INTEGRATED FINANCIAL MANAGEMENT SYSTEM AND FINANCIAL REPORTING IN SELECTED COMMERCIAL BANKS IN BUJUMBURA, BURUNDI

BY

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DECLARATION

I declare that this thesis is my original work and has not been submitted for any other award of a degree and published at any institution of higher learning, except where due acknowledgement has been made in the text.

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Kaneza Leila **Date**

APPROVAL

I declare that this thesis has been done by the student under my supervision and is ready for further cross-examination by other examiners.

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Dr. Sunday Arthur **Date**

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Dr. Joseph B.K. Kirabo **Date**

DEDICATION

I dedicate this research thesis to my late Father, Mr. Birizanye and Mother, Mrs. Niyungeko for blessing me with the gift of education.

ACKNOWLEDGEMENT

My deepest, heartfelt thanks, first of all goes to the Almighty God for granting me his protection and knowledge in coming out with this important study.

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LIST OF ACRONYMS

BANCOBU	Banque Commerciale du Burundi
BBCI	Banque Burundaise pour le Commerce et l'Investiment
BCB	Banque de Crédit de Bujumbura
CBK	Central Bank of Kenya
CDI	Composite Disclosure Index
EMS	Environmental Management System
EU	European Union
FASB	Financial Accounting Standards Board
FR	Financial Reporting
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
IBB	Interbank Burundi
IFMS	Integrated Financial Management System
IFRSs	International Financial Reporting Standards (IFRSs)
KASB	Kenyan Accounting Standards Board
KSE	Kenyan Stock Exchange
NSE	Nigerian Stock Exchange

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ABSTRACT

The quality and standard of financial reporting among Burundian commercial banks do not match the international standard of reporting in the banking sector of more developed countries. The purpose of this study was to determine the effect of integrated financial management system on financial reporting in selected commercial banks in Bujumbura, Burundi. This study was guided by the following objectives: i) to determine the effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi; ii) to determine the effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi; and iii) to determine the effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi. The study adopted a cross-sectional survey design. The target population of 153 included the technical employees of the selected commercial banks in Bujumbura. The sample size of 111 was arrived at using Slovene's formula. Questionnaire and document review were the main research instruments. Data was analyzed using frequency and percentage distribution tables, mean and standard deviations, and linear regression analysis. In order to test validity, the study used face validity, content validity, and normality test. In order to test reliability, the study used test-retest and internal consistency methods. The study revealed that cash management significantly affect the financial reporting of commercial banks (Adjusted R^2=0.562, p=0.000). Furthermore, the study revealed that budgeting significantly affect the financial reporting of commercial banks Adjusted R^2=0.439, p=0.000). In addition, the study found that accounting system significantly affect the financial reporting of commercial banks (Adjusted R^2=0.612, p=0.000). The study concluded that IFMS influences financial reporting. The study recommended that the management of the banking industry should involve all the stakeholders in the development of cash management framework that is used in the planning, implementation, auditing, supervision, monitoring and maintenance of the IFMS to streamline all roles and responsibilities of all the users of the system so that no cash is mismanaged. Furthermore, the study recommended that the management of the banking industry should promote efficient and clear budgeting by incorporating it with the IFMS. In addition, the study recommended that commercial banks should adhere to strict IFMS guidelines such as payment terms, credit limit, and automatic voucher number. Similarly, the study recommended that the management of the banking industry should ensure that IFMS easily adapts to the changes in cash management, budgeting and accounting system practices without complete overhaul of the system so as to ensure efficient and timely financial reporting. The current study added to the body of knowledge that IFMS in terms of cash management, budgeting and accounting system are synonymous in ensuring clear and quality financial report.

CHAPTER ONE
INTRODUCTION

1.0 Introduction

This chapter covered the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, hypotheses, and scope of the study, significance of the study and operational definitions of key terms.

1.1 Background to the Study

This section covered the historical perspective, theoretical perspective, conceptual perspective and contextual perspective of the study.

1.1.1 Historical Perspective

Governments in developing countries are increasingly exploring methods and systems to modernize and improve public financial management (Hendriks, 2018). For example, over the years, there has been an introduction of the Integrated Financial Management System (IFMS) as one of the most common financial management reform practices, aimed at the promotion of efficiency, effectiveness, accountability, transparency, security of data management and comprehensive financial reporting. The scope and functionality of an IFMS varies across sub-Saharan countries, but normally it represents an enormous, complex, strategic reform process (Chêne 2017). In South Africa, the sheer size and complexity of an IFMS is posing a significant challenge and a number of risks to the implementation process that goes far beyond the mere technological risk of failure and deficient functionality. Hove and Wynne (2018) posit that challenges and obstacles can have a devastating effect on the success of the implementation and management of the IFMS and should not be underestimated.

In Kenya the national treasury introduced the integrated financial management information system in 2003 aimed at automating and streamlining Governments financial management processes and procedures (Brar, 2018). However, the implementation of such a project proved to be a very demanding undertaking and has not been met with resounding success. The following processes have been linked and integrated with the IFMS system: planning and budgeting,

procurement, accounting, electronic funds transfer, auditing asset management and financial reporting (Njoroge, 2015).

In Uganda, the Integrated Financial Management System (IFMS) was officially introduced in 2003/4 Financial year as a result of the various Public Financial Management Reforms (PFMR) which were initiated by government to improve on Budget preparations, accounting, reporting and auditing procedures. Before introduction of the IFMS, the country was using Financial Management Systems which were characterized with largely manually managed data, no uniform chart of accounts, inaccurate and unreconciled statements and unaudited financial records (MFPED, 2015). All this made the processes of inspection, auditing, financial reporting, budgeting, and compliance with the required International Public Sector Accounting Standards too difficult as there were no proper and timely financial and nonfinancial records on which to base and prepare a set of financial statement that can be audited by the Auditor General at the end of the financial year (MFPED, 2015).

In Burundi, IFMS forms part of the broader financial management reforms of the Burundian government which started in 2005. The IFMS implementation project in Burundi was a priority initiative led by the National Treasury to review and upgrade the government's information technology (IT) systems. The objective of this project was to enhance the integrity and effectiveness of expenditure management and performance reporting in order to ensure effective service delivery (National Treasury, 2017). The Burundian government currently owns and operates a large compendium of systems including: the Financial Management System (FMS), the Basic Accounting System which is cash accounting systems, the Personnel and Salaries Management System (PERSAL), which can be described as a payroll system and the Police Financial Management System (POLFIN), which is a department specific cash management system (Baloyi, 2019).

Although in the past few years, many developed and developing countries have adopted Integrated Financial Management System (IFMS) as their basis for financial reporting .The European Union (EU) took the lead when it mandated all listed companies in the European Union to start the adoption and implementation of the IFRS in their financial reporting since 2005. In fact the year 2005 to 2009 was regarded by the IASB to provide a stable platform for

EU companies that started implementation in 2005. Presently over 120 countries are reported to have adopted or converged with IFRS (Osman, 2017).

In Africa, several countries have over the years adopted international financial reporting standards. In Nigeria, steps were taken in 2010 to align all corporate reports to the International Financial Reporting Standards (IFRSs) as a means of enhancing full disclosure and strengthening stakeholder confidence. The Nigerian Stock Exchange (NSE) directed all companies that are listed on the exchange to adopt the IFRSs by December 2011 while the Central Bank of Nigeria also directed Nigerian banks to adopt the IFRSs by December 2010 (Adeuja, 2019). In Kenya, besides the government's readiness, the Kenyan Accounting Standards Board (KASB) now the Financial Reporting Council (FRC), Kenyan Stock Exchange, (KSE) and Central Bank of Kenya (CBK) were among the major agents for IFRS adoption in 2012 (Naghshbandi & Ombati, 2018).

In 1985, Burundi adopted a national accounting plan. The plan contained significant differences from the International Financial Reporting Standards (IFRSs) and applied to all entities in Burundi, with different requirements based on the size of the enterprise. However, the adoption of IFRS in 2011 is perhaps the most important accounting regulatory change in recent years. The use of IFRSs as a universal financial reporting language is gaining momentum in Burundi and more commercial banks are adopting IFRS or converging their local standards with it (Siaga, 2012).

1.1.2 Theoretical Perspective

This study was guided by the enterprise theory by Suojanen (1954). Enterprise theory sees the large listed corporation as an institution with social responsibilities. Companies' actions affect many different stakeholders such as stockholders, creditors, customers, employees, the government as a taxing and regulatory authority and the public at large. Hendriksen and Van (1992); Kam (1990) trace this institutionalization of the large enterprise to the separation of management and ownership leading to increasingly large proportions of income being retained within the company to reduce the corporation's dependence on external financing. Large corporations may decide to pay only 'conventionally adequate dividends' because this ties in with their survival and growth objectives (Suojanen, 1958: 56-7).

This theory relates to this study in that it emphases that enterprises (in our case banks) as social institutions should prepare financial statements that adhere to IFRS. According to IFRS, the objective of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling, or holding equity and debt instruments, and providing or settling loans and other forms of credit. IFRS also states that these decisions depend on the user's expectations of the risk, amount, and timing of future net cash inflows of the reporting entity

1.1.3 Conceptual Perspective

Integrated financial management system (IFMS) is an information system that tracks financial events and summarizes financial information (Hendriks, 2018). It supports adequate management reporting, policy decisions, fiduciary responsibilities and the preparation of auditable financial statements. In its basic form, an IFMS is little more than an accounting system configured to operate according to the needs and specifications of the environment in which it is installed (Kahari et al., 2019). In general terms, it refers to the automating of financial operations. In the sphere of government operations, IFMS refers to the computerization of public financial management processes, from budget preparation and execution to accounting and reporting, with the help of an integrated system for the purpose of financial management (Lianzuala & Khawlhring 2008). An IFMS is an information system that tracks financial events and summarizes financial information. In the private sector, such systems provide critical support for management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements (Dener, & Young, 2013). An integrated financial management system (IFMS) is an IT-based budgeting and accounting system that manages spending, payment processing, budgeting and reporting for governments and other entities (Selfano et al., 2014). In this study, IFMS was operationalized in terms of cash management, budgeting, and accounting system.

Financial reporting is defined by Sunder (2016) as the financial results of an organization that are released to the public. On the other hand, the Australian Accounting Standards Board (AASB) (2013) defined financial reporting as the periodic process of providing information in financial statements (including the notes thereto) about the financial position and performance of a

reporting entity to parties (users) external to that entity to assist them in making informed decisions about allocating scarce resources. In addition, Lai et al., (2017) defined financial reporting as a formal record of the financial activities and position of a business, person, or other entity. According to McConville and Cordery (2018), financial reporting is the process of producing statements that disclose an organization's financial status to management, investors and the government. This study adopted the financial reporting definition of Australian Accounting Standards Board. Furthermore, financial reporting in this study was operationalized as consolidated financial statements, joint arrangements, and disclosure of interest in other entities.

1.1.4 Contextual Perspective

The banking sector of Burundi is comprised of 10 commercial banks and are all located in Bujumbura, Burundi. The banking sector is highly concentrated with the two mature banks, the Banque de Crédit de Bujumbura (BCB) and the Banque Commerciale du Burundi (BANCOBU) accounting for a commanding share of the market. In 2011, these two banks accounted for 43% of deposits, 42% of total assets, and 42% of credit allocated. Together with the Interbank Burundi (IBB) created in 1993, the three largest banks represented 76% of total assets, 74% of credit, and 79% of deposits in 2011 (Nkurunziza et al., 2012). Burundi adopted IFRS in 2011 and required that all Public Listed Companies apply IFRS for the presentation of their financial statement by January 2012. Other Public interest entities were required to adopt IFRS by January 2013 while Small and medium sized entities were expected to adopt IFRS by January 2014.

It is also believed that Burundian commercial banks that prepare IFRS compliant financial statements have more advantage over others in their business dealings with other related banks, multinational firms and international investors (Moyo et al., 2014). However, there has also been some opposition to the adoption of IFRS arguing that Burundi still has weak institutions, unpredictable economic and political environments which may undermine the successful implementation of IFRS (Moyo, et al., 2014).

1.2 Problem Statement

There is poor financial reporting among the commercial banks in Burundi. According to Constâncio (2012) for commercial entities, financial reporting is meant to give a “true and fair view” of their financial situation and performance that helps economic agents to make informed

investment decisions. This is because commercial banks play a pivotal role in the distribution of financial resources to the real economy. Problems in the banking sector can thus have detrimental effects on the economy as a whole, if financial reporting standards are not adequately adhered to.

A report by Rutumwako and Kaneza (2018) revealed that the quality and standard of financial reporting among Burundian commercial banks do not match the international standard of reporting in the banking sector of more developed countries (Rutumwako & Kaneza, 2018). As a result of this, Burundian banking industry in 2003 underwent a major financial reform, however, this reform ended up affecting the financial performance of several commercial banks as their net income margin fell from 4.6% to 6.0% in 2011 (World Development Indicators, 2013). This led to the consolidation of most of the banks and the adoption of integrated management systems. According to National Bank of Burundi (2018), more than 78% of the commercial banks do not provide information about joint arrangements in their financial reporting while only 49% provide disclosure of interest in other entities and 62% provide information regarding consolidated financial statements. This implies that there is still a wide gap in the adherence of financial institutions to the international financial reporting standards.

In addition, several studies have been done over the years by Kahari et al., (2019); Njonde and Kimanzi (2018); Perafán (2017); Adeuja (2019); Hendriks (2018) in the subject of integrated financial management system, and financial reporting standards in countries like Kenya, Nigeria, and the United Kingdom. However, none of the above studies were done in Burundi thus presenting a contextual gap that study investigated

This study therefore investigated to establish the effect of integrated financial management system on the financial reporting of commercial banks in Burundi.

1.3 Purpose of the Study

To determine the effect of integrated financial management system on financial reporting in selected commercial banks in Bujumbura, Burundi.

