THE PERFORMANCE OF RESPONSIBILITY ACCOUNTING IN SOME SELECTED BANKS IN SOUTHWESTERN NIGERIA

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ABSTRACT

Globally, in business environments, responsibility accounting has been recognized as an instrument that measures the performance of each operational section within an organization, to achieve its stated goals and objectives. This study adopted a descriptive research method to examine the impact of responsibility accounting on performance, the effect of managers' participation in goal setting and the importance of organizational structure on performance in the banking industry. A random sampling method was used and a total of 240 copies of questionnaires were administered in four major banks in the south-west geo-political zone of Nigeria across five States to address the objectives of the study. SPSS was used to analyse the data using Pearson Correlation and t-test. Results from the study revealed that the involvement of divisional managers in goal setting which had a correlation of 0.144. Furthermore, organizational structure was also found to affect performance with a correlation of 0.405. Meanwhile, there is a significant impact of responsibility accounting on performance with a correlation of 0.405. On this basis, the study proffered, that responsibility accounting is a major tool for divisionalization to reduce the difficulty in managing the banking industry in Nigeria for maximum performance. Also, divisional managers should be encouraged in setting goals to help increase performance within the organization.

KEYWORDS: *Responsibility accounting, Banking industry, Southwestern Nigeria, Divisional manager.*

1. INTRODUCTION

The changing complexities in business environment and the need for timely decision making calls for a decentralized system in business operations, especially if there are many products and services they are providing. The larger the size of the company or the number of branches, the larger the scope of work it has to operate with. This emphasizes the importance of a decentralized system over a centralized management system of operations in the management of businesses.

Today, with the business environment becoming global, organizations need to respond timely and actively to various influences to remain competitive. Performance evaluation is also a major technique that must be in place to ensure organizations move towards the achievement of their objectives. This can only be made easy when each employee is assigned a particular task and he/she is accountable for such assigned task. Therefore, each employee could be evaluated in relation to his/her contribution to the achievement of the organization's goal and objectives.

Responsibility Accounting is an accounting system that collects, summarizes, and reports accounting data relating to the responsibilities of individual managers. Responsibility accounting is an underlying concept of accounting performance measurement systems. The basic idea is that large diversified organizations are difficult, if not impossible to manage as a single segment. Consequently, they must be decentralized or separated into manageable parts. These parts or segments are referred to as responsibility centres that include majorly:

i)   Revenue centres,
ii)   Cost centres,
iii)   Profit centres and
iv)   Investment centres.

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 (Martin 1994).Responsibility accounting, thus provide a way to manage an organization in a more efficient and organized manner. In addition, assigning responsibility to lower level managers allows higher level managers to pursue other activities such as long term planning and policy making. It also provides a way to motivate lower level managers and workers. Managers and workers in this system tend to be motivated by measurements that emphasize their individual performances.

According to The Chartered Institute of Management Accountants (CIMA) London, responsibility accounting is a system of management accounting under which accountability is established according to the responsibility delegated to various levels of management and management information, and reporting system instituted to give adequate feedback in terms of the delegated responsibility. The manager requires adequate information suitable enough to make the right decisions for the growth of the company within the available time frame.

Responsibility accounting is one of the uses of management accounting for managerial control. Among the control techniques responsibility accounting has assumed considerable significance as a control device by which costs are traced to individual managers for measuring the performance of various divisions of an organization.

1.1 Statement of the Problem

Banks offer many products and services to their customers located in different parts of the country and even abroad. The products and services which include corporate services, mobilization of savings and other deposits call for proper and adequate management operations that aid the survival of the business in the environment it is located. In the last few years, the banking industry in Nigeria has faced some economic challenges that border on performance management. Confronting these challenges call for the establishment of a responsibility accounting system within the banking industry.

Centralization focuses on decision making at the top level management with no regard for the middle or low level managers. The centralized system is a system that transmits and amplifies the effect of decision within the system it is practiced. This means that when bad decisions are made as inevitably as it may in the banking sector, the entire system will be affected. This centralized system makes the central planning prone to mistakes. This system of decision making makes managers ineffective thereby affecting the performance of the organization.

