



INFLUENCE OF ACCOUNTING INFORMATION ON MANAGEMENT DECISION-MAKING AMONG CATHOLIC RELIGIOUS COMMUNITIES IN KAREN SUB-COUNTY, KENYA

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ABSTRACT

The main objective of the study was to investigate the influence of accounting information on management decision-making among Catholic religious communities in Karen, Kenya. The study was guided by the following specific objectives; to assess the impact of accounting systems put in place on decision-making among Catholic religious communities; to examine the basis of accounting information preparation on management decision-making among Catholic religious communities; to assess the use of accounting information on management decision-making among Catholic religious communities; to explore how accounting information communication strategies, affect decision-making among Catholic religious communities in Karen sub-county, Kenya. This was a quantitative study with a descriptive research design. The target population was Religious male and female organizations. The sample size was 169 members from five Catholic religious communities drawn using a stratified sampling technique. Fisher's formula was adopted to determine the sample size for this study. The researcher used descriptive analysis to analyze the quantitative data using Statistical Package for Social Sciences (SPSS) version 21 and presented in form of tables, graphs, frequencies, and percentages. A questionnaire on accounting information and financial decision-making was specially prepared based on relevant literature on the study with consideration of some expert opinions. The findings revealed that the organization employed professional accountant that understands the organization's financial situation, have knowledge of modern techniques to be used as the basis for making decision. The study also found that accounting information system leads to good financial reports and also leading to better decision-making. However, the study revealed that majority of the participants are not professional accountants but have little knowledge of accounting information and management, hence the need for religious male and female to develop themselves by becoming professionals in their chosen career, this will affect the organization to grow positively. The study concluded that accounting information had adequate comparability, reliability, and relevance on account management decision making among religious organization in Karen, Kenya.

Keywords- Accounting Information, Apostolic life, Budgeting, Decision-making, Religious Profession

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INTRODUCTION

Every organization, regardless of whether it is a profit or nonprofit entities always has certain objectives that they aim to achieve. Their most important objective is to satisfy the clients' social needs in all ramifications. Making decisions is part of our daily life and therefore the accounting information is indispensable to the management of the activities of any organization (Hanifi & Taleei, 2015). This means that accounting information is a part and parcel of today's life that is needed to understand the organization's financial situation and to be used as the basis for making strategic decisions. From the history of accounting, it has always been seen as the bedrock in managerial decision-making. The users have generally understood accounting as the main language of the business world (Arnel, cited in Siyanbola & Tunji 2012). Adebayo, Idowu, Babatunda and Bolarinwa (2013) as cited in Otley (1980) argue that accounting systems are an integral part of the fabric of corporate life and need to be analyzed in a wider sense of management, organization, and the environment. In other words, the accounting system in recent times has tended to be an information system that does not stop at the limits of data and financial information but also includes data and descriptive and quantitative information that is useful in decision-making for users with diversity and plurality.

According to Udeh and Olayemi (2016), most of the time, the management of an organization is confronted with the problem of decision making, coordinating, staffing, directing, planning, and controlling; it is, therefore, important for them to have access to good accounting information in order to make reasonable and correct decisions. However, some projects being managed by religious bodies have faced lots of challenges because of poor accounting systems and inappropriate decisions that have been made, which seems not professional enough. Furthermore, in as much as the religious congregations have the intention to serve the poor, they also need the skills of business

management in order to keep their institutions going and alive so that they can have enough resources to respond to the needs and demands of the poor. For example, studies have shown that many Catholic Religious Congregations have set up projects and institutions to respond to the needs of the poor in the society, some of these projects have been a success while many of them are crawling in terms of development (Duncan, Fleshner, & Stocks, 1999).

Symbola and Tunji (2012) suggested that accounting information has a significant role in management decisions and organizational performance. In their conclusion, they emphasize that accounting plays a vital role in management decision-making. This is also true of the religious organizations and Projects being managed by the Religious. In Kenya, Nzomo (2013) conducted a study to investigate the importance of accounting information in decision-making. He found that accounting information systems are an important mechanism for organization, effective management, decision-making, controlling activities and that management should improve on their accounting systems to enhance the accuracy of accounting reports, accountability, and good information.