1.4 Objectives of the Study

i. To determine the effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi.
ii. To determine the effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi.
iii. To determine the effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi.

1.5 Research Questions

i. What is the effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi?
ii. What is the effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi?
iii. What is the effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi?

1.6 Hypotheses

i. Ho_1: There is no significant effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi.
ii. Ho_2: There is no significant effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi.
iii. Ho_3: There is no significant effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi.

1.7 Scope of the Study

1.7.1 Geographical Scope

This study was conducted in Bujumbura among commercial banks. Bujumbura is the capital city of Burundi. This choice of the capital was because it headquarters majority of commercial banks so it will be easier for the researcher to access the respondents. There are ten commercial banks all located in Bujumbura which include: Kenya Commercial Bank; InterBank Burundi; EcoBank; BCB (Banque de credit de Burundi); BANCOBU (Banque Commerciale du Burundi), CRDB (Cooperative Rural and Development Bank), Diamond Trust Bank, FinBank, BBCI (Banque Burundaise Pour Ie Commerce et I'investment), and BGF (Banque de Gestion et de

Financement). However, this study was conducted among four selected commercial banks which include: BCB (Banque de credit du Burundi); BANCOBU (Banque Commerciale du Burundi); BBCI (Banque Burundaise Pour Ie Commerce etI'investment); and Interbank Burundi. The choice of the banks was because they are the oldest in the country and evidently the most well-known by the Burundi people.

1.7.2 Content Scope

This study focused on integrated financial management system (independent variable) which was measured using cash management, budgeting, and accounting system. On the other hand, financial reporting (dependent variable) was measured using consolidated financial statements, joint arrangements, and disclosure of interest in other entities.

1.7.3 Time Scope

This study took a period of 1 year and 3 months, that is, from April, 2018 to March, 2019. This period was for the researcher to write the research proposal, collect data and write the final thesis.

1.8 Significance of the Study

The findings of the study will be relevant to the Ministries in Burundi's strategic plan and operational plans in that it will give it the milestones in strategic measurements towards integrating IFMS as a strategy for accountability and transparency and service provision in the public.

The banking industry may use the findings of this study to improve their IFMS policies to achieve profits such as increased efficiency and cost savings in procurement ventures.

The findings of the study may also serve as a benchmark to other organizations who intend to adopt IFMS. It will enable them to better understand the role and effects of IFMS in the performance of financial reporting of an organization.

Researchers will also benefit from the findings of this study since it will provide additional knowledge to the already existing literature on IFMS. The findings and gaps of this study may act as ground for further research.

In addition, several studies have been done over the years by Kahari et al., (2019); Njonde and Kimanzi (2018); Perafán (2017); Adeuja (2019); Hendriks (2018) in the subject of integrated financial management system, and financial reporting standards in countries like Kenya, Nigeria, and the United Kingdom. However, none of the above studies were done in Burundi thus presenting a contextual gap that study investigated

1.9 Operational Definitions of Key Terms

Integrated financial management system: refers to cash management, budgeting and accounting system of a banking institution.

Cash management: refers to the collection, handling and usage of cash by a banking institution.

Budgeting: refers to the process of creating a plan to spend money by a banking institution.

Accounting system: refers to the system used to manage the income, expenses and other financial activities of a banking system.

Financial reporting: refers to the disclosure of financial statements, joint arrangements, and disclosure of interest in other entities to the various stakeholders about the financial performance of the institution.

Consolidated financial statements: refers to an international financial reporting standard which summarizes the requirements for the preparation and presentation of consolidated financial statements of business entities in which the commercial banks have control of.

Joint arrangements: refer to an international financial reporting standard whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Disclosure of interest in other entities: refers to an international financial reporting standard in which the objective required is to disclose information that enables users of the commercial banks' financial statements evaluate the nature of and risks related to her interests in other entities and the effects of those interests on her financial position, performance, and cash flows.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature from different scholars, and publications on the different constructs and objectives of the study. The chapter will be subdivided into theoretical review, conceptual framework and review of related literature.

2.1 Theoretical Review

This study was guided by the enterprise theory by Suojanen (1954). Enterprise theory sees the large listed corporation as an institution with social responsibilities. Companies' actions affect many different stakeholders such as stockholders, creditors, customers, employees, the government as a taxing and regulatory authority and the public at large. Hendriksen and Van (1992); Kam (1990) trace this institutionalization of the large enterprise to the separation of management and ownership leading to increasingly large proportions of income being retained within the company to reduce the corporation's dependence on external financing. Large corporations may decide to pay only 'conventionally adequate dividends' because this ties in with their survival and growth objectives (Suojanen, 1958: 56-7).

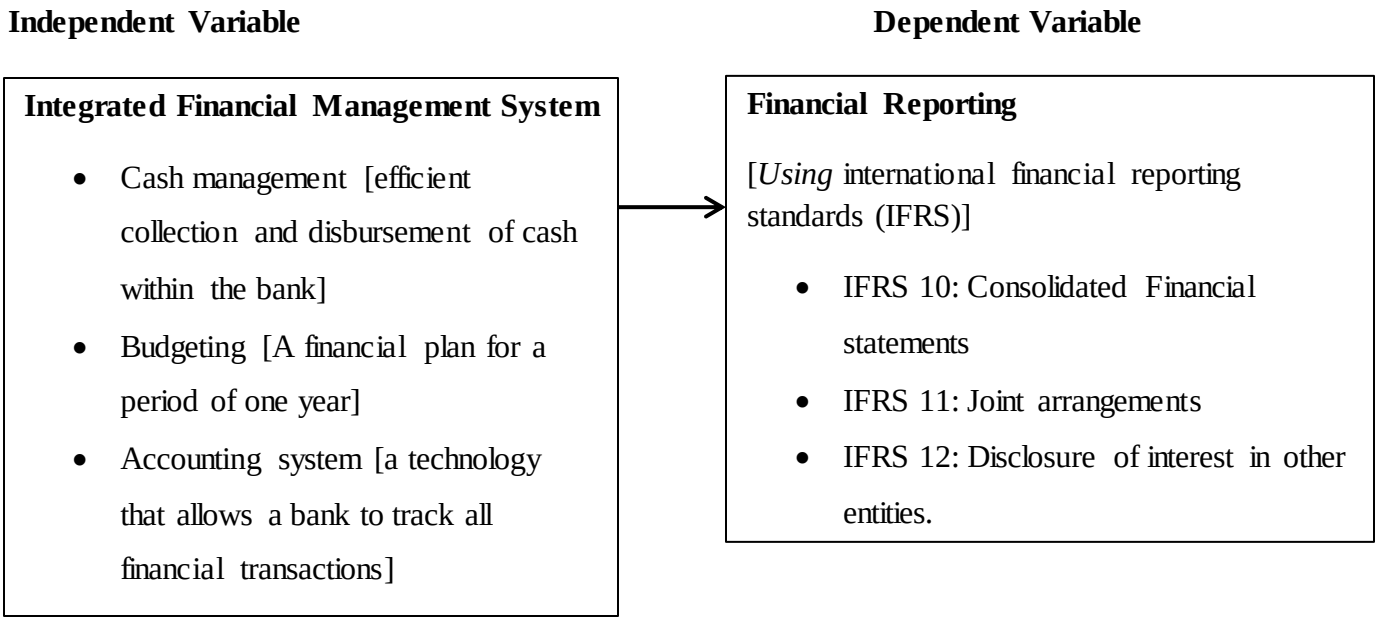
Financial reports according to the enterprise theory are to be prepared from the perspective of the enterprise as a social institution. Income generated by the enterprise is analyzed to measure the contribution of the enterprise to society using the concepts developed in national income analysis. Therefore, ultimately, the balance sheet is secondary to output, income and value added considerations.

Suojanen proposes that large companies prepare a value added statement in addition to the balance sheet and income statement. "If the enterprise is considered to be an institution, its operations should be assessed in terms of its contribution to the flow of output of the community (Suojanen, 1954: 395)". Although stockholders have legal rights as owners, from the point of view of the enterprise their rights are subsidiary to the organization and its survival (Kam, 1990: 315).

In the enterprise or social view, the financial statements as mentioned under the entity view are supplemented by a value added statement which would fit in with a country's national accounts. Experiences with value added statements in Germany and the UK in the 1970s showed that in practice the preparation of value added statements suffers from the same problems as other financial statements.

This theory relates to this study in that it emphases that enterprises (in our case banks) as social institutions should prepare financial statements that adhere to IFRS. According to IFRS, the objective of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling, or holding equity and debt instruments, and providing or settling loans and other forms of credit. IFRS also states that these decisions depend on the user's expectations of the risk, amount, and timing of future net cash inflows of the reporting entity

2.2 Conceptual Framework



Source: Hendriks (2018), Njonde and Kimanzi (2018), Kahari et al., (2019), IFRS (2011a, 2011b, 2011c)

Figure 1: Conceptual Framework

The representation in figure 1 shows integrated financial management system as the independent variable measured using cash management, budgeting and accounting system. On the other hand, financial reporting is the dependent variable and is measured using consolidated financial statements, joint arrangements and disclosure of interest in other entities. The relationship between the independent and dependent variable is that when the commercial banks employ better cash management systems, they are likely to get better financial reporting. In addition, employment of a system that provides proper budget planning and tracking will guarantee better financial reporting. Similarly, the incorporation of accounting system in the financial system of the commercial banks will ensure better financial reporting of all categories of financial statements.

2.3 Review of Related Literature

2.3.1 Integrated Financial Management System

An IFMS usually refers to computerization of commercial bank's expenditure management processes, including budget formulation, budget execution, and accounting, with the help of a

fully integrated system for financial management (Otundo, 2015). By tracking financial events through an automated financial system, commercial banks are expected to be able to better control expenditure and improve transparency and accountability in the budget cycle as a whole.

An IFMS is a fiscal tool for government that bundles all financial management functions into one suite of applications (Sheriff, 2016). It is an Information Technology (IT) based budgeting and accounting system designed to assist the government entities on how to plan budget requests, spend their budgets, manage and report on their financial activities, and deliver services to the public more efficiently, effectively and economically (Otundo, 2015). IFMS operates on a common structure and platform that will enable improved compatibility and consistency of fiscal and financial information, reduces governments overall investment in the development of expensive accounting systems in each government entity. According to Wainaina and Makori (2019), one of the basic features of the IFMS is the ability to interface with a number of existing and planned automated systems such as the Integrated Personnel Payroll Data (IPPD) and Government Payments Solution (G-pay).

The objective of implementing an IFMS system is to increase the effectiveness and efficiency of state financial management and facilitate the adoption of modern public expenditure management practices in keeping with International Public Sector Accounting Standards (IPSAS). The benefits of an IFMS include: better fiscal management, more optimal resource allocation, improved management of resources (value for money), reduced fraud and corruption, improved transparency and accountability, lower transaction costs (Njonde & Kimanzi, 2018).

Wamuyu (2013) further explains that an IFMS provides decision-makers and public-sector managers with the information they need to perform their managerial functions. Rodin-Brown (2008) states that an IFMS provides timely, accurate and consistent data for management and budget decision-making. By computerizing the budget management and accounting system for a government, an IFMS aims at improving the quality and availability of information necessary at various stages of public financial management, such as budgeting, treasury management, accounting and auditing (Maake, 2012). An IFMS allows users anywhere within the IFMS network to access the system and extract the specific information they need. A variety of reports can be generated to address different budgeting, funding, treasury, cash flow, accounting, audit and day-to-day management concerns (Opiyo, 2017).

According to Hove and Wynne (2018), an IFMS assists management in ensuring accountability for the deployment and use of public resources and in improving the effectiveness and efficiency of public expenditure programmes. By tracking financial events through an automated financial system, management is able to exercise improved control over expenditure and to improve transparency and accountability in the budget cycle as a whole. Opar and Omondi (2016) argue further that, as a management tool, an IFMS should support the management of change. As such, it should be viewed as part of the broader financial reforms of government, such as budget reforms. As a management tool, IFMS also enables management to do the following (Odoyo, 2014): Control aggregate spending and the deficit. Prioritize expenditure across policies, programmes and projects to achieve efficiency and equity in the allocation of resources, and make better use of budgeted resources, namely, to achieve outcomes and produce outputs at the lowest possible cost.

According to Ogachi and Muturi (2016), the scope and functionality of an IFMS can vary from a basic general ledger accounting application to a comprehensive system covering budgeting, accounts receivable or payable, cash management, commitment control, debt, assets and liability management, procurement and purchasing, revenue management, human resource management and payroll (Rozner 2008). Its role is to connect, accumulate, process and then provide information to all parties in the budget system on a continuous basis (Ondimu, 2013). It is therefore imperative that the system should be able to provide the required information timely and accurately, because if it does not it will not be used and cease to fulfil its central function as a system.

Omokonga (2014) argues that an IFMS can improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. The purpose of using an IFMS is to improve budget planning and execution by providing timely and accurate data for budget management and decision-making (Omondi, 2016). A more standardized and realistic budget formulation process is allowed for and improved control over budget execution is affected through the full integration of budget execution data.

2.3.1.1 Cash Management

Cash management involves the efficient collection and disbursement of cash and any temporary investment of cash while it resides in the firm (Ameen & Ahmad, 2011). It is mainly concerned with the management of cash inflows and outflows of an entity, cash outflows within the business and cash balances held by the business at any given point of time (Atuilik et al., 2016). As defined by Bamwira (2011), cash management can be seen as a part of treasury management, which is a staff service function that supports many different areas of the organization. Cash management includes the control and care of the cash assets and liabilities of the organization. Chebet (2018) explained cash management as the concept which is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds.

According to Chuma (2014) cash management is a vital task because it is the most important yet least productive asset that a small business owns. A business must have enough cash to meet its obligations or it will be declared bankrupt. Creditors, employees and lenders expect to be paid on time and cash is the required medium of exchange. Therefore, financial management in public organizations is concerned with ensuring funds are available when needed and that these funds are obtained and used in the most efficient and effective way to the benefit of the citizens (Kanyugi, 2014).

Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Kwena, 2013). There is need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold. Setting up of cash balance policy ensures prudent cash budgeting and investment of surplus cash. This finding agrees with the findings by (Njenga, 2013) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms. The assertion by Watson (Head, 2010) that reducing the time cash is tied up in the operating cycle improves a business's profitability and market value furthers the significance of efficient cash management practices in improving business performance in the banking sector.

According to Opiyo (2017), IFMS is more than simply integrating the cash management function with other system components. For many countries, it is an entirely new way of viewing the

purpose and place of cash management. Too often, cash management is seen as simply the disbursing office for the bank, rather than as the bank agency responsible for managing the flow of banking sector resources in such a way as to minimize costs and maximize effectiveness. It is important that cash management policies support the overall fiscal policies of the bank and the achievement of bank goals and objectives as expressed in the budget and operational plans of the executing units.

Mugaga (2017) opine that to achieve this result, the cash management function must be proactive in consolidating the cash resources of the bank and planning for required cash disbursements. It must work to assure that excess cash is either invested or used to pay down short term lines of credit. At the same time, creditors must be paid on a timely basis. If not, creditors will charge a premium price--if they do business with the banking sector at all. With fewer vendors to choose from, quality can suffer and price will rise. According to Njeru (2017), one of the key elements of a good cash management system is a strong capacity for developing cash flow projections based on expected receipts and expenditures. This includes close cooperation with budget execution and an ability to collect cash resources timely and consolidate them quickly in the unified account.

However, Olali and Nyamwange (2019) lament that unless cash management is closely linked with the other elements of IFMS, managing bank revenue and payments is like driving a car, blindfolded. The budget function provides cash management with the master plan for spending during the year. In close cooperation with the cash management function, it determines budget quotas for bank agencies and operating units. It is the starting point from which cash management begins to develop cash flow projections for the fiscal year--projections that will be continuously updated and revised as the year unfolds. Developing cash flow projections cannot be done in isolation from the operating units of the bank. Nor should it be done arbitrarily, by simply dividing the expenses into equal tranches. Instead, the cash projection should be based on input from the various agencies as to the expected timing of their cash needs. Actual experience from the past fiscal year provides an initial basis for the projections, but is not sufficient by itself (Chado, 2015).

Cherotich and Bichanga (2018) add that accounting provides constant feedback to the cash management function in terms of the expenditures that have been paid and what remains to be

paid. It also provides information on collected revenue--allowing cash management to adjust its cash flow projections based on actual activities. It is important that this information be timely so that the cash management function has time to adjust cash flow projections. Chebet (2018) assert that in systems that operate on some type of an encumbrance basis, accounting can provide real-time reports on commitments and accrued costs by due date-- providing a basis for developing a preview of probable cash disbursements.

2.3.1.2 Budgeting

Budgeting can be considered as planning since it forecasts the future of events and how activities should be handled (Onduso, 2013). Every organization whether small or big needs a plan or a budget to help it excel. It will be strange especially for a commercial bank without a budget. Assey (2014) characterize budget as a quantitative articulation of an arrangement of activity. Additionally budget is characterized as a quantitative articulation of the cash inflows and outflows to decide if a budgetary plan will meet organization objectives. In the perspectives of Tumwine et al., (2014), who characterized budget as a plan of action communicated in quantitative terms. It is a financial and or quantitative statement arranged and endorsed before a defined timeframe for achieving a given organizational target. From the perspective of the scholars it implies that a budget is additionally not only a quantitative expression of a plan of action but a quantitative economic plan. It can equally be attributed that literature posits that a budget is a quantitative expression of a plan of action prepared ahead of time of the budget time frame.

Emanating from the above scholars, it is proved that budgeting is as urgent as money itself and any burglary, waste, excessive use or stock out could lead to poor performance of any organization. Hence, Koech (2015) in his study express that organization ought to be managed adequately and productively to accomplish its objectives. The future of budgeting lies in making arrangements for value. Budgeting and financial performance are key financial procedures in the banking sector. The most effective method to enhance organization's financial performance is an issue that worries every manager in every banking business. The budgeting procedure in banking firms consolidates a strategy in financial welfare. For example, it shows how cash is appropriated by the management to the distinctive offices and key areas to focus on. This helps the management in planning and anticipating in order to decrease the costs and redundant spending.

This likewise empowers the organization to satisfy its obligations if any and to guarantee the organizations long-term technical and financial suitability (Gachithi, 2010). In this context, it is, therefore, a necessity for all commercial banks in Burundi to embrace budgeting to integrate budgeting in an integrated financial management system.

Akinyi (2016) expound that although accounting may be at the heart of IFMS in that it plays a central role in recording and developing information, budgeting determines the kind of information needed and, working within the framework of generally accepted accounting principles, determines to a large extent the classification system of revenue and expenditure accounts. The classification system must provide information for decision-makers at both macro and micro level. As the financial plan for the execution and monitoring of bank operations, the budget function must take into consideration the needs of decision-makers at all levels. This will include macro and micro operating data.

Omokonga (2014) further explain that the budget provides a primary internal managerial control over the expenditure of government funds. Budgetary control should not be interpreted as simply fulfilling the legal requirements of staying within budget. It should be more broadly defined to include a responsibility for effective and efficient use of government funds. With the broader definition of budgetary control comes a need to "assign" responsibility for implementing the budget. This assignment of responsibility should be reflected in the selection of the implementing units and how data from these units is aggregated into larger units.

Al-Mamary (2014) point out that budgetary allocation of resources among competing sectors of activity follows from policy formulation, which is carried out through a country's political process and often involves the legislative and the executive branches of government. Traditionally, budget execution has emphasized the legal restrictions imposed. Modern budgeting systems look at performance indicators that often combine financial and physical outputs. Such indicators are indispensable to properly evaluate how well the budget has been executed.

An IFMS provides decision-makers and bank managers with the information they need to perform their managerial functions. Muhakanizi (2018) stated that an IFMS provides timely, accurate and consistent data for management and budget decision-making. By computerizing the

budget management and accounting system for a commercial bank. IFMS aims at improving the quality and availability of information necessary at various stages of bank financial management, such as budgeting, treasury management, accounting and auditing (Bosire, 2016). An IFMS allows users anywhere within the IFMS network to access the system and extract the specific information they need. According to Aminatu (2015), a variety of reports can be generated to address different budgeting, funding, treasury, cash flow, accounting, audit and day-to-day management concerns.

According to Wainaina (2019), an IFMS can improve bank financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. The purpose of using an IFMS is to improve budget planning and execution by providing timely and accurate data for budget management and decision-making. In their study Mutui and Chirchir (2017) found that a more standardized and realistic budget formulation process is allowed for and improved control over budget execution is affected through the full integration of budget execution data. Its role is to connect, accumulate, process and then provide information to all parties in the budget system on a continuous basis. It is therefore imperative that the system should be able to provide the required information timely and accurately, because if it does not it will not be used and cease to fulfil its central function as a system.

Allen and Potter (2013) explain that the budget also provides a primary internal managerial control over the expenditure of bank funds. Budgetary control should not be interpreted as simply fulfilling the legal requirements of staying within budget. It should be more broadly defined to include a responsibility for effective and efficient use of bank funds. With the broader definition of budgetary control comes a need to "assign" responsibility for implementing the budget. This assignment of responsibility should be reflected in the selection of the implementing units and how data from these units is aggregated into larger units. According to (Dener & Min, 2013), modern budgeting systems look at performance indicators that often combine financial and physical outputs. Such indicators are indispensable to properly evaluate how well the budget has been executed.

Dorotinsky and Watkins (2013) argue that throughout IFMS is the basic premise that the establishment of norms and standards is centralized and execution is decentralized. Many

traditional bank financial systems centralize all aspects of budgeting, including formulation, execution and evaluation. This often results in a dislocation between what is supposed to happen, according to distant planners and what actually transpires at the operational level (López, 2013). This has an impact throughout the budget cycle. Budgets are not based on operational realities nor can operational managers be held accountable for results, since they did not participate in the planning. In terms of execution and evaluation, Schick (2013) mentions that when systems that are not integrated compile data far from where the actual transaction takes place, accounting information regarding budget implementation is generally untimely, or less reliable and relevant. Often, no evaluation of operating results takes place.

2.3.1.3 Accounting System

Financial reporting and accounting takes an important role in operating a business organization. Financial reporting and Accounting has numerous processes; some simple, others complex and burdensome (Sekyere et al., 2017). But as the business grows, acquires new customers, enters new markets and keeps pace with constant changes in information systems, companies need to maintain highly accurate and up-to-date accounting, inventory and statutory records (Rotich, 2017). With a substantial increase in the volume of accounting transactions and increase in exposure of information to errors due to complexity of these accounting systems, there was a need for a system which could store and process accounting data with increased speed, storage, and processing capacity. This led to the development and introduction of accounting software packages. A computerized accounting system records accounting transactions using a computer and accounting software packages. It is one of the database-oriented applications in which the transaction data is stored in well- organized database (Francis & Ayoola, 2016).

According to Alshebeil (2010), the user operates on such database using the required interface and also takes the required reports by suitable transformations of stored data into information. Therefore, the fundamentals of computerized accounting include all the basic requirements of any database-oriented application in computers. It helps simplify, integrate, and streamline all the business processes, cost-effectively and easily and helps presents the true picture of all the business undertakings to users of financial reports.

In the area of accounting and finance, the use of hand in financial reporting has been replaced by the use of computer software to enable quick reporting and easy processing and storage of

financial information, hence due to facilitation of accounting software, preparation and access of financial statements and use of accounting procedures has been made easy (Kamwenji, 2018). In the current business world, failure to use computer software almost implies that financial information may not be accurate, delays in financial reporting, and that financial information may not be stored for a long time.

Every company applies accounting because it is generally accepted that companies have to reveal certain financial and management information to economic users and of course because accounting is an indispensable tool in business decision-making process. Accounting is an important part of every company thus; businesses are required to keep proper books of accounts. Sugut (2012) stated that accounting can be divided into two basic categories: those which apply manual accounting and those which prefer computerized accounting systems. Shiraj (2015) Computerized accounting system is a system that uses computers to input, process, store and output accounting information inform of financial reports. He adds that accounting system records all transactions that routinely deal with events that affect the financial position and performance of an entity.

Marivic (2009) described a computerized accounting system as a method or scheme by which financial information on business transactions are recorded, organized, summarized, analyzed, interpreted and communicated to stakeholders through the use of computers and computer based systems such as accounting packages. He emphasized that it's a mechanized process of facilitating financial information inflows as well as the automation of accounting tasks such as database recording and report generation. Marivic (2009) adds that keeping accurate accounting records is a vital part of any organization. Apart from helping it to keep its float financially and legal, it is a requirement of funding bodies or donors.

According to Alqatanani and Hezabr (2015), accounting information, if not timely, is generally irrelevant because the decisions that the accounting information should support have already been made. This can result in the loss of vast amounts of resources if poor decisions are made because of inadequate information. Increasingly in the information age, success, whether in the private or public sector, will be determined by the quality and immediate availability of information upon which to base decisions. However, Murungi and Kayigamba (2015) posit that

untimely information also undermines accounting's role in safeguarding resources. Fraud is an ever present threat. In modern times, fraud perpetrators are using technology to steal large sums of money. Electronic transfers of cash can be made quickly across borders and into foreign, often secret, bank accounts. Unless an accounting system is producing relevant information about the resources of the public sector and how they are being spent, the chances increase that a thief will be able to steal larger sums of money or goods and be gone before the fraud is discovered. Information "black holes" created by untimely and poorly run accounting systems may even encourage fraud because the perpetrators know that no one has the information required to catch them until it is too late, if at all (Oni, 2015).

2.3.2 Financial Reporting

Financial Reporting is the process of communicating financial information that is accurate, transparent, consistent, reliable and relevant within time bound to decision-makers (Mugaga, 2017). It provides information useful for making investment decisions. Its disclosure provides both quantitative and qualitative information for its user's effective use and reliable decisions. That is to say, it presents information in a way that can be understood by users. In other words, financial reporting effectiveness is viewed as the communication of relevant financial information to decision- makers (Maidoki, 2013).

Financial Reporting involves the disclosure of financial information to the various stakeholders about the financial performance and financial position of the organization over a specified period of time (Giese, 2017). These stakeholders include; investors, creditors, public, debt providers, governments and government agencies. In case of listed companies the frequency of financial reporting is quarterly and annual. Financial reporting is usually considered as end product of accounting. According to Samsiah and Lawita (2017), the typical components of financial reporting are: the financial statements; (balance sheet, profit and loss account, Cash flow statement & Statement of changes in stock holder's equity); the notes to financial statements, Quarterly & Annual reports; Prospectus; and Management Discussion & Analysis.

The importance of financial reporting cannot be over emphasized. It is required by each and every stakeholder for multiple reasons and purposes. According to Altarawneh (2015), financial reporting is important in the following ways: i) it helps and organization to comply with various

statues and regulatory requirements; ii) it facilitates statutory audit; iii) financial Reports forms backbone for financial planning, analysis, bench marking and decision making; iv) financial reporting helps organizations to raise capital both domestic as well as overseas; v) on the basis of financials, the public in large can analyze the performance of the organization as well as of its management; vi) for the purpose of bidding, labor contract, government supplies etc., organizations are required to furnish their financial reports & statements.

The argument whether financial reporting of business entities should be regulated is normally based on two schools of thought: free-market and pro-regulation. In the free market approach, the assumption is that "accounting information is an economic good similar to other goods or services" (Choubey and Pattanayak, 2014, p. 118). The preparation of financial statements is therefore subject to the demand and supply forces of users and preparers of such information. In private contracting, for example, preparers will voluntarily provide financial information for users even in the absence of reporting regulations; otherwise, the users would withhold the resources that preparers need (Pawsey, 2017). The pro-regulation approach, however, argues that because accounting information is a public good, users can obtain accounting information without paying for the production of the information, so producers have less incentive to supply the information.

