

The Effects of Accounting Language and Staff Capacity on Local Government Authorities' Financial Reporting Quality

Charles K. Matekele^{*1&3} , **Cosmas S. Mbogela²** , **Chirongo M. Keregero³**

¹Department of Accounting and Finance, Local Government Training Institute (LGTI), Dodoma City, United Republic of Tanzania (URT)

²Department of Accounting and Finance, Mzumbe University (MU), Morogoro, United Republic of Tanzania (URT)

³Department of Accounting and Finance, University of Dodoma, College of Business and Economics (CoBE), Dodoma City, United Republic of Tanzania (URT)

*Corresponding author: charles.matekele@lgti.ac.tz / ckmatekele@gmail.com

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Abstract

Purpose- This study employs institutional and cognitive load theories to explore and understand how accounting staff capacity and accounting language capacity relate to local government authorities' (LGAs') financial reporting quality in Tanzania.

Design/Methodology- Data were gathered from 126 LGAs represented by 225 internal auditors and accountants using a survey instrument. To test the hypotheses, partial least squares structural equation modelling (PLS-SEM) was used.

Findings- Results establish that financial reporting quality is significantly explained by accounting staff capacity and accounting language capacity. This is evidenced by the existence of positive and significant effects of accounting staff capacity and accounting language capacity on LGAs' financial reporting quality.

Practical Implications- Since accounting language and staff capacity significantly influence financial reporting quality in LGAs, governments of developing countries must vigorously promote and encourage professional development, enhance financial reporting and communications skills, and generally be an excellent example of encouraging the capacities of accountants and auditors. In doing so, the quality of financial reporting among LGAs will be guaranteed.

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Introduction

One of the most important intentions of the conceptual framework for general-purpose financial reporting by public sector entities is the preparation and presentation of high-quality financial reports (Schmidhuber et al., 2022; Suprianto & Salim, 2024). Based on this, it is well known that financial reporting quality plays a significant role in an economy (Alzeban, 2020; Ngo & Nguyen, 2024). This includes assistance in undertaking informed decisions among development partners, governments, and various investors in government projects (Kaawaase et al., 2021). It also aids in providing information on the effective and efficient allocation, use, and control of scarce public resources and the delivery of quality public services (IPSASB, 2021). Generally, quality financial reports in public settings demonstrate public officials' responsiveness, accountability, integrity, and transparency in various public services (Nogueira & Jorge, 2017).

Globally and regionally, financial reporting quality has attracted the attention of numerous stakeholders from private and public settings (Koufie et al., 2024). For example, the Enron and WorldCom financial scandals have raised concerns about the quality of presented financial statements in public and private institutions (Adela et al., 2022). This led to the introduction of the Sarbanes Oxley Act of 2002 in the United States to protect the interest of stakeholders against financial reporting scandals (Radu & Zanella, 2023). Worldwide, it was reported that 49 per cent of the financial statements presented by private and public entities don't meet the required quality of financial reporting standards (PwC, 2018). This implies that the quality of prepared and presented financial reports in various public sector entities, including Local Government Authorities (LGAs) in developing countries like Tanzania, is not following accrual-based International Public Sector Accounting Standards (IPSAS), hence threatening the reliability of presented financial reports (National Audit Office of Tanzania [NAOT], 2023; Rakhman & Wijayana, 2019). This has created unanswered questions regarding the quality of financial reports in the settings of public sector entities such as LGAs.

To improve financial reporting quality in various LGAs in Tanzania, the government has undertaken numerous financial management reforms. These include the introduction of the Local Government Finance Act CAP 290 (revised edition 2019). This act requires every LGA to prepare, present, and maintain high-quality financial reports, which are audited by the Controller and Auditor General (CAG) year after year. Despite such improvements, the CAG, for the consecutive five (5) years, has reported the existence of shortcomings in the quality of prepared and presented financial reports from various LGAs (NAOT, 2023). The presented financial reports were characterised by material misstatements and adjustments comprising multiple errors and omissions (NAOT, 2022; 2023). All these indicate the existence of irregularities in the preparation and presentation of financial reports, hence leading to low-quality financial reports among LGAs. Having low-quality financial reports threatens public service provision with required excellence and implementing public projects without embracing value for money (NAOT, 2017). This is empirically supported by Rakhman and Wijayana (2019) and Matekele and Komba (2019), who highlighted that financial reporting practices in various public sector entities, such as LGAs, are not promising. This has created a knowledge gap for the current study, which intends to examine the connection between accounting language capacity, accounting staff capacity and financial reporting quality in Tanzanian LGAs.

