

The Study of the Effect of Culture on Financial Reporting Transparency and Improving the Responsiveness Level in State Organizations (Case Study: Health Ministry)

Zahra Noori^{1,*}, Babak Jamshidi Navid²

¹Department of Accounting, Science and Research Branch, Islamic Azad University, Kermanshah, Iran

²Department of Accounting, Kermanshah Branch, Islamic Azad University, Kermanshah, Iran

Received: January 13 2014

Accepted: March 4 2014

ABSTRACT

One of the most effective aspects on financial information transparency and responsiveness is environmental factor of accounting playing important role in transparency and improving the responsiveness. One of the most effective environmental factors on accounting procedures and financial reporting is culture. The present study was conducted with the purpose of identification of the effect of cultural values of accountants on financial reporting transparency and improving responsiveness in Medical Sciences universities of ministry of health in 2013. The study method was descriptive-survey and its study population was 160 accountants of medical sciences that were selected by Cochran's formula as 101 people. The analysis of the hypotheses was done by Kolmogorov-smirnov test, single sample independent test and Pearson correlation test. The study results showed that accountants of the study population had different cultural values and the cultural differences affected the financial reporting transparency and responsiveness level.

KEYWORDS: Culture; Financial reporting transparency; Responsiveness; State organizations

INTRODUCTION

The reality is that today, information is considered as the most important asset of an institution and information comprehensiveness in current competitive markets can be used as a strong tool for the managers of the organization or institution to achieve the organizational goals and solutions and efficient application of limited resources in the organization and increasing responsiveness of managers. The foundation of accounting system in state and non-profit sector is based on responsiveness. Thus, the governments should be responsive to their citizens and justify financial resources collection and consuming method of these resources as well. Here, accounting professional communities believe that fulfilling the government responsiveness is very wide and is not possible only via financial reporting and financial reporting is the minimum information disclosure that people should know (Babajani, 2003). Various studies showed that some factors as effect of culture, social, economic and political systems affect financial reporting. The environmental features of activities as trade or corporate and non-commercial have important effect on accounting and financial reporting and underlying theoretical basics (Babajani, 2011).

Any accounting system is the product of special conditions and environment and its development in each society depends upon its social and environmental factors of the society (Perra, 1989). Gray (1998) believed that as accounting values are subset of social values, they are considered as form of wide social values and their dimensions are manifested in financial reporting and accounting standards. As cultural values affect accounting and its procedures and based on different cultures in the countries in the world and belief cultures affecting accounting and its procedures, for its effect, it is required to consider this issue in the mentioned countries with more precision. Our country due to ethnic variety and culture is affected by this effect and this is directly effective on development of reporting systems and financial accounting.

Schwartz cultural values

According to Schwartz (1992), global human values are mental beliefs and attitudes about good goals guiding people life. This concept is based on Schwartz and Bilsky (1987) theory and presenting a definition of different types of three human needs are:

- Biological needs
- Some needs to coordinate social interactions
- Collective organizational criteria for keeping the group

*Corresponding Author: Zahra Noori, Department of Accounting, Science and Research Branch, Islamic Azad University, Kermanshah, Iran

According to Schwartz (1992), global structure of people values is presented based on the type of motivational value. Different types of motivational values are including self-reliance, risk taking, welfare, progress, power, security, rules, common custom, benevolence and generality. The general structure of different types of Schwartz motivational values at individual level is supported based on the consistency of the results of the study conducted in 1992. Schwartz found some evidences whether people vividly distinguish two types of motivational values as their life guidance.

Table 1- Schwartz motivational values

Motivational goals	Different types of values	No
Independent thinking and action	Self-reliance	1
Emotion, innovation and facing life challenges	Risk taking	2
Satisfaction, physical enjoyments and mental interests	Welfare	3
Achieving personal success via attempts in accordance to social norms	Job competence	4
Improving social status and validity, controlling people or resources	Power	5
Safety, coordination and society consistency, people and relations	Security	6
Controlling the actions, desires and motivations damaging the others and violating social norms	Rules	7
Respecting the tradition and cultural and religious beliefs	Common custom	8
Keeping or improving people welfare	Benevolence	9
Perception, respect and supporting welfare of all people and supporting and respecting nature	Generality	10

Source: Schwartz, 1992, p. 5-12

STUDY METHODOLOGY

The present study is descriptive-survey and we identified the effect of cultural values changes on changing financial reporting transparency and responsiveness in state organizations. In the study of culture, in this study Schwartz cultural values were applied in the study of culture effect. This study in terms of method is as at first by attaining the required permissions and giving confidence to the respondents about the confidentiality of questionnaire information and unknown nature, it was prepared and the probable problems were eliminated that finally after completing the questionnaires, the data were analyzed. In sampling the study population, by Cochran's formula, 101 accountants and financial managers of Medical sciences Universities were selected. For the first and second hypotheses, independent single sample test and for third hypothesis, Pearson correlation coefficient was used.

Study hypotheses

- 1- There is a significant difference between the accountants in terms of cultural values
- 2- There is significant difference between the accountants in terms of transparency interpretation
- 3- There is a positively significant association between financial reporting transparency and responsiveness.

STUDY RESULTS

To study normality of distributing questionnaire variables, Kolmogorov- smirnov test was used. If the test significance level is lower than 0.05, it is concluded that the studied variable distribution is not normal, otherwise the distribution is normal. The significance level of risk taking, job competence and benevolence is lower than 0.05 and the variables have no normal distribution. Other variables of cultural values, transparency, and responsiveness have normal distribution.