Moreover, the imperfect market or potential market failure, e.g. lack of competition and information asymmetry, might occur. Therefore, the regulation of financial reporting is necessary to address the market imperfections and the public good nature of financial information (Deegan & Unerman, 2006). However, Botzem, Quack, and Zori (2017) contended that the costs of production of information are borne by preparers, not users who demand for information. The users might overstate their demand and thus lead to overproduction of information.

In practice, the broad objective of financial reporting regulations can be classified into macroeconomic and microeconomic approaches (Nobes, 2014). The former focuses on the uses of accounting information for taxation and national economic planning. In other words, the financial statements of business entities provide information as the basis for income tax calculation so as to facilitate proper collection of a nation's revenues. According to Camfferman and Zeff (2018), the financial statement information is also used for management of the national economy, such as monitoring private business investment and performance in relation to the

growth of a nation's economy. The government is therefore considered as a main user. In addition, taxation reporting strongly influences the financial reporting practice. In terms of setting financial reporting rules and regulations, the government dominates this process. For example, in France, financial reporting of business enterprises is regulated and designed to support the macro-economic policies.

Phan (2014) explains that unlike macro-user orientation, a microeconomic approach emphasizes the uses of financial statements for individual enterprises. The main users are shareholders and creditors of business entities. For example, shareholders use financial information to monitor management's performance or to make decisions on trading their shares. In contrast to the macroeconomic approach, Altarawneh (2015) posits that the financial reporting rules regarding the pattern of reports or accounts are less standardized. Private sectors such as accountancy professions and securities exchange agencies strongly influence financial reporting standard setting. The United States, the United Kingdom, and Australia, for instance, are classified as having this regulatory pattern.

Apart from the above objectives, there has been an argument that the requirement for incorporated businesses to prepare and publish financial reports is the price of limited liability entities (Mkasiwa, 2014). As those who have invested in the business could benefit from limited liability, transparency and accountability from this incorporated business is regarded as a tool to protect the entity's shareholders and the public who deal with the entity. Likewise, the restriction on the distribution and use of the company's assets, known as capital maintenance rule, is often required for the protection of creditors (Simões, 2012). As the rule usually limits the amount of capital that a company can distribute to its shareholders and/or has to maintain, accounting requirements imposed on businesses are necessary to determine whether capital has been maintained. For commercial banks' financial reporting, fostering financial discipline is also cited as a reason for financial reporting requirements. It is believed that the requirement would result in commercial banks having financial information to use for their business decisions (Ministry of Economic Development, 2011). This, in turn, is believed to contribute to both the public's confidence and the economic development of the nation's economy.

According to Hui (2012), there are two conceptual framework of financial reporting which includes, the framework of the U.S. Financial Accounting Standards Board (FASB) and

International Accounting Standards Board (IASB) of the UK, Australia and New Zealand. The two frameworks have two main objectives; providing decision useful information for external users and reporting the stewardship of management. The stewardship reporting was originally cited as a single objective of financial reporting, as a result of the growth of large corporations, the separation of ownership and control and the need to assess whether the resources entrusted to management have been used for the intended purposes (Smalt & McAllister, 2015). Later, the focus has been shifted to decision-usefulness reporting, as it is widely adopted as a primary objective of financial reporting in all of the conceptual statements. The FASB's and IASB's objective of financial reporting, for instance, are similar in its decision usefulness orientation (Paz & Griffin, 2009).

The IASB's 1989 framework stated the first objective of financial statements is to provide information about the financial position, financial performance and cash flow of an entity that is useful to a wide range of users in making economic decision (IASB, 2009). Another objective is to report the results of the stewardship of management or the accountability of management for the resources entrusted to it (IASB, 2009). Many, however, contended that the stewardship or accountability objective received little attention or development whereas a strong orientation was given to decision usefulness (Hui, 2012, Smalt & McAllister, 2015).

The framework is designed to satisfy information needs of users who are unable to obtain information in addition to that contained in the general purpose financial statements and must rely on the financial statements to meet their information needs (IASB, 2009, par. 6). Internal users such as managers are also excluded in its scope on the ground that they have access to inside information (IASB, 2009, par. 11). In this respect, Achim and Chiș (2014) concluded that the financial statements prepared under the IASB framework are "designed to reduce information asymmetries between the 'insiders' of a reporting entity and the various 'outsiders' making economic decisions involving that entity" (p. 4).

Financial statement users and their information needs identified in the IASB framework include investors, employees, lenders, suppliers and other trade creditors, customers, government and their agencies and the public (IASB, 2009, par. 9). Nevertheless, many viewed that the IASB's focuses on the information needs of investors since it is assumed that if the information need of investors is satisfied, it also meets the needs of other user groups (Mahboub, 2017). The IASB's

1989 conceptual framework has been criticized in its several shortcomings. For example, it is well established in the literature that decision usefulness and stewardship objectives are not compatible, as the information required by each objective is inconsistent (Drymiotes & Hemmer, 2013).

The provision of decision usefulness information to users requires the information to assess the firm's future performance, indicating the need for the data about the current value of assets while the evaluation of stewardship of management requires the information to confirm and correct prior expectations, implying the needs for a historical record of the past transactions (Nobes & Stadler, 2015). Given that the decision usefulness objective is to provide information for economic decision making, it is assumed that users are rational economic decision makers, but actual users behave irrationally. Some researchers viewed that the framework was wrong to ignore owners and managers who use financial information to run a business on a daily basis (Taipaleenmäki & Ikäheimo, 2013; Nilsson & Stockenstrand, 2015).

Yasir (2018) agreed that this user group has ability to obtain whatever information it needs, but the focus of decision usefulness objective on forward-looking valuation implied that a company needs to keep another set of accounts in addition to existing two sets of accounts; one for operation and management and another one for income tax reporting.

According to Trucco (2015), the general purpose financial statements under the IASB framework are directed toward external users in terms of providing them useful financial information for decision making, such as to hold or sell their investment in the entity or whether to reappoint or replace the entity's management. The users having a power to obtain inside information from the reporting entity are not included in its scope. The joint IASB and the FASB conceptual framework project has been undertaken in order to improve and converge the conceptual frameworks of both organizations (Teixeira, 2015). The FASB/IASB preliminary view document on the objective and qualitative characteristics of financial reporting issued in July 2006 has raised many concerns among constituents and one of the controversial issues was related to the Board's exclusion of stewardship as a primary objective of financial reporting (Heinle & Hofmann, 2011; Rutherford, 2017).

Many viewed that stewardship should be a separate objective of financial reporting. For instance, Murphy and O'Connell (2013) criticized the Board for not understanding stewardship reporting, which aims at "controlling the behaviour of management" (p.4). They indicated that financial reporting in fact had an effect on the management's decisions and information relevant to this stewardship purpose had no conflict in general with decision useful information but they were different only in some measurement rules. Similarly, Pelger (2016) argued that the emphasis of decision usefulness and stewardship was different but they were "complementary rather than contradictory", even though information useful for investment decision-making purpose might not encompass the information needs for stewardship reporting (p. 65).

In 2010, a part of the proposed conceptual framework regarding the objective of financial reporting was completed and it provides that (IASB, 2010): The objective of general purpose financial reporting is to provide information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit. (p. 9).

From the revised objective, the provision of useful information for resource allocation decisions is a sole objective of financial reporting. The scope of the objective also expands to financial reporting, not just financial statements and this implied the application of the standards to financial reporting other than by means of financial statements (Zeff, 2013; Moscariello, Skerratt & Pizzo, 2014). Capital providers are the primary users to whom general purpose financial reports are directed and expand to potential investors and creditors. Other stakeholders such as employees, suppliers, government agencies and public are not identified. However, loan providers typically have a power to demand information to satisfy their information needs and when new equity capital was acquired, financial information in additional to financial statements was often provided to potential investors (Moscariello, 2014).

2.3.2.1 Consolidated Financial Statements

IFRS's (2011a) Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Consolidated financial statements are the combined

financial statements of a parent company and its subsidiaries (Hong, Anh & Tran, 2015). Consolidated financial statements present an aggregated look at the financial position of a parent company and its subsidiaries, and they provide a picture of the overall health of an entire group of companies as opposed to one company's standalone position. Consolidated financial statements report the aggregate of separate legal entities. A parent company can operate separately from its subsidiaries; when operating separately, each reports their own financial statements. However, because the subsidiaries form one economic entity, investors, regulators, and customers find consolidated financial statements more beneficial to gauge the overall position of the entity (Hong, et al., 2015).

Alin-Eliodor and Traian-Ovidiu (2013), the consolidated financial statements only report income and expense activity from outside of the economic entity. Any revenue earned by the parent company that is an expense of a subsidiary is omitted from the financial statements. This is because the net change in the financial statements is $0. The revenue generated from one legal entity is offset by the expenses in another legal entity. To avoid overinflating revenues, all internal revenues are omitted. Certain account receivable balances and account payable balances are eliminated from the consolidated balance sheet. These eliminated amounts relate to the amounts owed to or from parent or subsidiary entities. Like the income statement, this is to reduce the balances reported as the net effect is $0. All cash, receivables, and other assets are reported on the consolidated statements, as well as all liabilities owed to external parties.

According to Kumar (2013) consolidated financial statements must be prepared using the same accounting methods across the parent and subsidiary entities. If relevant, the parent and subsidiaries must all be accounted for using generally accepted accounting principles (GAAP) if the consolidated financial statements are to be in accordance with GAAP. All subsidiary equity accounts, such as common stock or retained earnings, must be eliminated. A non-controlling interest account may be used if the subsidiary is not wholly owned. When preparing the consolidated financial statements, the subsidiary's balance sheet accounts are readjusted to the current fair market value of the financial assets.

Velde (2010) argues that in preparing consolidated financial statements, the financial statements of the parent and its subsidiaries should be combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. IFRS (2011a) states that in order that the

consolidated financial statements present financial information about the group as that of a single enterprise, the following steps should be taken: (a) the cost to the parent of its investment in each subsidiary and the parent's portion of equity of each subsidiary, at the date on which investment in each subsidiary is made, should be eliminated; (b) any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, should be described as goodwill to be recognized as an asset in the consolidated financial statements; (c) when the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, the difference should be treated as a capital reserve in the consolidated financial statements; (d) minority interests in the net income of consolidated subsidiaries for the reporting period should be identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent; and (e) minority interests in the net assets of consolidated subsidiaries should be identified and presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders.

2.3.2.2 Joint Arrangement

IFRS's (2011b) Joint Arrangements outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). A joint arrangement is an arrangement over which two or more parties have joint control. According to Leitner-Hanetseder and Stockinger (2014), there are two types of joint arrangements distinguished: joint ventures and joint operations. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, whereas joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (IFRS, 2011b).

In evaluating whether all participants in a joint arrangement exercise joint control, or does one party have the control itself, requires assessment (Halonen et al. 2013). Significant judgment is also required considering the classification of a joint arrangement, when it has been structured

through a separate vehicle (BDO 2013), which makes the determination of the type of an investment more complex. Accordingly, Haaramo et al. (2015) state that vital assumptions and conclusions regarding the type of joint arrangement have to be brought out when the investment is carried out through a separate vehicle. Thus, when evaluating whether a joint arrangement is a joint venture or a joint operation, one should first assess whether there is a separate vehicle, because a joint arrangement without such is automatically a joint operation. Subsequently, if a separate vehicle exists, the following additional factors need to be considered: the legal form of the separate vehicle, terms of contractual arrangement, and also other facts and circumstances when relevant (IFRS, 2011b).

According to Haaramo, et al., (2015), an assessment of legal form often reveals the rights and obligations related to the arrangement. Terms of the contractual arrangement are usually in line with the rights and obligations, but may distinct some specific debts and guarantees. When evaluating other facts and circumstances, an example of how joint operation is formed is that it primarily aims to provide the parties with an output. Namely, when activities of an arrangement are mainly designed for production to the involved parties and the vehicle does not sell a significant portion of its output to third parties, it should primarily be classified as joint operation (Schmachtenberg, 2014).

2.3.2.3 Disclosure of Interest in other Entities

IFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives (IFRS, 2011c). An interest in another entity, for the purpose of this Standard, refers to involvement by way of binding arrangements or otherwise that exposes an entity to variability of benefits from the performance of the other entity (IFRS, 2011c). An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. An entity does not necessarily have an interest in another entity solely because of a typical funder/recipient or customer/supplier relationship (Artemyeva, 2016).

According to IFRS (2011c), the objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) The nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and (b) The effects of those interests on its financial position, financial performance and cash flows. In order to meet the objective above, IFRS (2011c) states that an entity shall disclose: (a) The significant judgments and assumptions it has made in determining: (i) The nature of its interest in another entity or arrangement; (ii) The type of joint arrangement in which it has an interest; and (iii) That it meets the definition of an investment entity, if applicable; and (b) Information about its interests in: (i) Controlled entities; (ii) Joint arrangements and associates; and (iii) Structured entities that are not consolidated.

According to IFRS (2011c), an entity discloses information about significant judgements and assumptions it has made and changes in those judgements and assumptions in determining: that it controls another entity; that it has joint control of an arrangement or significant influence over another entity; and the type of joint arrangement, that is to say, joint operation or joint venture when the arrangement has been structured through a separate vehicle.

Accordingly, an entity discloses information that enables users of its consolidated financial statements to: (IFRS, 2011c) understand the composition of the group; understand the interest that non-controlling interests have in the group's activities and cash flows; evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group; evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities; evaluate the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and evaluate the consequences of losing control of a subsidiary during the reporting period.

