returns, in form of taxes and others duties to still continue running governmental public goods. Government provides security and freedom to companies to work and achieve established results and this shows how good relationships between government and business firms can enhance value creation for both sides. The study again demonstrated that a business without relationships can neither survive for a long term nor achieve its maturity (Mitchell, Weaver, Agle, Bailey & Carlson, 2016).

In the same line of thought, Freeman (2011) showed that no business can separate itself from value creation, destruction nor cannot live without interacting with the government in which it is registered or operates from. It is through business interconnections that the value can be created for both, companies and their government. These institutions should work and cohabitate for good or for bad, because their government cannot achieve its objectives without the hand of the private sector. In the same perspective, Mitchell, Weaver, Agle, Bailey and Carlson (2016) are of the opinion that businesses and other stakeholders should brand together, achieve economic ends together and shareholders' value cannot be created without considering governmental and public value creation. Hence, to measure government value created by selected commercial banks in Rwanda, this study considered the use of Companies Income Tax (CIT) actual values.

2.3 Theoretical Framework

This study has adopted the Signalling Theory. It was developed by Michael Spence in 1973. Connelly, Certo, Ireland and Reutzel (2011) emphasized that under this theory corporate financial decisions constitute signals from managers to the stakeholders with the main reason of reducing information asymmetries that may exist between managers and others people whose reports are made for. This theory indicates that companies with better performance usually have intentions of providing voluntary disclosures and this creates significant differences between good managers and bad ones. It enhances quality of information disclosure and makes it fundamental in provision of company's organizational performance and quality of relationship with others stakeholders (Unegbu, 2014). This theory has been supported by different scholars in the area of financial reporting such as Brian, Connelly, Certo, Duane and Reutzel (2011), who posited that, there is disparity between individuals and organizations where one part possesses more information access than others. Therefore, managers possess the information than other decision makers or users of such information in economic, social, and political arena (Birjandi & Hakemi, 2015, Isidro & Marques, 2016). This shows that managers should be willingly providing full information (signal), and that users must be able to interpret such information (financial information knowledge) in order to understand what the management has reported to them. Aubert (2010); Connelly, Certo, Ireland and Reutzel (2011) showed that the more financial information is disclosed voluntarily, the more financial and political opportunities created where capital can be easily raised and that tax burdens are solved. Again signalling theory application helps in information provision that reduces information asymmetry and provide firms' partners the capacity in making financial and economic decision. This theory is used in the study because it is the responsibility of management in provision of financial information willingly and that their firms should consider themselves as more efficient in satisfying their stakeholders' needs that use such information in decision making.

2.4 Empirical Review

The empirics have demonstrated that financial reporting of a business company should reveal the amount of taxes, charges, duties, levies, fees, rates, fines and penalties that government is supposed to collects. These constitute its revenues that are helpful to achievement of infrastructural development and incurring relevant expenditures that enhance living conditions of the citizens. These are indicators of value creation that are derived from the taxpayers' income towards the satisfaction of government's public expenditures (Adesoji & Chike, 2013; Atakpa, Ocheni & Nwakwo, 2012; Oseni, 2013;). Thus, Handley and Maheswaran (2008) and Keen (2012) found that financial reporting system of any company should show the amounts of taxes that have been paid for each accounting period, and that enter government accounts. In the same line, Devereux (2011) found that financial reporting transparency or quality shows the public value creation through the clear figures that show what companies as taxpayers contribute to the governmental expenditures. The findings from the study of Shalaby, Shehab & Eltobgey (2016) indicated that quality of financial information is needed in financial statements so that all the users may make informed and clear economic decisions.

3. Methodology

This study used the triangulation design by combining the *ex post facto* design and survey design. This is because this used quantitative measures of financial reporting and value creation and validated the findings with qualitative measures of the same variables. Secondary data were extracted from the financial statements of six selected commercial banks in Rwanda for a period of 18 years from 2000-2017. The five scale structured questionnaire was developed and administered to 148 employees working in management, finance and accounting departments of selected commercial banks in Rwanda, among which 142 (96%) copies of questionnaire were retrieved and analyzed to give empirical evidences of the study. The multiple regression models were adopted and level of 5% of error term was used.