There is therefore the need to investigate how responsibility accounting could alleviate this situation to enhance performance in the Nigerian banking industry; hence, this study is aimed at solving these problems.

2. OBJECTIVES

The general objective of this study is to examine the impact of responsibility accounting on performance in the Nigerian banking industry. The specific objectives of the study are to:

i. investigate the impact of managers' involvement in setting goals on performance of banks in Nigeria;
ii. determine the impact of organizational structure on performance in the Nigerian banking industry;
iii. examine the impact of responsibility accounting on performance of banks in Nigeria.

2.1. LITERATURE REVIEW

Responsibility Accounting was termed profitability accounting and also referred to as activity accounting. is a system that recognizes various decisions or responsibility centres throughout the organization and traces costs (and revenue, assets and liabilities) to the individual managers who are primarily responsibility for making decisions about the costs in question.

Dandago and Tijani (2003) defined responsibility accounting as a structure of accounting which is aimed towards an organization such that cost and revenue are examined and reported by stages of responsibility in an organization. He further explained that each control-department/unit in the organization is charged only with the cost for which it is responsible and over which it has control on. Pandey (2003) gave a simple description of the concept as a structure that accumulate and report both actual and budgeted costs (and revenues) by individual unit responsible for them.

Adeniji (2004) also shared the same view like other authors, he described responsibility accounting as the term used to describe a system of decentralized authority with performance of decentralized units measured in terms of accounting results: cost (and revenue, assets and liabilities where pertinent) are traced to the individual managers who are primarily responsible for making decisions about the costs in question. Farounbi (2005) explained that the basic idea behind responsibility accounting is that big organizations are challenging, if not difficult to manage as a single segment; therefore, they must be decentralized or divided into manageable parts.

These parts or segments are called responsibility centres

According to Hansen and Mowen (2005), responsibility accounting model is defined by four essential elements which are: 1) Assigning responsibility 2) Establishing performance measures or benchmarks 3) Evaluating performance and 4) Assigning rewards.

Responsibility Reporting System
Kimmel, Weygandt and Kies, (2009), stated that a responsibility reporting system involves the preparation of each level of responsibility in the company's organization chart.Safa (2012), alsodefines responsibility accounting reports as reports classified into different levels of responsibility. This starts from lowest level of the hierarchy and continues to the higher levels. At each level, directly incurred costs by the unit's manager are listed and the incurred costs by each of the subordinates to top managers of the unit are traced. Performance reports usually reflect the budgeted and actual financial results of the related responsibility centres. Management reporting is divided into two types: responsibility reporting and information reporting. Such reports aim to inform the manager and supervisor of how duties are carried out in the areas that the reporter is directly responsible and motivate them to take some actions to improve performance.

Measures of Responsibility Accounting
Koontz and Weihrich (2002) stated that all forms of business – small or large, private or public, manufacturing or non-manufacturing can use responsibility accounting. The requirements of an effective responsibility accounting system and sound organizational structure with strictly defined authority and responsibility are stated below:
i.   Identification and classification of required activities.
ii.   Grouping of activities to attain set objectives.
iii. The assignment of each grouping to a manager with the necessary authority to supervise the delegation, and
iv.   The provision of horizontal and vertical coordination of various responsibility centre (cost centre,profit centre,revenue centre and investment centre)

Performance Evaluation
Performance evaluation is a formal determination of an individual's job-related actions and their outcomes within a particular position or setting. In financial trading, its objective is to assess the extent to which the individual added wealth to the firm and/or its clients, and whether his or her achievements were above or below the market or industry's norms.

Organizations routinely evaluate the performance of individuals, activities, and subunits. These evaluations clearly have a decision influencing purpose; they also serve to facilitate numerous economic judgments and decisions. For example, evaluations of performance frequently is used to allocate resources within the organization, decide on corrective actions, set future performance goals, develop or refine strategies, and identify training and development needs. Moreover, accurate performance evaluation is of critical importance in organizations, and both financial and nonfinancial data from the firm's managerial accounting system serve as a key input in forming these evaluations (Foster & Young, 1997; Ittner & Larcker, 2001).

