

**YANGON UNIVERSITY OF ECONOMICS
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PROGRAMME**

**EFFECT OF FINANCIAL ACCOUNTABILITY ON FINANCIAL
PERFORMANCE OF NON-GOVERNMENTAL
ORGANIZATIONS**

(A Case Study of Ten Local NGOs in Rakhine, Kachin and Northern Shan)

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EMBF-5th BATCH**

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A thesis submitted as a practical fulfilment towards the requirement for the Degree of
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ABSTRACT

The study aims to provide that the Myanmar non-governmental organizations already have the practices in financial accountability and well known the importance in financial performance of organization which leads to achieve the organizational goals. The objective of the study is to analyze the effect of financial accountability on financial performance of non-governmental organizations. In this study using analytical and descriptive method and multiple linear regression method to evaluate the primary data. Simple random sampling is used for selecting respondents from 10 local non-government organizations which are working in Rakhine, Kachin State and Northern Shan. From each organization, 6 respondents who are working in the management role in the organization and thus 60 respondents in total to conduct the survey. The questionnaires set is used for data collection tool. Based on the survey result, there has been significant relationship between financial performance of the NGOs and financial accountability. Out of three financial accountability factors, financial control is statistically significance of the financial performance. Local NGOs have upheld financial accountability to a great extent however annual financial reporting of their organizations still appears as a challenge and there is no practice to plan for going concern and sustainability of the organization. As the conclusion of the study, the financial accountability factors are effect on the financial performance of local NGOs.

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ABBREVIATIONS

CBO	- Community Based Organization
CDNH	- Center for Diversity and National Harmony
COSO	- Committee of Sponsoring Organizations of the Treadway Commission
CSO	- Civil Society Organizations
DFID	- Department of International Development
EU	- European Union
MANGO	- Management Accounting for Non-Governmental Organizations
MIMU	- Myanmar Information Management Unit
NFPs	- Not-for-Profit Organizations
NGOs	- Non-Government Organizations
OECD	- Organization for Economic Co-operation and Development
UN&IGO	- United Nations and International Government Organization
UNOCHA	- United Nations of office for the Coordination of Humanitarian Affairs
USAID	- United States Agency for International Development

CHAPTER I

INTRODUCTION

Started from 20th century, Managements seriously thought about governance as their lessons learnt in their experiences of challenges. Cornforth (2004) said that Governance is of central concern to nonprofits, yet theories of nonprofit governance are underdeveloped in comparison with corporate governance". And also J. Bart Morrison and Paul Salipante (2007) suggested that "knowledge of governance practices to achieve broadened accountability to multiple and diverse stakeholder groups has lagged". In 2005, the UK Charity Commission' published "a non-mandatory code for good governance for the voluntary and community sector." "Accountability" and especially "financial accountability" for every stakeholders is the hot topic for them.

Inherent to governance is accountability. With responsibility comes accountability. According to the meaning of World Bank's accountability is: "A set of relationships among service delivery actors with five features, namely delegating, financing, performing, having information about performance and enforcing. Delegating refers to the explicit or implicit understanding that a service will be supplied. Financing regards the provision of the resources enabling the service or paying for it. Performing relates to supplying the actual service. Having information about performance is about obtaining relevant information and evaluating performance against expectations and formal or informal norms. Enforcing is about being able to impose sanctions for inappropriate performance or provision of rewards when performance is appropriate" (World Bank, World Development Report 2004, Chapter 3: 48).

Accountability is the obligation of an individual or association to represent its exercises, acknowledge duty regarding them, and to unveil the outcomes in a straightforward way. It likewise incorporates the duty regarding cash or other depended property. In there, we should think about that "what the not-for-profit associations is and what they are accomplishing for who?" Especially in Myanmar, there are a ton of needs for the open survey offices in Country and NGOs are attempting to fill those needs which will be little yet all are as yet significant things for Myanmar people group. Today, that neighborhood charitable associations are

confronting expanding pressure for hierarchical responsibility. The open additionally begin to intrigue and interest for charitable responsibility, straightforwardness and their exposures.

Nonprofit organizations (NPOs) face numerous challenges in maintaining accountability which is problematic, especially paradoxical role of trust and financial reporting. The lack of financial accountability may be risks in goal achievement. "Financial accountability can be defined as the management of the finances of an organization in order to achieve the financial objectives of the organization" (Tooley,S.&Hooks,J, 2010).There are two main aspects, namely: Financial planning which is a plan to ensure that enough funding is available at the right time to meet the needs of the organization for short, medium or long-term funding. For example, how much money is needed to smooth out the changes in debtors, creditors and other cash requirements, should a new asset be bought or leased and financial control which get to assess whether the plan put forward meets the objectives of the organization in question.

Wilks, T. & Zimbelman, M., (2004) stated that financial accountability components and techniques commonly practiced by the non-government organizations include, financial analysis, accountability accounting, and capital budgeting. Donors use to require the non-profit organizations to provide information that enables them to gain assurance that their donations were administered wisely. Donors today are looking at the relative value of work of each non-profit organization they are thinking about supporting. Campbell (1988) and Ensman (1996), they are looking critically at the accomplishments of the organizations, and some donors are even scrutinizing accounting documents to determine just how effective and efficient these organizations really are and the impact of the programme, they have funded. The organizations are depending on funds and so, they must present their good compliances, financial reporting and financial controls.

Accountability as a kind of mechanism of corporate governance and forms are broadly categorized using two basic, accountability relations and Hierarchy or nature of obligation. In the first category, it can be identified three types which are political and social accountability, economic accountability and financial accountability. That is why the financial accountability is the basic concept of accountability and the requirement to provide information to parties both "inside and outside" the organization. It is the process of identifying measuring and communicating economic

information to permit informed and rational decisions to be made. Accountability refers to the final responsibility for the successes or failures of an organizations. The one of the challenges for nonprofit organizations is financial accountability.

1.1 Rationale of Study

The rationale of study investigates importance role to show the effect of financial accountability on the performance of non-government organizations. The objectives of the NGOs among others include: accelerated economic growth and rising productivity of all sectors, to work for venerable communities due to conflict and to help country's democratic reform process and peace process. In that situations of country's needs, our local NGOs also require to get international fund flows and humanitarian aids and important time to show their financial accountability to funding agencies and they can work like as International Organizations. So, the local NGOs are working the same level in their organizations' compliances, their reporting systems and their internal and external control must have international standards or practices.

Financial accountability includes; Financial reporting and analysis, the nature, frequency and purpose of financial reporting, auditing analysis and interpretation of financial performance, working capital accountability non-financial and financial considerations in asset acquisition, quantitative techniques for capital project evaluation, investment hurdle rate determination and handling risk and uncertainty in this context; Financial structure accountability- financial leverage or gearing, accounting to lenders, knowledge of source and uses of finance, non-financial and financial considerations in financial structure decisions and non-financial and financial considerations in profit distribution decisions; Financial planning and control-financial objective and targets, cost volume profit analysis, pricing, financial budgeting and control, and accountability responsibility centers; Financial advice- internal and external sources and Financial accountability - expertise informal and formal education, training and experience in financial accountability , relevant qualifications and overall financial accountability expertise.

In Myanmar, the most of the local organizations founded in 2008 because of Nargis cyclone to help cyclone effected community for humanitarian aids as social volunteer's organizations for short term. Again, the organizations are increased to help

armed conflict in Kachin and Northern- Shan started from 2011 and Rakhine conflict in 2012.

Nowadays, the nonprofit organizations are facing pressure for organizational accountability and to present when relationship with donors, foundations, government and public. In the other hands, local organizations are more aware about community needs, deep in objectives for beneficiaries and cost effectiveness than international organizations but their weakness is their understanding that accountability centers on the relationships among various actors to overcome the related compliances successfully and can be respected because of their dignity for their sustainability of organizations to help Myanmar communities who are suffering.

Some organizations' Leaders understand how to demonstrate their financial accountability practically, to show good compliance or financial management developing financial regulations or compliances, which are approximately like to INGOs and acceptable for international donors, try for organization's annual financial audit or project based financial audit and financial reporting are also in place properly.

According to the report of Myanmar Information Management Unit (MIMU) "Overview of the August 2019 3W", reported 224 non-governmental organizations are working in Myanmar. They are 116 INGO, 77LNGO,22 UN&IGO and 9 Red Cross. Among them, 81 organizations in Rakhine, 67 organizations in Kachin and 93 organizations in Shan State.

In this study, ten LNGO which are helping vulnerable community in Rakhine, Kachin and Northern-Shan. They are register organizations and help for humanitarian assistances, emergency assistances, emergency health, livelihood and others, including knowledge in social, economy and needs for the country reform process and peace process. This NGOs started voluntarily to help the people in conflict areas and international donors are respect and confident on their reputation. Most of the organizations out of 10 are working in Rakhine, Kachin and Northern Shan. The organizations understand how to handle with sensitive stakeholders and the needs for vulnerable community. They are working among sensitive stakeholders, and important to study how their financial accountability can effect on their financial performance and contributes to their reputation and sustainability.

1.2 Objectives of Study

The main objectives of study are as follows:

1. To identify the financial accountability practices of non-governmental organizations.
2. To analyze the effect of financial accountability on performance of non-governmental organizations.

1.3 Scope and Method of the Study

The study selected ten local nonprofit organizations which are helping in country developing programme in reform process, Rakhine crisis and civil wars victims in Kachin and Northern Shan State, some are more than 5 years' experiences. The study focused to analyze on the effect of financial accountability on financial performance of organizations. In order to analyze as international organizations' financial accountability standards.

The analytical and descriptive method used in this study. For the collecting primary data, questionnaires were based on financial accountability, understanding on its factors, compliances, financial reporting and financial control, and financial performance. This study covered 60 target population from total over 500 populations. The source of secondary data is collected from relevant reports and internet websites.

