

**EFFECT OF FINANCIAL ACCOUNTING INFORMATION QUALITY ON
DECISION MAKING: A SURVEY OF PUBLIC BENEFIT ORGANIZATIONS
IN NAIROBI COUNTY, KENYA**

FAITH GACHERU

D61/83726/2015

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER
OF BUSINESS ADMINISTRATION,
UNIVERSITY OF NAIROBI**

NOVEMBER, 2017

DECLARATION

I hereby declare that this research project is my original work and has not been submitted to any other university for the award of a degree.

Signature_____Date_____

NAME : FAITH GACHERU

ADMISSION NUMBER : D61/83726/2015

This research proposal has been submitted with my approval as the University Supervisor.

Signature_____Date_____

NAME : MR. NG'ANG'A

LECTURER

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

My first acknowledgement goes to the almighty God for enabling and guiding me through my academic life. I express my thanks and honor to him.

I want to sincerely appreciate the invaluable mentoring, contribution and guidance from my supervisor Mr. Ng'ang'a, without whom this project would not have become a reality. I also thank all my other lecturers who contributed through building the foundation upon which I gained the knowledge for writing this project.

I am greatly indebted to my dad and mom Mr. & Mrs Gacheru for being there for me and supporting me with prayers and words of encouragement. I pray that Almighty God will richly reward you.

To My friends Simon, Esther and Grace, my colleagues Edwin, Margaret and George, Thanks for wonderful teamwork that enabled me to sail through the vigorous MBA program with minimum stress.

DEDICATION

This project is dedicated to the almighty God, Secondly, to my family and friends who stood by me throughout the program and inspired me immensely.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
LIST OF FIGURES	ix
LIST OF TABLES	x
ABBREVIATIONS AND ACRONYMS.....	xi
ABSTRACT	xii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Financial Accounting Information Quality	2
1.1.2 Decision Making.....	4
1.1.3 Financial Accounting Information Quality and Decision Making	5
1.1.4 Public Benefit Organizations	6
1.2 Research Problem.....	7
1.3 Research Objective.....	9
1.4 Specific Objectives.....	9
1.5 Value of the Study.....	9

CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Theoretical Framework	11
2.2.1 Theory of the Firm	11
2.2.2 Contingency Theory.....	12
2.3 Determinants of Decision Making	14
2.3.1 Decision Specific Characteristics	14
2.3.2 Organizational Structure and Power	14
2.3.3 Organizational Size.....	15
2.3.4 Management Education and Experience.....	16
2.4 Empirical Literature	16
2.5 Summary of Literature Review	18
2.6 Conceptual Framework	18
CHAPTER THREE.....	19
RESEARCH METHODOLOGY	19
3.1 Introduction	19
3.2 Research Design.....	19
3.3 Target Population	20
3.4 Sampling Technique and Sample Size	22

3.6	Data Collection Procedure	22
3.7	Validity and Reliability	22
3.8	Data Analysis and Presentation.....	23
CHAPTER FOUR.....		26
FINDINGS, PRESENTATION AND DISCUSSION		26
4.1.1	The Response Rate.....	26
4.2	Sample Characteristics	26
4.2.1	Gender.....	26
4.2.2	Age.....	27
4.2.3	Work Experience	28
4.2.4	Education Level	29
4.2.5	Duration in the Organization	29
4.3	Financial Accounting Information Quality and Decision Making.....	30
4.3.1	Information Comparability and Decision Making.....	30
4.3.2	Information Reliability and Decision Making	32
4.3.3	Information Relevance and Decision Making	33
4.4	Pearson Correlation Analysis	35
4.5	Regression Analysis	35
4.5.1	Fit of Model	35

4.5.2	Analysis of Variance.....	36
4.5.3	Regression of Coefficients.....	36
4.6	Discussion of Findings.....	37
CHAPTER FIVE		40
SUMMARY, CONCLUSION AND RECOMMENDATIONS		40
5.1	Introduction.....	40
5.2	Summary.....	40
5.3	Conclusions.....	42
5.4	Recommendations.....	43
5.5	Area for Further Study.....	44
REFERENCES.....		45
APPENDICES		49
	Appendix I: Letter of Introduction.....	49
	Appendix II: Questionnaire.....	50

LIST OF FIGURES

Figure 2.1: Conceptual Framework	19
Figure 4.1: Gender	27
Figure 4.2: Age	27
Figure 4.3: Work Experience	28
Figure 4.4: Education Level.....	29
Figure 4.5: Duration in the Organization.....	30

LIST OF TABLES

Table 3.1 PBOs Operating in Nairobi County	21
Table 3.2 Variable Operationalization and Measurement	24
Table 4.1 Response rate	26
Table 4.2 Information Comparability and Decision Making.....	31
Table 4.3 Information Reliability and Decision Making	32
Table 4.4 Information Relevance and Decision Making	33
Table 4.5 Decision Making.....	34
Table 4.6 Pearson Correlation Analysis.....	35
Table 4.7 Fit of Model	36
Table 4.8 Analysis of Variance.....	36
Table 4.9 Regression of Coefficients.....	37

ABBREVIATIONS AND ACRONYMS

ANOVA	-	Analysis of Variance
LPO	-	Local Purchase Orders
MAI	-	Management Accounting Information
NGO	-	Non Governmental Organizations
PBO	-	Public Benefit Organizations
PWC	-	Price Waterhouse Coopers
SACCO	-	Savings and Credit Cooperative Societies
SME	-	Small and Medium Enterprises
SPSS	-	Statistical Package for Social Sciences
SWOT	-	Strength, Weaknesses, Opportunity and Threats
Analysis		

ABSTRACT

Accounting information is necessary to understand financial situation of the firm and used as the basis of decision making. The purpose of this research was to study the effect of financial accounting information quality decision making on public benefit organizations in public benefit organizations in Nairobi County. The researcher used a survey research design to study financial accounting information quality and its relationship with decision making in public benefit organizations in Nairobi County. For the purpose of this study the study population consisted of all 8503 registered public benefit organizations working in Nairobi County. The sample size of the study was 200 public benefit organizations who constituted 2% from each stratum. There was collection of primary data from the respondents using self-administered questionnaires. Descriptive statistics (mean and standard deviation) and inferential (multiple regression analysis) were used to analyze the data. Results indicated that comparability, reliability and relevance were important in determining decision making in public benefit organizations in Nairobi County. Correlation results indicated that the association between all the predictor variables; comparability, reliability & relevance and decision making was strong and positive and was statistically significant. Regression results also show that there is a positive relationship between all the predictor variables; comparability, reliability & relevance and decision making. It can be concluded that financial accounting information in public benefit organizations in Nairobi County had adequate comparability reliability and relevance characteristics and they were key determinants of decision making in PBOs in Nairobi County. From the study findings, the researcher recommends that the management puts in measures to improve both quantitative and qualitative characteristics of financial statements in their PBO so that they are easily comparable to those industry average. Another study can also be done in the private sector to assess if there will be similar or conflicting findings with explanations for the same being investigated.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The terms information and information system are viewed to have increasing effects on the enterprises, occupying model fields and management analysis. Economic information contains news from different fields and information as found in any other system. In most cases, this information is derived from the economic database (Tickell, 2010). Resources are relatively scarce and limited and so management in most cases finds itself confronted with the decision-making problem. In this regard, good accounting information should be accessible to offer suitable and precise decision-making that could lead to maximization of profitability of an organization and utilization of scarce resource optimally (Ovidia, 2013).

Accounting is normally viewed as the language used in all businesses. In simple terms, it is a tool used by business enterprises to record, report, evaluating economic events & transactions that normally affect its operations (Paulson, 2006). Accounting takes the role of processing all financial performance documents from payroll, cost, capital expenditure and all other obligations of owner's equity and sales revenue. Information is provided from accounting about how a business relates to the internal and external users, including, investors, managers, and others (Woods, 2008). One of the most important features that saturate organizations is management decision and it shows its failure or progress in achieving already set goals and objectives (Clinton et al. 2011).

Importance of having accounting data on decision making has been highlighted by a number of studies (Naik, 2005). Findings from research conducted by Anderson indicate that analysis of accounting information is indispensable in decision making whilst research conducted by Royae, Salehi and Aseman (2012) concluded that accounting information is the primary information used by managers in all types of decision making, and are the variables which have the most application amongst all variables employed in this context (Hafij, Jamil & Syeda, 2014). An organization cannot make efficient manufacturing related decisions without relevant accounting information pertaining to equipment and production costs, marketing personnel need accounting information to determine product pricing, develop marketing and promotional budgets, etc. (Royae, Salehi, & Aseman, 2012). Although previous studies have clearly established the positive correlation between accounting information and decision making from a global context, little research has been done on the relationship between the two variables in Kenyan Public Benefit Organizations.

1.1.1 Financial Accounting Information Quality

Accounting unit in any organization is the major source of accounting information and it has the role of summarizing, interpreting, giving a recording platform and analyzing accounting information. Source documents are also prepared and basic data recorded to ledger which is viewed as formal record data (Trimisiu, 2012). Therefore, accounting data is initiated from financial transactions in the organization. Invoices, LPOs, cashbooks and sales invoices are the frequently used source documents. For necessary information to be provided, an organization must have good management in accounting processes. Also, there is need for an accounting system that helps managers solve the problems facing them (Iacob & Karim, 2013).