2.4 Related Studies

Njonde and Kimanzi (2018) analyzed the effectiveness of Integrated Financial Management Information System (IFMS) on performance of public sector in Kenya. The study analyzed four variables; financial reporting, budgeting, internal control and implemented government projects to assess the effectiveness of the implemented system. The study used descriptive research

design to collect data. To analyse the effectiveness of identified factors on the use of the system, descriptive and inferential statistics were used. The target population of the study was 150 employees from Nairobi County Government. The sample size was drawn from the sections of finance department that includes, budgeting, procurement and internal audits, and at public works department where the financial systems are applied. The study used quantitative and qualitative method of data analysis using descriptive statistics on quantitative data and inferential statistics on qualitative data. The study found that IFMS has been effective in financial reporting, budgeting and internal controls as well as implementation of government projects, although there were challenges faced in internal controls. The study revealed that there was a positive relationship between the effectiveness of IFMS on public financial management and the independent variables; financial reporting, budgeting, internal controls and projects as was revealed in the regression analysis. The study concluded that there was a relationship between IFMS in public finance and financial reporting budgeting, internal control and government projects.

Kahari et al., (2019) assessed the factors affecting implementation of Integrated Financial Management Information System (IFMS) in County Governments in Kenya. The study employed descriptive survey research design. The target population constituted 70 employees. The study adopted census design. Structured questionnaires were used for data collection. Both descriptive and inferential statistics were employed in data analysis. The study revealed that there exists a strong, negative and statistically significant relationship between staff resistance and IFMS implementation; and that there exists a strong, positive and statistically significant relationship between capacity and skills of IFMS users and its implementation. It was inferred that there is uncertainty on whether county government had instituted strategies to minimize resistance to change. The study recommended that county government should uphold the strategic plan that identifies all the constraints that derail implementation of IFMS.

Hendriks (2018) investigated the effect of IFMS on cash management practices in the public service. The study was based on descriptive survey research design was employed. The study focused on70 staff and top management at the Eldoret West District treasury. Questionnaires and interview schedules were used to collect primary data. Data was analyzed using descriptive statistics, regression and correlation. Study findings showed that reliability of IFMS, Flexibility

of IFMS positively affect cash management. The findings also showed that a reliable system is basically one that is accurate, timely, complete and consistent in collection of information and the infrastructure which supports the IFMS is supposed to be secure from destruction, corruption, unauthorized access and breach of confidentiality so that there is efficient cash management. Findings also revealed that the implementation of IFMS has not been a success as a result of the top down management exhibited in most of the public services. There is need for public service to ensure that the information generated by IFMS is consistent without delays and undue changes that demand further manual help.

Adekunle and Taiwo (2018) conducted a study to examine financial reporting practices among post consolidation banks in Nigeria and the subsequent stability of the banks. The study relied on secondary data collected through in-depth content analysis of published annual reports and accounts of 13 out of the 21 banks quoted on the Nigerian Stock Exchange between 2005 and 2009. Reporting practices by the banks were predicated on scores obtained from a Composite Disclosure Index (CDI) computed from a checklist from SASs and Prudential Guidelines' requirements. The results indicated a high level of compliance with the mandatory disclosure requirements for banks by scoring high on the CDI (mean in excess of 90%). In addition, the regression results showed that disclosure has a positive and significant influence on banks stability (as defined by ROA and liquidity). The study concluded that though compliance with the existing regulatory requirements was high, this has not removed the banks' exposure to internal weakness and consequent distress. It therefore seems evident that the existing mandatory information disclosure requirements are inadequate and require to be strengthened.

Furthermore, a study by Adeuja (2019) investigated the impact of IFRS on the performance of banks in Nigeria. A descriptive financial ratio analysis is used to assess and make comparison on the performance of ten sampled banks covering a period of four years (2010 – 2013). The study was carried by comparing the ratios that were calculated from IFRS compliant financial statements and Nigerian GAAP compliant financial statements. Bank's performance was measured in relation to liquidity, profitability, leverage, and asset quality. An independent t-test was used in testing whether there is a statistical significant difference between the ratios. The result revealed no statistically significant difference due to the IFRS adoption.

Perafán (2017) assessed the impact of the mandatory adoption of the International Financial Reporting Standards (IFRS) on the quality of the financial information available on listed companies in the UK and France. The study used panel regressions to analyze the relationship between the idiosyncratic risk of stock returns and the opacity of financial reports, before and after the mandatory adoption of IFRS. Opacity calculations included different proxies of earnings management, according to the models used in the literature for the estimation of discretionary accruals, as a robustness test. The study found that firm size influences the impact of IFRS in the UK, and the financial information of larger firms seems to have improved after IFRS adoption. In the case of France, the results do not support any improvement in the quality of the financial information after IFRS were put in place. The study concluded that the adoption of IFRS, by itself, is not enough to improve the quality of financial information. Thus, regulators in countries adopting IFRS should consider additional reforms to ensure that the desired results are achieved.

Muller (2013) investigated through an empirical association study the impact of the mandatory adoption of IFRS starting with 2005 on the absolute and relative quality (measured through value relevance) of financial information supplied by the consolidated accounts for companies listed on the largest European stock markets (London, Paris, and Frankfurt stock exchanges). The results showed an increase of consolidated statements quality (value relevance) once IFRS were adopted, thus suggesting also that the IFRS adoption in Europe led to better complying with the OECD Corporate Governance Principle of high quality disclosure and transparency. Moreover, the study ascertained an increase in the quality surplus supplied by group accounts compared to parent company individual accounts once the IFRS adoption became mandatory for preparing consolidated financial statements.

2.5 Gaps in the Literature

Several studies have been done over the years by Kahari et al., (2019); Njonde and Kimanzi (2018); Perafán (2017); Adeuja (2019); Adekunle and Taiwo (2018); Hendriks (2018) in the subject of integrated financial management system, and financial reporting standards in countries like Kenya, Nigeria, and the United Kingdom. However, none of the above studies were done in Burundi thus presenting a contextual gap that study investigated. Furthermore, none of the above studies used cash management, budgeting and accounting system as measures of integrated

financial management system thus presenting a content gap that study investigated. Similarly, none of the above studies used Technology Acceptance Model (TAM) as a theory underpinning the adoption of integrated financial management system thus presenting a theoretical gap that this study investigated.

CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter provides a description of research design that will be used, target population, sample size, sampling technique, data source, data collection method, research instrument, validity and reliability, data gathering process, data analysis, ethical consideration, and limitations of the study.

3.2 Research Philosophy

There are four major research philosophies that have been identified in the western tradition of science: that is, the positivism, interpretivism, realism, and pragmatism. However, Patton (2002) pointed out that there are two major largely opposing intellectual traditions (ontology) which have tended to dominate social and management science over the last century which is: Positivism and Interpretivism. The positivists' view characterizes how the researcher sees reality "out there" as a law of nature just waiting to be found, while the interpretivists' believes that the knowledge is a social reality, value-laden and it only comes to light through individual interpretation (Neuman, 2007).

Positivism is characterized typically in methodological literature as exhibiting a preoccupation with operational definitions, objectivity, replicability, causality and the like (Gill & Johnson, 2002). Interpretivism, on the other hand, is characterized by the detailed observation and involvement of the researchers in the natural setting in which the study occurs, together with the avoidance of prior commitment to theoretical constructs or hypotheses formulated before gathering data (Denzin, 2001). This study adopted both the positivisim and interpretivism.

3.3 Research Design

The study adopted a cross-sectional survey design. The cross-sectional survey design method was useful in exploring how integrated financial management system affects financial reporting in selected commercial banks in Burundi. This design was used because it is an efficient approach of collecting data regarding characteristic of sample of a population, current practices, conditions or needs (Chandran, 2004). This design was preferred because it provides tools for describing collections of statistical observations and reducing information to an understandable

form (Sekaran, 2003). Furthermore, quantitative approach was used. The choice for this approach was based on the premise that when quantitative and qualitative methods are used in combination, a more complete analysis would be obtained since they complement each other. Quantitative approach was preferred because it depends upon the collection of quantitative data such as statistics and percentages using questionnaires.

3.4 Research Population

The target population of this study included all the managerial and technical employees of the selected commercial banks in Bujumbura. It included a total of 153 participants (Human Resource Departments Annual Reports, 2017). Managerial staff are individuals within the commercial bank who hold leadership positions such as department manager, team leader/supervisor or general manager. Technical staff are professional employees within the various departments of commercial bank such as: human resource, finance, public relations, information technology, customer care, operations, and marketing.

3.5 Sample Size

This sample size of 111 was arrived at using Slovene's formula which states that for any given Population (N) the sample size (n) is given by:

$$n = \frac{N}{1 + N(e^2)}$$

Where; n = the required sample size, N = the known population size; and e= the level of significance, which is fixed at = 0.05

$$n = \frac{153}{1+153(0.05)2}$$

n= 111

Therefore, the sample size of this study was 111 respondents. Table 3.1 gives the summary the target and sample size.

Table 3.1 Quantitative Sample Distribution of Target Population and Sample Size

Banks	**Target Population**	**Sample Size**
Category of respondents	**Technical Staff**	**Technical Staff**
BCB	36	26
BANCOBU	42	30
BBCI	37	27
Interbank Burundi	38	28
Sub Total	**153**	**111**

Source: Human Resource Department Reports (2017)

3.6 Sampling Technique

The researcher used simple random sampling to select the technical staff with the intent of selecting respondents without bias by giving every participant equal chance of participating in the study. In order to achieve the simple random sampling, lottery method was used where each member of the technical staff from each bank is assigned a number, after which numbers are selected at random. For example in BCB bank, each of the 36 employees (see table 3.1) are a signed a number between 1 and 36, after which 26 of those numbers would be chosen at random (Saunders et al., 2012).

3.7 Data Source

This study included primary and secondary sources of data collection. The primary data was collected using questionnaires while the secondary data was collected using document review.

3.8 Data Collection Methods

The study adopted survey questionnaires and documentary review as the data collection method.

3.8.1 Surveys

The study used survey method of data collection. The researcher preferred to use survey method because it is good for gathering descriptive data, relatively easy to administer, cost effective and time saving. This method was used to get information about integrated financial management system and financial reporting from the technical staff of selected commercial banks in Bujumbura.

3.9 Research Instruments

3.9.1 Questionnaires

This study used closed ended questionnaires to collect data from the technical staff as indicated in table 3.1. The importance of using closed questionnaires in a study is explained by Kothari (2009) as ensures reaching of a large sample population, wide geographical coverage within a short time, and collection of only variables within interest. The study also employed a 5-likert scale, where 1=strongly disagree and 5=strongly agree. The study's preference of the Likert scale questionnaire was because it is the greatest worldwide technique for survey collection and the responses are easily computable. Kothari (2009) further explains that closed questions on a five point Likert scale produces reliable and consistent data to allow quantitative analysis thought suitable to answer the study questions. The questionnaire was divided into three parts, namely part A, captured information about the demographic characteristics of the respondents, part B captured information about integrated financial management system, while part C captured information about financial reporting.

3.10 Validity and Reliability

This section contains information on how validity and reliability of the instrument were ensured.

3.10.1 Validity

Validity is the extent to which a test measures what it is supposed to measure. This study employed face validity, content validity, and normality tests to ensure the validity of the questionnaires.

Face validity indicates that the items are the ones that are intended to measure a concept. In other words, face validity is a basic and a very minimum index of content validity (Sekaran, 2003). Expert opinion and judgment were sought. Before piloting the research instrument, its face validity test was done through presentation to 6 panelists of supervisors and other academic experts outside the panel. It was after the incorporation of their corrections and suggestion, thst the research instrument was used for pilot test.

Content validity of the research instrument was ensured through the use of concepts, the use of valid concepts and words which measure the study variables as cited in literature. Content

validity was tested using a Content Validity Index (CVI) (Feldman, 2007). Content validity is the extent to which the items in the instrument represent the content of the attribute being measured. The researcher ensured this through judgment of the items by experts (namely: two research supervisors). The CVI was expressed as:

$$CVI = \frac{items\ declared\ relevant\ by\ experts}{total\ number\ of items}$$

$$CVI = \frac{29}{32} = 0.91$$

According to Amin (2005), the CVI should be ≥ 0.70 for the instrument to be valid for data collection. In the case of this study, the instrument was found to be valid at an index of 0.91.

Normality tests

This study used the Shapiro-Wilk W Test to test for the normality of the variables. According to Ghasemi and Zahediasl (2012), the Shapiro-Wilk W test for normality has been found to be the most powerful test in most situations. It is the ratio of two estimates of the variance of a normal distribution based on a random sample of *n* observations. The null-hypothesis of this test is that the population is normally distributed. Thus, on the one hand, if the *p*-value is less than the chosen alpha level, then the null hypothesis is rejected and there is evidence that the data tested are not normally distributed. Table 3.2 summarizes the results of normality tests.

Table 3.2: Normality Tests

Standardized Residual	Shapiro-Wilk		
	Statistic	df	Sig.
Integrated financial management system	0.994	98	0.675
Financial reporting	0.984	98	0.530

Decision rule: There is evidence of normal distribution if $p>0.05$. However, if the *p*-value is less than the chosen alpha level ($p<0.05$), then there is evidence that the data tested are not normally distributed.

According to the results in table 3.2, there is evidence of normal distribution of data tested (p>0.05), an implication that the instrument is valid.

3.10.2 Reliability

Reliability is the tendency toward consistency found in repeated measurements (Sekaran, 2010). The reliability of the questionnaire was ascertained using the test-retest and internal consistency method.

Test-Retest Reliability

To estimate test-retest reliability, you must administer a test form to a single group of examinees on two separate occasions (Neuman, 2003). Typically, the two separate administrations are only a few days or a few weeks apart; the time should be short enough so that the examinees' skills in the area being assessed have not changed through additional learning. The relationship between the examinees' scores from the two different administrations is estimated, through statistical correlation, to determine how similar the scores are. This type of reliability demonstrates the extent to which a test is able to produce stable, consistent scores across time (Maree & Fraser, 2004).