1.4 Organization of the Study

This study paper is constructed with five different chapters. Chapter one is introductions for the paper which involves rationale of study, objectives of the study, scope and method of the study. In the chapter two, the theoretical background of financial accountability is discussed and literature review of financial accountability which has supporting three main factors, compliance, financial reporting and financial control, conceptual frame work and relationship between financial accountability and financial performance.

The chapter three studies on the international standards of financial accountability practice in international non-governmental organizations, the practice of nonprofit organizations in Myanmar. The chapter four includes the analysis of accountability from primary data information. Finally, conclusion, finding and recommendation for nonprofit organizations in Myanmar are presented in chapter five.

CHAPTER II

THEORETICAL BACKGROUND ON FINANCIAL ACCOUNTABILITY

This chapter provides the introduction to financial accountability which are structured in three section; 2.1) theoretical review on Financial Accountability and financial performance, 2.2) previous studies on financial accountability and financial performance and 2.3) conceptual framework and assumption of study.

2.1 Theoretical Review on Financial Accountability and Financial Performance

The study is anchored by Agency Theory which is related to financial accountability and financial performance. The pioneers of the agency theory were Jensen and Meckling (1976) and stated that there exists conflict in an agency relationship when the agents pursue objectives contrary to the interests of the principals.

Agency Theory is one of the most widely used theories to explain the organizations of the principal-agent theory looks at corporate governance practices especially financial accountability and behavior through the lens of the agency dilemma. In essence, the theory perceives the governance relationship as a contract between the principal (e.g. Donor) and agent (e.g. Non-government organization (NGOs)), it is argued seek to maximize their own personal benefit to take actions that are advantageous to themselves, but detrimental to the principal. (See fig: 2.1)

The “Agency theory” clarifies, expects, and sets the limits of relationships between financial parties. Theoretically, desired organization performance is assured in exchange for compensation when the meets the needs of the organization as a financial steward. When the organization chooses to manipulate the financial results through managerial activity and that activity maximizes the return to the leader of organization rather than financial return to an organization in the form of return on investment or equity we say there is an agency problem.

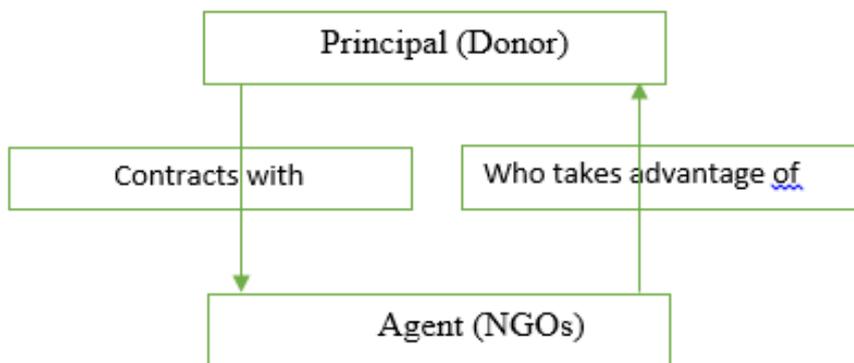
In the case of the non-governmental organization (NGO), described as a legally constituted, non- governmental organization recognized by natural or legal persons with no participation or representation of any government. In the cases in which NGOs are fully funded or partially funded by governments, the NGO

maintains its non-governmental status and excludes government representatives from membership in the organization.

This paper explores the practice and understanding of the NGO organizations on financial accountability and applies agency theory as one of the mechanism, financial accountability for achieving financial performance on behalf of funding organizations Literature on NGOs, which are related to agency theory is actually non-existent and is rarely becomes applied to other areas beyond board and executive compensation.

A very selected literature highlights on the nature of NGO writing, none of it relating to the purpose of this paper. For example, (Eugene F. Fama; Michael C. Jensen, 1983) highlights an accounting treatment where the differing depreciation and capital asset treatment on the balance sheet make the agency relationship more difficult, especially an agency was to be created at the time into an economic theory of the firm. L.M. Salomon (1995) highlights the government and non-profit relationships in a 1995 John Hopkins Press article, but not organizational or foundation contributions to NGO operations. They explored with following Figure (2.1).

Figure (2.1) Agency Theory Diagramme



Source: L.M.Salomon (1995, John Hopkins Press article)

2.1.1 Financial Accountability

Some scholars described that the NGOs can select to make themselves accountable to the beneficiaries or stakeholders they aim to help, for example managing and reporting how their front-line employee or members interact with local beneficiaries and stakeholders. This can influence local people, allowing them to

increase their influence over what the NGOs do. It is sometimes called downward accountability.

The Humanitarian Accountability Partnership group said that "accountability generally is the responsible use of power. It means that people can participate in decisions that affect them, 'have a say' in decision-making processes and complain when a decision is made poorly or has unexpected and unwelcome consequences.

Accountability is a way of influencing other people's decisions. If more powerful people hold less powerful people to account, then it can oppress them. If less powerful people hold more powerful people to account, then it can empower them. This 'empowering' accountability is known as downward accountability because the accountability flows 'down' from more powerful people to less powerful people. It is the same process as citizens holding a powerful government to account".

Interestingly, while NGOs are required to be upwardly accountable to their donors (and spend much time and effort reporting to donors), they do not have to be 'downwardly accountable' to the communities they work with. INGOs use to say about "Underlying the Two Golden Rules is a third idea to keep in mind at all times. NGOs must be thorough and practical in their proposal, plans and strategies. This implies that NGOs must not guarantee beyond what they can reasonably accomplish. This means that NGOs must not claim more than they can realistically achieve. Otherwise donors (and other key stakeholders) will expect unrealistic results, and this can seriously distort work.

These ideas and approaches in many ways challenge how we currently work and relate to key stakeholders and how we measure and monitor effectiveness. For some new ways of looking at NGO accountability and effectiveness, see *Helping People is Difficult* and other papers based on research by Alex Jacobs, Mango's founder, on Mango's website.

According to (Fremont-Smith, 2004), financial accountability gives NGOs legitimacy and credibility, contributes to their reputation and adds to their sustainability. (Hian Chye Koh and E-Sah Woo, 1998) contend that financial accountability is the fiscal or financial honesty and avoidance of fraud that makes sure that money is spend and recorded as a greed and according to appropriate rules and that accurate reports are given to stakeholders in a timely manner. Financial accountability is made by preparing and circulating financial statements or reports to donors and other relevant stakeholders. Viswesvaran (2006) stated to financial

accountability as the requirement to provide information to parties both inside and outside the organization.

Financial accountability measures are an attempt to assert more direct NGO control over the financial projects. They are primarily concerned with resource allocation and fiscal efficiency. While it is completely appropriate for those who pay the bill taxpayers, and donors to evaluate critically what they get for their money from NGO projects.

Compliance

Lin, W., Hwang & Becker, J (2003) state that financial accountability is about making sure that fund have been spent as agreed and according to appropriate rules and regulations. For the NGOs are mostly depending on the donors' funding and all level of people are very important to follow donors' compliances, rules and regulations. And also, they need to follow organization must follow their appropriate rules and regulations because donor assessed on their self-regulations as their financial capability before approved to pay the funds.

Batley (2006) referred to ensure financial accountability, the compliance model requires that every step of the non-governmental organizations financial process be thoroughly documented. Formulators and overseers of the policy are “principals” who delegate the task of actual implementation of policy to subordinates, or “agent.” Principals and their agents are assumed to have more or less diverse, even divergent preferences and goals for policy implementation. At the other hand, some of the theorists said that agents will tend to " shirk" the implementation work, " subvert" the policy need to operate a financial accountability system that will mitigate the supposed tendency of subordinates to shirk, subvert and steal.

Compliance can be represented for solving the “Agency problem” which is essential a financial accountability problem (Bosch, 2002). The operator who actually deliver financials to people might not do so in the proper way if left to their own devices, therefore non-governmental organizations must design a system to compel this proper behavior or force them to account for improper behavior (Gibelman, M. &Gelman, S., 2002).

In the practice, all funding agencies also study, before agree for funds, on the level of understanding on compliance of NGOs and decide the type of fund/ agreement, level of the amount and etc.

Financial Reporting

Financial reporting is also very important role to show evidence for the financial accountability. It also empowers beneficiaries and other stakeholders since information is power. According to the Moyes et al (2006), financial reports must exhibit certain qualities that make them useful to the stakeholders and these include relevance, reliability, understandability and timeliness. Australian Accounting

Research Foundation (1990) stated that it is important; for financial reports to be relevant. They must have value in terms in making and evaluating decisions about the allocation of scarce resources and in assessing the rendering of accountability by the providers. The financial reports must also be reliable because users use them for decision making. Reliability means that information is reasonably free from error and bias and faithfully represents what it purposes to represent.

International Accounting Standards (IAS) doesn't have specific guidelines for NGOs. But in 1995 September, the Accounting Standards Board (ASB) has given an opinion for Accounting Standards to NGOs, that "The Institute will issue Accounting Standards for use in the presentation of the general purpose financial statements can be issued to the public by such commercial, industrial or business enterprises as may be specified by the Institute from time to time and subject to the attest function of its members".

The reference to commercial, industrial or business enterprises in the aforesaid paragraph is in the context of the nature of activities carried on by an enterprise rather than with reference to its objects. It is quite possible that an enterprise has charitable objects but it carries on, either wholly or in part, activities of a commercial industrial or business nature in furtherance of its objects. The Board believes that Accounting Standards can apply in respect of commercial, industrial or business activities of any enterprise, irrespective of whether it is profit oriented or is established for charitable or religious purpose.