Earlier studies have documented that financial reporting quality does not occur by itself (Ebaid, 2022; Mamatzakis et al., 2024; Nurunnabi, 2021; Nurunnabi et al., 2020). This means that some contributing factors make the preparation and presentation of financial reports with the required quality. For example, Thanh and Nguyen (2023) and Yen et al., (2019) concluded that effective implementation of accrual accounting standards such as IPSAS requires accounting staff who are highly knowledgeable and competent in public sector financial reporting. This informs that to attain financial reporting quality, consideration of attributes related to accounting staff capacity and accounting language capacity is unavoidable. Since financial reporting quality is part of

numerous practices in ethical accounting, Koufie et al. (2024) insisted that the attributes of accountants and auditors in terms of professional capacity, such as accounting staff capacity and language capacity, must be given special attention. This aligns with continued irregularities in financial reporting worldwide involving auditors and accountants (Kiradoo, 2020; Nambukara-Gamage & Rahman, 2020). This parallels institutional theory in normative isomorphism, which requires reporting entities such as LGAs to have professionally competent employees who can prepare financial reports with the necessary quality (DiMaggio & Powell, 1983). As per Mbelwa et al. (2019) and Thanh and Nguyen (2023), normative isomorphism occurs when there is the professionalisation of employees, like having accounting staff who have the capacity to read, interpret and implement accrual-based IPSAS. This indicates that institutional theory forces reporting entities such as LGAs by placing external pressure on accounting employees to be strongly capable of undertaking various financial reporting practices.

In addition, consideration of accounting language capacity is essential in ensuring the presentation and readability of financial reports (Fauré et al., 2019). Financial reports prepared by accountants with the required accounting language capacity will be clearly presented and easily understood by users (Besuglov & Crasselt, 2021; Evans, 2004). From the perspectives of investors, accounting language capacity aids in the faithful disclosure of financial and non-financial information. This, in turn, assists investors in the evaluation, acquisition, and weighting of information disclosed in various accounting reports (Asay et al., 2017). This is in parallel with the theory of cognitive load (Patel & Alismail, 2024; Sweller, 2016), which explains that the existence of cognitive tasks such as financial reporting standards creates learning complexity among preparers of financial reports, which in turn demands them to have the required language capacity in order to draw the intended meaning and reach the required audience through the preparation of high-quality reports. Despite the essential roles of accounting language capacity, it has not gained the required attention in financial reporting. Available studies concentrate on the relationship between the performance of international accounting students and language (Yang & Farley, 2019), language background and International Financial Reporting Standards (King et al. 2021), and language proficiency and accounting student satisfaction (Bobe & Cooper, 2019). Others have based on language translation and professional accounting services in audit firms (Detzen & Loehlein, 2018; Evans et al., 2015; Evans, 2018), accounting and language philosophy (Alexander et al., 2018), language failure and accounting reports (Sandell, & Svensson, 2016). Generally, these studies have been highly conducted in developed countries and not in developing countries such as Tanzania. In addition, none of these studies have empirically examined the connection between accounting language capacity and public sector financial reporting quality. This has created a knowledge gap for our current study.