$CIT_{it} = \alpha_0 + \beta_1 EP_{it} + \beta_2 TAC_{it} + \beta_3 TLR_{it} + \beta_4 AC_{it} + \beta_5 TDI_{it} + \varepsilon$ ...... Model 1

Note: Y= CIT = Government's Value Creation (measured by Companies Income Tax); x_1= EP = Earnings Predictability; x_2= TAC = Accrual Quality; x_3= TLR = Timely Loss Recognition; x_4= AC = Accounting Conservatism; x_5= TDI = Total Disclosure Index= Information Disclosure.

$GOV = \beta_0 + \beta_1 REL + \beta_2 FAR + \beta_3 COM + \beta_4 TIM + \beta_5 UND + \beta_6 VER + \beta_7 IFRSA + \beta_8 IDSC + \mu$ ....Model 2

Note: Y= GOV = Government's Value Creation; X= Qualitative Characteristics of Financial Information; X= $f(x_1,x_2,x_3,x_4,x_5$, and $x_6)$ where, x_1= REL = Relevance; x_2= FAR = Faithful Representation ; x_3= COM = Comparability; x_4= TIM = Timeliness; x_5= UND = Understandability; x_6= VER = Verifiability.

The following research objective, question and hypothesis were achieved, answered and tested respectively:

Research Objective: This study investigated the effect of financial reporting on government value creation in selected commercial banks in Rwanda.

Research Question: How does financial reporting affect government value creation in selected commercial banks in Rwanda?
H_0: Financial reporting does not have significant effect on government value creation in selected commercial banks in Rwanda.

4. Findings and Discussion

Table 1.1: The Effect of Financial Reporting on Government's Value Creation (Model 1)

Variables	Coefficient	Std Error	z-Statistics	Probability
Constant	1.513891	0.3847122	3.94	0.000
EP	0.2150353	4.219123	0.05	0.959
TAC	-1.306578	1.067769	-1.22	0.221
TLR	10.13065	3.813621	2.66	0.008***
AC	0.0004009	0.0690539	0.01	0.995
TDI	1.367975	0.33124	4.13	0.000***
Wald Test (Chi^2)	47.78			
Prob. Chi^2	0.0000***			
Adjusted R^2	0.286			

Notes: Table 1.1 reports random effects regression results of the effect of financial reporting on government's value creation in selected commercial banks in Rwanda. **The dependent variable is companies income tax (CIT)**. The explanatory variables are earnings predictability (EP), accrual quality (TAC), earnings management (TLR), accounting conservatism (AC), information disclosure (TDI). * Significant at 10%, ** Significant at 5%, *** Significant at 1%.

Interpretation
Using the random effect model for the purpose of interpretation, the results in Table 1.1 shows that the coefficients of earning predictability, earnings management, accounting conservatism and information disclosure are positive. This suggests that there is a positive relationship of among the four financial reporting with the government value creation in selected commercial banks in Rwanda. Conversely, the estimated parameter for accrual quality is negative. This implies that accrual quality have a negative relationship with government value creation in selected commercial banks in Rwanda. In addition, timely loss recognition and information disclosure index are the two variables that are statistically related to government value creation at 1 per cent level of significant. This suggests that timely loss recognition and information disclosure index are factors influencing changes in companies income tax of selected commercial banks in Rwanda. Based on these findings the model (1a) is as follows:

$$CIT= 1.514 + 10.13065\ TLR + 1.367975\ TDI + \varepsilon_{it} \qquad \text{model 1}$$

Where,
CIT= Company Income Tax representing government value creation
TLR= Timely Loss Recognition
TDI= Total Disclosure Index representing information disclosure

The magnitude of the estimated parameters suggest that 1 per cent increase in earnings predictability, earnings management, accounting conservatism and information disclosure will lead to 0.22, 10.13 0.03 and 1.37 per cent increase in the companies income tax of selected commercial banks in Rwanda respectively. Conversely, 1 per cent increase in accrual quality will lead 1.31 decreases in the companies' income tax of the selected commercial banks in Rwanda.

The adjusted R^2 which measures the goodness of fit of the model is about 29 per cent. This implies that increase in selected commercial banks in Rwanda earnings predictability, accrual quality, timely loss recognition, accounting conservatism and information disclosure only explains about 29 per cent changes in the government value creation in selected commercial banks in Rwanda, while the remaining 71 per cent are other factors which affect the government's value creation of selected commercial banks in Rwanda, but were not captured in the model.

The Wald test of 47.78 is statistically significant at 1 per cent level of significant, this suggest that selected commercial banks in Rwanda earnings predictability, accrual quality, earnings management, accounting conservatism and information disclosure jointly explain changes in governments value creation of Rwandan banks. Therefore, the research cannot accept the third null hypothesis that stated that financial reporting does not have significant effect on government value creation in selected commercial banks in Rwanda.

