

# Factors Influencing the Adoption of Accounting Information in Decision Making among Microfinance Institutions in Tanzania; A Case Study of Ecumenical Church Loan Fund Arusha

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**Abstract:** Accounting Information has helped at a great extent the organization management to know their financial position, financial performance and changes in financial position of a company that is useful to a wide range of users in making budget decisions. The purpose of the study was to determine factors influencing the adoption of accounting information in decision making among microfinance institutions in Tanzania, covering Ecumenical Church Loan Fund in Arusha. The study was conducted through a descriptive design covering a sample of 61 respondents drawn from 150 employees. Questionnaire and interviews were used for data collection. The collected data was analyzed using descriptive statistics mainly frequencies and percentages. The findings show that quality of accounting information was influenced by the compatibility of the accounting with budgeting information systems in use, presentation of accounting reports, early/timely submission of the financial and accounting reports to the decision-makers, independent internal audit unit, and the availability of qualified accountants; and the user capability was influenced by working experience, the culture of reading, general knowledge of ICT and knowledge of the ECLOF accounting systems, knowledge of the organization accounting and job position. The study revealed the benefits of using accounting information as improved decision-making, improved productivity, increased sales, cost reductions, improved profits, market efficiency, and competition, ease the analysis and control of accounts, show the direction of the organization and identify business opportunities to the organization. The study recommends that all staff in the accounting department is well trained. Sufficient funds should be set aside to provide for staff training in order to have accurate records of transactions for decision making.

**Keywords:** Accounting Decision, Budget Decision Making, ECLOF, Microfinance Institutions

## 1. Introduction

Throughout both developing and the developed countries, accounting is regarded as the language of business because cost, price, sales volume, profits and return on investment are all accounting measurements and the purpose of accounting is to provide information that is useful for decision making (Clinton *et al.*, [1]). Accounting Information has helped at a great extent the organization management to know their financial position, financial performance and changes in financial position of a company that is useful to a wide range of users in making economic decisions. Management decision is one of the most important facets that pervade all organizations and constitute their progress or failure in the actualization of pre-determined goals and objectives (Chan[2]).

The adoption of accounting information has favored decisions to be made by the microfinance institutions about their sources revenue and projected expenditure. Microfinance institutions' budget decision-making processes are characterized by complex and competitive pressures. Complexity in the budget decision-making process is deemed because of the existence of actors who have different roles and inconsistent preferences, interests as well as motives (Clinton, Matuszewski&Tidrick[3]). The factors for adoption of accounting information are also always observed when bureaucrats or administrators have the responsibilities of preparing and implementing budget decisions made by the top management. Though accounting

information is regarded to be potential, still there is a gap in how accounting information influence decision making.

### Purpose

The purpose of the study was to determine factors influencing the adoption of accounting information in decision making among Microfinance Institutions in Tanzania. The study focused on the quality of accounting information, the user capability to use accounting information and the perceived benefits of the adoption of accounting information.

### Methods

The study adopted a descriptive research design which facilitated the collection of data about subjects that were exclusively internal to the participants covering such aspects as attitudes, opinions, expectations, and intentions as supported by Kothari [4]. The study covered a simple random sample of 61 respondents drawn from a target population of this study was 150 employees of Ecumenical Church Loan Fund of Tanzania in Arusha. The instruments of data collection were questionnaire and interview guides.

## 2. Results and Discussion

### *The Quality of Accounting Information Required for Financial Decision Making*

The intention of the researcher here was to understand the impact of making a decision based on the quality of accounting information at ECLOF in Arusha. Table 1 shows

factors associated with the quality of accounting information systems required for financial decision making.

**Table 1:** Descriptive statistics of quality of accounting information factors required for financial decision making

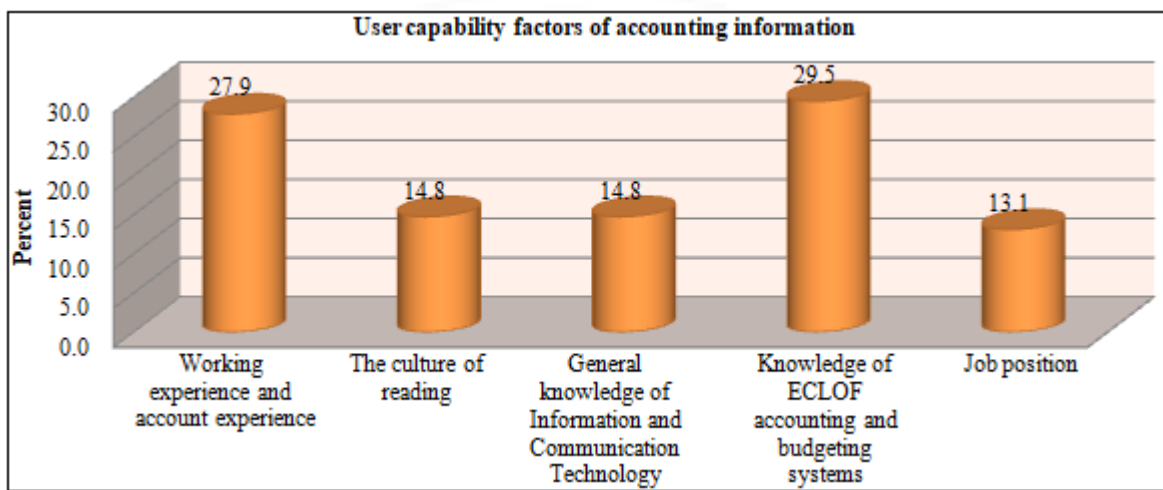
Factors associated with quality of accounting information	Frequency	Percent
The compatibility of accounting with budget systems	22	36.1
Availability of qualified and professional accountants	14	23.0
Proper presentation of accounting report	14	23.0
Early submission of report to decision makers	5	8.2
Independent internal audit unit	6	9.8
Total	61	100.0