As public sector financial reporting quality continues to attract the attention of national and international stakeholders, the present study offers the ensuing valuable contributions. Firstly, our study provides essential contributions to literature in the fields of public sector financial reporting practices. As per researchers' awareness and knowledge, scarce research focuses on the quality of financial reporting in the eyes of LGAs, principally in developing and emerging states like Tanzania. In addition, practical and managerial implications related to the nexuses between accounting staff capacity, accounting language capacity, and LGAs' financial reporting quality are delivered. This infers that our study offers remarkable reminders to decision-makers and council management teams in various LGAs to establish, promote and maintain human capital development practices related to accounting staff. Practices concerned with the development of human resources in terms of accounting staff capacity and accounting language capacity are highly demanded. This will add more input towards preparers and presenters of LGAs' financial reports, hence attaining the desired quality of financial reporting. Therefore, dwelling on limited studies on public sector financial reporting quality in developing nations, particularly in the context of LGAs, this study examines the relationship between accounting language capacity, accounting staff capacity and financial reporting quality in Tanzanian LGAs. In doing so, the present study will assist in filling the knowledge gap related to the relationship between accounting language capacity,

accounting staff capacity and financial reporting quality in Tanzanian LGAs. The ongoing sections are organised as follows: The subsequent segment dwells on a review of related literature, followed by methodological issues. After that, presentations of results and discussion are considered. Finally, the conclusion and implications, as well as the limitations of the study, are provided.

Literature Review

Institutional Theory

As promoted by DiMaggio and Powell (1983), institutional theory was employed to infer that external influences play an important part in shaping and transforming LGAs' actions and practices. Such practices include a need for high-quality financial reporting practices and having accounting staff with required accounting capacities. Based on this, it is highly used in various business and management research (Özbek et al., 2024), to offer appreciated insights into the connection between entities and their operating practices, mainly financial reporting practices (Suprianto & Salim, 2024). Past studies indicate that this theory's primary focus emanates from understanding the effects of external norms, pressure, and rules (Mbelwa et al., 2019). These concerns play an essential role in shaping the behaviour of the reporting entities, such as LGAs, regarding their applicable practices in financial reporting. As per supporters of institutional theory (Adom & Ackom, 2024; Thanh & Nguyen, 2023), reporting entities' practices, such as LGAs' financial reporting practices, are highly inclined to institutional forces, which originate from sister institutions, preferably development partners and international agencies (Wukich et al., 2024). Such forces drive LGAs to prepare financial reports of the required quality for LGAs to enjoy their monetary assistance and support.

Practically, institutional forces introduce normative isomorphism (DiMaggio & Powell, 1983; Liu et al., 2024), in which LGAs are required to transform their financial reporting practices and processes by having accounting personnel with accounting staff capacity and accounting language capacity. Based on this, our study further argues that public entities highly conscious of external forces and pressure, including LGAs, must recognise their role in presenting financial reports with good quality. To achieve this, the role of accounting staff capacity and accounting language capacity becomes unavoidable. Therefore, this study employs institutional theory to examine the link between accounting staff capacity, financial reporting quality, and accounting language capacity. Despite the usefulness of institutional theory in elucidating the connection between accounting staff capacity and LGA's financial reporting quality, it is limited by the non-consideration of cognitive tasks, which creates learning complexity among learners. This highlights that institutional theory is suitable to describe the external pressure that forces LGAs to have appropriate accounting staff capacity in order to achieve the desired financial reporting quality. To address this, our study introduces cognitive load theory (Evans et al., 2024; Sweller, 2010), which shows how cognitive tasks such as financial reporting quality can be achieved by reducing learning complexity by cultivating desirable accounting language capacity among preparers and users of financial reports.

Cognitive Load Theory

This theory explains that learners are faced with and overwhelmed by various elements of interactive information, which must be simultaneously processed before the needed meaningful and expressive learning can start (Evans et al., 2024; Sweller, 2010). This implies that the existence of cognitive tasks creates learning complexity among learners, which in turn demands learners to have the required language capacity in order to draw the intended meaning and reach the required audience. This theory assumes that information is initially processed by the short-term working memory before being kept in a person's long-term memory through schema-building (Patel & Alismail, 2024; Sweller, 2016). This process determines the degree of performance of an individual in various areas and tasks, such as financial reporting quality (Langerock et al. 2025; Sweller, 2017). This theory applies to our current study since accountants' performance and motivation in preparing and