As, will not, however, apply to those activities, which are not of a commercial, industrial or business nature (e.g. An activity of collecting donations and giving them to flood affected people). It is also clarified that exclusion of an entity from the applicability of Accounting Standards would be permissible only if no part of the activity of such entity was commercial, industrial or business in nature. For the removal of doubts, it is clarified that even if a very small proportion of the activities

of an entity was considered to be commercial, industrial or business in nature, then it could not claim exemption from the application of Accounting Standard.

The Accounting standards would apply to all its activities including those which were not commercial, industrial or business in nature." Understandability is the ability of users to understand the financial reports. This will depend in part on their own capabilities and in part on the way in which the information is displayed. Timeliness of financial reports is very crucial because reports which are relevant and reliable may be rendered irrelevant if there is undue delay in presenting them.

According to Borman(1991), poor quality of financial reports greatly diminishes the quality of NGOs. Quality information is one that readable, reliable, comparable, consistent, complete, timely, decision-making, accessible and cost effective. The integrity of the nonprofit sector is served best if NGOs are accountable.

Financial Control

CPA Australia Ltd (2011) published "Internal controls for not-for-profit organizations", in this book said that internal controls are systems of policies and procedures that safeguards ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient in operations. The effective implementation and monitoring of a sound internal control system helps ensure nonprofit organization meet their objectives as well as financial accountability when they are providing the services to the community professionally, while utilizing resources efficiently and minimizing the risk of fraud, mismanagement or error.

Most of the INGOs have internal control and their regulation are based on SPAMSOAP, MANGO hand out, edited in 2017 October. MANGO guide to financial management said that internal control help NGOs handle everyday risk of mistakes, confusion or fraud. They also protect staff from any pressure to misuse funds and from the suspicious of wrong doing. Before giving the funds, every donor uses to check financial controls and systems to be secured for implementation and NGOs must have good internal control design because good financial accountability limits fraud and mis-management.

According to Joseph (2018), Internal Control is a system consisting of specific policies and procedures designed to provide management with reliable assurance that the goals and objectives it believes important to the entity will be met. In their view,

the reasons to have internal controls is to promote operational effectiveness and efficiency, provide reliable financial and administrative information, safeguard assets and records, encourage adherence to prescribed policies and compliance with regulatory agencies. This also gives the components of internal controls as control environment, control activities, risk assessment, information and communication, and monitoring and evaluation.

This however has presumed to mean that internal controls are domain of accountants and auditors, but is actually the management that has the primary responsibility for proper controls. This is part of their stewardship responsibility over the use of government resources. Indeed, the managers through their actions, policies, and communications can result in a culture of either positive or lax control. Planning, implementing, supervising, and monitoring are fundamental components of internal controls (Arens, 2006). For the external control or third eyes, mostly external audit report and recommendation from previous donors. The external auditor represents as the eyes of stakeholders. They look though as a representative of donors.

2.1.2 Financial Performance in the NGOs

According to AICPA (2011), Value for Money (VFM) is the term used to assess whether or not a NGOs agency has registered a good or bad financial performance. That is, whether it has obtained the maximum benefit from the goods and services it performances. Achieving VFM may be described in terms of the "3-Es", economy, efficiency and effectiveness. This is the unit cost and productivity indicators that show the ratio between inputs and outputs. Efficiency is a measure of productivity; i.e. how much you get out in relation to how much you put in. Efficiency is primarily associated with the process and the best use of resources (also involves the delivery of procurement). It includes whether you get it right first time or whether you have duplication (Viswesvaran, 2006).Efficiency and effectiveness are well understood terms and both are contained in the set of primary and secondary indicator for each function.

According to Saucier, G., & Goldberg. L (1996), Economy aims at minimizing the cost of resources ('doing things at a low price'). Economy basically means doing less with fewer resources that is, making savings. It is the price paid for what goes into providing a service, for example, the cost per hours of staff, the rent per month of

office or accommodation etc. It includes taking bulk discounts, using spare in-house capacity instead of buying in resources or looking at cheaper outsourcing solutions.

The author Pincus (1989) said that "the appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objective. Performance is measured by either subjective or objective criteria, arguments for subjective measure include difficulties with collection qualitative performance data from small organizations and with reliability data arising from differences in accounting methods.

2.1.3 Relationship between Financial Accountability and Financial Performance

According to Lee, T. & Ali, A (2008), "there is a strong relationship between financial accountability and financial performance. This is because financial accountability improves financial performance; the goal of financial accountability is to improve performance, not to place blame and deliver punishments. Systems of budget reporting have been established with the accounting for NGO expenditures and the provision of information on performance for use by implementers, managers and politicians. The mismanagement and embezzlement of funds by the officials of the non-governmental organizations have contributed to poor financial performance." (Jone, 2009) argues that "for financial accountability to be effective, action should be taken upon institutions which render inadequate financial accountability. There may be a functioning financial system, but due to information asymmetries or social polarization, the outcomes may still be biased against the poor.'

Humphrey (1993), referred an example of contracts and financial accountability in developing nations where the local community has the authority to verify work done before payments are effected on every phase completed. This has ensured quality work done and reduced "Ghost" contractors. The wide range of cost estimates itself hints at an insufficient level of financial accountability in these programs, while also provoking the important question of what society is receiving as a return on its substantial investment in the regions.

Effective financial accountability to non-governmental organization requires that NGO staff support their departments through their actions, advice and information (Baron, 2007). Effective and useful financial accountability measures must be unambiguous, either monotonically increasing or decreasing measures of

either costs or benefits and good control and external audit, both financial and performance audit, to show transparency and their level of financial accountability.

At the extreme, some rational-choice theorists contend that agents will tend to "shirk" the implementation work, "subvert" the policy goals of their principals in order to further the agents' own purposes, and even "steal" whatever program resources they can. To solve this "agency problem," the designers and overseers of policy need to operate a financial accountability system that will mitigate the supposed tendency of subordinates to shirk, subvert, and steal. The "agency problem" is essentially a financial accountability problem (Bosch, 2002). The operators who actually deliver financials to people might not do so in the proper way if left to their own devices, therefore non-governmental organizations must design a system to compel their proper behavior or force them to account for improper behavior (Gibelman, M. & Gelman, S., 2002).

Although both agency and stewardship theories offer a lens for understanding financial accountability, they are based on fundamentally different assumptions about human behavior. Green, P., & T. Calderon (1996), has pointed out ultimately, if one wishes to complete the performance information loop completely, one must not only demonstrate good results, but also that they are the result of what non-governmental organizations are doing.

There have been prior studies conducted which aimed at examining the effects of financial accountability on the performance of local non-governmental organizations who are helping for the communities from conflict effective areas. This study fits into the conceptual framework of this studies and contributes to extant literature. For the purpose of this study, it is useful to categorize them in relation to their concept, scope, and findings.

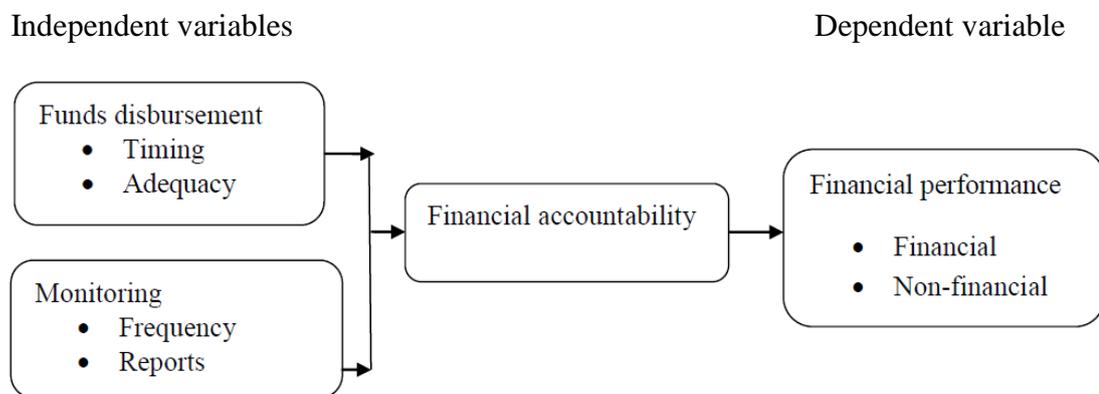
2.2 Previous Studies on Financial Accountability and Financial Performance

When review on other researcher's concepts of financial accountability, one of the researchers, Mwaura, Paul Mbugua (2013) from "The School of Business, University of Nairobi" studied the effect of financial accountability on financial performances of NGOs in Kenya. He studied on International nonprofit organizations and he mentioned the case of the scandals such as Enron, WorldCom and the reports of PwC (2009) in the 5th Global Economic Crime Survey that "fraud remains a

pervasive business risk and almost every firm is subject to occupational fraud in their daily business, leading to huge losses for business and society".

And also described that the increase in financial misappropriation and number of corporate scandals had an important impact on understanding and analyzing financial accountability and in tum on audit of the same and its regulation. The researcher examined that it adequate and timely funding, proper monitoring and accountability systems, financial performance is likely to significantly improve and the researcher's concept is in-term of financial accountability, funds disbursement for timing and adequacy, and frequency of monitoring and reporting, is independent variable on the NGO's financial performance as the dependent variable in the study. The conceptual framework of the researcher is as shown in Figure. (2.2).

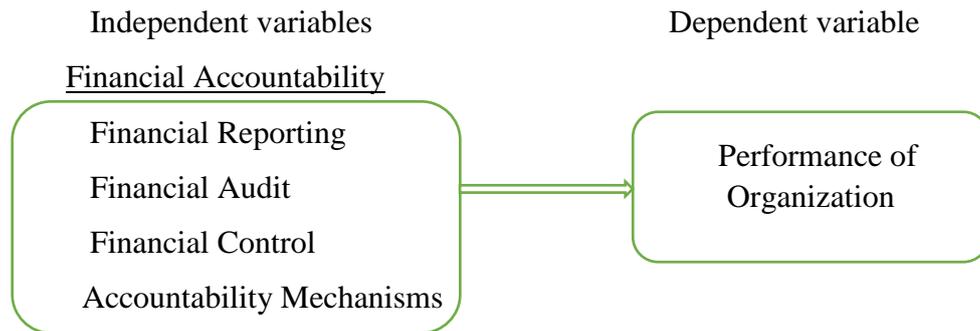
Figure (2.2) Financial Accountability on Financial Performance



Source: Paul Mbugua (2013).