One category of information recognized as ‘learning machine’ is the accounting information which helps managers gauge how quality financial power can lead to accomplishment of objectives considering available alternatives for decisions (Eugenia & Tiberiu, 2013). Managers heavily rely on Accounting and financial information in making managerial decisions which in their opinion is important (Royae, Salehi, & Aseman, 2012).

Financial accounting information advantage is defined as both the non-financial and financial information which can reflect the definite operational condition efficiently. Information advantage helps an organization’s process to increase competence, efficiency (Glomstead, 2001) and also decision making. Information advantage is the greater qualitative characteristic of accounting information which can increase the organization’s ability to evaluate, assess, and predict the economic events with accuracy and clarity (PWC, 2010). Financial information effectiveness refers to good results of the reports that reflect the position of financial and operating results, which are true and can be relied on. The results can therefore be used to support decision making or foretelling future performance of an organization (Fisher & Kingma, 2001).

The main purpose of financial information to managers is to provide relevant and timely information that can help them in decision-making (Pongsatitpat & Ussahawanitchakit, 2012). Decision-making is mainly concerned with actions that are to take place in the future (Bello, 2009) or financial information that is the foundation of internal financial information to assist managers to make defined decisions. Krumwiede et al. (2007) and Zager and Zager (2006) state that information generated from financial records is of great help when making decisions.

1.1.2 Decision Making

Management decision making is one of the most significant features that encompass ideally the whole organization and takes into account its moving forward and/or failure in actualization of pre-determined goals and objectives (Yatim, 2009). Current business enterprises find themselves in the middle of global uncertainties, stiff competition locally and internationally and unprecedented variations in the economy (Tickell, 2010). For these reason, managers are expected to make informed decisions if the organization is to move forward as the success. However, the quality of decisions taken by managers highly depend on the substance and accurateness of information given by systems existing around them (Nooraie, 2011).

Since decision making has an enduring effect on businesses, it is important to analyze accounting information for producing a better strategic assessment. Normally top management takes this kind of long-term planned decisions and allocates company's core assets to achieve that goal (Eugenia & Tiberius, 2013). Decision making results in strategic decisions which are amongst the most distinctive results in a business and they use these for defining goals and direction for long-term development (Yatim, 2009). Top management is tasked in these kinds of decisions. A strategic decision that is wrong has a negative effect on the company. This ultimately puts a lot of accountability on the strategic decision maker (Trimisiu Tunji, 2012).

The decision making process requires information. Accounting provides important information for decision making (Marshall & Paul, 2014). Accounting can be divided into financial accounting and management accounting. Financial accounting relates on reporting a firm's financial information to external users and management accounting relates on measuring, analyzing and reporting for internal using by management

(Woods, 2008). Management accounting provides financial and non-financial information to make managerial decisions (Zager & Zager, 2006).

1.1.3 Financial Accounting Information Quality and Decision Making

When making decisions, there is need of evaluating financial statements which calls for increased usage of information generated from financial records. In this regard, analysis of the financial records can be described as a method which financial data is made usable for quality measurement by converting financial statements to valuable information using different methods that are critical in management. Because of this, it is important to understand current level of quality of a business to help in future management because most managers strive to ensure progress and survival of a company considering the market surrounding it. Scrutiny of financial statement should always come before beginning the management process which means that planning process should come after (Nooraie, 2011).

Planning is the critical role in any organization if at all it has an objective of good management. For an organization to have excellent plans in its finances, it must put into considerations the SWOT analysis. Good company features must be identified with reliable financial analysis and have it as the major task. Advantages derived from the analysis could be used to improve planning processes of the organization. A company is also able to recognize its weaknesses and so it can be able to undertake corrective measures. Due to this, management of an organization becomes the key users of financial data (Royae, Salehi, & Aseman, 2012).

When performing financial analysis, it becomes possible to make use of entire measures and various instruments available (Eugenia & Tiberiu, 2013) first of all, it considers the vertical analysis procedures with structural and horizontal analysis of

financial data with organizations. There is an attempt to study trend of variations of organizations financial positions using horizontal analysis (Ovidia, 2013). Competence of an organization is approximated by observing variations. Structural financial information gives an understanding of the structure of financial position which forms vertical examination base. Financial structure is very critical when determining excellence of a business (Iacob & Karim, 2013).

1.1.4 Public Benefit Organizations

The quantitative and qualitative growth of Public Benefit Organizations in Kenya in the last quarter of 20th century which is massive. Example, public benefit organizations recorded a growth increase in the year 1977 & 1987 of over 100%. There were about 23,000 organizations related to women by the year 1995. Ministry of social services and culture performs the role of registering these organizations. The public benefit organizations registered by NGO coordination Bureau which is usually under office of the President are about 1441 as compared to 250 registered in 1993. Public benefit organizations and community organizations are used to refer to organizations in civil society which are self-governing and not self-serving (Vitez & Baligh, 2011).

Public benefit organizations play major roles in modern society. There has been a drift which is described as scramble in Africa which is as a result of liberalizing laws with an agenda of promoting civic organizations and Kenya clearly portrays this trend. Reasons of safeguarding rights of association are given by supporters who work hard towards making sure that there is involvement of the organizations (Vitez & Baligh, 2011). There has been school of thought which assumes that there is need of

protecting public from abuses and frauds that are real seen in immoral organizations and this has brought about regulations of such organizations (Muiruri, 2006).

The operations of Public Benefit Organizations in other countries and Kenya are hampered by several factors and NGO independence is highly affected by these. Example, the environment in which public benefit organizations operate controls the efficiency of projects activities carried out. Productivity and performance of public benefit organizations are affected by internal environment and external environment where they operate. Behavior of NGOs highly depends on social conditions, economic and political status of a country. Example founders and donors are seen to be having great impact on public Benefit organizations operations (Muiruri, 2006).

Beginning of accounting is not well known, there has been an agreement that if any accounting does not give support ought to be clashed. Whether accounting is being used by sub-officers, potential creditors, lecturers or potential workers is very useful. Affiliation is achieved by all users of the accounting data. If there is complete, operative or accurate information, there is high likelihood of conducting correct economic activity. This can also be strengthened by implementing and having control of accounting data. Managers therefore not only require an accounting management that helps in providing required information, but also one that meets their requirements (Iacob & Karim, 2013).

1.2 Research Problem

Decision making process requires information and accounting is the most important source of information for the process. Accounting information helps give a clear position on the financial state of the firm and it is applied as the foundation of decision making (Ullah *et al.*, 2014). Firms often use accounting information to

support the management decisions (Vitez & Baligh, 2011). Findings from previous research indicate that accounting information is important in organizational decision-making. However, there is dearth of research on the relationship between these two variables in the Kenya public benefit organizations (Royae, Salehi & Aseman, 2012). Understanding the relationship between these two variables is important as it will enable PBOs in Kenya to make more effective decisions, particularly strategic decisions (Tickell, 2010).

Several studies have been conducted on accounting information and decision-making. Kariyawasam (2016) studied the relationship that exists in accounting information that end up affecting the decisions made in the Sri Lankan manufacturing sector and found that accounting information has a statistically significant strong positive relationship with both marketing linked strategic making of decisions and industrial related strategic decision making of companies operating in Sri Lanka's manufacturing sector. Hafij, Jamil and Syeda (2014) studied the role played by accounting information when making major decisions in manufacturing companies in Bangladesh and found that there is significant relationship that exists in strategic decisions and accounting information. Siyanbola (2012) studied how information from accounting guides management in making decisions in Malaysia and found that there exists a significant relationship between. Botha (2014) did a study on the relationship that is there between information in cash-based accounting in Northern Cape Provincial Legislature and performance of the management (three E's) and found that management of the Northern Cape Provincial Legislature does not see a clear connection between the performance information and financial information.

Closer home in Kenya, Odero (2014) studied financial accounting information and financial performance in small and medium enterprises and the researcher found a positive and strong association between financial accounting information and performance. In addition, Muthoni (2016) studied accounting information and financial and performance in SACCOs in the hospitality industry in Kenya and found that accounting information was a key contributory factor to performance in Kenya. However, though the studies did have major contributions in significance and scope, they used other study variable leading to a contextual/geographical gap and paucity in literature. This is the research gap that the study attempted to address by studying the effect of financial accounting information on decision making in Nairobi County.

1.3 Research Objective

The research objective was to study the effect of financial accounting information quality decision making on public benefit organizations in public benefit organizations in Nairobi County.

1.4 Specific Objectives

- i. To study the effect of comparability of financial accounting information on decision making in public benefit organizations in Nairobi County.
- ii. To assess the reliability of financial accounting information on decision making in public benefit organizations in Nairobi County.
- iii. To study the relevance of financial accounting information on decision making in public benefit organizations in Nairobi County.

1.5 Value of the Study

Various stakeholders can make use of the study.

The Government of Kenya will appreciate impact of financial information generated from accounting systems on decision making. NGO Coordination Board and policy makers to design more progressive and effective policies aimed at ensuring good service delivery by the PBO.

The recommendations of this study will help policy makers to design more progressive and effective policies aimed at ensuring good advancement of financial accounting information. The study also sought to identify policy gaps that can be fed to policy development for the betterment of overall performance of the public benefit organizations.

Academicians in scholars in the area of management will be able to access this study from the public repository domains like, journals and online open access academic sites once the findings of the study are published. They will be able to add value on the gaps identified by this study.

The study also helps researchers, practitioners and also gives a major contribution to the body of knowledge through suggesting areas that require improvement. Rresearchers and practitioners in the public sector are able to access this study and hence are able to add value on the gaps identified by this study. It also contributes to the body of literature on financial accounting information and making of decisions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter explains theoretical background that inform financial accounting information and decision making and also the empirical studies that have been undertaken out on similar field of study. A conceptual framework is established to give a diagrammatical illustration of the study variables.