presenting financial reports depend on their working memory capacity, which demands a strong language capacity applicable to the financial reporting process. As per this theory, when accountants embrace language capacity in their working memory, the process of preparing and presenting high-quality financial reports will be achieved. In addition, since accounting standards, mainly accrual-based IPSAS, guide financial reporting, these standards are prepared and presented in the English language (King et al., 2021). For accountants to understand and apply these standards, they are required to be highly capable of speaking the language. This will aid them in preparing and presenting high-quality financial reports. Based on this, the present study applies cognitive load theory to examine the connection between accounting language capacity and financial reporting quality in Tanzanian LGAs.

Hypotheses Development

Accounting staff capacity and financial reporting quality

Accounting staff capacity refers to the capability of accountants and auditors to undertake their planned activities while considering their skills, attitudes and knowledge in a particular working environment (Palmer et al., 2004; Thanh-Hoai & Nguyen, 2023; Tran et al., 2021). As one of the significant elements of the accounting personnel in various accounting and auditing practices, it plays an essential role in delivering financial reports with the desired quality (Tran et al., 2021). Generally, accounting staff capacity is primarily confirmed by possessing and applying good general business knowledge, knowledge of information technology, professional expertise and problem-solving skills, communication skills and the ability to adopt changes (Rahman et al., 2023; Palmer, et al., 2004). Importantly, it covers possession of professional qualifications and highly specialised knowledge in accounting, financial management and financial reporting. More specifically, an examination of the link between accounting capacity and an organization's readiness to adopt accrual accounting (i.e. accrual-based IPSAS) in Vietnam, an emerging country, revealed a positive and significant connection between the two variables (Thanh-Hoai et al., 2023). Despite the usefulness of the results by Thanh-Hoai et al. (2023), they have not addressed a direct relationship between accounting staff capacity and financial reporting quality in LGAs, hence indicating a need for the present study. A study by Tran et al. (2021) in Vietnam highlighted that accounting capacity has a positive and significant association with financial reporting quality. These results offer useful inputs for our current study since they have been undertaken in emerging economies with different institutional, regulatory and legal settings. This infers that there is room for the present study to be conducted, as the results by Tran et al. (2021) and Thanh-Hoai and Nguyen (2023) can not be appropriate to Tanzanian LGAs, given the stated disparities.

In general, the reviewed studies indicate the presence of limited studies which examine the connection between accounting staff capacity and financial reporting quality among LGAs in developing countries such as Tanzania. This has created a knowledge gap for our study. On the other hand, previous studies like Thanh and Nguyen (2023), Mohamed and Lashine (2003) and Ismail (2023) cooperatively stated that the implementation of accrual accounting is positively connected with the existence of accounting staff with a high level of capacity in financial reporting. This implies that in attaining the objective of financial reporting in public entities such as LGAs, it is indispensable to consider the capacity of accounting staff. Supporting this, Sellami and Gafsi (2020) discovered a positive and significant relationship between accounting education and compliance levels of accrual accounting. This implies that since accounting education is one of the elements of accounting staff capacity, there is a need to undertake this study in order to make a comprehensive connection between accounting staff capacity and LGA's financial reporting quality. Based on these arguments, the present study believes that for the presentation of quality financial reports in the public sector, the capacity of the accounting staff plays an important role. This contributes to the following hypothesis:

H₁: Accounting staff capacity positively influences financial reporting quality.

Accounting language capacity and financial reporting quality

Accounting language capacity is defined as the capacity of accountants and auditors to understand, interpret, and communicate financial reports using various professional accounting, auditing and reporting concepts and terminologies (Abdulkarim et al., 2023; Evans et al., 2018; Liguori & Steccolini, 2018). From this perspective, accounting is frequently recognised as the language of business since it assists in communicating and reporting numerous financial and business information to various interested users (Fülbier & Sellhorn, 2023). Since accounting language is learned over time, the accounting language capacity of accountants and auditors is enhanced through continuous practices and learning in order to report and communicate various financial reports to numerous stakeholders (Alexander et al., 2018). This goes in line with the cognitive load theory (Sweller, 2010), which emphasizes that learners (accountants and auditors) should have the required language capacity in order to achieve the intended meaning of financial reports and meet the needs of the interested audience.