Theoretical Review
Contingency theory
This theory aims at identifying an operational leadership style which shows interpersonal interactions between the managers and its subordinates in ensuring task are executed and goals are attained. Fiedler (1964),proposed contingency theory by highlighting the essence of leader's personality and the environments in which he operate. Further research showed how the theory has been developed, in Donaldson (2001), stated that contingency theory provides a major basis for organizational design. Fakir, Islam, & Miah(2014) assessed the practice and usage of responsibility accounting system identifying the implications of each division in regarding and handing over responsibility, establishing performance measures, appraising performance, allocating rewards to the system. For the purpose of his research, contingency theory is a focus because it relates to the organizational structure of an organization and its performance.

Agency Theory
Agency is a form of contract that involves a relationship between a person known as an agent, who acts in place of the owner (principal) to operate legally with a third party. Agency theory is a principle which describes the rapport/ connexion between the principals and the agent.Jensen and Meckling (1976) define an agency relationship as a contract by which one or more persons (the principal) hire another person (the agent) to perform some service on their behalf, giving the agent some of their decision-making power.Agency theory enumerates responsibility accounting. There are many more reviewed theories relating to responsibility accounting by different researchers and various studies, for the purpose of this research study, the researcher has anchored the study to the agency theory because it relates to the principal agent relationship and reward system.

Empirical Review

In examining the role of responsibility accounting in organizational structure Mojgan (2012) opined thatsize is a major factor for responsibility accounting such that authority is decentralized and the directors saddle other level managers with the responsibility of planning an controlling its centre (cost, revenue and investment). To report on the actual in reference with the budgeted.

Hanini (2013) examined the extent of implementing responsibility accounting in the Jordanian banks. Questionnaires were used and the study revealed that responsibility accounting is tool which measures each centre's ability and performance by the budget (planned and actual) controlled by a manager.The study further recommended the that employees be involved in goals setting in accordance with their areas of specialization.

Maimako,Kwatmen, and Ishaya(2020) revealed the impact of responsibility accounting on bank management performance in Plateau State, Nigeria. Using a primary data, the study accessed 120 managerial staffs of different banks. Results were assessed and analysed with regression analysis. The study revealed that responsibility analysis has a positive and significant effect on banks management performance.

3. METHODOLOGY (SAMPLING / STATISTICAL DESIGN)

The descriptive approach was used for this study. For the purpose of this research, the questionnaire was designed in a structured and unstructured manner in collecting data and analyzed using the descriptive statistical method. Data collected were used in describing and interpreting prevailing practices, beliefs and attitudes in order to assess the effect of responsibility accounting and performance in the banking sector. The hypotheses were tested using t-test and correlation analysis.

4. GEOGRAPHICAL AREA

The population of the study focus on some deposit banks in the southwestern geo-political zone of Nigeria. The sample frame consists of the following banks: Osun State, Oyo State, Ekiti State, Ondo State and Lagos State. The headquarters of the selected banks are located in Lagos State. Using a stratified sampling method, the following banks were selected as a basis:

i.   The Old Generation Banks represented by First Bank.
ii.   The New Generation Banks represented by Guaranty Trust Bank.
iii.   The Acquiring Banks represented by Access Bank.
iv.   The Reformed Banks represented by Sterling Bank.

The study sample size consists of 240 respondents using a random selection on all bank staffs in the zone while 15 respondents were selected at random from each state.

5. RESULTS
Test of Hypothesis I

H_0: Managers' participation in setting goals has no significant influence on the improvement of performance in the Nigerian banking industry.

H_1: Managers' participation in setting goals has a significant influence on the improvement of performance in the Nigerian banking industry.