2.2 Theoretical Framework

This section describes theories that present the study in view of the variables being studied. These theories include: Contingency and firm theories.

2.2.1 Theory of the Firm

Coarse (1937) was the promoter of the theory, which saw it make the first step in describing the firm in a theory way which is market related. There are quite a number of economic theories in firm theory that define, clarify and gives forecast of the company, which includes firm's survival, behavior, structure, and association markets.

A firm is a "black box" which works with an aim of meeting managerial conditions related to inputs and outputs that lead to profit maximization or gives present values. The theory assisted in clarifying why managers and entrepreneurs use financial structures that are fixed while having debt and equity select activities that leads to a low value of a firm as compared to if they were the owners of the businesses. It also

explains why the result is independent whether a firm is operating with a competitive product, factor markets or monopolistic (Kantarelis, 2007).

The theory of the firm targets to give answers to these questions: Why the firms are structured in a similar way, for instance as to decentralization or hierarchy? Organization, Boundaries, Existence, firm's heterogeneity activities and their performances, the drive of different actions for different firms, evidence and the assessments put in place for a particular firm theory (Thomas, 2008).

De Paula (1990) in support stated that risk assessment is important for the existence of the firm. Millichamp (1999) in support stated that monitoring of activities being undertaken by a firm reduces risk of deliberate handling of accounts and automatically leads to an increase of element of checking. This leads to profits of a firm being maximized since it makes fraud more difficult to be committed. Batra (1992) stated that have control in documents is a good driver to firm's performance. This theory becomes very important in the current research proposal since it assists in shedding light on how to make better decisions through managers having an interaction with financial accounting information.

2.2.2 Contingency Theory

This theory is a methodology of studying organizational performance in which it gives explanations as to how contingent related factors example ;external environment, technological factors and culture, affect the function and design of organizations (Drury, 2008). A certain culture in and organization is not applicable to another organization and this is the main assumption underlying contingency theory. In that regard, organizational efficiency purely depends on a fit that exists between the type of volatility, environmental, technology, the organizational size, its information

system, and the features of the organizational structure. (Woods, 2009) studied structural approaches in organizations and this formed basis where contingency theory established theories of sociological functionalist. The theory is used to give a description on relationship that exists between organizational control and its performance, particularly dependability of financial reporting (Cadez & Guilding, 2008).

Some of the factors influencing control of the systems by management include; Environment outside the organization, size of the firm, technology used by the firm, structure and national culture Cadez & Guilding (2008). The theory implies move to develop strategies used to match and control activities in an organization are highly encouraged by technical activities. Organization culture is highly influenced where information is located in relation to technology and environment. When there is non-routine technology and the environment is uncertain, information is usually frequently internal. On the other hand, where the technology is routine or the environment surrounding is certain, information is outside the organization. Measurements of control and structure are activities structure & authority structure, i.e., guidelines and measures which regulate the will of individuals. Authority is the social power. Where we have uncertainty or technology that is changing, Decentralization is seen to be more suitable. On the other hand, centralization becomes suitable in environments that are certain. According to Contingency theory, design and control that a system uses is dependent on how the organization is set and more importantly on how the set controls operate. (Fisher, 1998). With these internal and external factors affects how control systems are selected and used by organizations. Factors including external environment, size, structure, technology, strategy and national culture influence how the control systems are managed. This model proposes that the forces brought by

technical activities bring about development that organizations use when undertaking internal control and coordination of its activities.

2.3 Determinants of Decision Making

2.3.1 Decision Specific Characteristics

Decision's understanding is the level to which the individual making a decision knows the problem at. Nooraie (2011) finds familiarity to be significantly and negatively related to the processes involved in making strategic decisions, He however finds that in making strategic decisions, familiarity is significantly positively and linked to politicization Dutton, (2006) found out that crisis is linked to devolution. A number of studies (e.g. Milburn, 2003) however have discovered that when there exists actual crisis, the relationship becomes centralized. There is criticalness to decision makers when making decisions, and this brings about influence in decision characteristics process Carter (2011). In a study conducted out with reference to decision, Astley *et al.* (2012) concluded that decision's complications is directly related to the level of decisions made. Papadakis *et al.* (2008) suggested that there is a negative association of the degree of rationality when making decisions, but positive relation to the degree of decentralization when a new business investments in marketing.

2.3.2 Organizational Structure and Power

There are several ways of defining Organizational structure. Frederickson (2006) describes it as the point of formalization, integration and centralization. Formal integration and extent of rationality and collaboration are positively linked in making more innovative in more successful firms. Miller (2007) identified a positive

relationship between rationality in making decisions and formalization but when he compared centralization and decision making, there was a negative relation.

Wally and Baum (2014) concluded that when there is centralization in a firm when making decisions, the executive evaluate an alternative at a slower pace. When there is centralization of power, a positive influence on processes of making decisions occurs and this affects the extent of politicization Bourgeois and Eisenhardt (2008). Patterns found when making decisions in organizations in are brought about by organizational models used which include bureaucracy and machine adhocracy and they are usually linked to the structure of the organization and in other cases the leadership styles in the organization (Langley, 2010).

2.3.3 Organizational Size

Strategic decisions of an organization are influenced by the size of the organization. Smaller business have much greater participation in making decisions as compared to managers of larger units Duhaime and Baird (2007). There are inconsistent results that have been developed in Literature review in relation to the size of the firm and making of strategic decisions. Example Fredrickson (2006) identified that there is a positive relationship between comprehensiveness in decision making. Dean and Sharfman (2013) did not find such an existing relationship. On the other hand, Nooraie (2008) studied that the size of an organization and rationality has a positive association in decision making but there is a negative relationship when compared with politicization.

2.3.4 Management Education and Experience

There was a finding by Hambrick and Mason (2014) that, amount, and not the field or level of education that a manager possess has a positive relationship to innovations and he of service of top management is negatively related to decisions that they make on product innovations, this support Nahavandi and Malekzadeh (2013) which suggests that specific features greatly affect the heuristics and reasoning capabilities used by managers while making strategic decisions.

2.4 Empirical Literature

Hafij, Jamil and Syeda (2014) did a study on what role accounting information has in making strategic decisions specifically in industrial businesses in Bangladesh. Five areas that require strategic decision such as manufacturing decision, human resource decision, basic strategic decision, long term investment decision and marketing decision were considered for the study. T-test, Mean, standard deviation and percentages, were used to define efficiency of the accounting information when making strategic decisions that are long-term. The study proved that there is noteworthy relationship that exists between accounting information and strategic decisions in all the designated areas that considerably depend on accounting information.

Ionu and Petec (2015) studied the significance of accounting information in decision making. The researchers identified four principal qualitative characteristics: Reliability, compatibility of information, comprehensibility, and relevance. The researchers also suggested that accounting information has a crucial role in substantiating the economic decisions, offering the possibility of an accurate representation of economic phenomena and processes. There is a consistent operation

and making of decision by the users and they make use of information provided by financial statements. This indicates that accounting information has a positive relationship with decision making. Gwangwava, Faitira and Tendere (2016) studied organization bookkeeping information: A sample of 135 firms was picked using ZTA database. There was a positive relationship between database information and the performance of SMEs.

Harendra (2016) studied relationship that existed between accounting and decision making in the Sri Lankan Industrial Division. Sample for the study consisted of 70 public quoted manufacturing companies operating in the country. The relationship between accounting information and marketing and manufacturing related strategic decision making was analyzed using Pearson's Correlation. Findings from the study indicated that accounting information has a statistically significant strong positive correlation with both marketing related strategic decision making and manufacturing related strategic decision making of companies operating in Sri Lanka's manufacturing sector.

According to Drury (2008) accounting is the language that communicates economic information about the business activities. A central matter in both management accounting and decision-making relates to the linkage of management accounting information (MAI) with strategic planning (Atrill & McLaney, 2009). Literature on this connection is becoming more and more prevalent. The remarkable development in technology has opened up the possibility of generating and using MAI from a strategic standpoint (Bruening *et al*, 2008). In a climate of rising uncertainty and rapid change, organizations world over require greater competence when it comes to accounting practice and effective strategies. Nnenna (2012) and Drury (2008) all state

that the turbulent business environment is forcing enterprises to seek more updated accounting information to use in strategic planning. MAI can be a significant aid to effective strategic planning. The use of management accounting as a strategic planning tool is necessary in driving organizations as myriad of threats and challenges continue in a globally connected world (Frezatti et al., 2009).

2.5 Summary of Literature Review

Various studies; {Hafij, Jamil and Syeda (2014), Ionu and Petec (2015), Gwangwava, Faitira and Tendere (2016), Harendra (2016), Drury (2008)} have found that financial accounting information could lead to positive results and improved decision making. This research aims at establishing the effect of financial accounting information and decision making in public benefit organizations in Nairobi County. However, though the studies did have major contributions in significance and scope, they used other study variable leading to a contextual/geographical gap and paucity in literature. The purpose of this research was studying the effect of financial accounting information on decision making in Nairobi County.

2.6 Conceptual Framework

A conceptual framework diagrammatically illustrates the predictor variables and how they interact with the dependent variable(s) in the study (Mugenda & Mugenda, 2003).

