11 IMPACT OF RESPONSIBILITY ACCOUNTING ON BANK MANAGEMENT PERFORMANCE IN NIGERIA

Maimako, LivinusNkuri,Kwatmen Mathias Nicholas and Ishaya DavidLalu
Department of Accounting,
Faculty of Management Sciences,
University of Jos

ABSTRACT

Responsibility Accounting is considered as an important measurement tool designed to verify all activities in a company to ascertain whether they are done as planned. It requires an evaluation of actual performance against what is planned and the analysis of deviations establish the causes of their occurrence. This study examined the Impact of responsibility accounting on bank management performance in Nigeria. The correlational survey design was employed for this study, in which 120 managerial staffof various commercial banks in Plateau state were selected and administered the research questionnaire. Regression analysis was used to analyze the data with the aids of SPSS version 23. The results showed that responsibility accounting has a positive and significant impact on bank management performance in Nigeria. The study recommended that there is need for further training for bankers through seminars and workshop on responsibility accounting, and the government should, through the regulatory authorities, compel financial institutions to embark on responsibility accounting among other things.

Keywords:
Responsibility accounting, Bank management, Management Performance

1.0 INTRODUCTION

Responsibility Accounting is considered as an important measurement tool designed to verify that all activities in the company are achieved as planned, so it requires to evaluate actual performance with what is planned and to analyze deviations and the causes of their occurrence and to set the foundations of treatment in order to provide a system for monitoring and evaluating the performance of employees. Thus, the company ensures access to the competitive advantage that company seeking to achieve through the division of accompany into sub-units.

According to Horngreen (1991) responsibility accounting is a system that measures the plans (by budgets) and actions of each responsibility Centre. The responsibility accounting approach traces the costs to either the individual who has the best knowledge about why the cost rose or the activity that caused the cost. McNair and Carr (1994) states that responsibility accounting is an underlying concept of accounting performance measurement systems. They argue that the basic idea is that large diversified organizations are difficult, if not impossible to manage as a single segment, and thus they must be decentralized or separated into manageable parts. This approach allows responsibility to be assigned to the segment managers that have the greatest amount of influence over the key elements to be managed. The basic idea underlying responsibility accounting, is that a manager should be held responsible for those items- and only those items- that the manager can actually control to a significant extent. Each line item (ie cost or revenue) in the budget, is made the responsibility of a manager who is held responsible for subsequent deviations between budgeted goals and actual results (Garrison,Noreen, . and Brewer, 2009)

The banking sector is considered as one of the most important pillars of the Nigerian economy, for its effective role in serving the financial and monetary policy of the country, in addition to its role in facilitating the commercial exchange operations between the different economic sectors inside and outside Nigeria, and its contribution in supporting the economic development of the society. But in the light of the expansion of the markets and the big size of the bank's capital, the traditional administrative accounting measurements and systems are no more capable to give an integrated image of the performance of that bank, so there was necessity to switch to the modern methods of administrative accounting , which help the administration to plan the costs and control them, so this will help in achieving the desired goals and facing the current and the future challenges, and achieving the competitive advantage of the bank (Adeniji, 2005). And the bank needs the modern administrative methods to provide the administration with the necessary information for taking decisions, so as to be on time and with necessary quantity to achieve the objective of the decision (Adeniji, 2005) One of the modern methods of the administrative accounting that this study will discuss is the responsibility accounting, which depends on the decentralization method in the administration that needs having constraints to the control to make sure that the administrations, do their jobs properly. Decentralization means authorizing the power of taking decisions in the company, and providing the managers with the appropriate powers regarding their positions and limits of responsibilities (Garrison et al, 2009), and this should be followed by comparing the planned performance and the planned one of every center of responsibility (Horngren et al, 2005, 225).In order to make responsibility accounting system successful in achieving its objectives, a clear organizational chart that identifies authorities and functions of the various administrative units of a company must be set(Rugby, 2004) And because of the important effect of the responsibility of accounting in the decision planning, and the evaluation of performance, this study discuss the Adoption of Responsibility accounting in Nigerian banking sector: Expectations, benefits and challenges

One the reasons that led to the emergence of responsibility accounting, is the emergence of large companies after World War II, as these companies have opened branches in many countries of the world, which led to a lack of management's ability to control and supervise the activities of companies, prompting them to delegate part of their administrative powers to various departments. This reason has also led to the emergence of the so-called "decentralization" where the senior management delegates some special powers, regarding decision-making, to middle and lower management (Abu, 2014).