Table 1 Descriptive Summary of selected items for hypothesis 1;
Goal setting

SN	ITEMS	SA (%)	A (%)	N (%)	D (%)	SD(%)
1	Decisions implemented and goals set in each center are made by managers	70 (30.4%)	89 (38.7%)	40 (17.4%)	22 (9.6%)	9 (3.9%)
2	Employees are involved in setting goals for the upcoming year in the organization	46 (20%)	86 (37.4%)	52 (22.6%)	34 (14.8%)	12 (5.2%)
3	My immediate boss gives me reasons for setting the target I have.	61 (26.5%)	111 (48.3%)	29 (12.6%)	24 (10.4%)	5 (2.2%)

Source: Field Survey

Table 2 Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Decision implemented.	2.18	230	1.089	.072
	Standard performance.	1.83	230	.832	.055

Source: Field Survey

Table 3 Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Decision implemented & Standard performance	230	.144	.029

Source: Field Survey

Table 4 Paired Samples Test

		Paired Differences							
					95% Confidence Interval of the Diff				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	T	df	Sig. (2-tailed)
Pair 1	Decision Implemented and standard performance	.348	1.271	.084	.183	.513	4.149	229	.000

Source: Field Survey

Decision Rule: Reject H_0 if P-value < α otherwise accept H_0
P-value = 0.000 and α = 0.05
Conclusion: Reject H_0 and conclude that divisional managers' participation in setting goals improves performances. Also the correlation revealed that there exist an evident significance between managers' involvement in goal setting and performance though the correlation is low.

Test of Hypothesis II
H_0: Organizational structure has no significant effect on Nigerian banks' performance.
H_1: Organizational structure has a significant effect on Nigerian banks' performance.
Table 5 Descriptive summary of selected items for hypothesis 2;

Organizational Structure

SN	ITEMS	SA (%)	A (%)	N (%)	D (%)	SD(%)
1	There is a structure dividing administrative sections into units according to the nature of activities	127 (55.2%)	91 (39.6%)	8 (3.5%)	3 (1.3%)	1 (0.4%)
2	There is a clear description of activity in each responsibility center in the bank.	135 (58.7%)	87 (37.8%)	6 (2.6%)	2 (0.9%)	0 (0%)
3	There is a specialized manager for each responsibility centre of the bank.	99 (43%)	91 (39.6%)	21 (9.1%)	10 (4.3%)	9 (3.9%)
4	The division of each unit and centre enhances the performance	108 (47%)	95 (41.3%)	24 (10.4%)	3 (1.3%)	0 (0%)

Source: Field Survey

Table 6:Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Administrative Section	1.52	230	.672	.044
	Divisional performance	1.66	230	.716	.047

Source: Field Survey

Table 7: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Administrative section and divisional performance	230	.405	.000

Source: Field Survey

Table 8. Paired Samples Test

| | | Paired Differences | | | | | | | |
| | | | | | 95% Confidence Interval of the Diff. | | | | |
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	T	df	Sig. (2-tailed)
Pair 1	Administrative section & divisional performance	-.139	.758	.050	-.238	-.041	-2.784	229	.006

Source: Field Survey

Decision Rule: Reject H_0 if P-value < α otherwise accept H_0
P-value = 0.006 and α = 0.05
Conclusion: Reject H_0 and conclude that Organizational structure has an effect on Nigerian banks' performance. Also the correlation indicates that there is an evident significance between Organizational structure and performance of 0.405.

Test of Hypothesis III
H_0: Responsibility accounting has no significant impact on organizational performance of Nigerian banks.
H_1: Responsibility accounting has a significant impact on organizational performance of Nigerian banks.
Table 9. Descriptive summary of selected items of Hypothesis 3;

Responsibility Accounting

S N	ITEMS	SA (%)	A (%)	N (%)	D (%)	SD (%)
1	Responsibility accounting system is an adequate tool for managerial efficiency	101 (43.9%)	98 (42.6%)	19 (8.3%)	8 (3.5%)	4 (1.7%)
2	The reports from responsibility centres are collated to assess performance of centres.	62 (27%)	125 (54.3%)	30 (13%)	8 (3.5%)	5 (2.2%)
3	There is an impact of responsibility accounting on performance in the banking sector.	85 (37%)	111 (48.3%)	20 (8.7%)	10 (4.3%)	4 (1.7%)