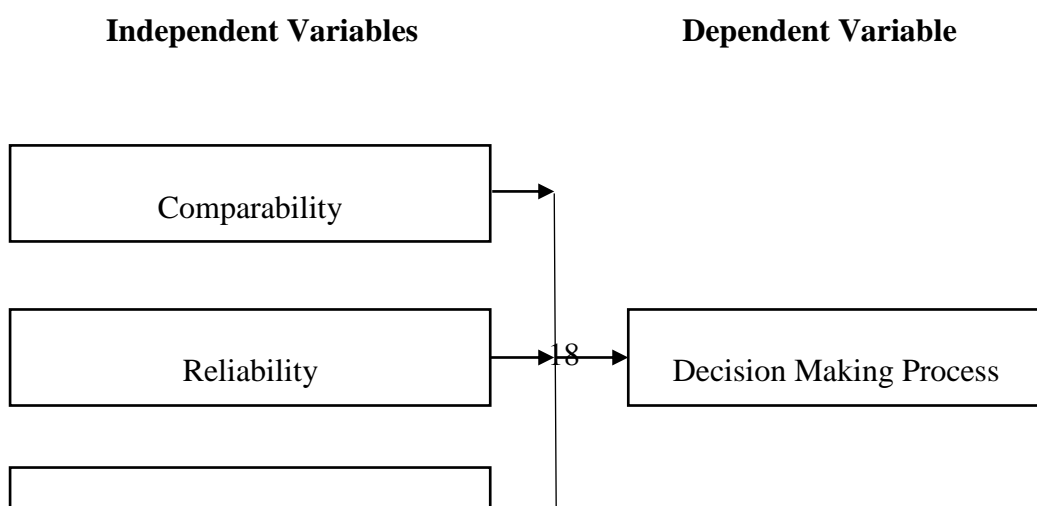


Figure 2.1: Conceptual Framework

Source: Researcher (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research Methodology described the methods used in preparation of the study, collect data and analyze. Population, design, sample size, sampling techniques data collection procedure, validity & reliability, how the data collected will be analyzed and presentation of the data are the specific areas included in research methodology.

3.2 Research Design

A research design guides a researcher by giving them a framework that helps them in assessing a research problem (Coopers & Schindler, 2006). It directs the researcher on how to undertake the research process (Kothari, 2010). The researcher used a survey research design to study financial accounting information quality and its relationship with decision making in public benefit organizations in Nairobi County.

3.3 Target Population

Target population refers to the specific possible cases or elements about which information is desired (Kothari, 2004). According to Creswell (2003), a population is a clear set of people, services, elements, and events, group of things or households that are being examined. For the purpose of this study the study population consisted of all 8503 registered public benefit organizations working in Nairobi County.

Table 3.1 PBOs Operating in Nairobi County

PBO Sector	Population	Sample
Advocacy and Empowerment	6	2
Agriculture	341	7
Children	676	14
Conflict Resolution	2	1
Culture	26	2
Disability	226	5
Education	1154	23
Energy	15	2
Environment	591	12
Food	1	1
Gender	465	9
Governance	251	5
Health	906	18
AIDS	718	14
Human Rights	58	5
Information	63	3
Infosector	333	7
Legal and Civic Education	17	2
Media	1	1
Micro Finance	126	3
Mosque	2	1
Multi-Sectoral	3	1
Nutrition	1	1
Old Age Care	15	2
Others	13	1
Peacebuilding	63	3
Population and Reproduction	196	4
Refugees	27	2
Relief	360	7
Religion	2	1
Research	4	1
Road Safety	228	5
Sports	33	2
Training	1	1
Voter Education	1	1
Water and Sanitation	403	8
Welfare	699	14
Wildlife	3	1
Youth	473	9
Total	8503	200

Source: NGOs Co-ordination Board, (2017)

3.4 Sampling Technique and Sample Size

A sample refers to a subset or a true representation of a particular population being studied (Serakan, 2010). Stratified sampling technique was applied in determining the sample size. According to Creswell (2003) stratified sampling is ideal in instances where the population to be sampled comprises of groups with homogenous characteristics which the researcher is looking for (Kothari, 2004). This method was preferred because the population sampled is purely specific PBOs according to the sectors they operate in Nairobi County as they have the information the researcher requires. The sample size of the study was 200 public benefit organizations who constituted 2% from each stratum.

3.6 Data Collection Procedure

There was collection of primary data from the respondents using questionnaires that were self-administered. Respondents were left with the questionnaires and ample time was provided to fill them and then pick them at a later time after they had been filled. This was effected by following up with phone calls to know whether they had been filled.

3.7 Validity and Reliability

According to Mugenda and Mugenda (2003) validity is the significance of inferences and their accuracy that are normally based on the results of a research. There was assessed of the questionnaire to make sure it was understood by the respondents. The questionnaire was verified for content validity by discussing with two random participants. Observations and remarks from the respondents were studied and combined to help in achieving validity in the questionnaire.

Reliability refers to consistency of a set of measurement items (Hair, Bush &Ortinau, 2000). Reliability is the uniformity of one's measurement, or it can also be the degree of measurement of an instrument to which an instrument when subjected to the same conditions using similar objects. The most common internal consistency measure will be used i.e Cronbach's Alpha (α). It helps in giving indications of the degree to which items can be treated as measuring one variable (Cronbach, 1951). A cut-off value of 0.7 was the bench-mark as it is the recommended value for reliabilities. Eight questionnaires were given to randomly selected participants and then analyzed using SPSS version 22 software. To avoid response biasness from occurring, respondents who were participating in the pre testing were excluded in the final study.

3.8 Data Analysis and Presentation

Descriptive statistics were used to analyze the data that was collected .i.e. (mean and standard deviation) and regression model. All this played an important role in helping to draw inferences on the relationship that exists between study variables. Regression and correlation analysis was included to represent inferential statistics. The researcher used statistical package for social sciences (SPSS) when analysing the information which helped in determining and testing regression and correlation between dependent and independent variables. Test of correlation was done to test the strength and association between the dependent and independent variables. Regression analysis included fit of the model, Analysis of Variance (ANOVA) and Regression of Coefficients. Fit of the model was construed by assessing R Square to assess the extent to which the independent variable (Financial Accounting Information Quality) explained the dependent variable (Decision Making). ANOVA was used to test the significance level of the model using the 0.05 conventional level where a variable is

said to be statistically significant if it falls within the conventional threshold of 0.05.

Tables, figures and frequencies were used to present the data.

Table 3.2 Variable Operationalization and Measurement

Category	Variable	Operationalization	Measurement
Dependent Variable	Decision Making	<ul style="list-style-type: none"> i. Problem recognition ii. Specifications, goals and objective iii. Clear methodology iv. Action on specific decisions v. Feedback 	Likert Scale of 1-5
Independent Variable	Comparability	<ul style="list-style-type: none"> i. Accounting periods are comparable ii. Consistency with other PBOs iii. Financial information iv. Qualitative characteristics of financial statements v. Financial reports comparability 	Likert Scale of 1-5
Independent Variable	Reliability	<ul style="list-style-type: none"> i. verifiability ii. Faithfully representation iii. Neutrality iv. Completeness 	Likert Scale of 1-5
Independent Variable	Relevance	<ul style="list-style-type: none"> i. Timeliness ii. Feedback value iii. Consistency iv. Financial information system v. predictive value 	Likert Scale of 1-5

In particular, the following regression model was used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Where:

Y= Decision Making

$X_1 =$ Comparability

$X_2 =$ Reliability

$X_3 =$ Relevance

$\alpha =$ constant

$\beta_1, \beta_2, \beta_3 =$ beta coefficients

$\mu =$ error term

CHAPTER FOUR

FINDINGS, PRESENTATION AND DISCUSSION

4.1.1 The Response Rate

A response rate of 64 % was obtained. This rate translates to 64% of the total respondents. According to Babbie (2004) response rates of 50% are acceptable, 60% is good and 70% is very good analyze and publish. The study response rate was good according to Babbie (2004) standards which implies that this study achieved a good response rate. Results are presented in Table 4.1.

Table 4.1 Response rate

	Response	% Response
Successful	128	64%
Unsuccessful	72	36%
Total	200	100%

Source: Researcher (2017)

4.2 Sample Characteristics

The sample demographics on gender, age, education, work experience and duration in the company were presented in this section.

4.2.1 Gender

The researcher also wanted to establish gender status of the respondents. Figure 4.1 presented these findings. Majority of the respondents were male who accounted for (75.8%) while female respondents accounted for 24.2%. The findings show that this study was a male dominated study.

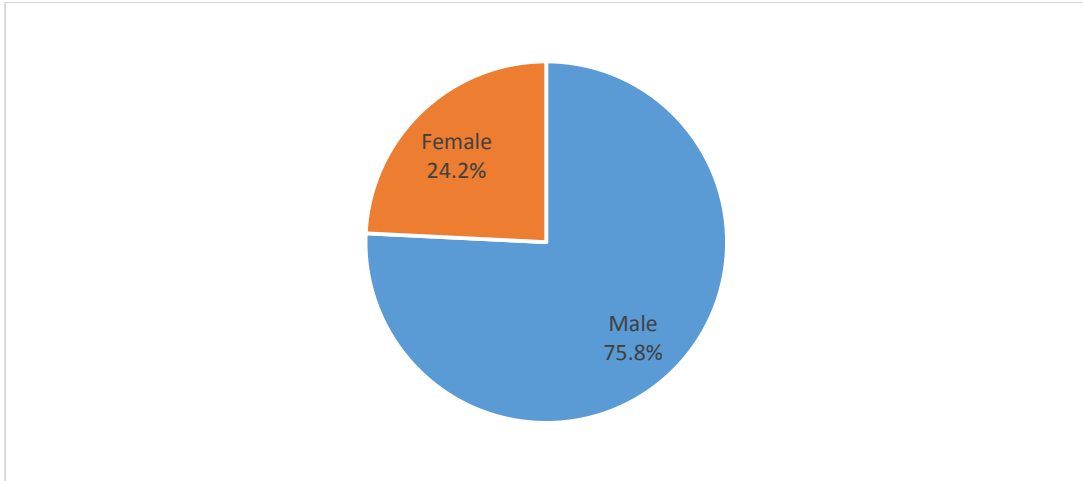


Figure 4.1: Gender

Source: Researcher (2017)

4.2.2 Age

Age bracket of the respondents was also a concern for the researcher. Figure 4.2 presented these findings.