In the test retest method, the researcher pretested twice the instrument on 10 employees in one bank in Burundi which was not included in the study. The results were correlated to establish the scores of the two administrations (T_1 and T_2) to check consistency, clarity, completeness; and weakness in administration and distribution of the questionnaires. According to Amin (2005), a correlation coefficient of 0.70 and above is often recommended in most studies. In this study, the correlation for the first and second tests were 0.81 and 0.80 respectively, hence implying that the instrument was reliable.

Internal Consistency

The internal consistency method estimates how well the set of items on a test correlate with one another; that is, how similar the items on a test form are to one another. Cronbach's alpha was used in the actual study to determine the internal consistency of the instrument. Cronbach's alpha (α) measures the internal consistency that is, how closely related a set of items are as a group. The higher the α-value, the more reliable the instruments are considered. A commonly accepted

rule for describing internal consistency using Cronbach's alpha is as follows (Kline, 2000): table 3.3 gives the summary.

Table 3.3: Interpretation of Cronbach's Alpha

Alpha Coefficient Range	**Strength of Association**
0.90 to 1.0	Excellent
0.80 to 0.89	Very Good
0.70 to 0.79	Good
0.60 to 0.69	Moderate
Less than 0.60	Poor

Source: Kline (2000)

The reliability results of the variables of this study were found to be of high level of reliability because of Good internal consistency. It implies the respondents understand the questions and answered according to their expert knowledge. Table 3.3 gives the summary of the findings in that regard.

Table 3.3: Reliability

Variables Tested	No. of Items	Cronbach's Alpha	Interpretation
Cash Management	6	0.764	Good
Budgeting	7	0.717	Good
Accounting System	6	0.752	Good
Consolidated Financial Statements	4	0.790	Good
Joint Arrangements	5	0.799	Good
Disclosure of Interest in other Entities	4	0.776	Good
IFMS	**19**	**0.897**	**Good**
Financial Reporting	**13**	**0.725**	**Good**
Overall	**32**	**0.913**	**Excellent**

3.11 Data Gathering Procedure

An introduction letter was obtained from the College of Economics and Management of Kampala International University, Uganda for the researcher to solicit approval to conduct the study from the selected commercial banks in Bujumbura. During the administration of the research instruments to the selected respondents; they were properly and adequately oriented on the study and why it was being carried out. The respondents were requested to sign informed consent form. They were also guided on how to fill the questionnaires, and the importance of answering every item of the questionnaire without leaving any part unanswered. The respondents were requested to kindly respond to the questionnaire on time. After retrieving them back, they were thoroughly checked to ensure that all items were adequately answered by the respondents.

3.12 Data Analysis

After retrieving back the questionnaire and collecting the required data, it was then prepared for analysis by using Statistical Package for Social Scientists (SPSS, version 22.0) software. The frequency and percentage distribution was used to determine the profile of the respondents; descriptive statistics (mean and standard deviations) was used to provide preliminary analysis of

the data. Mean was used to measure the central tendency while standard deviation was used to measure dispersion of the data set. The interpretation of mean values was indicated as below.

Scale	Mean Range	Response	Interpretation
5	4.21-5.00	Strongly agree	Very Satisfactory
4	3.41-4.20	Agree	Satisfactory
3	2.61-3.40	Not sure	Fairly satisfactory
2	1.81-2.60	Disagree	Unsatisfactory
1	1.00-1.80	Strongly disagree	Very unsatisfactory

Furthermore, linear regression analysis was used to identify the effect of integrated financial management system on financial reporting. In addition, multiple-linear regression analysis was used to determine the significant predictors of financial reporting.

Linear Regression Equation

At a very basic level, the relationship between a continuous response variable (Y) and a continuous explanatory variable (X) may be represented using a line of best-fit, where Y is predicted, at least to some extent, by X. If this relationship is linear, it may be appropriately represented mathematically using the straight line equation 'Y = α + βX'. In our study, financial reporting (FR) was predicted by integrated financial management system (IFMS);

$FR = \alpha + \beta IFMS + \varepsilon$ ..... (I)

According to the objectives of the study, the following equations were assumed:

Objective one: to determine the effect of cash management (CM) on financial reporting in selected commercial banks in Bujumbura.

$FR = \alpha + \beta CM + \varepsilon$ ..... (II)

Objective two: To determine the effect of budgeting (BG) on financial reporting in selected commercial banks in Bujumbura.

$FR = \alpha + \beta BG + \varepsilon$ ..... (III)

Objective three: To determine the effect of Accounting System (AS) on financial reporting in selected commercial banks in Bujumbura.

$FR = \alpha + \beta AS + \varepsilon$ ..... (IV)

Where; α=the value of FR when IFMS is equal to zero (also known as the intercept)

β= the slope of the line (also known as the regression coefficient)

The regression coefficient β describes the change in FR that is associated with a unit change in IFMS.

ε Error Term [this is the error or disturbance term of an observed value which is a surrogate for all the omitted variables in the regression model].

Decision Rule: The p-value was set at 0.05. If the $p<0.05$, the null hypothesis was rejected, otherwise it was accepted. Furthermore, if the $p<0.05$, the effect of the IV on the DV was considered significant, otherwise not.

Multiple Linear Regression Equation

$FR = \alpha + IFMS (\beta 1CM + \beta 2BG + \beta 3AS) + \varepsilon$ ..... (V)

Where **CM**=cash management; **BG**=budgeting; **AS**=accounting system; **FR**=financial reporting.

3.13 Ethical Consideration

This study observed the following ethical considerations:

The researcher ensured quality and integrity by reporting only what she found in the field and following a scientific and generalized report writing for academic research.

The researcher sought for informed consent from the respondents. This was done by requesting the respondents to sign the informed consent form before participating in the study.

The researcher respected the confidentiality and anonymity of the research respondents by involving them in the study in their own terms and place of convenience and coding their names in the final report of the study.

The researcher ensured that participating in the study was voluntary. No one was coerced, forced or bribed in order to be part of the study. The researcher also ensured voluntary withdrawal from the study in case of change of mind by the respondent.

The researcher ensured that there was no harm to the participants in anyway. The study was done in secure and well furnished rooms.

Last but not least, the researcher ensure that the final reporting was impartial and independent of her personal opinion, rather it was the opinion of the respondents that were used in the final analysis of the research.

3.14 Limitations of the Study

The reliability of the results (test-retest) was not adequate enough to provide a better explanation for the consistency of the results of this study instruments. There was need to set up a control group as to substantiate the reliability of the study. However, the researcher addressed this weakness by using Cronbach's alpha that measured the internal consistency of the items, with the intent of finding out how closely related a set of items are as a group.

This study was also limited by unresponsive respondents and those who withdrew after the study process had kick-started. The researcher however, mitigated this by consulting other eligible respondents within the selected commercial banks whether they were willing to be included in the study, those who were willing were included in the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the analysis of the data gathered and interpretation thereof. It gives the demographic characteristics of the respondents and variables used.

4.1 Response Rate

The researcher distributed 111 questionnaires but was able to retrieve only 98 questionnaires that were correctly filled and answered. This gave a retrieval rate of 88%; according to Amin (2004), if the response rate is more than 70%, this is enough to carry on and continue with data analysis.

4.2 Demographic Characteristics of the Respondents

This section determines the demographic characteristics of the respondents. To achieve it, questionnaires were distributed to capture these responses. Frequencies and percentage distribution table was employed to summarize the demographic characteristics of the respondents in terms of gender, age, education level, and work experience. The following tables give the summary of the demographic characteristics of the respondents.

Table 4.1: Gender of the Respondents

Gender	**Frequency**	**Percent (%)**
Male	61	62.2
Female	37	37.8
Total	**98**	**100.0**
Age		
20-29 years	16	16.3
30-39 years	64	65.3
40-49 years	14	14.3
50 and above	4	4.1
Total	**98**	**100.0**
Education Level		
Certificate	0	0.0
Diploma	26	26.5
Bachelor Degree	62	63.3
Master's	10	10.2
Total	**98**	**100.0**
Work Experience		
Less than 1 year	5	5.1
1-5 years	28	28.6
6-10 years	53	54.1
More than 10 years	12	12.2
Total	**98**	**100.0**

Source: primary data (2019)

The results presented in table 4.1 revealed that majority, (62.2%) of the respondents were male while 37.8% were female. The dominance of the male in the study could be attributed to the fact that the banking sector prefers men because they are hardworking and more charismatic than their female counterparts.

Furthermore, the results presented in table 4.1 revealed that majority, (65.3%) of the respondents were within the age group of 30-39 years, followed by 16.3% who were within the age group of 20-29 years while those within the age group of 40-49 years and above 50 years were represented by 14.3% and 4.1% respectively. The dominance of the respondents within the group of 30-39 years is attributed to the fact that the banking sector employees such mature people because they are knowledgeable of the banking industry and more exposed to the banking concept thus it becomes easier for them to comply to integrated financial reporting system.

In addition, the results in tables 4.1 revealed that majority, (63.3%) of the respondents were Bachelor Degree Holders, followed by 26.5% who were Diploma Holders and 10.2% who were Master's Degree Holders. The dominance of the respondents with Bachelor Degree implies that the banking sector in Burundi prefers to employ well educated employees who are competitive and understand the importance of using integrated financial management system in financial reporting.

Lastly, the results in table 4.1 revealed that majority, 54.1% of the respondents had work experience of 6-10 years, followed by 28.6% who had work experience of 1-5 years while those with work experience of more than 10 years and less than 1 year were 12.2% and 5.1% respectively. The dominance of the respondents with work experience of 6-10 years implies that the banking industry of Burundi prefers employing experienced personnel who will easily integrate the use of integrated financial management system in their financial reporting.

4.3 The Descriptive Statistics for Integrated Financial Management System

The independent variable of this study was integrated financial management system and was measured using cash management, budgeting and accounting system. This section is intended to measure the central tendency (mean) and measure of dispersion (standard deviations) of the variables. A five Likert Scale of 1-5 was used to provide a vivid interpretation of the results as indicated below. The following tables give the summary of the findings.

Table 4.2: Cash Management

Cash Management	Mean	Std. Deviation	Interpretation
This bank's IFMS facilitates processing and printing of cheques.	4.17	.813	Satisfactory
This bank's IFMS sets up reference data on: Banks Accounts, Approval Limits, Exchange rates, and Check number ranges by bank account.	4.07	.840	Satisfactory
This bank's IFMS handles multi-currency bank accounts and transactions.	4.06	.859	Satisfactory
This bank's IFMS controls the processing of check payments within a user defined range of check numbers for each bank account.	3.91	.909	Satisfactory
This bank's IFMS prepares bank account reconciliation statements with reference to the book balance and un-cleared items.	3.88	1.105	Satisfactory
This bank's IFMS monitors overdraft balances against limits.	3.32	1.051	Fairly Satisfactory
Average Mean	**3.90**	**0.930**	**Satisfactory**

Source: Primary data, 2019

The results presented in table 4.2 revealed that cash management was assessed by the respondents as satisfactory (average mean=3.90, Std=0.930). This was attributed to the fact that majority of the respondents agreed that their banks' IFMS facilitate processing and printing of cheques (mean=4.17, Std=0.813). Furthermore, other respondents agreed that their banks' IFMS sets up reference data on: Banks Accounts, Approval Limits, Exchange rates, and Check number ranges by bank account (mean=4.07, Std=0.840). Similarly, respondents agreed that their banks' IFMS handle multi-currency bank accounts and transactions (mean=4.06, Std=0.859). In the same vein, respondents agreed that their banks' IFMS control the processing of check payments within a user defined range of check numbers for each bank account (mean=3.91, Std=0.909). Additionally, respondents agreed that their banks' IFMS prepare bank account reconciliation

statements with reference to the book balance and un-cleared items (mean=3.88, Std=1.105). However, respondents were undecided whether their banks' IFMS monitor overdraft balances against limits (mean=3.32, Std=1.051).

Table 4.3: Budgeting

Budgeting	**Mean**	**Std. Deviation**	**Interpretation**
This bank's IFMS enables copying old budgets to build new budget balances.	4.08	1.012	Satisfactory
This bank's IFMS maintains details of every account i.e. quantities and prices.	4.05	.935	Satisfactory
This bank's IFMS posts off budget accounts to General Ledger to become opening balances.	3.97	.979	Satisfactory
This bank's IFMS enables some accounts to exceed budget allocated if required.	3.97	.968	Satisfactory
This bank's IFMS maintains multiple budgets for one period.	3.86	.862	Satisfactory
This bank's IFMS distributes budgets for one period or more than one period per year.	3.83	1.140	Satisfactory
This bank's IFMS fully Integrates with General Ledger System.	3.71	.931	Satisfactory
Average Mean	**3.92**	**0.975**	**Satisfactory**

Source: Primary data, 2019

The results presented in table 4.3 revealed that budgeting was assessed by the respondents as satisfactory (average mean=3.92, Std=0.975). This was attributed to the fact that majority of the respondents agreed that their banks' IFMS enable copying old budgets to build new budget balances (mean=4.08, Std=1.012). Correspondingly, respondents agreed that their banks' IFMS maintain details of every account i.e. quantities and prices (mean=4.05, Std=0.935). Likewise, respondents agreed that their banks' IFMS post off budget accounts to General Ledger to become opening balances (mean=3.97, Std=0.979). In the same way, respondents agreed that their banks'

IFMS enable some accounts to exceed budget allocated if required (mean=3.97, Std=0.968). Equally, respondents agreed that their banks' IFMS maintain multiple budgets for one period (mean=3.86, Std=0.862). Similarly, respondents agreed that their banks' IFMS distributes budgets for one period or more than one period per year (mean=3.83, Std=1.140). In addition, respondents agreed that their banks' IFMS fully integrates with General Ledger System (mean=3.71, Std=0.931).