Many literatures reveal that banks do not divide their organization structure into responsibility centres, and centralize powers at their head offices (Al-hanini, 2013; Fowzia, 2011)and at end, fail to take advantage of divisionalisation. Also, bank branch managers do not have absolute authority to make its own budget based on the reality of the business. Thus, branch managers do not have powers to match cost and revenue of their branches.

Responsibility accounting is considered an important measurement tool for verifying bank's operations and activities, regarding what was planned for. Measurement in this context means comparing actual performance of every section or department with what it was planned for. This, according to available literature, this is not being practice in the banking sector in Nigeria, hence the need for this study.

The general objective of this study is to assess the impact of Responsibility accounting on Bank Management performance in Nigeria. More specifically, the objectives include:

1. To assess the extent to which Nigerian banks divide organizational structure into responsibility centres;
2. To determine if Nigerian banks have given Managers of responsibility centres semi-autonomous power to operate freely;
3. To examine the impact of responsibility accounting on bank management performance; and
4. To ascertain whether costs and revenue are distributed to centres of responsibility, according to each centre capability and authorities in Nigeria banks.

Based on previous studies, the following hypotheses were formulated:

HO1: the Nigeria banks do not divide the organizational structure into centers of responsibility.

HO2: the Nigerian banks do not give managers of responsibility centers semi-autonomous power to operate freely.

HO3: Responsibility accounting do not have significant impact on bank management performance?

HO4: Uncontrollable costs are not fairly distributed to responsibility centres according to the level of capability and authorities in Nigeria banks.

2.0 REVIEW OF RELATED LITERATURE

2.1 **Conceptual Framework**

There are many different views about the responsibility accounting, according to different purposes, professional researchers or administrators in enterprises with different angles of RA in the business different now. However, there is no unified concept of responsibility accounting:

This new approach to accounting and reporting, is the development of an accounting system designed to control expenditures, directly relating the reporting of expenditures to the individuals in the company organization who are responsible for their control. This system results in the preparation of accounting statements for all levels of management, designed primarily so that they can be effectively used by the operating people as a tool in controlling their operations and costs. (Higgins, 1952)

Responsibility accounting is considered as an important control system and represents a source of information that facilitates decision making process in short and long ranges (Sarkar &Yeshmin, 2005). Responsibility accounting as a control device, emphasizes responsibility centers. These are subunits of an organization, under a specific manager 'control and hence have direct responsibility for its activities (Fowzia, 2011). Responsibility accounting closely is related to cost accounting. One of the important goals of responsibility accounting, is the control of cost at the basic levels of supervisor. This means that not all expenses are controlled at the management level of divisional director, it means that expenses are controlled at any level which raise expenses and accepted (Kellogg, 1962). RA is the accounting system which is acknowledged through different responsibility centers in the entire organization and reflects results, performance of each center by revenue and cost items (Horngren, Foster, &Datar, 2000). According to Atkinson, Banker, Kaplan, and Young (2001), responsibility accounting is the accounting system functions as collection, summarization, and report on accounting information related to costs, income, and operating data by each scope of responsibility or unit in organization. Such system shall provide information so as to evaluate responsibility and performance of each manager. RA shall create reports containing objects which are able or unable to control for a management level. Responsibility accounting is the management method in order for design of accounting system, so as to obtain control efficiency through the direct relationship between accounting report, and the head in the organizational structure of company at all management levels (Meda, 2003). Responsibility accounting connects the personal performance report, with the heads of the different management levels, to determine the level of obtaining goal of management levels, and responsibility centers. These responsibility centers have different goals and use resources of company to obtain goals (Rajbi, 2004). From the point of view of responsibility accounting, the author can draw some general nature of the liability of accounting as follows:

Firstly, responsibility accounting is a basic content management accounting to generate financial information systems, and non-financial related to the actual operation and planning, used to control activities and assess the performance of each division, head of department in the enterprise.

Secondly, responsibility accounting related to the organizational structure of the enterprise is decentralized and explicit authorization. A basic requirement for the implementation of responsibility accounting, is the existence of a reliably organizational structure. The complete line of power should be determined before responsibility accounting is done. The managers are at every level, who is decentralized consistent with his management responsibilities in the business.

Thirdly, responsibility accounting provides managers with information to control business activities of subordinate managers. RA controls responsibility by passing individual responsibility for the achievement of financial targets and non-financial enterprises. RA assigns responsibility, sets the powers and responsibilities for each department or individual and uses system of indicators, performance reporting, to control the operation and connect the parts and units within the enterprise, to ensure businesses operating activities according to plan.