As indicated in Table 1, factors associated with the quality of accounting information were the compatibility of accounting with budget systems 22 (36.1%); proper

presentation of accounting report 14 (23.0%); early submission of report to decision makers 5 (8.2%); availability of qualified and professional accountants 14 (23.0%); and, independent internal audit 6 (9.8%). The Contingency theorists argue that the technology used to process information can influence the use of information by users if users are satisfied with how the technology works. The characteristics of accounting information technology in terms of information flows, control and system satisfaction can predict the use information in decision-making as supported by Chalu [6].

**The Influence of the User Capability of Accounting Information in Financial Decision Making**

In this section, the study assessed the capability of the user as far as accounting information systems are concerned. Figure 1 presents the related factors to the user capability of accounting information for budget decision making.



**Figure 1:** User Capability Factors of Accounting Information Required for Budget Decision Making

As it is indicated in Figure 1, user capability related factors are pull factors which were mentioned were: Working Experience and Accounting Experience (27.9%); the culture of reading (14.8%); general knowledge of Information and Communication Technology (14.8%); knowledge of ECLOF accounting and budgeting systems (29.5%) and job position of the user. These findings are in agreement with Mkasirwa [7] who contends that the user of the accounting information should have cognitive ability, knowledge, experience, and

expertise of using information in order to information to be useful in decision-making.

**Perceived Benefits of the Adoption of Accounting Information in Budget Decision making**

Table 2 illustrates the perceived benefits that the organization got after it had adopted the accounting information system in decision making.

**Table 2:** Perceived benefits of accounting information

benefits of accounting information	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Accounting information systems improve budget decision making	10 (16.4%)	27 (44.3%)	16 (26.2%)	4 (6.6%)	4 (6.6%)	61 (100%)
Accounting information systems improve ECLOF's sales, profit and marketing efficiency	14 (23.0%)	42 (68.9%)	1 (1.6%)	4 (6.6%)	0.0 (0%)	61 (100%)
Utilizing accounting information systems reduces operating costs	7 (11.5%)	9 (13.1%)	9 (14.8%)	34 (55.7%)	3 (4.9%)	61 (100%)

Majority of the respondents (44.3%) agreed that the Accounting Information System improves decision making. This implies that the Accounting Information System provides accurate and timely reports which aid in making informed decisions. Table 2 shows that the majority of the

respondents (68.9%) agreed that the Accounting Information System improves firm sales, profits and market efficiency. Majority of the respondents (55.7%) disagreed that the Accounting Information System reduces the operating costs. These results agree with those of Strong&Portz [8] who

indicate that the accounting information increases the cost of accounting system as expenses are incurred on the purchase of computer hardware and software.

### 3. Conclusions

From the findings, there are several factors influencing accounting information used in the budget decision-making processes in ECLOF. These factors, directly and indirectly determine the use of the accounting information in the budget decision-making processes for internal organization's budget efficiency and external financial legitimacy. Furthermore, the findings of this study indicate that accounting system information is an important mechanism for an organization that is vital for effective management decision-making and controlling organization. The results are consistent with empirical reviews which indicated that there exists a relationship between AIS and organizational performance. AIS are an effective decision-making tool for controlling and coordinating the activities of an organization. The findings also indicate that an effective AIS increase system integration and improve internal communications throughout the organization. The top management team with various planning and management information system influences on the strategic performance of the organization.

### 4. Recommendations

In order to improve the effective use of accounting information system in decision making for ECLOF; the study recommends that the management of ECLOF should establish the computerized accounting system which will enable the worker to take just less time for conducting the work which is more efficient compared as they conducted. Further, ECLOF management must put in plan a process to the computerize all other units of operation in order to avoid incompatibility of data flow. It is also recommended that management should ensure that phased changes should be made in order to avoid the paralysis of activities in two some change to computerized system. It is also important to ensure that all staff in the accounting department is well trained. Sufficient funds should be set aside to provide for staff training in order to have accurate records of transactions. The staff in the accounting department must be a holder of any professional degree such as Advanced Diploma, Degree, Masters and Certified Public Accountant (CPA).

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