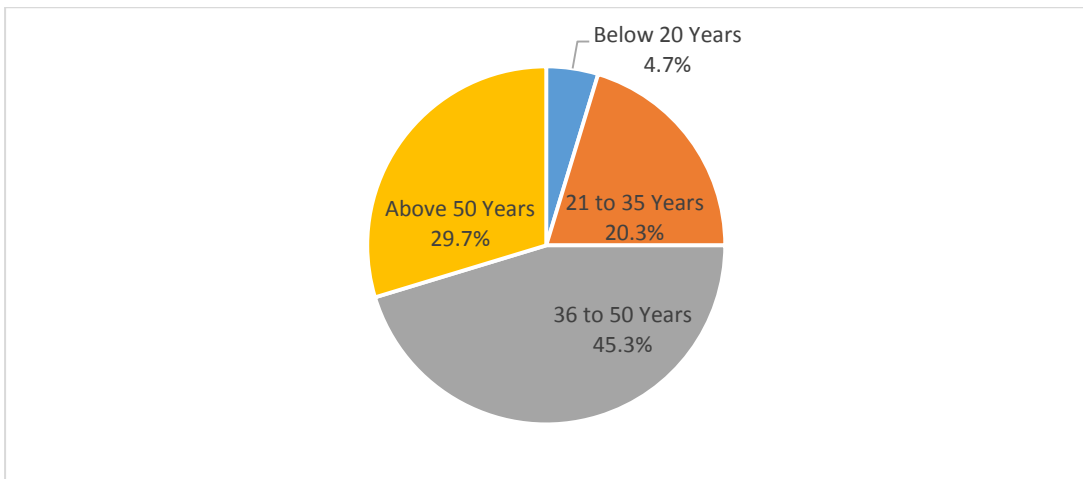


Figure 4.2: Age

Source: Researcher (2017)

Respondents aged between 36 and 50 years were forty five percent. Those aged above 50 years were thirty percent while those of 21 and 35 years were 20.3%. Below 20 years respondents were five percent. The findings imply that the respondents were people who were relatively advanced in age as they lay above 36 years as were at their career peaks.

4.2.3 Work Experience

Figure 4.3 represents work experience of the respondents that the researcher sought to find. Forty two percent of the respondents had work experience of above 10 years while 32.8% of the respondents had experience of below 4 years. Twenty five percent of the respondents had experience of 4 to 10 years. The findings indicate that most participants had extensive experience and hence were adequately appropriate to take part in this study.

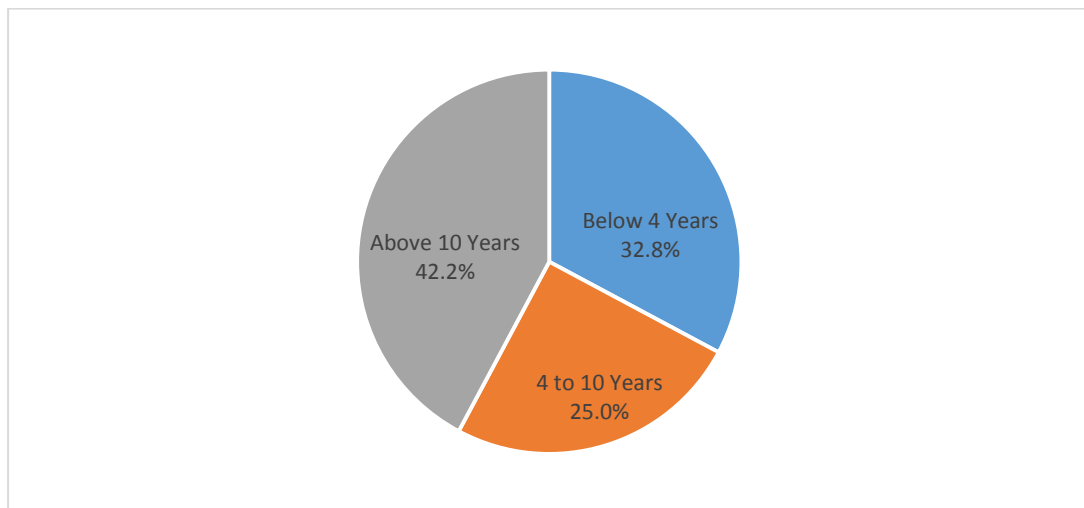


Figure 4.3: Work Experience

Source: Researcher (2017)

4.2.4 Education Level

The researcher sought to find out the highest achieved education level of the respondents. Figure 4.4 presented these findings. (64.1%) of the respondents, who were the majority had attained a bachelor's degree on the other hand, 23.4% of the respondents had attained a master degree. Eleven percent of the respondents (10.9%) had attained a PhD doctorate degree while less than 2 percent (1.6%) had attained a diploma as their highest attained level of education. From the findings, the respondents were well informed as majority had attained higher education hence were informed individuals who would make rational decisions in terms of being accurate in answering the research questions as they were well versed with the environment within which their organizations operated in.

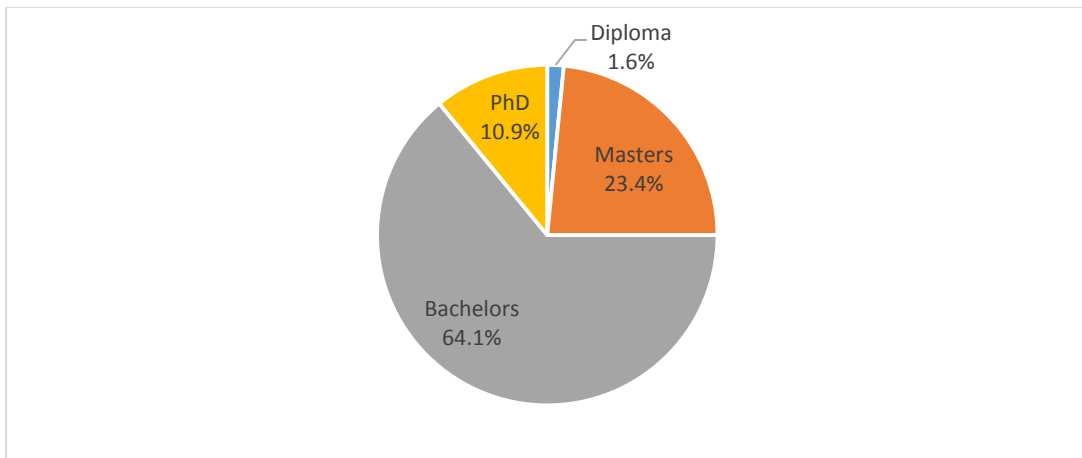


Figure 4.4: Education Level

Source: Researcher (2017)

4.2.5 Duration in the Organization

The researcher sought to find out the duration the respondents had worked in their organizations. Figure 4.5 presented these findings. Majority of the respondents

(64.1%) of the respondents had worked in their respective for 6 to 10 years while 23.4% of the respondents had worked in their institutions for above 10 years. Above twelve percent (12.6%) of the respondents were in their respective institutions for less than six years.

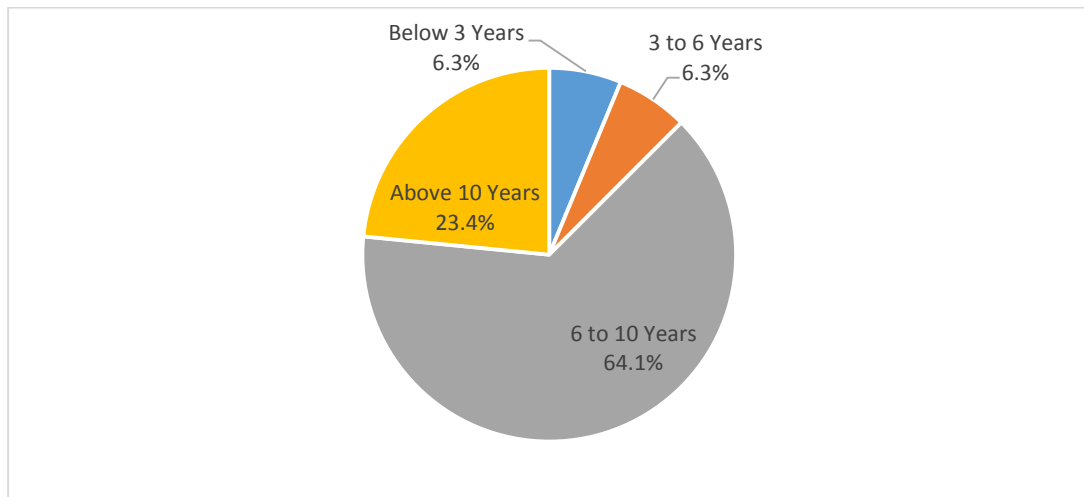


Figure 4.5: Duration in the Organization

Source: Researcher (2017)

4.3 Financial Accounting Information Quality and Decision Making

This section presents descriptive results and discussion of the predictor and dependent variables.

