

Impact of Accounting Information System and Transparency on Good Governance: A Study of Nizamabad Municipal Corporation in Telangana

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Abstract:

In order to implement good governance, there are some concepts that have to be considered. The concepts of accountability and transparency are representing the quality of accounting information in any organization. Municipal administration accounting is closely linked with the implementation and accounting treatment in the public domain. It means that the purpose of Municipal Accounting is to provide the necessary information in order to manage the operations and allocation of resources entrusted to the organization appropriately, efficiently, and economically. It also aims at providing information to report accountability of the management in implementation and to report the results of operations regarding the use of public funds. The quality of Accounting Information System has a very important role in the creation of Transparency and Good Governance. This study is intended to investigate the Impact of Accounting Information System and Transparency on Good Governance in Nizamabad Municipal Corporation of Telangana State.

Keywords: Accounting Information System: Transparency: Good Governance: Municipal Administration:

Introduction

Decentralization is the essence of the Good Governance. Good governance is an essential part of the administrative process which includes effective resource mobilization and value for money as measured in terms of economy, efficiency and effectiveness. Local bodies promote decentralization by transferring administrative and financial powers to the grass root level ensuring more effective governance. Municipal accounting paradigm is closely related to regional autonomy and fiscal decentralization. Reforms in public sector and local autonomy are an integral part of municipal administration. Autonomy provides flexibility to develop local financial management systems which brings best accounting practices and good governance. Accounting plays a major role in municipal administration by preparing

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the financial statements as a form of implementation of public accountability. Good governance and municipal accounting has a strong relationship, in which the municipal accounting acts as a tool to ensure good governance.

Role of Accounting Information

Financial information can be used as an input in the process of governance. The accounting information in the form of financial statements is a form of transparency which is required to support the openness of government activities in management of public resources. Transparency of information, especially financial and fiscal should be in a form that is relevant and easy to understand. Generally financial statements are prepared on the basis of accounting principles which helps in maintaining accountability and transparency of financial reporting established through information that is relevant and easy to understand.

The low quality of financial information indicates the weakness of municipal accounting practices. This is because the municipal accounting is related to the financial reports produced. Effective municipal accounting attempts to exploit the potential of the ability to achieve the objective of financial statements. The objective of financial statements is to provide information used in decision making, accountability and evidence management, and evaluating managerial and organizational performance. The implementation of proper accounting system leads to improvement in the process of decision making by managers, internal control and the quality of financial reports.

Accounting Information and Good Governance

Municipal Accounting can be defined as the mechanism of accounting and analysis techniques applied to the management of public funds in Municipal Corporations. The application of accounting is a process to collect, change and disseminates reports to the different stakeholders. This shows that the application of accounting has an important role in establishing financial reporting and accounting information for internal and external users who are used to assess the financial status and performance of the organization. The use of transparent financial accounting information in the organizational mechanism improves the effectiveness of the governance process which in turn prevents corruption. One of the factors that can influence the governance of the municipal organization is the quality of accounting information. Thus, the quality of accounting information has considerable effect on good governance. The good governance as a part of implementation should be in line with the principles of democracy avoiding any illegal allocation of investment funds, prevention of corruption both political and administrative, budgetary discipline and run a legal creation and political framework for the growth of local bodies.

The following are the main reasons for failure of Municipal Corporations to maintain the Good Governance:

1. The absence of local government accounting system that can both support the implementation of reliable reporting. This led to weak internal controls of local government.
2. A very limited number of personnel for local government accounting.
3. Non implementation of Financial Accounting Standards which are very important in making the financial statements and which act as a control mechanism. This results in low reliability on accounting information as well as problems in auditing.

Accounting Information and Good Governance in Municipal Administration

Accounting information is required to maintain the transparency in supporting the accountability and openness of government activities and management of public resources. Accounting information presents in the form of financial statements can be used as a basis for decision making. The accounting department is required to present information that is relevant, accurate, and timely. This is because the information that is worthy of consideration benefits in decision making. The qualitative accounting information always shows the transparency and which leads to the Good Governance in any type of organization.

The impact of qualitative accounting information and its transparency on Good Governance can be identified by the integration of various accounting variables. For this purpose the following four variables of accounting information systems are considered with five aspects each variable.

I. Financial and Budgeting System

1. An appropriate system of budgetary control helps to prepare the business budgets.
2. Budgetary control systems help to point out critical financial measures for the enterprise and how and when monitoring them.
3. Using the management by exception principle, budgetary control saves management time.
4. The official and strong control technique of control for the budgetary process improves business performance.
5. Budgetary control systems help to interpret budgets and performance measurements

II. Human Resource /Payroll & Employee Database

- a. Soft copies of business records are maintained for accountability.
- b. Sound accounting records facilitate decision making.
- c. The Municipal Corporation has effective accounting records and procedures.
- d. Keeping proper records helps the managers to know the performance of the business.
- e. Payroll & Employee Database is updated regularly.