Problem Statement

Over time, many Catholic religious who are given the responsibility of Institutional financial management have been faced with a lot of challenges especially on the issue of decision-making, knowing that resources are relatively scarce and limited. Some of our Catholic religious community projects do not succeed because the individuals who have to hold and manage the projects have little or no training in the accounting information in decision-making. In many cases, they tend to withdraw cash and make expenses without paying much attention to the cash inflow and bookkeeping of the project in question. These make auditing and proper recording and accounting difficult; hence decision-making becomes a challenge. Information is necessary for decision

making in any business organization. The problem however lies in the quality and validity of the information. The major problem with many Institutes of Consecrated persons is that they do not have the qualified personnel and the professional expertise in the area of accounting and business management to handle their projects and give adequate accounting information when decisions are to be made. It is based on the background that the study sought to show the information organization can derive from accounting information and their usefulness for decision making in their institutional organization.

Specific Objectives of the Study

- To assess the impact of financial accounting systems put in place on decision-making among Catholic religious communities in Karen sub-county Kenya.
- To examine the basis of financial accounting information preparation on management decision-making among Catholic religious communities in Karen sub-county Kenya.
- To assess the use of financial accounting information on management decision-making among Catholic religious communities in Karen sub-county, Kenya.
- To explore how financial accounting information communication strategies, affect decision-making among Catholic religious communities.

LITERATURE REVIEW

Theoretical Framework

Agency Theory

The Agency theory was developed by Stephen Rose and Barry (1970) and authored by Michael (1994). The theory of the agency assumes that there is a contractual arrangement between the two contracting parties; one party may be identified as the principal, the director, the supervisor, and the other part as the agent. In return for a reward, the principal will assign decision-making authority to the agents and assume that agents will perform certain functions

in exchange for a reward. Principals and agents are considered to be rational economic persons motivated by self-interest, which may differ based on choice, conviction, and knowledge, while the agent is expected to execute the task, make a decision in favor of the principal and take the risk, the principal is expected to provide capital and bear the risk (Lambert, 2001).

It is assumed that the agent will not always behave in the interests of the principal because it is difficult or costly for the principal to check the actual actions of the agent. In this respect, the managerial decision can be seen as instruments used to reduce the costs of the agency associated with information asymmetries between managers and employees (Meckling & Jensen, 1976). Compensation plans, performance reviews, regulations, and enforcement controls are only a few examples of controls that are implemented to minimize inherent compliance. Agency theory has been used to explain demands for monitoring managers' activities such as the financial statement audit, external directors on board, and committees (Watts & Zimmerman, 1983). In this analysis, the theory is valid as shareholders who are the owners of religious institutions have assigned the responsibilities of the daily running of the communities to the management that acts as their agent.

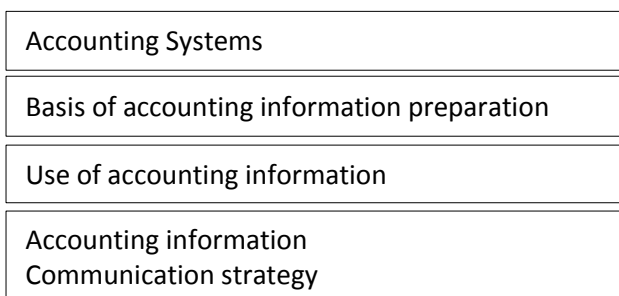
Contingency Theory

According to contingency theory, the design and control of the system depend on how an organization is set up and, essentially how the controls in place operate (Fisher, 1998). Accounting information systems will need to adjust to the particular decision that is being taken into account (Gordon & Narayanan, 1984). In other words, under an adaptive environment, accounting information systems need to be developed. It should also encourage the inclusion of a less static Accounting Information System (AIS) architecture in order to be strategically prepared for any effect that may emerge from the operating environment and organizational structure that poses a threat to

itself (Drury, 2008). It is important to take careful note of the different forces surrounding the organization, both internal and external since they have a direct impact on the way in which the controls and systems operate with the organization. The assumption is that the culture of an organization is not the same as that of another organization (underlying the principles of contingency). It is therefore true to say that the efficiency of an organization depends on how well it interacts with other forces (Wood, 2009). Study

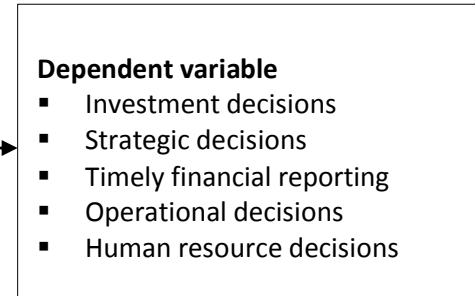
structural approaches in organizations that formed the basis of the contingency theory of sociological functionalist theories. This theory is very useful in explaining the existence of a link between organizational control and its overall performance, in particular by relying on financial reporting. The external environment, the size of the organization, the technology in use, the way it is structured and its culture include other factors that influence the management of the systems (Cadez & Guilding, 2008).