4.3.1 Information Comparability and Decision Making

The researcher sought to find out the effect of comparability on decision making. Table 4.2 presented the findings. (53.1%) who were the majority agreed that financial statements of one accounting period are comparable to another and this helped users to derive meaningful conclusions. Sixty four percent of the respondents agreed that financial statements prepared by their PBO were consistent with those of other PBOs

and this enabled the institution analyze its performance relative to other PBOs. Sixty nine percent of the respondents agreed that financial information made it easier for users to choose between alternatives. Above sixty four percent (64.1%) of the respondents agreed that qualitative characteristics of financial statements in their PBO were easily compared to those of industry average. Sixty four percent of the respondents agreed that users of financial information were able to compare financial reports generated in different periods. The overall mean was 3.5 with a standard deviation of 1.25. The findings imply that information comparability is an important determinant of decision making.

Table 4.2 Information Comparability and Decision Making

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Statements are comparable between accounting periods	6.2%	21.1%	19.5%	35.9%	17.2%	3.4	1.18
Statements are consistent with those of other PBOs	11.7%	16.4%	7.8%	46.1%	18.0%	3.4	1.28
Information helps users choose among alternatives	10.9%	11.7%	8.6%	50.0%	18.8%	3.5	1.24
Qualitative characteristics	13.3%	14.8%	7.8%	41.4%	22.7%	3.5	1.35
Users able to compare financial reports for different periods	6.2%	21.1%	8.6%	44.5%	19.5%	3.5	1.20
Average						3.5	1.25

Source: Researcher (2017)

4.3.2 Information Reliability and Decision Making

The researcher sought to find out the effect of information reliability on decision making. The findings were presented in Table 4.3. About eighty percent (79.7%) of the respondents agreed that accounting information used by management in decision making in the CBO is verifiable. Seventy four percent of the respondents agreed that financial information was faithfully represented and this is key in the decision making process. Majority of the respondents (76.5%) agreed that reliability in accounting information had predictive value which aided in decision making. Seventy one percent of the respondents agreed that financial information had neutrality and hence could be depended on when making decisions. About eighty eight percent of the respondents agreed that information generated from accounting Systems displayed an element of completeness and this helped in decision making. The overall mean was 3.9 with a standard deviation of 1.04. The findings imply that information reliability is a key determinant of decision making.

Table 4.3 Information Reliability and Decision Making

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Information verifiability	4.7%	4.7%	10.9%	65.6%	14.1%	3.8	0.91
Faithful Representation	7.8%	7.0%	10.9%	51.6%	22.7%	3.7	1.12
Predictive value	3.9%	10.9%	8.6%	57.0%	19.5%	3.8	1.01
Financial information							
Neutrality	4.7%	11.7%	12.5%	36.7%	34.4%	3.8	1.16
Information Completeness	3.1%	3.1%	6.2%	14.1%	73.4%	4.5	0.97
Average						3.9	1.04

Source: Researcher (2017)

4.3.3 Information Relevance and Decision Making

The researcher sought to find out the effect of information relevance on decision making. The findings were presented in Table 4.4. Eighty three percent of the respondents agreed that financial accounting information was timely and this timeliness was important especially when making critical decisions in the PBO. Majority of the respondents (85.9%) agreed that there was feedback value associated with financial accounting information hence enabling managers to act on feedback in relation to decision making. Seventy seven percent of the respondents (76.5%) agreed that users of financial statements could depend on consistency in release of development of financial data hence enabling them make decisions. Majority of the respondents (87.5%) agreed that financial accounting information had predictive value which aids in decision making. The overall mean was 4.1 with a standard deviation of 0.98. The findings imply that information relevance is an important determinant of decision making.

Table 4.4 Information Relevance and Decision Making

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Accounting Information Timeliness	4.7%	6.2%	6.2%	43.8%	39.1%	4.1	1.06
Feedback Value	4.7%	4.7%	4.7%	50.0%	35.9%	4.1	1.01
Understandability of Information	1.6%	6.2%	3.1%	40.6%	48.4%	4.3	0.91
Consistency in release of development of financial data	7.8%	3.1%	12.5%	65.6%	10.9%	3.7	0.99
Predictive value	3.1%	4.7%	4.7%	46.9%	40.6%	4.2	0.95
Average						4.1	0.98

Source: Researcher (2017)

4.3.4 Decision Making at Public Benefit Organizations

The researcher sought to assess public benefit organizations in Nairobi County. The findings were presented in Table 4.5. About fifty eight percent (57.8%) of the respondents agreed that elaborate problem recognition measures had been put in place in their PBO to help make decisions on identifying gaps associated and need for addressing such problems. Sixty five percent (65.6%) of the respondents agreed that definition of the specifications, goals and objective that answer problems in decision making were well defined and outlined in their PBO. Sixty five percent of the respondents agreed that there was a clear methodology designed on how decisions were undertaken in attempt to address any concern in the PBO. Majority of the respondents (68.7%) agreed that action was well carried out on specific decisions according to the stipulated processes associated with decisions made in the PBO. Sixty eight percent of the respondents agreed that the management made use of feedback gotten from other parties in aligning and making better futuristic decisions in their PBOs.

Table 4.5 Decision Making

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Problem recognition	17.2%	12.5%	12.5%	32.0%	25.8%	3.4	1.43
Definition of goals and objectives	10.2%	13.3%	10.9%	32.0%	33.6%	3.7	1.34
Clear methodology	10.2%	9.4%	15.6%	45.3%	19.5%	3.6	1.20
Actions on decisions	7.0%	10.9%	13.3%	32.0%	36.7%	3.8	1.24
Feedback	10.9%	7.8%	13.3%	24.2%	43.8%	3.8	1.36
Average						3.6	1.31

Source: Researcher (2017)

4.4 Pearson Correlation Analysis

Pearson correlation analysis findings were presented in table 4.6. The correlation existing between decision making and all the independent variables; comparability, reliability and relevance was strong and positive (0.770, 0.831 and 0.696 respectively). All the predictor variable; comparability, reliability and relevance were satisfactory with a significant level of 0.000 each.

Table 4.6 Pearson Correlation Analysis

Variable		Decision Making	Comparability	Reliability	Relevance
Decision Making	Pearson Correlation	1			
	Sig. (2-tailed)				
Comparability	Pearson Correlation	0.770	1		
	Sig. (2-tailed)	0.000			
Reliability	Pearson Correlation	0.831	0.757	1	
	Sig. (2-tailed)	0.000	0.000		
Relevance	Pearson Correlation	0.696	0.563	0.703	1
	Sig. (2-tailed)	0.000	0.000	0.000	

Source: Researcher (2017)

4.5 Regression Analysis

4.5.1 Fit of Model

Table 4.7 below shows the fitness of the regression model in explaining the variables under study. The findings show that the predictor variables; comparability, reliability and relevance adequately explained decision making. R square of 0.757 supported the findings. This implies that the predictor variables can explain 75.7% of the decision

making which implies that 24.3% of decision making can be explained by other factors not captured by this study.

Table 4.7 Fit of Model

Model	Coefficient
R	0.87
R Square	0.757
Adjusted R Square	0.752
Std. Error of the Estimate	0.56924

Source: Researcher (2017)

4.5.2 Analysis of Variance

Table 4.8 presented ANOVA statistics which indicates that the overall model was statistically significant. Probability (p) value of 0.000 supported this. The reported p was significant in this study because it was less than the conventional probability of 0.05 significance level. These results indicate that comparability, reliability and relevance: independent variables are good predictors of decision making.

Table 4.8 Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	125.424	3	41.808	129.022	0.000
Residual	40.181	124	0.324		
Total	165.605	127			

Source: Researcher (2017)

4.5.3 Regression of Coefficients

Regression of coefficients results were presented in Table 4.9. According to the results, there is a positive relationship between decision making and comparability, reliability and relevance whose beta coefficients are 0.326, 0.619 and 0.381

respectively. All the independent variables; comparability, reliability and relevance were also statistically significant with levels of 0.000, 0.000 and 0.001 respectively. The results indicated that comparability, reliability and relevance were all important determinants of decision making.

Table 4.9 Regression of Coefficients

Variable	Unstandardized Coefficients	Std. Error	t	Sig.
(Constant)	-1.466	0.345	-4.25	0.000
Comparability	0.326	0.07	4.675	0.000
Reliability	0.619	0.109	5.675	0.000
Relevance	0.381	0.117	3.251	0.001

Source: Researcher (2017)

From the results, an increase in comparability by one unit leads to an increase in decision making by 0.326 units; if reliability increases by one unit, decision making increases by 0.619 units; an increase in relevance by one unit leads to an increase in decision making by 0.381 units.

The regression equation was as follows;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

$$\text{Decision Making} = 0.326 \text{ Comparability} + 0.619 \text{ Reliability} + 0.381 \text{ Relevance} - 1.466$$

4.6 Discussion of Findings

From the study sample characteristics results majority of the respondents (75.8 %) were male while most respondents (forty five percent) of the respondents were aged between 36 to 50 years. Forty two percent of the respondents had work experience of above 10 years and 64.1% of the respondents had attained a bachelor's degree. Most

respondents (64.1%) of the respondents had worked in their respective for 6 to 10 years.