III. Operational & Procurements Systems

1. Computerized accounting allows for effective funds management.
2. Funds management systems contribute to the accuracy of accounting and the prevention of frauds.
3. To ensure that an organization's cash flow is optimal, digital cash management controls are implemented.
4. The success of the Municipal organization is influenced by effective funds techniques.
5. Systematic methods are implemented in procurement and utilization of funds

IV. External Systems & E-Governance Portals

- a. The Government e-Procurement Platform is efficient, transparent and economical.
- b. Use of the e-procurement platform significantly reduces the time to process the tenders.
- c. It involves activities related to evaluating and selecting suppliers, such as e-Tenders and e-Auctions transparently.
- d. Purchase Control offers everything the department needs to successfully execute e-procurement.
- e. This enables the procurement wing of the department to focus tasks like negotiating contract terms.

The Accounting Information System (AIS) Integration with the above four variables leads to the Transparency and it leads to Good Governance in the Municipal Corporations as follows;

- a. The design and implementation of accounting information systems improve the quality of financial reports.

- b. Managers make appropriate decisions based on formal financial transaction processes.
- c. Information technology makes financial reporting more factual, practical, and better.
- d. A computerized financial system has high likelihood of business productivity.
- e. Accounting systems are important for timely production of high-quality financial data.

Performance Analysis of Nizamabad Municipal Corporation

Now it is proposed to examine the impact of qualitative Accounting Information System (AIS) and its transparency on Good Governance in Nizamabad Municipal Corporation. For this purpose we have considered the integration of the following four variables with the accounting information system of Nizamabad Municipal Corporation in order to examine the impact of quality accounting information for transparency and Good Governance. Further, each variable was examined with five aspects and obtained the opinion of concerned departmental employees through a well-structured questionnaire.

The Nizamabad Municipal Corporation performance was analyzed on the basis of its Accounting Information System, Transparency and Good Governance by the following parameters;

- 1. The Cronbach's Alpha Coefficients of AIS Integration and the user Satisfaction Scale.
- 2. Descriptive Statistics for AIS Integration and User Satisfaction.

The Cronbach's Alpha Coefficients of AIS Integration and the user Satisfaction Scale

The purpose of this analysis is to explore the impact of Accounting Information Systems integration with the user satisfaction scale. The summarized relevant data of the scalable number of items and the Cronbach's Alpha values are presented in the following Table-I.

Table-I: The Cronbach's Alpha Coefficients of AIS Integration and the user Satisfaction Scale:

Scale/Subscale	Number of Items	Cronbach's Alpha
1.Financial & Budgeting Systems	5	0.887
2.HR/Payroll & Employee Database	5	0.902
3.Operational & Procurement Systems	5	0.865
4.External Systems & E-Governance Portals	5	0.891
AIS Integration	20	0.877
User Satisfaction with AIS Functions	15	0.953

Source: Survey Data.

The result of the study indicate an influence of all given variables of Accounting Information System on the outcomes of Good Governance which is attributed to the quality of accounting information. To assess the internal consistency of survey measures, Cronbach's alpha coefficients were calculated for the four AIS integration subscales and the overall user satisfaction scale. Values range between 0 and 1, with higher scores indicating stronger reliability. The AIS integration subscales demonstrated good reliability as mentioned below:

- Integration with Financial and Budgeting Systems (5items): $\alpha = .887$
- Integration with HR/Payroll and Employee Database Systems (5items): $\alpha = .902$
- Integration with Operational and Procurement Systems (5items): $\alpha = .865$
- Integration with External Systems and E-Government Portals (5items): $\alpha = .891$.

The User Satisfaction with AIS Functions scale, comprised of 15 items, achieved a high reliability coefficient of $\alpha=.953$. All subscales and the overall satisfaction scale surpassed the recommended range. The examination of total statistics revealed that the removing any individual item would not substantially improve the reliability.

The strong internal consistency within each AIS integration dimension and across the user satisfaction items instills confidence in the reliability of the survey measures. The subscales effectively capture the intended constructs of interest.

Descriptive Statistics for AIS Integration and User Satisfaction

The survey responses were analyzed using SPSS statistical software. The descriptive statistics of Mean and Standard Deviation are characterized the Nizamabad Municipal Corporation and Respondent Profiles. The relationships between the study variables were assessed by the bivariate correlations using Pearson's Coefficients.

Analysis of Mean and Standard Deviation

The data related to the descriptive statistics for the four dimensions of AIS integration and overall user satisfaction with AIS functions presented in the following Table-II.