Source: Field Survey

Table 10. Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Responsibility Reporting	2.00	230	.859	.057
	Responsibility performance	1.86	230	.877	.058

Source: Field Survey

Table 11. Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Responsibility Reporting & Responsibility performance	230	.405	.000

Source: Field Survey

Table 12. Paired Samples Test

| | | Paired Differences | | | | | | | |
| | | | | | 95%Confidence Interval of the Diff. | | | | |
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	T	Df	Sig. (2-tailed)
Pair 1	Responsibility Reporting & Responsibility Performance	.139	.947	.062	.016	.262	2.227	229	.027

Source: Field Survey

Decision Rule: Reject H_0 if P-value < α otherwise accept H_0

P-value = 0.027 and α = 0.05

Conclusion Reject H_0 and conclude that responsibility accounting has an impact on performance in Nigerian banks. Also the correlation indicates an evident significance between responsibility accounting and performance of 0.405.

In hypothesis I, the results showed a correlation of 0.144 showing that divisional managers' participation is positively correlated with performance in the Nigerian banking industry. It also has a p-value of 0.000, therefore, accepting the hypothesis that divisional managers' participation goals setting has a significant influence in the improvement of performance in the Nigerian banking sector.

In hypothesis II, the results indicated that there is a correlation of 0.405, showing that organizational structure is positively correlated with performance in the Nigerian banks. It also has a p-value of 0.006, thereby accepting the hypothesis that organizational structure has a significant effect on Nigerian banks' performance.

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In hypothesis III, there exists a positive correlation of 0.405 showing that responsibility accounting has a positive correlation with performance in the Nigerian banking industry. It is also significant and has a p-value of 0.027 accepting the hypothesis that responsibility accounting has a significant impact on organizational performance in the Nigerian banking industry.

6. SUGGESTIONS

From the study, it was discovered that the organisational structure in the banking sector is divided into administrative sections according to the nature of its activities and also there is a specialized manager for each responsibility centre who is responsible for the activities of his centre to maximize performance. This structure also aids the flow of authority from the boss to subordinates in each centre.

The involvement of divisional managers in setting goals is minimal such that the major goals and objective is made by the board and implemented by the divisional managers. The rate and level of their involvement in setting goals for the banking operation is minimal.

The study also found out that there is a relationship between responsibility accounting and performance. Also, results proved that responsibility accounting is an adequate tool for managerial efficiency.

7. CONCLUSION & RECOMMENDATIONS

From the result of the analysis, it was concluded that responsibility accounting has an impact on performance in Nigerian banks. Furthermore, divisional managers' participation in setting goals improves performances. So also, organizational structure has an effect on Nigerian banks' performance. Also, correlation analysis indicated that there is an evident relationship between responsibility accounting on performance, divisional managers' participation in goal setting on performance and organizational structure on performance.

Based on the findings of the study, responsibility accounting system encourages segregation of duties and divisionalization, for big companies such as banks; therefore, management should provide adequate resources such as skilled personnel and other service delivery resources in different sections of various departments to boost the service delivery system and performance and efficiency in the operations of the banking system.

It was discovered that, there is a significant correlation between divisional managers involvement in setting goals and performance, though it was minimal. Therefore, there should be improvement in the divisional managers' involvement in setting goals because they serve as an intermediary between the marketers, customers and the executive managers of the bank. This would aid a grass root penetration in customer relations; identifying the loops of other banks' customers and satisfying them and creating an avenue to satisfy the bank's need to enhance performance.

Also, the reward system within the banking industry should be revisited so as to encourage and motivate workers to achieve the organizational goals and objectives.

Lastly, from the interviews conducted, proper orientation should be given to customers on the availability and use banks' products such as; e-transact, availability of credit accessibility to customers at a flexible interest rate, automated teller machine (ATM) usage and transfers and point of sale (POS)terminals advantages: this will increase their effectiveness and improve their performance.

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