The researcher explore that financial accountability will lead increase in the scores of financial performance in NGOs and established a significant relationship between financial accountability and financial performance in NGOs. The context of the researcher Jane M’Nyiri (2018, The School of Entrepreneurship, Procurement and Management, University of Agriculture and Technology, Kenya) studies" Influence of financial management practices on service delivery in the public health facilities in Nakuru East Sub-country, Kenya". His concept financial accountability is one of the component of financial management as independent variable and service delivery which kind of performance of organization is dependent variable. The conceptual framework of the researcher is as shown in Figure (2.3).

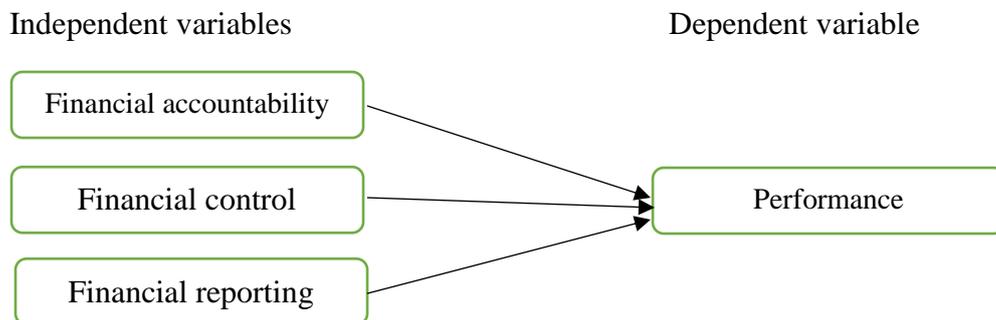
Figure (2.3) Financial Management Practices on Performance of Organization



Source: Jane M’Nyiri (2018).

Third researcher, Maqoba Wiseman Khanyile (2016, Department of Management Accounting, Faculty of Accounting and Informatics, Durban University of Technology, South Africa) studies "Evaluation of financial accountability, financial control and financial reporting at Umtsheqi Municipality". The researcher explored that financial accountability, financial control and financial reporting are the three main elements that determine the financial performance of the municipality. The conceptual framework of the researcher is as shown in Figure (2.4).

Figure (2.4) Evaluation of Financial Accountability, Financial Control and Financial Reporting



Source: Maqoba Wiseman Khanyile (2016).

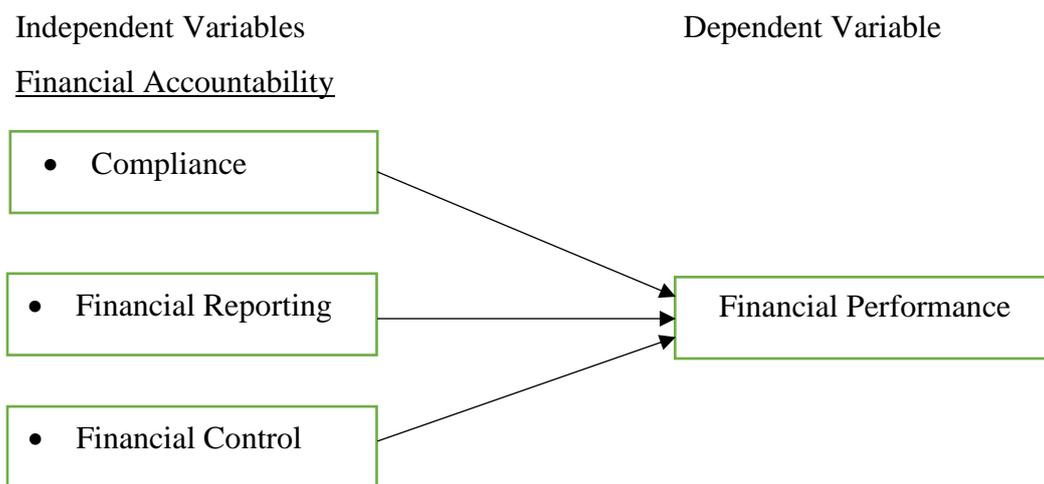
2.3 Conceptual Framework of Study

A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. It can be defined as a set of broad ideas and principle taken from relevant fields of enquiry and used to

structure a subsequent presentation. The interconnection of these blocks completes the framework for certain expected outcomes. The researcher Paul Mbugua explored the significant relationship between financial accountability and financial performance and they are directly correlated. M' Nyiri Jane explore and his supervisor, Ngahu Solomn mentioned in IOSR Journal of Business and Management, the components of financial accountability are financial reporting, financial Audit, financial Control and accountability mechanisms.

The assumption of NGOs, which use to show their accountability as visibility with compliances, rules, regulations, guidelines and donors' guidelines for financial and non-financial. And also financial reporting is very important for the financial accountability of organizations and it can show clearly for transparency and "3E", effectiveness, efficient and economy, in this area. In the NGOs, financial audit is one of the mechanisms for control and in this study assume the financial audit is included under financial control. This three facts, compliances, financial reporting and financial control, are directly effect for financial accountability of NGOs. If one of the fact is failure, it will be negative effect on financial accountability of NGOs.

Figure (2.5) Conceptual Framework of the Study



Source: Own compilation.

In figure (2.4), an independent variable is one that is presumed to affect or determine a dependent variable. It can be changed as required, and its values do not represent a problem requiring explanation in analysis, but are taken simply as given. The independent variables in the study will be: financial accountability, which are compliance, means including regulations, financial reporting, and financial control

means including practice of financial audit. A dependent variable is what is measured in the experiment and what is affected during the experiment, it responds to the independent variable. The dependent variable in the study will be financial performance due to strengthening of financial accountability.

This conceptual framework is developed from the based on above two researchers and other definition from the book “Global Accountabilities: Participation, Pluralism, and Public Ethics” (Alnoor Ebrahim, Edward Weisband, 2007) identified four components of accountability: transparency, answerability or justification, compliance and enforcement or sanctions. According to the framework, the goal of financial accountability is the improvement of financial performance of organization when the factors of financial accountability are compliance, financial reporting and financial control.

Research questions for the study is: “Do compliance, financial reporting and financial control practices really effect of the organizational financial accountable on financial performance?”

CHAPTER III

OVERVIEW OF FINANCIAL ACCOUNTABILITY ON PERFORMANCE OF NGOS

This chapter discusses the current practice of the LNGOs. The first section presents general backgrounds of Myanmar organizations. The second section discusses the practice in INGOs and the last section is about the management of Myanmar Organizations.

3.1 General Background of Local Non-Government Organization

Myanmar opened the doors to contact with International after 1990. Some of the International organizations introduced for health issues, mostly three diseases, Malaria, Tuberculosis and AIDS. There were a lot of Malaria prone areas in hilly regions. And then the agricultures, environmental and livelihood organizations for farmers. These two areas that we already had human resources in country, especially doctors, nurse and water and sanitation specialists, engineers, agriculture specialists and administration and financial management sectors. These people could learn how to help development sector of our country as non-profit organization.

At the same time, the social volunteer groups based on religious throughout the country because of our traditional culture which is to help other people, working together for our respective religious and traditional ceremonies. We call "Tha Yae Nar Yae" social volunteer groups based on village, wards and town. There had a lot of community key influencers and youth leaders. They also helped for flooding, Earth quick and Cyclone affected areas, for example to Rakhine in history.

Nowadays, they can support ambulance services. They all have financial reports to stakeholders that they write down in blackboards in front of the place of groups, Dammayone, they announced how much they collected from who and how much they spent all expenses lines by lines or some are total amount. For them, it is for their transparency practice to their stakeholders as the performance for their financial accountability. They also helped during "Nargis Cyclone" in 2008 and some are founded non-government organizations after they met with the people who already have experiences in international non-government organizations.

They also understood that local NGOs can help our community effectively. In my study, local NGOs located in Yangon, Rakhine and Kachin, which are working for venerable communities due to conflicts, earns, religious and ethnic.

After gaining independence from Britain on 4 January 1948, Myanmar's freedom was marred by mistrust that rose out of political factors and misunderstandings between the ethnic groups and the democratic government. As a result, many groups took up arms against the central government in their struggle for prosperity and independence and to preserve their ethnic identity. After the nearly fifty years of internal unrest, the grassroots people of all ethnicities who had been caught in the crossfire finally had their wish of peace fulfilled. Religious and community leaders of the regions made determined efforts to mediate between the two sides and as the first step managed to establish a cease-fire. Thus the situation changed from bloodshed to dialogue, and the peaceful addressing of the issues that needed to be resolved.

As of 1998 the majority of the armed groups reached cease-fire agreements, and at last the process of reconciliation and development could begin especially the remote areas where infrastructure is virtually non-existent. The process however is slow and hard, given the roughness of the terrain. The way to preserve the ethnic identity of the races and to up-grade living conditions including health and education is to help them where they live, however remote it may be. Keenly aware of such diverse needs and the necessity of breaking down old prejudices and resolving misunderstandings. According to the needs, some of the community leaders who are intelligence, knowledgeable and dare to give their life for community, founded the organizations to negotiate between military and ethnic earn groups and in the other hands, that organizations help IDPs, internally displaced people, due to civil war.