Table-II: Descriptive Statistics for AIS Integration and User Satisfaction

Variable	Mean	SD	Degree of Approval
1.Financial & Budgeting Systems	4.12	0.88	Integrated
2.HR/Payroll & Employee Database	3.95	0.92	Integrated
3.Operational & Procurement Systems	3.81	0.85	Integrated
4.ExternalSystems & E-Governance Portals	3.68	0.94	Integrated
AIS Integration	3.89	0.82	Integrated
User Satisfaction with AIS Functions	3.97	0.72	Satisfied

Source: Survey Data.

For the AIS integration dimensions, the highest mean score was observed for Integration with Financial and Budgeting Systems ($M = 4.12$, $SD = 0.88$), indicating a high level of integration between accounting information systems and financial/budgeting modules in Telangana state municipalities. This was followed by Integration with HR/Payroll and Employee Database Systems ($M = 3.95$, $SD = 0.92$), suggesting integration with human resource management functions. Integration with Operational and Procurement Systems had a slightly lower mean score ($M=3.81$, $SD=0.85$), implying a high degree of connectivity between AIS and municipal operations. The lowest mean integration score was reported for Integration with External Systems and E-Government Portals ($M = 3.68$, $SD = 0.94$), signaling comparatively good links between municipal AIS and broader government systems. The overall User Satisfaction with AIS Functions had a mean score of 3.97 ($SD = 0.72$) on the five-point scale. This indicates that, on average, respondents expressed a level of satisfaction falling between "neutral" and "satisfied" with the various functional capabilities of their accounting information systems.

Analysis of Correlation Coefficients

To examine the relationships between the four dimensions of AIS integration and overall user satisfacti-

on with AIS functions, Pearson Correlation Coefficients were calculated. The correlation matrixes with the values of coefficients are ranging from -1 to +1. The larger absolute values indicate stronger associations, while positive signs suggest direct relationships and negative signs indicate inverse relationships. The data related to the relationships between the four dimensions of AIS integration and overall user satisfaction with AIS functions are presented in the following Table - III.

Table - III: Correlation Matrix for AIS Integration Dimensions and User Satisfaction

Variable	1	2	3	4	5
1.Financial&BudgetingSystemsIntegration	1				
2.HR/Payroll &Employee Database Integration	0.687**	1			
3.Operational & Procurement Systems Integration	0.598**	0.624**	1		
4.External Systems &E-Governance Portals Integration	0.544**	0.571**	0.639**	1	
5.UserSatisfactionwithAISFunctions	0.662**	0.607**	0.589**	0.522**	1

Note:**p<.01 (two-tailed)

Source: Survey Data.

All four AIS integration dimensions exhibited statistically significant positive correlations with each other ($p < .01$). The strongest association was found between Integration with Financial and Budgeting Systems and Integration with HR/Payroll and Employee Database Systems($r=.687$), suggesting that municipalities with higher integration in financial modules also tend to have greater connectivity with HR systems.

Notably, all AIS integration dimensions demonstrated significant positive correlations with User Satisfaction with AIS Functions. The highest correlation was observed between Integration with Financial and Budgeting Systems and User Satisfaction ($r = .662$), indicating that higher levels of financial module integration are associated with greater user satisfaction. This was followed by the correlations of User Satisfaction with Integration with HR/Payroll and Employee Database Systems ($r = .607$), Integration with Operational and Procurement Systems($r=.589$) and Integration with External Systems and E-Government Portals ($r=.522$). These correlation results provide initial evidence supporting the link between AIS integration levels and user satisfaction with system functionality. As integration increases across financial, HR, operational, and external systems, municipal finance employees tend to report higher satisfaction with their accounting information systems.

The study is involved in the development of the Municipal Accounting System in Nizamabad Municipal Corporation by providing an evaluation of system integration and user satisfaction. The findings substantiate the idea that mapping in AIS integration through all functional areas can cause an increased level of user satisfaction, and as a result, the enhanced financial management and decision-making among the local government authorities.

The findings have practical implications for local administrators, policy specialists and AIS integration initiatives should be a priority for municipalities to improve financial processing, sharing of data, and user experience. These efforts can be supported by policymakers through resources and AIS modernization in local governments. The providers can take the perspectives into account to produce AIS systems that are appropriate for particular requirements and problems of municipalities in the Telangana state.

Conclusion

This study has suggested that the effectiveness of Municipal Accounting System is a factor that can produce quality Accounting Information showing the Transparency and Good Governance. The effectiveness of the implementation of quality Accounting Information System in Municipal Corporations has a significant influence on Good Governance. Accounting information quality can be considered as the intervening variable between Accounting Practices Effectiveness and Good Governance in Municipal Corporations.

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