Table 4.4: Accounting System

Accounting System	**Mean**	**Std. Deviation**	**Interpretation**
This bank's IFMS supports payment terms by customer.	3.98	1.065	Satisfactory
This bank's IFMS accepts manually entered voucher numbers.	3.94	1.082	Satisfactory
This bank's IFMS enforces control on customer credit limit.	3.80	1.121	Satisfactory
This bank's IFMS supports all types of settlements.	3.73	1.198	Satisfactory
This bank's IFMS performs automatic voucher numbering as defined by the user.	3.65	1.076	Satisfactory
This bank's IFMS supports multiple Accounts by party.	3.02	1.370	Fairly Satisfactory
Average Mean	**3.69**	**1.152**	**Satisfactory**
Overall Average Mean	**3.84**	**1.019**	**Satisfactory**

Source: Primary data, 2019

The results presented in table 4.4 revealed that accounting system was assessed by the respondents as satisfactory (mean=3.69, Std=1.152). The results was attributed to the fact that majority of the respondents agreed that their banks' IFMS supports payment terms by customer (mean=3.98, Std=1.065). In addition, respondents agreed that their banks' IFMS accepts manually entered voucher numbers (mean=3.94, Std=1.082). Moreover, respondents agreed that their banks' IFMS enforces control on customer credit limit (mean=3.80, Std=1.121). Similarly,

respondents agreed that their banks' IFMS support all types of settlements (mean=3.73, Std=1.198). Likewise, respondents agreed that their banks' IFMS perform automatic voucher numbering as defined by the user (mean=3.65, Std=1.076). However, respondents were undecided whether their banks' IFMS support multiple Accounts by party (mean=3.02, Std=1.370).

Table 4.5: Integrate Financial Management System

Integrate Financial Management System	**Mean**	**Std. Deviation**	**Interpretation**
Cash management	3.90	0.930	Satisfactory
Budgeting	3.92	0.975	Satisfactory
Accounting system	3.69	1.152	Satisfactory
Overall Average Mean	**3.84**	**1.019**	**Satisfactory**

Source: Primary data, 2019

Table 4.5 revealed that integrated financial management system was assessed by the respondents as satisfactory (overall average mean=3.84, Std=1.019). This was attributed to the fact that elements that were used for measuring IFMS were all assessed by the respondents as satisfactory. That is to say, cash management, budgeting and accounting system were all assessed as satisfactory. This implies that IFMS is very instrumental in the banking sector in promoting better financial reporting through the use of better cash management system, proper budgeting and adoption of relevant accounting system.

4.4 The Descriptive Statistics for Financial Reporting

The dependent variable of this study was financial reporting and was measured using consolidated financial statements, joint arrangements, and disclosure of interest in other entities. This section is intended to measure the central tendency (mean) and measure of dispersion (standard deviations) of the variables. A five Likert Scale of 1-5 was used to provide a vivid interpretation of the results. The following tables give the summary of the findings.

Table 4.6: Consolidated Financial Statements

Consolidated Financial Statements	Mean	Std. Deviation	Interpretation
This bank annually provides information about its consolidated financial statements.	3.93	1.067	Satisfactory
This bank uses uniform accounting policies for transactions and other events in similar circumstance.	3.76	1.202	Satisfactory
This bank provides information of a combined assets, liabilities, equity, income, expenses, and cash flows with those of its subsidiaries.	3.45	1.293	Satisfactory
This bank sets out the accounting requirements for the preparation of consolidated financial statements.	3.40	1.101	Fairly Satisfactory
Average Mean	**3.64**	**1.166**	**Satisfactory**

Source: Primary data, 2019

The results presented in table 4.6 revealed that consolidated financial statements was assessed by the respondents as satisfactory (average mean=3.64, Std=1.166). This was attributed to the fact that majority of the respondents agreed that their banks annually provide information about their consolidated financial statements (mean=3.93, Std=1.067). In addition, respondents agreed that their banks use uniform accounting policies for transactions and other events in similar circumstance (mean=3.76, Std=1.202). Similarly, respondents agreed that their banks provide information of a combined assets, liabilities, equity, income, expenses, and cash flows with those of its subsidiaries (mean=3.45, Std=1.293). However, respondents were undecided whether their banks set out the accounting requirements for the preparation of consolidated financial statements (mean=3.40, Std=1.101).

Table 4.7: Joint Arrangements

Joint Arrangements	Mean	Std. Deviation	Interpretation
This bank provides information about its liabilities, including its share of any liabilities incurred jointly.	4.07	.922	Satisfactory
This bank provides information about its expenses, including its share of any expenses incurred jointly.	3.99	.891	Satisfactory
This bank provides information about its share of the revenue from the sale of the output by joint operation.	3.95	.804	Satisfactory
This bank provides information about its revenue from the sale of its share of the output of the joint operation.	3.86	1.084	Satisfactory
This bank provides information about its assets, including its share of any assets held jointly.	3.69	1.125	Satisfactory
Average Mean	**3.91**	**0.965**	**Satisfactory**

Source: Primary data, 2019

The results presented in table 4.7 revealed that joint arrangements was assessed by the respondents as satisfactory (average mean=3.91, Std=0.965). This was attributed to the fact that majority of the respondents agreed that their banks provide information about their liabilities, including their share of any liabilities incurred jointly (mean=4.07, Std=0.922). Similarly, the study revealed that their banks provide information about their expenses, including their share of any expenses incurred jointly (mean=3.99, Std=0.891). Likewise, respondents agreed that their banks provide information about their share of the revenue from the sale of the output by joint operation (mean=3.95, Std=0.804). Correspondingly, respondents agreed that their banks provide information about their revenue from the sale of their share of the output of the joint operation (mean=3.86, Std=1.084). Lastly, respondents agreed that their banks provide information about their assets, including their share of any assets held jointly (mean=3.69, Std=1.125).

Table 4.8: Disclosure of Interest in other Entities

Disclosure of Interest in other Entities	Mean	Std. Deviation	Interpretation
This bank discloses information that enables other users to evaluate the nature of risks associated with its interests in other entities.	3.98	.995	Satisfactory
This bank discloses information about the effects of its interests in other entities on its financial performance and cash flows.	3.76	1.026	Satisfactory
This bank discloses information that enables users of its consolidated financial statements to understand the composition of the group.	3.61	1.052	Satisfactory
This bank discloses information about its significant influence over another entity.	3.58	1.083	Satisfactory
Average Mean	**3.73**	**1.039**	**Satisfactory**

Source: Primary data, 2019

The results presented in table 4.8 revealed that disclosure of interest in other entities by the commercial banks was assessed by the respondents as satisfactory (average mean=3.73, Std=1.039). This was attributed to the fact that majority of the respondents agreed that their banks disclose information that enable other users to evaluate the nature of risks associated with their interests in other entities (mean=3.98, Std=0.995). In addition, respondents agreed that their banks disclose information about the effects of their interests in other entities on their financial performance and cash flows (mean=3.76, Std=1.026). Similarly, respondents agreed that their banks disclose information that enable users of their consolidated financial statements to understand the composition of the group (mean=3.61, Std=1.052). Lastly, respondents agreed that their banks disclose information about their significant influence over other entities (mean=3.58, Std=1.083).

Table 4.9: Financial Reporting

Financial Reporting	Mean	Std. Deviation	Interpretation
Consolidated Financial Statements	3.64	1.166	Satisfactory
Joint Arrangements	3.91	0.965	Satisfactory
Disclosure of Interest in other Entities	3.73	1.039	Satisfactory
General Average Mean	**3.76**	**1.057**	Satisfactory

Source: Primary data, 2019

All in all, table 4.9 revealed that financial reporting by the commercial banks was assessed by the respondents as satisfactory (overall average mean=3.72, Std=1.067). This is attributed to the fact that the banks satisfactorily use consolidated financial statements, joint arrangements, and disclosure of interest in other entities in their financial reporting.

4.5 The Effect of Cash Management on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

The first objective of this study was to determine the effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi. Table 4.10 gives the summary of the findings.

Table 4.10: The Effect of Cash Management on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.753[a]	.567	.562	.33722	.567	125.669	1	96	.000

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.290	1	14.290	125.669	.000[b]
	Residual	10.917	96	.114		
	Total	25.207	97			

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta (β)	t	Sig.
1	(Constant)	1.409	.213		6.602	.000
	Cash Management	.605	.054	.753	11.210	.000

a. Dependent Variable: Financial Reporting

$FR = 0.000 + 0.753CM + 0.337$ ..... (II)

The results presented in table 4.10 revealed that cash management significantly affect the financial reporting of commercial banks by a variance of 56.2% (Adjusted R^2=0.562, p=0.000). This was attributed to the fact that IFMS allows proper cash management through processing and printing of cheques, handling of multi-currency bank accounts and transactions, and preparing bank accounts reconciliation statements which later can make financial reporting much more easier and elaborate. This therefore implies that the null hypothesis that there is no significant effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi was rejected and the alternative hypothesis that there is a significant effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi was accepted. Furthermore, the study found that the regression model was the best fit for predicting the effect of cash management on financial reporting (F=125.669, p=0.000). Similarly, the study revealed that every unit change in cash management will significantly affect the variance in financial reporting by 75.3% (Beta=0.753, p=0.000).

4.6 The Effect of Budgeting on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

The second objective of this study was to determine the effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi. Table 4.11 gives the summary of the findings.

Table 4.11: The Effect of Budgeting on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.667[a]	.445	.439	.38173	.445	76.985	1	96	.000

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.218	1	11.218	76.985	.000[b]
	Residual	13.989	96	.146		
	Total	25.207	97			

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta (β)	t	Sig.
1	(Constant)	1.530	.258		5.926	.000
	Budgeting	.571	.065	.667	8.774	.000

a. Dependent Variable: Financial Reporting

$FR = 0.000 + 0.667BG + 0.381$ ..... (III)

The results presented in table 4.11 revealed that budgeting significantly affect the financial reporting of commercial banks by a variance of 43.9% (Adjusted R^2=0.439, p=0.000). This was because the use of IFMS in budgeting enables copying old budgets to build new budget balances, maintaining details of every account, and maintaining multiple budgets for one period thus making it easier to account for it in a financial reporting. This therefore implies that the null hypothesis that there is no significant effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi was rejected and the alternative hypothesis that there is a significant effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi was accepted. Likewise, the study found that the regression model was the

best fit for predicting the effect of budgeting on financial reporting (F=76.985, *p*=0.000). Similarly, the study revealed that every unit change in budgeting will significantly affect the variance in financial reporting by 66.7% (Beta=0.667, *p*=0.000).

4.7 The Effect of Accounting System on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

The third objective of this study was to determine the effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi. Table 4.12 gives the summary of the findings.

Table 4.12: The Effect of Accounting System on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.785[a]	.616	.612	.31757	.616	153.935	1	96	.000

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.525	1	15.525	153.935	.000[b]
	Residual	9.682	96	.101		
	Total	25.207	97			

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta (β)	t	Sig.
1	(Constant)	1.863	.157		11.855	.000
	Accounting System	.518	.042	.785	12.407	.000

a. Dependent Variable: Financial Reporting

$FR = 0.000 + 0.785AS + 0.317$……. (IV)

The results presented in table 4.12 revealed that accounting system significantly affect the financial reporting of commercial banks by a variance of 61.2% (Adjusted R^2=0.612, *p*=0.000). This was due to the fact that IFMS permits the use of accounting system in financial reporting because it supports the payment terms by the customer, accepts manually entered voucher numbers, and enforces control on customer credit limit. This therefore implies that the null hypothesis that there is no significant effect of accounting system on the financial reporting of

selected commercial banks in Bujumbura, Burundi was rejected and the alternative hypothesis that there is a significant effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi was accepted. Additionally, the study found that the regression model was the best fit for predicting the effect of accounting system on financial reporting (F=153.935, *p*=0.000). Similarly, the study revealed that every unit change in accounting system will significantly affect the variance in financial reporting by 78.5% (Beta=0.785, *p*=0.000).

Table 4.13: Multiple Regression Analysis on the Effect of Integrated Financial Management System on Financial Reporting in Selected Commercial Banks in Bujumbura, Burundi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.821[a]	.673	.663	.29592	.673	64.617	3	94	.000

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.975	3	5.658	64.617	.000[b]
	Residual	8.231	94	.088		
	Total	25.207	97			

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.349	.213		6.329	.000
	Cash Management	.286	.079	.355	3.640	.000
	Budgeting	.033	.083	.038	.390	.000
	Accounting System	.320	.068	.485	4.719	.000

a. Dependent Variable: Financial Reporting

The results presented in table 4.13 revealed that a combination of cash management, budgeting and accounting system significantly affect the financial reporting of commercial banks by a variance of 66.3% (Adjusted R^2=0.663, *p*=0.000). In addition, the study found that the regression model was the best fit for predicting the effect of IFMS combination on financial reporting (F=64.617, p=0.000). Similarly, the study revealed that accounting system (48.5%) was the

highest predictor of financial reporting (Beta=0.485, p=0.000), followed by cash management (35.5%) and lastly budgeting predicted 3.8% (Beta=0.038, p=0.000). This therefore implies that policy makers and management within the commercial banks should re-emphasize the use of better accounting systems so as to enhance proper financial reporting.

CHAPTER FIVE
DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of the study guided by the study objectives. The discussion of this study findings were done by reviewing related literature, and comparing and contrasting with other previous studies. The study was later concluded and appropriate recommendations accruing from the findings were made.

5.2 Discussion of the Findings

5.2.1 The Effect of Cash Management on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

The first objective of this study was to determine the effect of cash management on the financial reporting of selected commercial banks in Bujumbura, Burundi. The study revealed that cash management significantly affect the financial reporting of commercial banks. This was attributed to the fact that integrated financial management cash management system in commercial banks facilitate processing and printing of cheques, handles multi-currency bank accounts and transactions, controls the processing of check payments within a user defined range of check numbers for each bank account, and prepares bank account reconciliation statements with reference to the book balance and un-cleared items. This therefore implies that if cash management is adequately implemented, it helps to promote better financial reporting while adhering to international reporting standards.