For the working groups in Rakhine, the most of organizations were emerged due to the conflict of 2012 to help both community. They are different with other area because most of them are activists and they love and aware on human rights, rules of law and political changes of Myanmar and not related with religious group and they are mostly Rakhine and some are activists for minority ethnic groups. They are opened minded and stands for neutrality.

In the report of Myanmar Information Management Unit (MIMU) "Overview of the August 2019 3W", reported 224 non-governmental organization are working in Myanmar as shown in Table (3.1). They are helping for various sectors, health,

education, IDPs needs, peace process and any other reform process of democratic government. In this study, ten local organizations participated and they all are good in reputations as well as they know well on their community needs. They can work like international organizations.

Table (3.1) Agencies Reporting Activities

Organization Type	INGO	LNGO	UN &IO	Red Cross	Total
Country wide	116	77	22	9	224
Rakhine	45	16	15	5	81
Kachin	43	12	11	1	67
Shan	63	18	10	2	93

Source: (MIMU, “Overview of the August 2019 3W”.)

3.2 Financial Accountability in International Non-Government Organizations

International non-governmental organizations (INGOs) perform an important role in the economic development of developing countries including in Myanmar. They provide services to society through welfare works for community development, assistance in national disasters, sustainable system development, and popular movements such as conflicts resolution and prevention, current peace processes. When they have taken and increasingly prominent role as development assistance implementers, especially in fragile states, responsibility of the public sector. Some 65 international NGOs operate in Myanmar. These organizations differ in size and budget, and work in a variety of sectors, including health, agriculture, micro finance and disaster response. Many are multi-sectorial INGOs with global operations (e.g. CARE, World Vision, International Rescue Committee), while others are smaller, sector-specific organizations (e.g. Asian Disaster Preparedness Center). In 27 Nov 2019, UNOCHA-Financial tracking service department recorded donors funding for Myanmar in development sector total income funding USD214 million. They are excluded the funds for the country's democratize transition including for supporting to peace process through NRPC, National Reconciliation and Peace Commission and related for rule of laws funds from embassies of Europe countries, especially from Norway, Swiss and Demark, EU office in Myanmar and

USAID which is supporting at least 90 million approximately in 2019 which are managed by Development Alternative Initiative, FHI360, Chemonics, and Open Society foundation. From Australia's aid program to Myanmar is 84 million estimated outcomes. They have more movements, they need more transparency and accountability must become area of concern for their stakeholders.

In the other hand, Many NGOs are dependent to a greater or lesser extent on contributed income. These "donative" nonprofits gather funds from foundations, corporations and individuals order to carry out their charitable missions. Institutional funders and large individual donors have long studied the financial statements of NGOs during the grant. Financial accounting is essential to financial accountability, which is essential to a prosperous society.

Most of the INGOs have standards guidelines to measure accountability (i.e., managing complaints, conflicts of interest, official travel, financial management, record keeping, election and accountability of senior management teams of organizations and then they must follow as per contracts with donor and donors' compliances. Most of the INGOs applied financial standards in ensuring accountability of finance in the organizations. The financial manuals are reviewed regularly to update the international accounting standards as like profit organizations and give to all stakeholders in need. The regulations of INGOs are based on their countries practice and adopted with Myanmar laws. All of the INGOs staff must aware on all regulations especially financial regulation and Human Resource policy in after their orientation time or there have specific training. For the guidelines of government, all INGO are register organizations and agreement with relevant ministry and they follow the compliance according to MOU. All INGO and project based UN agencies are encouraged to pay income tax on their salary.

All of the INGOs are using International Financial Accounting Standard and reporting are "accrual accounting basic" for project base and they recruit. professional accounting and financing person who can issue the annual income and expense budget and periodic reports at least monthly by comparing actual receipts and expenditures to the budget with timely variance reports with disclosures; writing and signing cheques or vouchers and receiving, recording, securing and depositing cash and other receipts.

All INGOs ensured that all transactions and funds are properly recorded, accounted for as required as a condition of any grant were completed and restrictions on the use of such funds. They also have external audit for annually or project based

period audit to show third party information for transparency. The management of the INGOs regularly produced cash-flow statements to show the organization's projected cash inflows and outflows. The staff of the INGOs submit reported for business advances in a timely manner and all INGO staff must take responsibility for their personal income taxes as an ethical duty.

They have internal control strongly and called on SPAMSOAP, (segregation of duties, personnel, access, management, supervisory, organizing, authorization, and physical). Most of the INGOs already have the code of conducts including for conflict of interest and Do No Harm. But in the practice, they couldn't prevent the messing of the local market, experiences in Nargis Cyclone operations.

3.3 Financial Accountability Practice in Local Non-Government Organizations

The local organizations are mostly poor knowledge for financial accountability but they can get trust from donors when they are doing their own practices of accountability. It means that they have practice for financial accountability but not systematically and also mostly they didn't know that they are doing the compliances, financial report and financial control for their financial accountability. This is reason that it encourages to do this study.

In this study, this local NGOs are registered organizations and they have their own vision and mission to help the communities. They are extremely busy to support to the community who are in conflict effective areas in Myanmar, especially for Rakhine, Kachin and Northern Shan and some organizations are helping country's peace process. They received funds from International donors, based in Myanmar who are especially helping for country reform and conflict effective communities. Most of the funding agencies are USAID, DIFID, French Embassy, Danish Embassy, Swedish Embassy, etc. According to the experiences with this donors, most of the local organizations adopted their regulations and set up the practice as the same level as international organizations.

In the practice for compliance, they mostly emphasize, firstly on the contract of fund with donors to show their gratitude and capacity of management, secondly their regulations to achieve their objective and goals for country. In this study, ten local organizations who are working as the same standards and practices as International organizations. Their financial management and regulations are based on the international accounting standards, IAS and IFRS, and recruited staff who

have experience and qualification to be applying international accounting standards and used to be with compliances and reporting of international donor agencies. They also ability for internal control and coordination with external auditor for external control.

3.3.1 Compliances

As a compliances practice in this 10 local NGOs, they all have financial management manual and include financial accounting routines, the chart of accounts and cost center codes, delegations of authorities and segregation of duties, budget planning and management process, procurement regulations and levels of procedures, bank and cash procedures, management accounting routines and deadlines, control for fixed assets, staff benefits and allowances under human resource policy, Annual audit arrangement and responsibility, conflict of interest and fraud policy, and code of conducts for staff and member. And also, they have organization charts, related job description and standard forms for relating of finance, HR and procurement. Every policy enhances their financial accountability to their donors and other stakeholders including beneficiaries importantly.

In the other hand, they must importantly follow compliances from donors which are mostly International practices and respective based of countries governmental accounting styles but more flexible to compare with NGOs's regulation, especially in level of amount in financial management. And regulations of government's instructions, which updated in 2014, to follow.

3.3.2 Financial Reporting

The understanding of local non-governmental organizations on financial reporting is the requirement for donors as a tools. Most of them are never practice for their own organization consolidation report quarterly or annual but they have cash book and general ledger. So their financial report are project based financial report.

Why it is happened for their understanding that the most of managements of organizations and Board members are programmers mostly and also the funding agreement between donor and organization includes activities to achieve the deliverables which are funding of the project reporting on activities, narrative report, financial report, periods of reporting, management of funding and procurement of goods, stipulations in the budget regarding how the funding is to be applied.

The most requirements are related with financial report and most of the organizations emphasis on donor reporting and their understanding is also that it is enough for the organization as well. Donors' need for periodic performance reporting that demonstrates progress and positive deliverables on a project sometimes conflicts with the longer-term nature of some projects and the slower pace of work in some communities.

Addressing this disconnection between the time constraints of some donors and the practicalities of some types of project may require a willingness by donors to recognize that highly beneficial long-term outcomes cannot always be delivered in a timescale to suit the shorter-term reporting demands and expectations of some donor communities.

In the other hand Myanmar government does not instruct guideline clearly to submit organization's financial report to registration office or related ministry. Myanmar Accounting Standard board does not have specific guideline for non-government organizations as the same as international accounting standards but fortunately finance staff, mostly are Bachelor of Commence, and auditors are aware how to do the best for financial reporting in using high quality of standards.

All LNGO define a grant as income of the individual project when it is received and the amount expensed out for activities and operational expenses are shown as expenditure in the statement of income and expenditure. All expenditures deduct from grant balance which recognize as income, directly. The under and over spending balance is described as a liability and an asset respectively.

There is no revenue in NGOs for IAS-18 and some organizations have the very small amount from bank interest and recognize as interest revenue under IAS-18. As indicated by IAS-16 and IAS-1, the NGO expresses its fixed resources at cost less collected devaluation, deterioration is accommodated on a straight line basic over the estimated useful life. Like the profit oriented organization, accounts receivables are recognized at nominal value and recognized net provision for irrecoverable amounts.

3.3.3 Financial Control

The senior management of the organizations develop the financial control, system by hiring the consultant which can be reached as international organizations. Thus, their financial control comprises a series of procedures designed to promote and protect. The management and programmer depend on the financial information and it

used to be reliable and finance staff can give accurate information to make decision. Every organization have "assets register" and other records which are to prevent and monitor to avoid stolen, misused or accidentally destroyed. For the check and balance, they use to recruit separate person for cashier and finance officer for using the principle of segregation of duties and regularly monitoring by internal auditor or senior management to get the effective internal controls system. They also have the system for approval on all expenses manually.

The director is commonly responsible for overseeing the day to day implementation of the policies and procedures for handling financial transactions are best recorded in an accounting procedures manual describing the activity. All their projects have external auditor and some organizations recruit external audit annual basic for their organizations.

Some bigger organizations such as Nyein Foundation, CDNH and Network Association Group, have whistleblowing policy which should outline the steps if staff or related members of organization suspects another individual of fraud. This policy to be supplement a mechanism about potential fraud anonymously, and without fear of negative consequences, is recommended.