These findings are validated by the results from the qualitative model 2 where the findings indicated that financial reporting (relevance, faithful representation, comparability, timeliness, understandability, verifiability, IFRS adoption, and information disclosure) has positive and significant effect on government value creation in selected commercial banks in Rwanda. The results are presented in Table 1.2.

Table 1.2: Effect of Financial Reporting on Government Value Creation (Model 2)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.696	.701		-.994	.322
	REL	.133	.128	.084	1.039	.301
	FAR	-.112	.076	-.117	-1.485	.140
	COM	.343	.150	.223	2.287	.024
	TIM	.238	.099	.231	2.414	.017
	UND	.106	.127	.085	.831	.408
	VER	-.282	.116	-.223	-2.440	.016
	IFRSA	.752	.123	.603	6.113	.000
	IDSC	-.045	.062	-.065	-.722	.472
	R= .736 R2= .541 Adj R2= .514 F= 19.633, Sig.= .000					

a. Dependent Variable: Government_Value
Source: SPSS Output, 2018

Table 1.2 provides the summary of results of regression analysis for the influence of financial reporting variables (relevance, faithful representation, comparability, timeliness, understandability, verifiability, IFRS adoption and information disclosure on government's value creation in selected commercial banks in Rwanda. The results from Table 1.2 indicate that comparability, timeliness and IFRS adoption, have positive and significant effect government's value creation in selected commercial banks in Rwanda (β_3= .223, t= 2.287, p < .05, β_4= .231, t= 2.414, p < .05, β_7= .603, t= 6.113, p < .05). This indicates that 1 per cent increase in comparability, timeliness and IFRS adoption will lead to .223, .231, .603 increase in government value creation respectively. While, relevance and understandability have positive but insignificant effect on government's value creation in selected commercial banks in Rwanda (β_1= .084, t= 1.039, p > .05, β_5= .085, t= .831, p > .05) respectively. Verifiability quality has negative and significant effect on government's value creation in selected commercial banks in Rwanda (β_6= -.223, t= -2.440, p < .05). This implies that 1 per cent increase in verifiability will lead to .223 decrease in government value creation. Other hand, faithful representation and information disclosure have negative but insignificant effect on government's value creation in commercial banks in Rwanda (β_2= -.117, t= -1.485, p > .05, β_8= -.065, t= -.722, p > .05) respectively.

From the findings the model 2 is represented as follows:
GOV= -.0696 + 0.223 COM + 0.231 TIM + 0.223 VER + 0.603 IFRSA + 0.701------ Model 2

Where:
GOV= Government Value
COM= Comparability
TIM= Timeliness
VER= Verifiability
IFRSA= IFRS Adoption

The Adjusted R^2 from Table 1.2 revealed that financial reporting variables with reference to relevance, faithful representation, comparability, timeliness, understandability, verifiability, information disclosure and IFRS adoption explained about 54.1% of variance in government's value creation in selected commercial banks in Rwanda (Adj R^2 = .514). While, the remaining 48.6% of changes in government's value creation is as result of some other factors that have not been captured in the model. The correlation coefficient (R = .736) shows that there is a very strong and positive relationship between financial reporting variables and government's value creation. The F- test of 19.633 is statistically significant with p < .05 indicated that the variables used in the model have a goodness of fit and that is a good predictor of the main variables.

From the qualitative view of financial reporting and value creation, the overall significance of the model indicated that this research does not accept the null hypothesis that Financial reporting does not have significant effect on government value creation in selected commercial banks in Rwanda. However, the positive effect on government's value creation is mainly from comparability, timeliness and IFRS adoption variable as the results have indicated. These results (quantitative and qualitative) speak the same direction of findings that financial reporting has significant effect on governmental value creation in selected commercial banks in Rwanda. This is indicated by the fact that quantitative findings showed that about 29% in government value creation is as a result of financial reporting which is positive, and from qualitative variables. There is the same direction where the findings indicated that about 54% change in government value creation is as a result of financial reporting of selected commercial banks in Rwanda. This means that commercial banks in Rwanda fulfil their obligations in terms of paying company income tax and other related duties.