Comparability as a variable overall mean was 3.5 with a standard deviation of 1.25. The findings imply that information comparability is an important determinant of decision making. The correlation between comparability and decision making was strong and positive (0.770). From the regression results, there is a positive relationship that exists between decision making and comparability (0.326) and that the variable was statistically significant (0.000). These results indicated that an increase in comparability by one unit leads to an increase in decision making by 0.326 units. The results further showed that comparability significantly determined decision making. The findings are consistent with those of Hafij, Jamil and Syeda (2014) who did a study on what role accounting information has in making strategic decisions specifically in industrial businesses in Bangladesh who showed that there is a relationship that exists between accounting information and strategic decisions in all the selected areas that significantly depend on accounting information

Reliability as a variable overall mean was 3.9 with a standard deviation of 1.04. The findings imply that information reliability is an important determinant of decision making. The correlation between reliability and decision making was strong and positive (0.831). Regression results show that there is a positive relationship between decision making and reliability (0.619) and that the variable was statistically significant (0.000). These results indicated that an increase in comparability by one unit leads to an increase in decision making by 0.619 units. The results further showed that reliability was an important determinant of decision making. The findings are consistent with those of Gwangwava, Faitira and Tendere (2016) who studied

organization bookkeeping information and found that there was a positive relationship between database information and the performance of SMEs.

Relevance as a variable overall had a mean of 4.1 and a standard deviation of 0.98. The findings suggest that information relevance is an important element of decision making. The correlation between relevance and decision making was strong and positive (0.696). Regression results show that there is a positive relationship that exists between decision making and comparability (0.381) and that the variable was statistically significant (0.001). These results indicated that an increase in comparability by one unit leads to an increase in decision making by 0.381 units. The results further showed that relevance was an important determinant of decision making. These findings are in agreement with those of Harendra (2016) who studied the relationship between accounting and decision making in the Sri Lankan Industrial Division and the findings from the study indicated that accounting information has a statistically significant strong positive correlation with decision making.

From the results, the independent variables; comparability, reliability and relevance satisfactorily explained decision making. R square of 0.757 supports this conclusion. This concludes that the independent variables explain 75.7% of the dependent variable (decision making) The ANOVA findings also showed that the overall model was statistically significant. This was supported by a probability (p) value of 0.000. The findings are supported by those of Ionu and Petec (2015) who studied the significance of accounting information in decision making. The researchers identified four principal qualitative characteristics: Reliability, compatibility of information, comprehensibility, and relevance which are key determinants of decision making.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter gave a summary with major findings aligned to the objectives. A conclusion on the relationship between the study variables was deduced in line with the objectives. Suggestions for recommendations and areas for further studies were then drawn.

5.2 Summary

The study general objective was to study the effect of financial accounting information quality decision making on public benefit organizations in public benefit organizations in Nairobi County. The first objective was to study the effect of comparability of financial accounting information on decision making in public benefit organizations in Nairobi County. Results indicated that comparability was important in determining decision making in public benefit organizations in Nairobi County. This was supported by majority of the respondents who agreed that financial statements of one accounting period are comparable to another and this helped users to derive meaningful conclusions, financial statements prepared by their PBO were consistent with those of other PBOs and this enabled the institution analyze its performance relative to other PBOs, financial information made it easier for users to choose between alternatives, qualitative characteristics of financial statements in their PBO were easily compared to those of industry average and that users of financial information were able to compare financial reports generated in different periods. According to correlation results, there was a strong and positive association between

the comparability and decision making and this was statistically significant. There is also existence of a positive relationship between comparability and decision making according to regression results.

The second objective was to assess the reliability of financial accounting information on decision making in public benefit organizations in Nairobi County. Results indicated that reliability was important in determining decision making in public benefit organizations in Nairobi County. This was supported by majority of the respondents who agreed that accounting information used by management in decision making in the CBO is verifiable, financial information was faithfully represented and this is key in the decision making process, reliability in accounting information had predictive value which aided in decision making and that financial information had neutrality and hence could be depended on when making decisions and that information generated from accounting systems displayed an element of completeness and this helped in decision making. According to correlation results, there was a strong, positive and statistically significant association between reliability and decision making. There is also a positive relationship between reliability and decision making in public benefit organizations in Nairobi County according to the regression results.

The third objective was to study the effect of relevance of financial accounting information on decision making in public benefit organizations in Nairobi County. Results indicated that relevance was important in determining decision making in public benefit organizations in Nairobi County. This was supported by majority of the respondents who agreed that financial accounting information was timely and this timeliness was important especially when making critical decisions in the PBO, there

was feedback value associated with financial accounting information hence enabling managers to act on feedback in relation to decision making, information from financial information system was clear and highly understandable, users of financial statements could depend on consistency in release of development of financial data hence enabling them make decisions and that financial accounting information had predictive value which aids in decision making. Correlation results indicate that the association between relevance and decision making was strong and positive and was statistically significant. Regression results also show that there is a positive relationship between relevance and decision making in public benefit organizations in Nairobi County.

5.3 Conclusions

From the study findings, one can conclude that accounting information comparability as a characteristic depended on whether financial statements of one accounting period are comparable to another, whether financial statements prepared by their PBO were consistent, whether financial information made it easier for users to choose between alternatives and whether the qualitative characteristics of financial statements in their PBO were easily compared to those of industry average. Further, financial accounting information in public benefit organizations in Nairobi County had adequate comparability characteristics and this comparability was a key determinant of decision making in PBOs in Nairobi County.

It can also be concluded that accounting information reliability characteristics on accounting information used by management in decision making in the CBO was verifiable, financial information was faithfully represented, the information had predictive value, neutrality and had an element of completeness. It can further be

concluded that financial accounting information in public benefit organizations in Nairobi County was characterized by reliability and this reliability was a key predictor of decision making in PBOs in Nairobi County.

Finally, it can be concluded that accounting information relevance in the PBOs was timely and there was feedback value associated with financial accounting information. The information was clear and highly understandable, depended on consistency in release of development of financial data and had predictive value. Further, financial accounting information in public benefit organizations in Nairobi County had adequate relevance characteristics and this relevance was an important determinant of decision making in PBOs in Nairobi County.

5.4 Recommendations

From the study findings, the researcher recommends that the management puts in measures to improve both quantitative and qualitative characteristics of financial statements in their PBO so that they are easily comparable to those industry average. The management should also put in measures to enhance reliability in accounting information so as to improve predictive value which aids in decision making in the future. The PBOs should strive to ensure that information generated from accounting systems displays an element of completeness so that this helps in decision making in the organizations. Monitoring and control actions should be enhanced in the decision making process on specific decisions according to the stipulated processes associated so that desired goals are achieved in improving the functionality and performance of the PBOs.

5.5 Area for Further Study

This study is not exhaustive in nature and context. The researcher suggests that another study of financial accounting quality and decision making be conducted in another geographical context e.g. Kisumu County to find out whether the findings will be consistent. Another study can also be done in the private sector to assess if there will be similar or conflicting findings with explanations for the same being investigated.

REFERENCES

- Astley, W.G., Axelsson, R., Butler, R.J., Hickson, D.J., and Wilson, D.C. (2012). Complexity and cleavage: dual explanations of strategic decision-making. *Journal of Management Studies*. 19, 357-375.
- Atrill, P. and McLaney, E. (2009), *Management Accounting for Decision Makers*, 6th Edition, Pearson Education Limited, England
- Botha, G. (2014). The Relationship between Accounting Information and Performance Management in the Northern Cape Provincial Legislature.
- Bourgeois, L.J. III & Eisenhardt, K.M. (2008). Strategic decision processes in high velocity environment: four cases in the microcomputer industry. *Management Science*. 34, 816-835.
- Bruening, P. J., Lisa J. Sotto, L. J., Martin E., Abrams M. E. and Cat F. H. (2008) Strategic Information Management. *The Bureau of National Affairs IINC*. ISSN 1538-3423
- Carter, E. (2011). The behavioral theory of the firm and top level corporate decisions. In Rajagopalan, N., Rasheed, A.M.A.& Datta, D.K. (1993). Strategic Decision Processes: Critical Review and Future Directions. *Journal of Management*. 2, 349-384.
- Cooper, D.R & Schindler, P.S (2003). *Business Research Methods*, 9th, edition. McGraw-Hill Publishing, Co. Ltd. New Delhi-India.
- Cooper, D.R. & Schindler, P.S. (2006). *Business Research Methods*, 11th, edition. McGraw-Hill Publishing, Co. Ltd. New Delhi-India
- Cronbach, R.A. (1951). Mortgage Default among Rural, Low- Income Borrowers. *Journal of Housing Research*, 6 (2), 349-369.
- Dean, J.W. Jr. & Sharfman, M.P. (2013). Procedural rationality in the strategic decision making process. *Journal of Management Studies*. 30, 587-611.