First hypothesis

To test this hypothesis, single-sample independent t-test was used. In this test, null hypothesis and H1 are defined as:

H0: There is no significant difference between the accountants in terms of cultural values

H1: There is a significant difference between the accountants in terms of cultural values

The data distribution is ranging 1 to 5 and the middle is 3. Thus, test value is 3. If the variable mean is more than 3, it means that the respondents agree with the asked question and if the mean variable is smaller or equal to 3, it means that the respondent is not agree with the asked question. If the significance level is smaller than 0.05, null hypothesis is rejected.

As is shown in Table 2, for cultural values, significance level of test is lower than 0.05 and null hypothesis is rejected and it is found that statistically, there is a significant difference between the accountants in terms of cultural values.

Table 2- The results of single-sample t-test in investigating the difference of cultural values of accountants

The mean difference of the variable with the test value	Test value=3			SD	Mean	N	Variable
	Significance level	Degree of freedom	t				
0.88936	0.000	1	21.927	0.40762	3.8894	101	Cultural values

Second hypothesis: There was a significant difference in terms of transparency interpretation between the accountants.

As transparency variable has normal distribution, single-sample independent t-test was used to test this hypothesis. In this test, null hypothesis and H1 are defined as:

H0: There is no significant difference between the accountants in terms of transparency interpretation

H1: There is a significant difference between the accountants in terms of transparency interpretation

The data distribution is ranging 1 to 5 and the middle is 3. Thus, test value is 3. If the variable mean is more than 3, it means that the respondents agree with the asked question and if the mean variable is smaller or equal to 3, it means that the respondent is not agree with the asked question. If the significance level is smaller than 0.05, null hypothesis is rejected.

As is shown in Table 3, for cultural values, transparency variable of significance test is lower than 0.05 and null hypothesis is rejected and it is found that statistically, there is a significant difference between the accountants in terms of transparency interpretation.

Table 3- The results of single-sample t-test in the difference of accountants in terms of financial reporting transparency interpretation

The mean difference of the variable with the test value	Test value=3			SD	Mean	N	Variable
	Significance level	Degree of freedom	t				
1.07881	0.000	1	20.257	0.53521	4.0788	101	Transparency

Third hypothesis: There was a positively significant difference in terms of reporting transparency and responsiveness between the accountants.

As transparency and responsiveness variables had normal distribution, Pearson correlation coefficient was used to test this hypothesis.

If the significance level is smaller than 0.05, there is significant relationship statistically among the variables. As is shown in Table 4, correlation coefficient between two variables was 0.748, significance level 0.000 as smaller than 0.05. Thus, third hypothesis is supported and statistically, there is a significant association between financial reporting transparency and responsiveness. As the correlation coefficient is positive, financial reporting transparency and responsiveness variables change in the same direction, it means that by the increase of responsiveness, financial reporting transparency is increased and vice versa.

Table 4- Pearson correlation coefficient between cultural values and financial reporting transparency variables

Financial reporting transparency	Variables	
0.323	Pearson correlation coefficient	Cultural values
0.001	Significance level	
101	N	

Table 5- Pearson correlation coefficient between cultural values and responsiveness variables

Responsiveness	Variables	
0.350	Pearson correlation coefficient	Cultural values
0.000	Significance level	
101	N	

Table 6- Pearson correlation coefficient between financial reporting transparency and responsiveness variables

Responsiveness	Variables	
0.748	Pearson correlation coefficient	Financial reporting transparency
0.000	Significance level	
101	N	

CONCLUSION

In the communities in which people search for their rights and authorities performance, the decisions and performance of authorities are not ignored by people and affect their work future and people supporting them. The main goal of financial reporting in public sector is helping this section to fulfill responsiveness to the nation helping the public sector authorities to fulfill their duties namely in providing public resources and its consumption to give service as efficiently and by observing economic issues. Thus, the authorities attempt to be responsive and requirement of responsiveness is transparency. Responsiveness and transparency are two sides of coin, if there is any problem in responsiveness; transparency is problematic (Yazdanpanah, 2011). In the investigation of the results of this study, it can be said that the accountants had significant differences in terms of cultural values and the existing cultural values in accountants cause that they don't have similar interpretation of transparency. Based on the positive relationship between transparency and responsiveness, by improving transparency to improve responsiveness, we can take big step.

Acknowledgment

The authors declare that they have no conflicts of interest in the research.

REFERENCES

- Babajani, Jafar. 2003. Regarding a conceptual framework based on responsiveness. Accounting knowledge journal NO. 3, P. 155-172.
- Babajani, Jafar. 2011. Accounting of state companies. Eighth edition. Tehran. Allame University publications.
- Yazdanpanah, Ahmad. 2011. Transparency and responsiveness two sides of coin, Vatan Newspaper, No. 44.
- Hofstede, G. (1983), "National Cultures in Four Dimensions: A Research-Based Theory of Cultural Differences Among Nations", International Studies of Management and Organization, vol. 13, no. 1-2, pp. 46-74.
- Perera, M.H.B. (1989), "Towards A Framework to Analyze the Impact of Culture on Accounting", The International Journal of Accounting, vol. 24, pp. 42-56.
- Schwartz, S.H. (1992), "A Theory of Cultural Values and Some Implications for Work", Applied Psychology: An International Review, vol. 48, no. 1, pp. 7-47.
- Schwartz, S.H. & Bilsky, W. (1987), "Toward A Universal Psychological Structure of Human Values", Journal of Personality and Social Psychology, vol. 53, no. 3, pp. 550-562.