CHAPTER IV

THE EFFECT OF FINANCIAL ACCOUNTABILITY ON FINANCIAL PERFORMANCE

This chapter presents the findings of the effect of financial accountability on financial performance of Non-Government organization. There have been five sections; section one express the research design, section (two analyses on the demographic profile of respondent, section three examines the respondents' awareness of financial accountability on financial performance, section four discuss assessment of reliability, section and the last section evaluated the effect of financial accountability on financial performance.

4.1 Research Design

According to Burns, Alvin C ; Bush, Ronald F (2003), the type of data needed and pre-set research design determines the method of data collection used. This study relied on primary data to obtain information and opinions directly and specifically from the sampled respondents. Self-administered questionnaire method has been used to obtain data. The study adapted the questionnaires from various past studied related to the topic and mainly used “Likert” scale measurement for all the variables constructed in the proposed theoretical framework. The questionnaire has been dividing into three sections where by Section A focus demographic characteristics of participants, Section B focus on financial accountability practices, and Section C focus on financial performance of the non-governmental organizations. In this study, the measurement of variables was done three independent variable of financial accountability, compliance, financial reporting and control, while one dependent variable is financial performance non-governmental organization.

Research method in this study is used analytical and descriptive method. The study used simple random sampling to select samples to participate. The target population is employee from 10 NGOs. The respondents are the top and middle management role for financial, operational and programme management in their organizations. This study sampled at six staff from each organization. They all are handling the quality of their organizations to compare with INGOs. The target is reasonable because strong awareness of financial accountability and financial

performance has programme management level. After collecting and encoding the data, frequency and descriptive measure, Cronbach Alpha for checking internal consistency, and multiple linear regression model to analyze the research objective as a statistical tool are used in this study.

4.2 Demographic Information of Respondents

Demographic information compared between sub-groups of respondents how vary the responses are. The study sampled sixty participants who are working in the top and middle management level in ten organizations. Sixty out of which fifty-four responded to the questionnaire while seven did not respond. Therefore, response rate has been presented as 90 percent. Demographic profile included five factors such as gender, age, position, education level, working experiences in ten local NGOs. Each characteristic has been analyzed in terms of frequency and percentage. The summary of demographic profile data is presented as follows sections.

4.2.1 Gender

The first analysis of the demographic profile of respondents is gender. It is classified into male and female. Table (4.1) shows the result of gender demographic profile data of the respondents.

Table (4.1) Gender of Respondents

Gender	Frequency	Percentage
Female	30	55.6
Male	24	44.4
Total	54	100

Source: Survey Data, 2019.

By the information of gender composition in Table (4.1), it was found that 30 number of female and 24 number of male in the study. In term of percentage, male respondents have been 44.4 percent while female respondents cover 55.6 percent in the study. It is found that gender balance and there has no influential between male staff and female staff perception on the study.

4.2.2 Age

Age of the respondent determine his/her knowledge with the focus of the study, and it is one of the demographic profile factor asked in the survey. In this study, ages are grouping into four: 21-30 years old, 31-40 years old, 41-50 years old, and 51-60 years old. Table (4.2) summarizes on the result of age of the respondent employees.

Table (4.2) Age Group of Respondents

Age (in year)	Frequency	Percentage
20-30	4	7.4
31-40	26	48.2
41-50	18	33.3
51-60	6	11.1
Total	54	100

Source: Survey Data, 2019.

According to the analysis of age of the respondents, it is found that the age group 21-30 years includes 4 respondents, 31-40 years includes 26 respondents, 41-50 years includes 18 respondents and 51-60 years includes 6 respondents. The respondents were asked to indicate their age 48.1 % who were the majority were between the age of 31-40 and 20-30 years' age group shares the smallest with 7.4 percent. From that age analysis, matured age group of between 31 and 40 years old. This shows that the respondents were mature and could answer the questions in this study appropriately.

4.2.3 Position of Respondents

Position of the respondents is one of the key factors for demographic profile data in survey. Perspective on the policy, procedures and practices will vary upon the position. In the analysis of position of respondents, there are five categories from eleven levels based on their organizational structures of. Five categories in this survey are from Admin Manager/Officer, Executive Director/Director, Finance Manager/Officer, Programme Manager/Officer and Procurement Manager/Officer from ten organizations but are daily in touch with the financial accountability practices. Table 4.3 summarized the result on the position of respondents as follows.

Regarding to summary of Table 4.3, it is found that out of 54 respondents, 3 Admin Manager/Officer, 12 are Executive Director/ Director, 23 are Finance Manager/Officer, 8 are Programme Manager/Officer, and 6 are Procurement Manager/Officer. In the term of percentage, Finance manager/ Officers shares the largest portion with 42.6 percent, Executive Director/Director includes 22.2 percent with the second largest portion.

Table (4.3) Position of Respondents

Position	Frequency	Percentage
Admin Manager/Officer	5	9.3
Executive Director/ Director	12	22.2
Finance Manager/ Officer	23	42.6
Programme Manager/Officer	8	14.8
Procurement Manager/Officer	6	11.1
Total	54	100

Source: Survey Data, 2019.

There will divide into two portion such as directors and finance the percentage shares nearly equal. From the survey result, the responses on the survey questions for financial accountability practices and financial performance of organizations from the point of top management and financial staff view as well as the point of programme and operation management level view.

4.2.4 Education Level of Respondents

Education is one of factors in demographic profile data, which influence on the responses of the study. In the analysis of education level, there have been grouped into four: college diplomat, master degree holder, post graduated and university degree holder. Respondents are asking for their highest education level in this study. Table (4.4) summarized the results from the respondents as follows.

Table (4.4) Education Level of Respondents

Education	Frequency	Percentage
College Diploma	2	3.7
Master Degree	13	24
Ph.D.	1	1.9
Post Graduate	4	7.4
University Degree	34	63
Total	54	100

Source: Survey Data, 2019.

Regarding the results of the analysis, it is found that 34 respondents are University degree holders, 13 respondents are Master degree holders, 4 are post graduated, 2 college diploma and 1 is Ph.D. holder. In term of percentage, University degree holders are account for the largest portion with 63 percent and Master degree holders are the second largest with 24.1 percent. This shows that the respondents were well educated.

4.2.5 Working Experiences of Respondents

Asking for working experiences in their organizations focus on the relevant working experiences in their field and having understandable on the survey objectives. In the analysis of working experiences, it was grouped into four: below 3 years, 3-6 years, 7-9 years and 10 and above. Table (4.5) reports on the results of the analysis on the working experiences of the respondents as follows.

Table (4.5) Working Experiences of Respondents in the Organization

Experiences	Frequency	Percentage
Under 3	11	20.4
3 – 6 Years	14	25.9
7 – 9 Years	11	20.4
10 and above	18	33.3
Total	54	100

Source: Survey Data 2019.

Table (4.5) shows the result of 54 respondents. Among them, 11 respondents have less than 3 years of experience, 14 have 3 to 6 years' experiences, 11 have 7 to 9 years' experiences and remaining 18 have 10 and above years' experiences. In term of percentage, majority group is 10 and above years' experiences with 33.3 percent. Eighteen respondents who have above 10 years' experiences. This data indicated that all the respondents had stayed in NGOs field for a period of time hence they were conversant with how financial accountability and financial performance practices in NGOs.

4.3 Assessment of Reliability

This study used Likert scales and it needs to be checked their reliability. The reliability of a scale is defined as its ability to consistently measure the phenomenon it is designed to measure. Examining the internal consistency of the test enables the researcher to determine which item is not consistent with the test in measuring the phenomenon under investigation. The object is to remove the inconsistent items and improve the internal consistency of the test. In this study, Cronbach's alpha value is used as a measure of the internal consistency of the scales used in the questionnaire. Cronbach's alpha is a single correlation coefficient that is an estimate of the average of all the correlation coefficients of the items within a test. If alpha value is high, then this suggests that all the items are reliable, and the entire test is internally consistent. If alpha is low, then at least one of items are unreliable and must be identified via item analysis procedure. However, as per (DeVellis, 2003), the Cronbach's alpha value should ideally be above 0.7.

Table (4.6) Results of Cronbach's Alpha Value

Practices	Type of Scale	No. of Items	Cronbach's Alpha Value
Compliances	5-point Likert	12	0.920
Financial Reporting	5-point Likert	12	0.945
Financial Control	5-point Likert	10	0.922
Financial Performance	5-point Likert	10	0.917

Source: Survey Results, 2019

The results of the Cronbach's alpha value are between 0.917 and 0.945, suggesting very good internal consistency and reliability for the scale with this sample.

4.4 Analysis on Financial Accountability Practices of Local NGOs

The analysis on financial accountability practices of local Non-government organization have three main dimensions which are based on financial accountability main pillars. They are compliance, financial reporting, and financial control. Those dimensions are measured by mean value and standard deviation. The findings are presented and discussed as follows.

4.4.1 Compliance

In this section, the understanding and practice on compliance of local Non-government organizations were analyzed by using twelve elements such as: The mean score of each statement is shown in Table 4.6 as follows. In the analysis of the understanding about compliances, Table 4.6 reports that the mean score for compliance in the ten organizations is 3.82, indicating that there has good compliance of the ten local NGOs as a core value of financial accountability practices.

The highest mean score is 4.31 (standard deviation 0.843). This highest number indicates local NGOs follow strictly the organization's rules and procedures.