In general view, language stands for a symbolic power which allows speakers unhindered possibilities to gain support from the audience (Abdulkarim et al., 2023). It plays a significant role in communicating, legitimising and shaping various organisational reforms and changes, including the attainment of the desired quality of financial reports. Being one of the essential elements in the context of public sector financial reporting, accounting language capacity is highly known as one of the important elements in numerous public sector accounting reforms (Huerta et al., 2013). This indicates that the adoption and implementation of accrual accounting in public entities, such as LGAs, is undertaken and communicated through accounting language. This means that accounting language capacity plays a significant role in the preparation and presentation of quality financial reports. This informs that the language capacity of the accounting staff in public sector entities such as LGAs has a significant role in the attainment of reforms and changes. Based on this, Hyndman et al. (2018) documented that accounting language is advantageous in terms of semantic and syntactic theories in the environments of public sector accounting. This infers that it involves interpreting the communicated message and generating meaning from the communicated components related to accounting standards, transactions and reports. Despite the essential role demonstrated by accounting language capacity, little is known regarding its connection with financial reporting quality, creating a knowledge gap for our study.

Since the multiplicity of meanings may arise from the use of language (Evans & Kamla, 2018; Katz, 1966), this study recognises that accounting language is taken as the written and communicated language of the accrual-based IPSASs and presented financial reports. In this case, accounting language capacity represents an impersonal method for accountants to communicate messages contained in the financial reports. From this, it is stated that the accounting staff's language proficiency is recognised as the capacity and ability of the accounting staff to make effective communications related to public sector financial reporting in writing and speaking English. Based on this, Huerta et al. (2013) pointed out that language proficiency in reading, understanding, explaining and communicating accrual-based IPSAS financial statements is vital in achieving comparability in the presented public sector financial reports. Prior scholars such as Liguori and Steccolini (2018), Abdulkarim et al. (2023) and Evans et al. (2018) acknowledged that accounting language capacity is highly relevant for accrual accounting reforms, indicating that it encompasses understandability and reading of accrual-based IPSASs. This affects the adequate preparation and presentation of financial statements in public sector entities. From these thoughts, this study advances that:

H₂: Accounting language capacity positively influences financial reporting quality.

Figure 1 presents a conceptual connection between accounting staff capacity, accounting language capacity, and financial reporting quality.

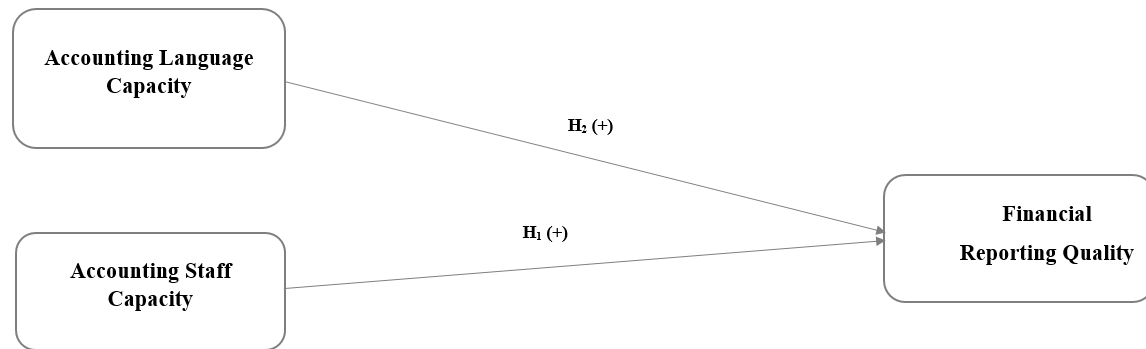


Figure 1: Conceptual Model

Source: Researchers, (2025)