Fourthly, responsibility accounting can be based on decentralized organization, to divide the responsibility centers consistent with the organizational structure, or accounting shall be based on the content in order to divide the contents specific details. In each content, RA uses a mixture of cost accounting methods and methods of results evaluation, particularly modern methods for recognition, measurement, and evaluation of performance achieved in business department. Fifthly, responsibility accounting establishes a reporting system providing financial and nonfinancial information for administrators to control operation, according to defined objectives. Through the synthesis of views on different aspects, in general, responsibility accounting is an information system based on decentralization and authorization to the administrators, decentralization to the administrators, department within organization using a mixture of cost accounting methods and evaluation methods, to record success, measure, evaluate operating results achieved in the organization in order to provide financial and nonfinancial information for managing the appropriate powers as assigned and responsibilities in parts, the center responsibility for controlling parts and units in operation now in the right direction intended. Considering the perspective and approach of the organizational structure and the level of decentralization, the liability of accounting is divided into the responsibility center. Responsibility center shall be part of the organization, where executives' responsibility department operating results of its parts. Accordingly, based on the organizational structure and degree of decentralization, enterprise system centers corresponding responsibility. Currently, most researchers believe that there are four types of responsibility center, that is responsibility for the cost center, revenue center, profit center, and investment center.

2.2 Review of Empirical Studies

Many researchers have conducted a lot of research on how enhanced profitability of organisations and particularly banks could be. In the study carried out by AlHanini (2013) which aims to identify the extent of implementing responsibility accounting in the Jordanian banks concluded that the Jordanian banks commit to the application of the potential responsibility accounting regarding the division of the organizational structure into centers of responsibilities.

Tuan (2017) opined in his research which aims to identify the development of responsibility accounting, from four primary elements of initial accounting responsibilities in Vietnam, concluded that the scientific basis for Vietnam enterprises in general and Vietnam's textile and garment enterprises in particular have a successful application of responsibility accounting to improve performance.

3.0 Methodology

A correlational survey research design was used. This represents the theoretical specified aggregation of survey elements. The elements in this sense refer to individuals, material and organizations, about which the researcher collects information for analysis. The population for this study was all the staff of commercial banks in Plateau State, Nigeria. For achieving the objectives of the study the descriptive analytical method was used. In addition, SPSS (version, 23) were used for testing the hypotheses and for presenting and analysis of the data. The researchers made a comprehensive field survey for the population of the study, by using a questionnaire to collect data and test the hypotheses of the study. The questionnaire consisted of two parts. The first part aimed at collecting general data to identify the characteristics of the sample of the study. The second part aimed at getting data related to study hypotheses.

4.0 RESULT PRESENTATION AND DISCUSSION

The one sample t-test and regression analysis results below, were used to test the four hypotheses at 0.05 significance results. Decision Rule: Accept H0 if p-value >0.05 significance level, Reject H0 if p-value < 0.05significance level.

Table 1: One sample t- Test results for hypothesis one

N	Mean	Std. Deviation	T	Df	P-value
120	3.75	1.304	3.1	119	0.001

Source: Authors Computations 2018 P<0.05

Results from table 1 indicated that we reject null hypothesis since our p -value is less than 0.05 and conclude that Nigeria banks divide the organizational structure into centers of responsibility

Table 2: One sample t- Test results for hypothesis two

N	Mean	Std. Deviation	T	Df	P-value
120	2.25	1.304	1.89	119	0.643

Source: Authors Computations 2018 P<0.05

Results from table 2 indicated that we accept the null hypothesis since our p -value is greater than 0.05 and conclude that Nigerian banks do not authorize the managers of responsibility centers with clear powers.

Table 3: Regression results for hypothesis three

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	p.value
	(Constant)	.561	.198		2.828	.006
	Impact of Responsibility accounting on bank management performance	.559	.045	.755	12.495	.000

Source: Authors Computations 2018 P<0.05

Results from table 3 indicated that we reject null hypothesis since our p -value is less than 0.05 and conclude that Responsibility accounting had impact on bank management performance

Table 4: One sample t- Test results for hypothesis four

N	Mean	Std. Deviation	T	Df	P-value
120	2.96	.844	3.91	119	0.002

Source: Authors Computations 2018 P<0.05

Results from table 4 indicated that we reject null hypothesis since our p-value is less than 0.05 and conclude that costs and the revenues are distributed to the centers of responsibility according to each center's capability and powers in the Nigeria banks.