Table (4.7) Compliance

Compliance	Mean	Standard Deviation
My coworkers would say that when I do my job I do more than follow the regulations, ensure actions are morally sound.	4.07	.797
I make sure to comply with the rules for my daily tasks, to ensure that this is being accomplished as well.	4.11	.945
It is important that the organization go beyond the legal requirements and ethical action as well.	4.02	.835
It is very important to follow strictly the organization's rules and procedures.	4.31	.843
People are expected to comply with the law and professional standards over and above other considerations.	4.11	.793
Everyone is expected to stick by organization's rules and procedures.	4.11	.816
In this organization, people are expected to strictly follow legal or professional standards.	4.11	.934
In this organization, the law or ethical code of their profession is the major consideration.	4.17	.746
People in this organization have a strong sense of responsibility to the community.	4.06	.842
All staff follow and signed code of conduct for conflict of interest, harassment rules, and anti-corruption policy.	4.28	.878
The organizing documents are clearly defined the mission, objectives, governance structure, rights and obligations.	4.28	.787
It is expected that you will always do what is right for your community and stakeholders.	4.19	.826
Overall Mean	3.82	

Source: Survey Data, 2019

The respondents understand that the rules and procedures of financial management enhances their accountability to their donors and beneficiaries which also builds respect for and confidence in their organizations, improving their chances

for long-term financial health. This is one of the main factors to achieve the financial accountability functions.

The lowest score is found that at “It is important that the organization go beyond the legal requirements and ethical actions as well.” the mean value is 4.02 (standard deviation 0.835). Even though they are aware that the compliance is also very important in their daily task but there should have some difficulties can be happened the actual situations when programme implementations to follow every rules and regulations.

4.4.2 Financial Reporting

In this section, the understanding and practice on financial reporting of local NGOs were analyzed by using twelve elements such as: quality of reporting, using international accounting standard and full fill the standard of donor’s requirements. The main score of each element is shown in Table (4.8) as follows.

In the analysis of financial reporting section, Table (4.8) reports that the mean score for financial reporting in the ten organization is 4.1, indicating that there has well in financial reporting of the ten local NGOs as a core value of financial accountability practices. On the statements relating to the quality of financial reports in the NGOs was found the highest mean score is 4.32 (standard deviation 0.754).

This highest number indicates the NGOs prepared budget/expenditure analysis report for use by management was to a great extent. They all are used to be taking care for budget monitoring between funding budget and expenditures to be effective and donors’ attractions for trust. It is showing that the management and finance people are experiences in working with international donors and regularly monitoring and high understanding level for working as the same level as INGOs.

The lowest score is found that they are more interesting for donor's reporting and less practice for periodical report for the whole organization and the indication is showing with the mean value 3.87 (standard deviation 0.912). All participants are aware for the financial accountability to show off their image to the stakeholders, especially donors. The respondents could describe their organization in terms of quality of financial reports.

Table (4.8) Financial Reporting

Financial Reporting	Mean	Standard Deviation
This organization prepares regular financial reports for the benefit of stakeholder.	4.26	.757
This organization's annual financial reports demonstrate financial accountability and stewardship.	4.00	.801
The annual financial statements of this organization show a clear picture of the resources entrusted data.	4.17	.841
The management of this organization periodically prepares all financial statements and disclosure.	3.87	.912
The staff of the organization submit reports for business advances in a timely manner.	4.07	.929
The organization's financial reports contain all relevant material information.	4.07	.887
Budget monitoring reports include explanations and comments about differences	4.32	.754
Donors receive financial reports in the right format and on time and also the financial reports produced are clearly understood by the donors and budget holder.	3.96	.800
All management understand on financial report and financial accountability can be rated as satisfactory.	4.13	.778
Both internal and donors' financial reports should be with "Internal National Accounting Standard" (IAS).	3.91	.807
All staff need to understand on the activity base budgeting and donor financial reports.	4.19	.779
All fixed assets owned by the NGO are insured and controlled using a fixed assets register as a reporting.	4.28	.811
Overall Mean	4.1	

Source: Survey Data, 2019

4.4.3 Financial Control

In this section, the understanding and practice on financial control both external and internal of local NGOs were analyzed by using ten elements such as: The main score of each element is shown in Table (4.9) as follows.

Table (4.9) Financial Control

Financial Control	Mean	Standard Deviation
The organization has separate person for authorize person, cashier and account person.	4.19	.848
The organization has practices for counting cash and assets physically with one of the authorized person and cashier and finance/account person.	4.26	.851
The organization has general ledger, cash book and bank account for book keeping.	3.81	1.065
It is busy or feel annoy, the regulation said staff require to clear advance within 2 week after activity.	4.33	.890
All expenses require approval signature before spend.	4.24	.845
The senior management require to check the documents and to ask the purpose of expenses before approval signature.	4.20	.898
Internal audit or senior management monitoring, during implementation, is very important for organization.	4.31	.886
Annual external audit is required for the whole organization. Or, every project require external audit after project.	4.11	.816
The organization's financial reports are designed to changes derived from previous auditors' reports.	3.96	.951
The organization require to have whistleblowing policy and training for do no harm and conflict of interest.	4.04	.846
Overall Mean	4.2	

Source: Survey Data, 2019

In the analysis of financial control section, Table (4.9) reports that the mean score for financial control in the ten organization is 4.2, indicating that there has well

in financial control of the ten local NGOs as a core value of financial accountability practices. The highest mean score is 4.31 (standard deviation 0.886).

This highest number indicates that the senior management of NGOs are taking care on their internal control when the implementation and operation period before reporting to avoid any frauds or errors.

The lowest score is found that they have cash/bank book and other registers and then to create to reporting but they are weak in other book keeping especially the record are weak in updated and the indication is showing with the mean value 3.81 (standard deviation 1.065). All this NGOs are trying to show their strong financial control to verify the good financial performance.

4.5 Effect of Financial Accountability on Financial Performance

In this section, firstly analysis on financial performance and then analyzes the effect of financial accountability on financial performance of non-governmental organization by using the multiple linear regression model.

4.5.1 Analysis on Financial Performance

In the section for financial performance, the understanding and practice of local NGOs were analyzed by using ten elements such as: The main score of each element is shown in Table 4.9 as follows.

Table 4.8 reports that the mean score for financial performance in the ten organization is 4.1, indicating that there has good in financial performance of the ten local NGOs as a core value of financial accountability practices.

The highest mean score is 4.46 (standard deviation 0.665). This highest number indicates that the senior management of NGOs are knowledgeable persons for taking care on their internal control when the implementation and operation period before reporting to avoid any frauds or errors. The lowest score is found that they still need to have full capacity to take care every single detail information to organization and the indication is showing with the mean value 3.96 (standard deviation 1.009). Over All indicators are showing that this NGOs are trying to show their strong financial performance as the same as INGO in their financial control to using the method of monitoring and reviewing the reports by senior management periodically.

Table (4.10) Financial Performance

Financial Performance	Mean	Standard Deviation
Management and all staff always look forward financial performance and its effect to get more funding.	3.96	.990
The organization always ensures that in every process there is best use of financial resources by getting it right first time.	3.96	1.009
Every staff in the organization endeavors to optimally use financial and resources on time in the attainment of the organization's objectives.	4.07	.821
On all the Programme/Projects the Officers always look out for the impact or influences organization's financial performance as a whole.	4.07	.821
There is satisfaction of on all the Programmes / Projects which is exhibited by how the service is perceived by both senior management and the finance staff on these projects.	3.98	.879
The organizations have adopted financial management practices, which being innovative and forward looking.	4.06	.899
It is performed regular spot checks in key risk areas by management.	4.09	.830
All staff required to receive the training and support they need to carry out their financial management responsibilities	4.22	.861
Senior managers discuss financial reports at least once every three months.	4.46	.665
The senior management reviews financial reports whenever produced by financial staff.	4.19	.870
Overall Mean	4.1	

Source: Survey Data, 2019

4.5.2 Effect of Financial Accountability on Financial Performance

In this section analyzes the effect of financial accountability on financial performance of non-governmental organization. The multiple linear regression model

is applied to analyze the effect of financial accountability on financial performance. The output from generating multiple linear regression model is shown in Table (4.11).

Table (4.11) Effect of Financial Accountability on Financial Performance

	Unstandardized Coefficient		Standardized Coefficient	t value	p value	VIF
	B	Standard Error	Beta (β)			
Constant	0.834	0.379		2.201	0.32	
Compliance	0.130	0.130	0.121	0.993	0.325	2.310
Financial reporting	-.218	0.160	-0.216	-1.365	0.178	3.872
Financial Control	0.876	0.133	.911	6.564	.000	2.987
Adjusted R Square	0.658					
F value	35.028 (.000)					

Source: survey data 2019

The results of the analysis are presented in Table (4.11) shows the power of the models is considered relationship between other influencing factor on financial performance as values of adjusted R square .658. The model explains 65.8% of the variation of financial accountability namely compliance, financial reporting, financial control is explained by financial performance. The value of F-test, the overall significance of the models, came out highly significant at 1 % level. It can be clearly seen that all the coefficients of financial accountability such compliance, financial reporting, financial control in the models are jointly significant at 1 % level on financial performance.

The Variance Inflation Factor (VIF) measures the impact of multicollinearity among the variables in a regression model in Table (4.11). As the result, the value of VIF for all independent variables are less than 10, the multicollinearity does not consider the significant problem.

Out of three financial accountability factors, financial is statistically significance of the financial performance and other two factors are not significant of the financial performance. In addition, financial control is significant at 1 % level since the resulted p value is less than 0.01. The magnitude of each coefficient indicates that if the score of quality input goes up 1 unit, while other thing remains

unchanged, the financial performance will effective by 0.876 unit. One of the independent variable, financial reporting's beta is -0.216 which is negative relationship it could be the respondents who are non-financial and management but it is not significant. In terms of the standardized coefficient, there is only one influencing factor such as financial control is key determinant of the financial performance of borrowing non-governmental organization in Rakhine and Kachin state. For the beta coefficient is negative, the interpretation is that for every 1-unit increase in the predictor variable, the outcome variable will decrease by the beta coefficient value.

CHAPTER V

CONCLUSION

This chapter presents the conclusion of the study. It has been into three sections: section 5.1 expresses findings and discussions on the survey data, Section 5.2 suggests and recommend regarding to the findings of the study and final Section 5.3 suggests the needs for further studies.