Methodology

Settings, Sampling and Data Collection

This study was conducted in Tanzania, involving 184 LGAs in Tanzania Mainland. These LGAs are characterized by irregularities in financial reporting practices (NAOT, 2023), hence attracting the attention of the current study. Being quantitative and cross-sectional, Yamane's (1973) procedures, with an error of tolerance of 0.05, were applied to determine the sample size of 126 LGAs out of 184 LGAs. Since the stated sample size is more than 50 per cent of the total population, as advocated by Kumar (2019), it is decidedly suitable to represent the desired population. In addition, for studies employing multivariate data analysis approaches, the sample size should be in line with the formula $N \geq 50 + 8M$ (Matekele, Rutatola, et al., 2024; Malhotra et al., 2003; Tabachnick, Fidell, & Ullman, 2007). In this case, M and N characterize the number of independent variables and estimated sample size, respectively. As shown in Figure 1, our study has two (2) independent variables, which infers that, based on the specified formula, the proposed sample size must be higher than or equal to 66 LGAs. Generally, since our sample size is 126 LGAs, it is concluded that our sample size is highly suitable for the analysis, as there is no potential bias in the sample. This will be consistent with past studies such as Matekele, Kileo, et al., (2024) and Matekele, Mambosho, et al., (2025). Furthermore, purposive sampling was employed to select the LGAs after being allocated proportionately into cities, municipalities, towns, and district councils (Creswell, 2019). This implies that to address the encounters of purposive sampling, mainly related to limited generalizability and biases (Campbell et al., 2020), researchers ensured the representation of various types of LGAs found in Tanzania Mainland. This was possible by ensuring that the selected LGAs included city, municipal council, town and district councils, which were consistently allocated in our sample size. In addition, further studies in the section on limitations and areas for future studies have been recommended.

Since this study intends to examine financial reporting quality in LGAs, the population and unit of analysis were LGAs. At the same time, the accountants (treasurer) and internal auditors (chief internal auditors) comprised the unit of inquiry. This implies that two respondents were selected from each LGA to participate in the survey, suggesting that 252 were targeted. The selection of the stated respondents was based on their experience, knowledge, and day-to-day involvement in financial reporting practices. Data were collected from October 2023 to June 2024, and the number of usable questionnaires was 225 (89.29 per cent). This implies that more than

50 per cent of the responses were generated, hence being suitable for analysis (Kelley et al., 2003; Umbach, 2005). Additionally, researchers obtained research permits from relevant authorities to ensure ethical issues before gathering data. Applicable explanations related to the study were provided to respondents to allow voluntary participation; these procedures aided in safeguarding ethical concerns in our research (Drolet et al., 2023).

Variable Measurements

Well-established and validated items from past literature were applied to measure the variables of this study. More precisely, accounting staff capacity was measured using seventeen (17) items that were adopted and modified from Tran et al. (2021), Palmer et al. (2004) and Thanh-Hoai et al. (2023). Accounting language capacity was measured using five (5) items as per Evans et al. (2018) and Abdulkarim et al. (2023). Financial reporting quality was measured by fundamental attributes (eight items) and enhancing attributes (five items) of qualitative accounting information (IPSASB, 2014, 2021). Given the nature of public sector financial reporting practices, particularly LGAs in Tanzania, the use of qualitative characteristics of financial reporting yields broader perceptions and better insights than using discretionary accrual and real earnings (Madawaki et al., 2022). This infers that since the motives of LGAs are the provision of public services and not profit making, the use of discretionary accrual and real earnings to measure financial reporting quality among public sectors do not provide comprehensive insights from respondents available in the public sector financial reporting system (Kaawaase et al., 2021). Furthermore, this operationalization goes in agreement with the IPSASB (2014) and Furqan et al. (2020), who advocate that interactions between numerous aspects related to enhancing and fundamental attributes of financial statements contribute towards reliable examination of financial reporting quality, predominantly in public sector settings like LGAs. All measures used a five (5)-point Likert-type scale with one (1) signifying "strongly disagree" and five (5) demonstrating "strongly agree" (Likert et al., 1934; Likert et al., 1993). Based on this, respondents were asked to rate their degree of agreement or disagreement with the presented statements for each variable.