From the results above, Responsibility accounting had impact on bank management performance. This finding agreed with work of Al-hannin (2013), which conclude that, comparing the actual performance with the planned one also helps in evaluating the employees' performance and facilitating the process of communication between the administrative levels.

5.0 CONCLUSION AND RECOMMENDATIONS

Responsibility accounting is considered as an important control system and represents a source of information that facilitates decision making process, in short and long ranges. As tool for evaluation, responsibility accounting system helps in measuring the divisions' performance in profit and nonprofit organizations alike. The study concluded that the commercial banks in Nigeria are partially adopting the fundamentals of responsibility accounting system in the evaluation of its performance. And this adoption was informal.

On the basis of our findings, the following recommendations sufficed:

1. It is necessary for the banks to have the employees in the centers of responsibility involved in setting the objectives and preparing the estimated budgets of their centers, according to every one's specialization and capability and this is a motive to the employees to work harder which affects positively the banks' performance.

2. It is necessary to have a coordination between the Central Bank and the administrations of the banks to develop a guide recommended for application in the Nigerian banks that includes objectives and advantages in using responsibility accounting to enhance applying this method in the banks.

3. It is necessary for the professional organizations as the association of the banks to encourage the banks to use the other modern administrative accounting methods in its business as the application of Activity Based Costing system (ABC), the Activity Based Budgeting *(ABB)* and the Balanced Scored Card (BSC) because of the importance of the role that these methods may play in the operations of planning, control and performance evaluation which will improve the revenues, through achieving the best investment of the resources.

4. It is necessary for Nigeria Government through its regulatory agencies to compel banks to adopt responsibility accounting in order to enhance transparency and accountability.

5. It is necessary for the Nigerian banks to revise regularly the system of dividing the organizational structure into centers of responsibility, to verify the appropriateness of the centers' objectives with the general objectives of their banks.

6. It is necessary for the Nigerian banks to train its staff on responsibility accounting through workshop and seminars.

REFERENCES

Abu, N.M.,(2014).Accounting Administrative. 4thEdition.,Dar-WaelforPublication, Amman, Jordan,.

Adeniji A. (2005). An insight into management accounting. (3rd Ed.). Value analysis consults: Lagos

Al-hanini,F.(2013).The Extent of Implementing Responsibility Accounting Features in the Jordanian Banks. *European Journal of Business and Management* Vol.5,No.1,2013

Atkinson, A. A., Banker, R.D., Kaplan, R. S., & Young, S.M. (2001). *Management accounting* (3rded.). Prentice Hall.

Garrison, R. H., Noreen, E. W. and Brewer, P. C. (2009). *Managerial Accounting, 12th Edition, McGraw-Hill*, New York. -Germany and Mari (2003)

Fowzia, R. (2011). Use of responsibility accounting and measure the satisfaction levels of service organizations in Bangladesh. *InternationalReviewofBusinessResearchPapers,7*(5),53-67.

Higgins, J. A.(1952).*Responsibility accounting*(Vol12).Chicago,IL: The Arthur Andersen Cchronicle.

Horngren, C. T., Foster, G., & Datar, S. (2000). *Cost accounting: Managerial emphasis*. Newdelhi, Prentice Hall of India Private Limited.

Gafer, Abd Ellah (2002). Costs Accounting in the Commercial Banks, Dar Al shoroq for Publishing, Amman, Jordan.

Kellogg, M. N. (1962). Fundamentals of responsibility accounting. *National Association of Accountants. NA A Bulletin (pre-1986),43*(8),5.

Mc Nair and Carr (1994). Responsibility redefined: Changing concept of Accounting based control advances in Management Accounting.

Meda,I.(2003).Systemofresponsibilityaccounting in the Jordanian shareholding companies: Reality and hope. *Journal of accounting*

Okoye, E .I.,(2009).Improvement of managerial performance in manufacturing organizations: An application of responsibility accounting. Journal of. Manage. Sci.,Vol.9,

Ramadan, I. Z. (2016). Implementing Responsibility Accounting in Jordan Industrial Companies, International Business journal vol.10:23.

Rugby, A.H., 2004. Management Accounting. 3rd Edition. Dar-Wael for Publication, Amman, Jordan,.

Rajbi, Mohammad Tayseer (2004). The Administrative Accounting, Dar Wael, 3rd edition, Amman, Jordan

Sarkar, J., & Yeshmin, F. (2005). Applicationofresponsibilityaccounting: Bangladeshperspective.*TheCostandManagement,33*(6),82-88.