Influence of Accounting Information



Independent Variables

Management Decision-Making



Dependent Variable

Figure 1: Conceptual Framework

Review of Empirical Review

Naleem and Teng (2018) carried out a study in Sri Lanka to examine critically how accounting information system (AIS) provides information to managers, executives, and other employees in order to decide for the organization. The study results confirmed that the user knowledge and experience in the system is a very important factor that increases the AIS success in the banking industry. The study further revealed that user conceptual skills help to improve AIS success when implementing AIS very effectively in banks. Daniel (2019) conducted a descriptive study to critically examined the impact of employee participation in decision-making in the Nigerian banking sector. The findings indicated a statistically significant relationship between employee involvement in decision-making and organizational performance. A study was conducted by Gebremedihin (2019) on analyzing the impact of accounting information in successful decision-making in Wolaita development association in Ethiopia. The findings established that the accounting information

system has a significant impact on the decision-making process in the development association. In Kenya, Gacheru (2017) conducted a study on the effect of financial accounting information quality decision-making on public benefit organizations in Nairobi County. The study concluded that financial accounting information had adequate comparability, reliability, and relevance to the public organization in Nairobi County.

A study was conducted by Pirayesh, Forouzandeah and Louie (2018) on the severe necessity for true and credible information to be used by the organization in Iran. Findings showed that electronic information accounting method improves the efficiency of the information and this, in turn, facilitates the decision-making of managers. Mohammed, Abubakar, and Danrim (2016) investigated the degree of reliance on the financial statements by banks in making a decision in Nigeria did another research. Based on the findings, financial statement plays a vital role in an investment decision. Wanjiro (2018) sought to

establish the influence of the accounting practices of owners on the financial performance of SMEs operating in the Kasarani Sub- County, Nairobi, Kenya. The study found that accounting information systems, human resources accounting, accounting outsourcing, and owner accounting guidelines statistically significant impact on the financial performance of small and medium-sized enterprises in Kasarani Sub- County, the city of Nairobi County.

In Jordan, Alfawarah, Alqaied, Shaddad, and Shawqfech (2015) carried out a study to determine the perception employees in small and medium firms have towards accounting information systems. The finding reveals that the benefits of the accounting information system outweigh the costs of implementing the technology. Rene (2019) to investigate the application and use of accounting systems by Automakers and their impact on an effective organizational assessment. The findings of this study indicated that accounting information systems are an important mechanism for the assessment of organizations' management, decision-making, and control of activities. It was also indicated that there is a relationship between the AIS and the organizational assessment. Lawal (2019) studied the role of accounting information in today's business world. The study stated that recent advances in manufacturing technologies around the world have led to a metamorphosis in industry. Findings further indicated that accounting information played significant roles in management decision-making in the Nigerian manufacturing sector. David (2016) did research on the assessment of the accounting information as a tool of the decision-making with the case of KCB in Kenya. The findings illustrated that KCB regularly uses accounting information such as a comprehensive income statement, a financial position statement, and a cash flow statement and follows fair reporting standards.

Petersen, Kushwaha, and Kumar (2015) observed that consumers often make important financial decisions that have a short- and long-term impact on their well-being. It was also found that national

culture directly affects consumer financial decision-making and moderates the impact of the financial services organization's marketing efforts which suggests that financial services corporations should take national culture into account when managing customers. Iloafu (2016) carried a study in Nigeria to examine critically the relationship between effectiveness and efficiency of communication and strategic organizational management. Results showed that although effective communication guarantees organization success, it is mainly dependent on the pattern of methods of communication, the effectiveness and suitability of the channel chosen, and how receptive or accessible are superiors to subordinates, among other factors. Ooko and Karugu (2020) assessed impact of competitive strategies on the financial performance of commercial banks in Kenya. The study established that both strategies, such as market focus and differentiation, have a positive and significant impact on the financial performance of commercial banks in Kenya.