The finding of this study aligns with the findings of other studies carried out by Chebet (2018), Olali and Nyamwange (2019), Cherotich and Bichanga (2018), Njeru (2017). These studies found that integrated cash management system is instrumental in the promotion of better financial reporting. For instance, Chebet (2018) assert that in systems that operate on some type of an encumbrance basis, integrated cash management system can provide real-time reports on commitments and accrued costs by due date-- providing a basis for developing a preview of probable cash disbursements. Similarly, Olali and Nyamwange (2019) found that integrated cash management system is closely linked with financial reporting. This is because the system

provides cash flow projections for the fiscal year, and budget plans that make it easier to extract a financial report that is easily adjustable to the international standards of reporting.

Furthermore, Cherotich and Bichanga (2018) found that integrated cash management system allows adjustment of cash flow projections based on actual activities thus providing a fertile ground for adherence to international reporting standards. Moreover, Njeru (2017) found that a good integrated cash management system has a strong capacity for developing cash flow projections based on expected receipts and expenditures. This includes close cooperation with budget execution and an ability to collect cash resources timely and consolidate them quickly in the unified account which makes reporting easier.

The finding of this study also correlates with Dorotinsky (2017) who found that there are a number of ways in which IFMS can improve finance management such as by enhancing confidence and credibility of the budget, accounting and reporting through greater comprehensiveness and transparency of information. The study further revealed that IFMS system efficiently monitors revenue collection and disbursement, tracking of expenses and production of timely and accurate reports. In agreement, Muigai (2019) found that cost effectiveness through enhanced financial performance is important in this endeavor and their operations.

5.2.2 The Effect of Budgeting on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

The second objective of this study was to determine the effect of budgeting on the financial reporting of selected commercial banks in Bujumbura, Burundi. The study revealed that budgeting significantly affect the financial reporting of commercial banks. This was attributed to the fact that integrated financial budgeting system allows copying old budgets to build new budget balances, maintaining details of every account, posting off budget accounts to General Ledger to become opening balances, maintaining multiple budgets for one period, distributing budgets for one period or more than one period per year, and fully Integrating with General Ledger System. This is so because budgeting is a core element of an IFMS. Through the budget process, commercial banks can plan for, implement and evaluate their policies. In carrying out

these functions, budgeting interacts with and depends on other elements of IFMS, particularly accounting but also cash management.

This study agrees with that of Muhakanizi (2018), Mutui and Chirchir (2017), Wainaina (2019), Koech (2017), and Akinyi (2016) who found that budgeting significantly affect financial reporting of organizations. For example, Koech (2017) found that budgeting and financial performance are important financial procedures in the banking sector that promote better financial reporting by making the information accurate, available and accessible. This is because budgeting is a core element of an IFMS and helps to determine the kind of information needed and the classification system of revenue and expenditure accounts.

Accordingly, Akinyi (2016) found that budgeting determines the kind of information needed and, working within the framework of generally accepted accounting principles, determines to a large extent the classification system of revenue and expenditure accounts for better financial reporting. The classification system must provide information for decision-makers at both macro and micro level. In addition, Muhakanizi (2018) found that an IFMS provides timely, accurate and consistent data for management and budget decision-making. Thus, by computerizing the budget management and accounting system for a commercial bank, budgeting financial management system helps to improve the quality and availability of information necessary at various stages of bank financial management, such as treasury management, accounting and auditing, and finally, financial reporting.

In agreement with the above studies, Wainaina (2019) found that budget financial management system improves bank financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. Wainaina (2019) also indicated that budget financial information system helps to improve budget planning and execution by providing timely and accurate data for budget management and decision-making which allows easier financial reporting. In their study Mutui and Chirchir (2017) also found that budget information management system connects, accumulates, processes and then provides information to all parties in the budget system on a continuous financial reporting basis.

5.2.3 The Effect of Accounting System on the Financial Reporting of Selected Commercial Banks in Bujumbura, Burundi

The third objective of this study was to determine the effect of accounting system on the financial reporting of selected commercial banks in Bujumbura, Burundi. The study revealed that accounting system significantly affect the financial reporting of commercial banks. This was attributed to the fact that accounting financial management system enables the configuration of payment terms by customers, accepts manually entered voucher numbers, enforces control on customer credit limit, supports all types of settlements, and performs automatic voucher numbering as defined by the user. This accounting financial management system makes financial reporting more systematic and informed.

This is true because financial reporting is one of the most important products of the accounting system. Unless financial information compiled by accounting system is organized into meaningful reports and distributed to the appropriate people, accounting will have little effect on the overall management of the public sector. In agreement to the findings of the current study, Sekyere et al., (2017) that a fully operational accounting system will facilitate the ability of operating unit/program managers to inquire electronically for information and to design reporting formats and content in accordance with their own needs, lessening their dependence on the distribution of prepackaged, inflexible, paper based reports.

In agreement with Sekyere et al., (2017), Marivic (2009) found that that keeping accurate accounting records is a vital part of any organization. He emphasized that it is a mechanized process of facilitating financial information inflows as well as the automation of accounting tasks such as database recording and report generation. Similarly, Kamwenji (2018) found that the use of hand in financial reporting has been replaced by the use of computer software to enable quick reporting and easy processing and storage of financial information, hence due to facilitation of accounting software, preparation and access of financial statements and use of accounting procedures has been made easy.

5.3 Conclusion

Objective one: cash management significantly influences financial reporting of commercial banks in Burundi. This is because cash management allows the business to be solvent enough to keep the company in business even during slow activity or economic downturns. In other words,

it allows adequate cash for purchases and other purposes, allows planning for capital expenditure, allows for financing at better terms and facilitates better financial reporting. Indeed the largest goal of good cash management system for commercial banks in Burundi is to reduce or eliminate any surprises when meeting cash requirements.

Objective two: budgeting significantly influences financial reporting of commercial banks in Burundi. This is because implementation of a budget is an important aspect in the banking industry that must be strictly adhered to for positive financial reporting. Thus a budget financial management system enables management to prepare budgets that would fit to their organization's needs. In the preparation of budgets, commercial banks have to ensure that planning, control and coordination are all met to have a successful and effective budget program that successfully promotes accurate financial reporting.

Objective three: Accounting system significantly influences financial reporting of commercial banks in Burundi. This is because accounting system helps in revealing the cost of the services it performs so as to create a basis for analysis of their effectiveness and efficiency, the changes in revenue and expenses within the banking industry as accounted for and reported in accordance with the International Accounting Standards.

5.4 Contribution to Knowledge

Several studies by Kahari et al., (2019); Njonde and Kimanzi (2018); Perafán (2017); and Adeuja (2019) have been done on the subject of integrated financial management system and financial reporting but with mixed results. However, the current study has added to the body of knowledge that IFMS in terms of cash management, budgeting and accounting system are synonymous in ensuring clear and quality financial report.

Furthermore, this study was never done in Burundi banking sector while covering integrated financial management system in terms of cash management, budgeting and accounting system, thus closing the contextual and content gap.

5.5 Recommendations

Objective one: The study found that cash management significantly influences financial reporting of commercial banks in Burundi. Therefore, the study recommends that the management of the banking industry should involve all the stakeholders in the development of

cash management framework that is used in the planning, implementation, auditing, supervision, monitoring and maintenance of the IFMS to streamline all roles and responsibilities of all the users of the system so that no cash is mismanaged.

Objective two: the study revealed that budgeting significantly influences financial reporting of commercial banks in Burundi. Therefore, the study recommends that the management of the banking industry should promote efficient and clear budgeting by incorporating it with the IFMS. This will enable the banks to meet their budget objectives and goals, thus promoting the quality of financial reports.

Objective three: the study revealed that accounting system significantly influences financial reporting of commercial banks in Burundi. Therefore, the study recommends that commercial banks should adhere to strict IFMS guidelines such as payment terms, credit limit, and automatic voucher number. This will help to check on the relevance, verifiability, and comparability of financial reports.

The study revealed that IFMS generally has a significant influence on financial reporting. Therefore the study recommends that the management of the banking industry should ensure that IFMS easily adapts to the changes in cash management, budgeting and accounting system practices without complete overhaul of the system so as to ensure efficient and timely financial reporting.

5.6 Areas for Further Studies

The study recommends that further studies in the same subject be focused on a longer time span, probably 5 years. This would clarify whether the observed relationships changes over the years. Such a study would call for advanced econometric and statistical analysis such as time series analysis.

Furthermore, a comparative study should be done in all the financial sectors such as banking, insurance and microfinances so as to substantiate the effect of IFMS on financial reporting.

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APPENDIX I: INFORMED CONSENT

I am giving my consent to be part of the research study of Ms. Kaneza Leila which focuses on "**Integrated Financial Management System and Financial Reporting in Selected Commercial Banks in Bujumbura, Burundi**".

I am assured of privacy, anonymity and confidentiality and that I will be given an option to refuse participation and right to withdraw my participation any time.

I have been informed that the research is voluntary and that the result will be given to me if I ask for it.

Initial:_____Date: _____

APPENDIX II: QUESTIONNAIRE

Part A: Profile of the Respondents

1) Gender

a) Male ☐ b) Female ☐

2) Age

a) 20-29 years ☐ b) 30-39 years ☐

c) 40-9 years ☐ d) 50 and above ☐

3) Educational Level

a) Certificate ☐ b) Diploma ☐

c) Bachelor Degree ☐ d) Master's degree ☐

4) Work Experience

a) Less than 1 year ☐ b) 1-5 years ☐

c) 6-10 years ☐ d) More than 10 years ☐

Part B: Integrated Financial Management System (IFMS)

Instruction: Use the following rating to determine your level of agreement and disagreement with the statements about the use of IFMS in your bank. 1=strongly disagree; 2=disagree; 3=not sure; 4=agree; and 5=strongly agree.

#	**Integrated financial management system**	**1**	**2**	**3**	**4**	**5**
A	**Cash management**					
1	This bank's IFMS handles multi-currency bank accounts and transactions.					
2	This bank's IFMS sets up reference data on: Banks Accounts, Approval Limits, Exchange rates, and Check number ranges by bank account.					
3	This bank's IFMS monitors overdraft balances against limits.					
4	This bank's IFMS controls the processing of check payments within a user defined range of check numbers for each bank account.					
5	This bank's IFMS prepares bank account reconciliation statements with reference to the book balance and un-cleared items.					
6	This bank's IFMS facilitates processing and printing of cheques.					
B	**Budgeting**					
1	This bank's IFMS maintains multiple budgets for one period.					
2	This bank's IFMS distributes budgets for one period or more than one period per year.					
3	This bank's IFMS enables some accounts to exceed budget allocated if required.					
4	This bank's IFMS maintains details of every account					

	i.e. quantities and prices.					
5	This bank's IFMS posts of budget accounts to General Ledger to become opening balances.					
6	This bank's IFMS enables copying old budgets to build new budget balances.					
7	This bank's IFMS fully Integrates with General Ledger System.					
C	**Accounting system**					
1	This bank's IFMS performs automatic voucher numbering as defined by the user.					
2	This bank's IFMS accepts manually entered voucher numbers.					
3	This bank's IFMS supports multiple Accounts by party.					
4	This bank's IFMS enforces control on customer credit limit.					
5	This bank's IFMS supports payment terms by customer.					
6	This bank's IFMS supports all types of settlements.					

Part C: Financial Reporting

Instruction: Use the following rating to determine your level of agreement and disagreement with the statements about financial reporting in your bank. The statements are based on international financial reporting standards (IFRS). 1=strongly disagree; 2=disagree; 3=not sure; 4=agree; and 5=strongly agree.

#	**Financial Reporting**	**1**	**2**	**3**	**4**	**5**
A	**Consolidated Financial Statements**					
1	This bank annually provides information about its consolidated financial statements.					
2	This bank provides information of a combined assets, liabilities, equity, income, expenses, and cash flows with those of its subsidiaries.					
3	This bank sets out the accounting requirements for the preparation of consolidated financial statements.					
4	This bank uses uniform accounting policies for like transactions and other events in similar circumstance.					
B	**Joint Arrangements**					
1	This bank provides information about its assets, including its share of any assets held jointly.					
2	This bank provides information about its liabilities, including its share of any liabilities incurred jointly.					
3	This bank provides information about its revenue from the sale of its share of the output of the joint operation.					
4	This bank provides information about its share of the revenue from the sale of the output by joint operation.					
5	This bank provides information about its expenses, including its share of any expenses incurred jointly.					
C	**Disclosure of Interest in other Entities**					
1	This bank discloses information that enables other users to					

	evaluate the nature of risks associated with its interests in other entities.					
2	This bank discloses information about the effects of its interests in other entities on its financial performance and cash flows.					
3	This bank discloses information about its significant influence over another entity.					
4	This bank discloses information that enables users of its consolidated financial statements to understand the composition of the group.					

THE END

APPENDIX III: BUDGET

Item	**Unit**	**Unit cost (Ugsh)**	**Total (Ugsh)**
Printing proposal books	5 copies, and 65pages @	150/= per page	48,750
Printing questionnaires	111 copies, each copy=5pages	150/= per page	83,250
Field data collection	Transport (to and fro Burundi)	45,000 per route	90,000
	Communication (Airtime) (4 weeks)	30,000 per week	120,000
	Lunch (4 weeks)	50,000 per week	200,000
Data analysis			400,000
Miscellaneous			100,000
Total			**1,042,000/=**

APPENDIX IV: TIMEFRAME

	2018	2019										
Activities	**Nov-Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
Conceptual note												
Proposal writing												
Proposal hearing												
Field data collection												
Data analysis												
Thesis writing												
Working progress hearing												
Viva voce												