5.1 Findings and Discussions

The study analyzes the targeted local non-government 10 organizations in Rakhine, Kachin and Northern Shan States in Myanmar. The main purposes of the study are to identify the practices of financial accountability and to analyze the effect of financial accountability on financial performance of LNGOs. The conceptual frame of the study constructed on the three dimensions of financial accountability such as compliance, financial reporting and financial control as independent variables and financial performance as dependent variable. From each organization, 6 respondents who are working in the management role to conduct the study and therefore 60 in total respondents (15% of total population). 60 out of 54 responded to the questionnaire. Majority of the respondents are working in the financial positions.

According to analysis of compliance, the highest mean score shows that clearly LNGOs follow the organization's rules and regulations. This is the main factor to show to their financial accountability to donors and other stakeholders. It can be more confident on financial management for donors to contribute more funding in future. The lowest mean score is LNGOs do not follow legal requirements and ethical actions. Some of LNGOs in conflict areas do not have official registration and there is no practice for paying income tax on their salary.

Regarding to analysis on financial reporting of LNGOs, the highest mean score shows that LNGOs are more practice on budget monitoring reports include explanations and comments about differences. This result is important of financial management in project implementations. The lowest mean score is the management do not prepare financial statements and disclosure periodically. Although, the management understand to prepare project base reports but not periodically financial reports as a whole.

Regarding to the analysis result of financial control of LNGOs, the highest mean score is the LNGOs understand the important of internal audit or senior management monitoring, during implementation. This is the main factor to ensure NGOs' financial control and to avoid any frauds or errors for financial accountability. The lowest score is that they have incomplete in financial registers for bookkeeping especially for general ledgers and fixed asset registers.

Finally, the study analyzes on financial performance of the NGOs on the effect of financial accountability. Out of three financial accountability factors, financial control is statistically significance of the financial performance and other two factors are not significant of the financial performance. In terms of the standardized coefficient, there is only one influencing factor such as financial control is key determinant of the financial performance of borrowing non-governmental organizations in Rakhine, Northern-Shan and Kachin state. Regarding to the negative association of financial report with financial performance may be because of there is no specific guideline in accounting standard for non-profit and there is no enforcement by law to follow correctly. That is why, the study result show on incomplete for financial statements and registers such as general ledgers and assets register.

5.2 Suggestions

According to the research findings, LNGO should continuous to maintain the practices on compliance of donors and financial regulations. .It can be given trainings for new employee and refresher training to employee. It should be conducted regular review on regulations to meet international standards to improve financial performance. The other suggestion is all LNGO should have organization register, implement to pay tax for salary income of employee. It can be conducted trainings such as conflict of interest, do no harm to improve the ethical actions.

Regarding to financial reporting practice, budget monitoring report and project base financial report could be effected on financial performance. The suggestion would be that better to be having financial report of the whole organization can show the overall situations and can be prepared for sustainability of organizations. The other suggestion is the management should always look on financial recording system and prepare to complete all registers as international accounting standards.

In conclusion, LNGOs have upheld financial accountability to a great extent however annual financial reporting of their organizations still appears as a challenge and there is no practice to plan for going concern and sustainability of the organization.

The financial accountability factors are effect on the financial performance of local NGOs, especially, financial control of LNGOs are strongly effect on financial performance. The result of overall analysis give great extent for the effect of financial accountability on financial performance of LNGOs.

5.3 Needs for Further Studies

The study has explored the effects of financial accountability on financial performance of 10 local non-governmental organizations in Rakhine, Kachin and Northern Shan States in Myanmar. However, there comprised of various other sectors which differ in their way of management and have different settings all together. This warrants the need for another study which would ensure generalization of the study findings for other local NGOs from non-conflict areas.

Moreover, recommending for another study be done with an aim to investigate the effects of overall accountability on the performance of local NGOs or international NGOs. This kind of study will also conduct to evaluate the effects of financial accountability on the performance of the public sector in Myanmar.

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**EFFECT OF FINANCIAL ACCOUNTABILITY ON FINANCIAL PERFORMANC
OF NON-GOVENMENTAL ORGANIZATIONS**

(A case study of ten local NGOs which are working in Rakhine, Kachin and Northern Shan)

Questionnaire

SECTION A: DEMORGRAPHICS/RESPONDENT PROFIL

Mark only one that apply.

1. NGO'sName(Optional)_____

2. Position of Respondent: 1. Executive Director/Director, 2. Programme Manager 3. Procurement Manager/Officer, 4. Finance Manager, 5. Finance Officer

3. Gender

4. Age

5. Please indicate your highest level of education attained
College Diploma [], University Degree [], Post Graduate [],
Master Degree [], PhD. []

6. Number of years of experience in NGO sector

Please select based on using a scale of 1-5 where **5** Very great extent, **4** Great extent, **3** Moderate extent, **2** Little extent and **1** No extent.

SECTION B : FINANCIAL ACCOUNTABILITY

Sr.	Statement	1	2	3	4	5
Compliances						
1	My coworkers would say that when I do my job I do more than follow the regulations, ensure actions are morally sound.	1	2	3	4	5
2	I make sure to comply with the rules for my daily tasks, to ensure that this is being accomplished as well.	1	2	3	4	5
3	It is important that the organization go beyond the legal requirements and ethical action as well.	1	2	3	4	5

4	It is very important to follow strictly the organization's rules and procedures.	1	2	3	4	5
5	People are expected to comply with the law and professional standards over and above other considerations.	1	2	3	4	5
6	Everyone is expected to stick by organization's rules and procedures.	1	2	3	4	5
7	In this organization, people are expected to strictly follow legal or professional standards.	1	2	3	4	5
8	In this organization, the law or ethical code of their profession is the major consideration.	1	2	3	4	5
9	People in this organization have a strong sense of responsibility to the community.	1	2	3	4	5
10	All staff follow and signed code of conduct for conflict of interest, harassment rules, and anti-corruption policy.	1	2	3	4	5
11	The organizing documents are clearly defined the mission, objectives, governance structure, rights and obligations.	1	2	3	4	5
12	It is expected that you will always do what is right for your community and stakeholders.	1	2	3	4	5
Financial reporting						
1	This organization prepares regular financial reports for the benefit of stakeholder.	1	2	3	4	5
2	This organization's annual financial reports demonstrate financial accountability and stewardship.	1	2	3	4	5
3	The annual financial statements of this organization show a clear picture of the resources entrusted data.	1	2	3	4	5
4	The management of this organization periodically prepares all financial statements and disclosure.	1	2	3	4	5
5	The staff of the organization submit reports for business advances in a timely manner.	1	2	3	4	5
6	The organization's financial reports contain all relevant material information.	1	2	3	4	5
7	Budget monitoring reports include explanations and comments about differences	1	2	3	4	5

8	Donors receive financial reports in the right format and on time and also the financial reports produced are clearly understood by the donors and budget holder.	1	2	3	4	5
9	All management understand on financial report and financial accountability can be rated as satisfactory.	1	2	3	4	5
10	Both internal and donors' financial reports should be with "Internal National Accounting Standard" (IAS).	1	2	3	4	5
11	All staff need to understand on the activity base budgeting and donor financial reports.	1	2	3	4	5
12	All fixed assets owned by the NGO are insured and controlled using a fixed assets register as a reporting.	1	2	3	4	5
Financial control						
1	This organization prepares regular financial reports for the benefit of stakeholder.	1	2	3	4	5
2	This organization's annual financial reports demonstrate financial accountability and stewardship.	1	2	3	4	5
3	The annual financial statements of this organization show a clear picture of the resources entrusted data.	1	2	3	4	5
4	The management of this organization periodically prepares all financial statements and disclosure.	1	2	3	4	5
5	The staff of the organization submit reports for business advances in a timely manner.	1	2	3	4	5
6	The organization's financial reports contain all relevant material information.	1	2	3	4	5
7	Budget monitoring reports include explanations and comments about differences	1	2	3	4	5
8	Donors receive financial reports in the right format and on time and also the financial reports produced are clearly understood by the donors and budget holder.	1	2	3	4	5
9	All management understand on financial report and financial accountability can be rated as satisfactory.	1	2	3	4	5
10	Both internal and donors' financial reports should be with "Internal National Accounting Standard" (IAS).	1	2	3	4	5

SECTION C: FINANCIAL PERFORMANCE

Sr	Statement	1	2	3	4	5
1	Management and all staff always look forward financial performance and its effect to get more funding.	1	2	3	4	5
2	The organization always ensures that in every process there is best use of financial resources by getting it right first time.	1	2	3	4	5
3	Every staff in the organization endeavors to optimally use financial and resources on time in the attainment of the organization's objectives.	1	2	3	4	5
4	On all the Programme/Projects the Officers always look out for the impact or influences organization's financial performance as a whole.	1	2	3	4	5
5	There is satisfaction of on all the Programmes / Projects which is exhibited by how the service is perceived by both senior management and the finance staff on these projects.	1	2	3	4	5
6	The organizations have adopted financial management practices, which being innovative and forward looking.	1	2	3	4	5
7	It is performed regular spot checks in key risk areas by management.	1	2	3	4	5
8	All staff required to receive the training and support they need to carry out their financial management responsibilities	1	2	3	4	5
9	Senior managers discuss financial reports at least once every three months.	1	2	3	4	5
10	The senior management reviews financial reports whenever produced by financial staff.	1	2	3	4	5

Thank you for your participation!

List of Organizations

1. Building Better Society
2. Center for Diversity and National Harmony
3. Center for Social Integrity
4. Network Activities Group
5. Nyein Foundation
6. Peace and Development Initiative – Kintha
7. People for people
8. Religious for Peace
9. Swe Tha Har
10. Thazin Community Development Initiative