METHODOLOGY

The study adopted the descriptive survey research design. This study targeted 300 male and female religious in different Catholic religious communities in Karen. Fisher's (1922) sampling formula was used to sample 169 respondents. In this study, the researcher used both primary and secondary data. Primary data was collected through structured questionnaires while secondary data was gathered through a review of available financial reports and the management letters. The instruments for data collection were assessed in terms of validity and reliability to ensure quality data was collected. The test-retest method was used to test the reliability of the instruments. The data were analyzed using descriptive statistics techniques such as percentage and frequency and presented in tables and graphs.

FINDINGS

The research sought to determine the influence of accounting information on management decision-

making among catholic religious communities in Karen, Kenya.

Table 1: Impact of Accounting Systems on Management Decision-Making

Key- *strongly disagree (SD), disagree (D), neutral (N), agree (A), strongly agree (SA)*

Statement	SA f %	A f %	N f %	D F %	SD F %
The accounting systems being used do not employ modern techniques/ instruments/ approaches of accounting	4 (3.5)	12 (10.4)	12 (10.4)	66 (57.4)	21 (18.3)
The accounting systems being used do not keep Pace with information technology's requirements	6 (5.2)	24 (20.9)	29 (25.2)	44 (38.3)	10 (8.7)
You use accounting information in Core Competencies and competitive advantage related Decision making.	22 (19.1)	48 (41.7)	23 (20.0)	17 (14.8)	3 (2.6)

Table 1 showed that the majority of the participants (60.8%) cumulatively agreed with the statement that they use accounting information in core competencies and competitive advantage related to decision, 47% agreed that accounting systems being used keep Pace with information technology's requirements and 75.7% agreed that accounting systems being used employ modern techniques/ instruments/ approaches of accounting. The findings are an indicator that those who do not

have formal training in accounting systems may not have full knowledge or expertise as to know the best approaches/ techniques use in the accounting system. The finding concurs with (Gacheru, 2017; Horvat and Mojzer 2019; Adebayo et al.2013 & Malait, Isaac, Naibei, Kirui 2017) that posit that financial accounting information had adequate comparability and relevance to the organization followed by the organization adequate use of modern techniques and approaches of accounting.

Table 2: Basis of Financial Accounting Information Preparation

Key- *strongly disagree (SD), disagree (D), neutral (N), agree (A), strongly agree (SA)*

Statement	SA f %	A f %	N f %	D F %	SD F %
The accounting personnel working for your organizational office are not up to standard	5 (4.3)	19 (16.5)	12 (10.4)	51 (44.3)	27 (23.5)
You use accounting information in Corporate Vision-related decisions	22 (19.1)	73 (63.5)	16 (13.9)	4 (3.5)	0 (0)
Basis of accounting is frequently used in accounting information in strategic decision-making	46 (40.0)	33 (28.7)	0 (0)	29 (25.2)	7 (6.1)
You use accounting information in Human resources polices for Acquisition, Recruitment (internal and external), Selection and hiring decisions] related decisions.	26 (22.6)	63 (54.8)	17 (14.8)	6 (5.2)	2 (5.2)
You use accounting information in Training and development related decisions	22 (19.1)	70 (60.9)	16 (13.9)	6 (5.2)	1 (0.1)
Different organizations use different Organizational culture and management style related to decisions making in accounting information	28 (24.3)	70 (60.9)	13 (11.3)	3 (2.6)	1 (0.9)
Responsibilities given to accounting personnel determine their Performance	36 (31.3)	45 (39.1)	11 (9.6)	19 (16.5)	4 (3.5)

Table 2 showed that (68.8%) disagreed with the statement that the accounting personnel working for their organizational office is not up to standard, (82.6%) of the participants agreed that they use accounting information in Corporate Vision-related decisions, 68.7% of the participants agreed that basis of accounting is frequently use in accounting information in strategic decision-making, 77.4% of the participants agreed that they use accounting information in Human resources related decisions, (80%) agreed that they use accounting information in Training and development related decisions, (73.9%) agreed that different organizations use different organizational culture and management style related to decisions making in accounting

information, (70.4%) agreed that responsibilities given to accounting personnel determine their performance and 85.2% of the participants agreed that they use accounting information in Corporate Objectives related decisions making. This shows that despite the fact that some of the participants are not professional accountants, their organization employed competent personal that are up to standard.

The finding support Mwebesa et al 2018; Pirayesh et al 2018; Gaitho 2018) who emphasized the electronic information accounting method that improves the efficiency of the information and this, in turn, facilitates the decision-making of managers.