This findings are in line with the findings of the study of Adesoji and Chike (2013) Atakpa, Ocheni and Nwakow (2013) who found that the eminent duty of company is to file and return taxes so that the government may be able to achieve its infrastructural developments, pay its relevant expenditures that enhance and improve citizens living conditions to be better. The study also found that commercial banks in Rwanda contribute to government value creation where, they contribute to the GDP, provision of employment to the citizens, deduct and remit personal income tax and value added tax (VAT) to Rwanda Revenue Authority (RRA) which all contribute the creation of government value in terms of its financial capacity of supporting its planned activities of development and social support. This is in line with the findings of the study of Charin and Mohanty (2009). The operations of commercial banks require getting licences and some authorizations to operate, the study of Lorne & Dillingng (2012) found that those documents require a payment of some duties, thus, these are part of government value creation by commercial banks because they require some amount of money or others resources to acquire them. The findings of this study are in congruence with the findings of the study of Shyam (2017), who found that government value creation is an indicator of companies good financial reporting of their financial position, profitability and sustainability. This indicates the contribution of private sector on poverty reduction through sharing economic power with the citizens by empowering them. Similarly, the findings of the study of IMF (2011) mentioned that government value creation is possible if the private is the source of growth, development and employment to the citizens and is a source of distribution of resources among different categories of the people and that private sector is still a major tool for sustainable economic development of any a nation. Finally the study is in line with the findings of the study of Freeman (2011) who found that business entities cannot disassociate themselves from government relationships and the findings showed that private companies cannot operate in isolation without government relations they both have to cohabitate for good or bad, while, Mitchell et al. (2016) found that businesses and their stakeholders should brand together, achieve economic end together and that without government value consideration by business, shareholders interests cannot be promised.

The findings of this study showed that comparability of financial information has a positive and significant effect on government value creation in selected commercial banks in Rwanda. This indicates that financial statements produced by those banks are comparable and helps government's institutions to evaluate their duties and in a comparable way. This shows that for instance Rwanda Revenue Authority can compare easily the amounts of taxes, charges, duties, levies, fees, rates, fines and penalties that commercial banks are eligible to pay, that these help to grow the internally generated government revenues and that commercial banks in Rwanda are key or major players in the private sector which generates more revenues to the government. This is in relationship with the findings of the study Keen (2012), which revealed that financial reporting system of any company should be able to indicate the value or amounts of taxes and other government duties that it has to pay so that government gets financial capacity to pay for physical and social economic development of the country. The study showed that timeliness quality has also a positive and significant effect on governmental value creation in selected commercial banks in Rwanda. This indicates that commercial banks provides financial information to government on time in order to obey to the laws of the land in avoiding fines and penalties mentioned in tax and other duties laws. The findings of the study concur with the previous findings of the study of Chari and Mohanty (2009), which found that companies provide their contribution and duties to the government in other to grow its revenues, create jobs, services provision in terms of education, health and security. This indicates that timely reporting by the taxpayers plays an important role in generation of governmental value creation.

The study demonstrated that IFRS adoption has a positive and significant effect on government's value creation in selected commercial banks. This indicates that IFRS adoption has improved quality of accounting system of commercial banks in Rwanda and that it helped in portraying transparency in government dues, taxes and other amounts that should contain the financial statements are fairly presented according to the standards adopted as regulatory framework for financial reporting. This correlates with the findings of the study of Handley and Maheswaran (2008) and Keen (2012), which found that financial reporting system of any firm should be beneficial to the government dues and Devereux (2011) found that financial reporting transparency is the one that indicates what is public value creation through reporting figures that contribute to government capacity of payment its expenditures. The findings are in line with the Signalling Theory where, the activities of business are to be known the partners and there is a social contract that the firm should communicate its activities to the surrounding community so that the community measures its contribution their survival.

5. Conclusion and Recommendations

This study investigated the effect of financial reporting measurements on governmental value creation in selected commercial banks in Rwanda. The results showed that financial reporting influences companies income tax (CIT) that commercial banks remit to the government. It indicated that quantitative and qualitative financial reporting indicators have significant effect on government value creation. The triangulated findings indicated that both quantitative and qualitative variables of financial reporting are the predictors of public value creation. Therefore, this study concluded that financial reporting of commercial banks in Rwanda influences government value creation. It is recommended that commercial banks in Rwanda should continually improve financial reporting system towards satisfaction of their stakeholders' value creation and that the government of Rwanda should focus on improvement of financial reporting practices by creating an autonomous body (Financial Reporting Council), that should monitor financial reporting from private, public companies, NGO and Non-Profit organizations so that it increases its tax revenues.

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