- Drury, C. (2008). *Management and Cost Accounting*, Seventh Edition, Cengage Learning, London.
- Duhaime, I.M. & Baird, I.S. (2007). Divestment decision-making: the role of business unit size. *Journal of Management*. 13, 483-499.
- Dutton, J.E. (2006). Interpretations on automatic: a different view of strategic issue diagnosis. *Journal of Management Studies*. 30, 339-357
- Eugenia, I & Tiberiu, S. (2013). Accounting Information for Strategic Decisions, *Educational Research International*, 1 (1) 92-93.
- Fisher, C. W., and Kingma, B. R., (2001). Criticality of data quality as exemplified in two disasters. *Information & Management*, 39(2), 109-116
- Fredrickson, J.W. (2006). The strategic decision process and organization structure. *Academy of Management Review*. 11, 280-297
- Frezatti, F., Aguiar, A.B., Guerreiro, R. and Gouvea, M.A. (2009). Does management accounting play role in planning process? *Journal of Business Research*, 8, 54-61
- Glomstead, M.T., (2001). *Business Process Renewal Services*, Information Advantage. Inc.
- Gwangwava, E., Faitira, M. & Tendere, D. (2016). Management Accounting Information: A Panacea or Myth for Improving Performance of SMEs in the Tourism Sector. *The International Journal of Business & Management* 4, (8) 305-308
- Hafij, U., Jamil, A. & Syeda T. (2014). Role of Accounting Information in Strategic Decision Making in Manufacturing Industries in Bangladesh. *Double Blind Peer Reviewed International Research Journal* 14 (01) 5-12
- Hair, F. Bush, D. & Ortinau, M. (2000) *Research Methods for Business: A Skill Building Approach*. 5th Edition. Aggarwal printing press.
- Hambrick, D.C. & Mason, P.A. (2014). Upper echelons: the organization as a reflection of its top managers'. *Academy of Management Review*. 9, 193-206.
- Harendra, K. (2016). Relationship between Accounting Information and Decision Making in the Sri Lankan Manufacturing Sector. *International Journal of Business and Management Invention*, 4, 524-554
- Ionuț S. & Petec, D. (2015). *The Importance of Accounting Information in Decision Making*, Faculty of Economics and Business Administration, University of Craiova

- Kariyawasam, H. (2016). Relationship between Accounting Information and Decision Making in the Sri Lankan Manufacturing Sector. *International Journal of Business and Management Invention* 5 (12) 01-05
- Krumwiede, K. R, Suessmair, A. and MacDonald, J., 2007. An Exploratory Study of the Factors Affecting the Implementation Success of German Cost Accounting Methods, *Information & Management*, 39 (2) 61-82.
- Langley, A. (1990). Pattern in the use of formal analysis in strategic decisions. Strategic Decision Processes: Critical Review and Future Directions. *Journal of Management*. 2, 349-384.
- Milburn, T.W., Schuler, R.S., & Watman, K.H. (2003). *Organizational crisis part II Strategies and responses*, 1161-1180.
- Miller, D., Droge, C., & Toulouse, J.M. (2008). Strategic process and content as mediators between organizational context and structure. *Academy of Management Journal*. 31, 544-569
- Muthoni, C. (2016). *The Effect of Financial Management Practices on the Performance of Saccos in Hospitality Industry: A Case Study of Five Star Hotel Saccos in Nairobi*. Unpublished University States International University MBA Project
- Nahavandi, A. & Malekzadeh, A.R. (2013). Leader style in strategy and organizational performance: an integrative framework. *Journal of Management Studies*. 30, 405-425
- Naik, B. (2005). A cruel Accounting. *CAmagazine* , pp. 44-46.
- Nnenna, O.M. (2012) the Use of Accounting Information as an Aid to Management in Decision Making, *British Journal of Science*,5 (1) 41-55
- Nooraie, M. (2008). Decision's magnitude of impact and strategic decision-making process output: the mediating impact of rationality of the decision-making process. *Management Decision*,46, 640-655
- Nooraie, M. (2011). Decision's familiarity and strategic decision-making process output: the mediating impact of rationality of the decision-making process. *International Journal of Applied Decision Sciences (IJADS)* 4, 385-400
- Nwaigburu, K. O., & Mark, B. U. (2014). The Use of Accounting Information in Decision Making for Sustainable Development in Nigeria: A Study of Selected Tertiary Institutions in Imo State. *International Journal of Scientific Research in Education*, 7(2), 167-175.

- Odero, A. (2014). *The Effect of Accounting Information System Quality on Financial Performance of Smes in Nairobi County*. Unpublished University of Nairobi MBA Project
- Papadakis, V.M., Lioukas, S. & Chambers, D. (2008). Strategic decision-making processes: the role of management and context. *Strategic Management Journal*. 19, 115-147.
- Paulson, G. (2006). Accrual Accounting in the Public Sector: Experiences from the Central Government in Sweden. *Financial Accountability and Management*, 22 (1), 47-61.
- Pongsatitpat, S. and Ussahawanitchakit, P., (2012). Audit Review Practice, Audit Report Efficiency, Audit Performance, and Audit Quality of Certified Public Accountants (CPAs) in Thailand. *Review of Business Research*, 12(4), 1-15.
- Royae, R. Salehi, A. and Aseman, H.S. (2012). Does Accounting Play A Significant Role In Managerial Decision-Making? *Research Journal of Business Management and Accounting*, 1(4), 57- 63
- Sekaran, U. & Bougie, R. (2010). *Research Methods for Business: A Skill Building Approach*. 5th Edition. Aggarwal printing press, Delhi
- Siyanbola, T. (2012). Accounting Information as an Aid to Management Decision Making. *International Journal of Management and Social Sciences Research (IJMSSR)*.
- Tickell. (2010). Cash to Accrual Accounting: One Nations Dilemma. *International Business & Economics Research Journal*, 9 (11), 7178.
- Trimisiu, T. (2012). Accounting Information As An Aid To Management Decision Making, *International Journal of Management and Social Sciences Research (Ijmsr)*, 1, (3) 29-30
- Wally, S. & Baum, J.R. (2014). Personal and structural determinants of the pace of strategic decision making. *Academy of Management Journal*. 37, 932-956.
- Woods, G. (2008). How external parties influence government decision-making. *22nd International Consortium on Governmental Financial Management (ICGFM) Conference* Miami: Consortium on Governmental Financial Management.
- Zager, K. & Zager, L. (2006). The Role of Financial Information in Decision Making Process. *Innovative Marketing*, 2, 35-40.

APPENDICES

Appendix I: Letter of Introduction

TO WHOM IT MAY CONCERN

Dear Sir/Madam

REF: RESEARCH STUDY

I am a post graduate student studying Master of Business Administration, University of Nairobi. I am writing a research project which is a requirement for the award of the degree. The topic of my research is; “**Effect of Financial Accounting Information Quality on Decision Making: A Survey of Public Benefit Organizations in Nairobi County, Kenya**”. I kindly request your assistance by availing time to respond to the questionnaire. All data collected will be treated in strict confidence and used only for purpose of this study.

Your co-operation will be highly appreciated.

Yours faithfully

Faith Gacheru

D61/83726/2015

Appendix II: Questionnaire

SECTION A: Sample Characteristics (Please tick as appropriate)

1) Please indicate your gender

1) Male []

2) Female []

2) Please specify your age

a. Below 20 yrs. []

b. 21 to 35yrs []

c. 36-50 years []

d. 51 years and above []

3) Please indicate your work experience

Below 4 years []

4 to 10 years []

Above 10 years []

4) Please indicate your highest attained level of education

Diploma []

Degree []

Masters []

PhD []

5) How long have you worked in this public benefit organization

Below 3 years []

3 to 6 years []

6 to 10 years []

Above 10 years

[]

SECTION B: FINANCIAL ACCOUNTING INFORMATION QUALITY AND DECISION MAKING

This section is concerned with assessing the independent variables and their relationship to decision making in public benefit organizations in Nairobi County.

Section B1: Comparability and Decision Making

This subsection is concerned with assessing comparability and its relationship with decision making. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Statement	1	2	3	4	5
Financial statements of one accounting period are comparable to another and this helps users to derive meaningful conclusions					
Financial statements prepared by our PBO are consistent with those of other PBOs and this enables analyze its performance relative to other PBOs					
Financial information makes it easier for users to choose between alternatives					
Qualitative characteristics of financial statements in our PBO are easily compared to those of industry average					
Users of financial information are able to compare financial reports generated in different periods					

Section B2: Reliability and Decision Making

This subsection is concerned with assessing reliability and its relationship with decision making. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Statement	1	2	3	4	5
Accounting information used by management in decision making in the CBO is verifiable					
Financial information is faithfully represented and this is key in the decision making process.					
Financial information is neutrality and hence can be depended on when making decisions.					
Information generated from accounting Systems displays an element of completeness and this helps in decision making					

Section B3: Relevance and Decision Making

This subsection is concerned with assessing relevance and its relationship with decision making. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Statement	1	2	3	4	5
Financial accounting information is timely and this timeliness is important especially when making critical decisions in the PBO					
There is feedback value associated with financial accounting information hence enabling managers act on feedback in relation to decision making					

Information from Financial information system is clear and highly understandable					
Users of financial statements have can depend on consistency in release of development of financial data hence enabling them make decisions					
Financial accounting Information has predictive value which aids in decision making					

Section B4: Decision Making

This subsection is concerned with assessing decision making in PBOs in Nairobi County. Please mark (x) in the box which best describes the extent to which you believe the following statements in regard to decision making

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Statement	1	2	3	4	5
Elaborate problem recognition measures have been put in place in our PBO to help make decisions on identifying gaps associated and need for addressing such a problem					
Definition of the specifications, goals and objective that answer problem in decision making are well defined and outlined in our PBO					
There is a clear methodology designed on how decisions are undertaken in attempt to address any concern in the PBO					
Action is well carried out on specific decisions according to the stipulated processes associated with decisions made in the PBO					
The management makes use of feedback gotten from other parties in aligning and making better futuristic decisions in our PBOs					

THANK YOU