Table 3: How the Use of Accounting Information affects management decision-making

Key- strongly disagree (SD), disagree (D), neutral (N), agree (A), strongly agree (SA)

Statement	SA	A	N	D	SD
	f	f	f	f	f
	%	%	%	%	%
You use accounting information in Corporate Objectives related decisions.	23 (20.0)	75 (65.2)	16 (13.9)	1 (0.9)	0 (0)
You use accounting information in corporate mission Growth Strategic related decisions making	19 (16.5)	81 (70.4)	10 (8.7)	2 (1.7)	0 (0)

Table 3 showed that majority of the participants 85.2% agreed that they use accounting information in corporate objectives related decisions and 86.9% agreed that they use accounting information in corporate mission growth strategy related decision-making. The findings corroborate with the findings

of (Alfawarah et al, 2015; Francis & Olayemi,2016 Ullah et al ,2014 & Ortega & Ramirez ,2017) that accounting information system is indispensable for the management activities and that the benefits of the accounting information system outweigh the costs of implementing the technology.

Table 4: Accounting Information and Communication StrategiesKey- *strongly disagree (SD), disagree (D), neutral (N), agree (A), strongly agree (SA)*

Statement	SA f %	A f %	N f %	D F %	SD f %
Do you think communication is achieved based on the set goals and objectives of any organization	42 (36.5)	51 (44.3)	15 (13.0)	4 (3.5)	0 (0)
Effective communication allows management to effectively co-ordinate and control organizational activities as means of unification	73 (63.5)	34 (29.6)	4 (3.5)	0 (0)	0 (0)
Effective communication performance and activities influence disseminating of Management policies, strategies, objectives plans and programs	61 (53.0)	42 (36.5)	7 (6.1)	1 (0.9)	0 (0)
Is Communication truly an indispensable tool in organizational management	81 (70.4)	24 (20.9)	2 (1.7)	3 (2.6)	2 (1.7)
Is Communication Truly a managerial responsibility	58 (50.4)	44 (38.3)	7 (6.1)	2 (1.7)	1 (0.9)
You use accounting information in making important organizational policy related Decision	41 (35.7)	57 (49.6)	12 (10.4)	2 (1.7)	0 (0)
Most of the religious leader do not use accounting information in strategic management decision making	15 (13.0)	24 (20.9)	28 (24.3)	37 (32.2)	8 (7.0)
You use accounting information in Promotion, Transfer, Retrenchment related decisions	31 (27.0)	59 (51.3)	12 (10.4)	8 (7.0)	2 (1.0)

Table 4 showed that (80.8%) agreed that communication is achieved based on the set goals and objectives of any organization, 93.3% agreed that effective communication allows management to effectively co-ordinate and control organizational activities as means of unification, 89.5% agreed that effective communication performance and activities influence disseminating of management policies, strategies, objectives plans and programs, 91.3% agreed that communication is truly an indispensable tool in organizational management, 88.7% agreed that communication is truly a managerial responsibility, 74.9% agreed that they use accounting information in making important organizational policy related decision, 39.2 % disagreed that most of the religious leader do not use accounting information in strategic management decision-making process and 78.3 % agreed that they use accounting information in promotion, transfer and retrenchment related decisions. Findings concur with Chumba and Kiptum, (2018) that communication is truly a managerial responsibility and Shannon (2018) that

effective communication guarantees organization success.

CONCLUSIONS AND RECOMMENDATIONS

The study found that accounting information system leads to good financial reports and to better decision-making. The study also revealed that religious organizations employed professional accountants that understand the organization's financial situation, have knowledge of modern techniques/ instruments/ approaches to be used as the basis for making strategic decisions. However, majority of the participants are not trained professional accountant but have little knowledge of accounting information and management. Accounting information has adequate comparability, reliability, and relevance on account management decision making among religious organization in Karen, Kenya.

The study recommended a system that ensures members are trained to the level of chief accountant officers and accountants. This expertise will enable them to handle effectively the financial

management of the organization rather than depending entirely on outsiders who do not understand the system very well. The religious communities must ensure that they have a clear-cut definition of long-term corporate objectives, within which the accounting information system will operate. To achieve this, a professional accountant

should be employed by the organizations in order to provide valuable information and keep an accurate record of the organization's accounts. Religious, male and female, should be encouraged to develop themselves by becoming professionals in their chosen career; this will ensure that the organization will grow positively.

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