Common Method Bias

Two remedies were applied to control this: statistical and procedural approaches (Podsakoff et al., (2012). Under procedural remedies, researchers ensured the anonymity of participants was maintained and avoided ambiguities such as double-barreled questions. A single factor variance test was determined for the statistical approach, yielding 33.721 per cent. As per Podsakoff et al. (2012), this is below the standard rate of 50 per cent, hence the absence of common method variance in this study. This is consistent with recent studies such as Kalembe et al. (2024), Matekele, Kileo, et al., (2024), and Matekele, Rutatola, et al., (2024), which applied the same approaches in controlling common method bias.

Data Analysis

The analysis of gathered data in the present study was undertaken utilizing the partial least squares structural equation modelling (PLS-SEM) heightened by SMART PLS4. PLS-SEM is recognised for its ability to analyse models characterised by associations with various independent and dependent variables while featured by numerous indicators and with several interactions among them (Hair et al., 2022).

Results and Discussion

Descriptive Results

As shown in Table 1, most respondents have worked with LGAs for 11 years and above (39.1 percent), while 52.9 percent are not professionally certified. This indicates that most accountants and internal auditors in various LGAs have no professional qualification. Regarding respondents' positions, treasurers dominated our

study (65.3 percent), while the rest were chief internal auditors. Generally, these results infer that the required information was collected from the intended respondents.

Table 1: Demographic Information (N=225)

Variables	Category	Frequency	Per cent
Working Experience in LGAs			
	Less than 2 years	22	9.8
	2 to 5 years	48	21.3
	6 to 10 years	67	29.8
	11 years and above	88	39.1
Professional Qualification			
	CPA (T)	91	40.4
	ACCA	12	5.3
	Others (Not certified)	119	52.9
	CIA	3	1.3
Positions of the Respondents			
	Chief Internal Auditors	78	34.7
	Treasurers	147	65.3

Source: SPSS Output

Evaluation of the Measurement Model

Our study undertook a review of the reflective measurement model to establish convergent and discriminant validity, internal consistency, and reliability, as required by Cheung et al. (2024). As shown in Figure 2 and Table 2, it should be noted that some items with loadings between 0.400 and 0.700 were eliminated from the measurement model to improve reliability and validity (Hair et al., 2021). As a result, all the retained items had loadings greater than 0.400, and their removal was unnecessary since the required threshold was met. These practices are in agreement with Alqudah et al. (2023), Junaidi, Hendrian, and Syahputra (2024) and Latif et al. (2020). Table 2 shows that the scores for Cronbach's Alpha range from 0.772 to 0.903. In addition, the scores for composite reliability for each variable are 0.855 (accounting language capacity), 0.919 (accounting staff capacity), and 0.883 (financial reporting quality). This implies that there is assurance for modest reliability and internal consistency, as indicated in each scale since their values are more than 0.700. The convergent validity was examined using the average variance extracted (AVE), with an acceptable value of 0.5 (Magno et al., 2024). Findings in Table 2 depict that the AVE for each item is 0.597 (accounting language capacity), 0.509 (accounting staff capacity), and 0.784 (financial reporting quality). This confirms compliance with the acceptable values for AVE in various items in the measurement model.

The Heterotrait-Monotrait ratio and the Fornell and Larcker measure were applied to examine discriminant validity. Table 3 indicates that reported scores for the Heterotrait-Monotrait ratio are below 0.850 (Ab-Hamid et al., (2017), suggesting that discriminant validity was achieved. For the Fornell and Larcker requirements, the indicated values in Table 4 reveal that the square root of AVE is greater than the constructs' correlation, hence being in line with the standards (Fornell & Larcker, 1981). Besides that, the variance inflation factor (VIF) was determined to avoid challenges related to multicollinearity. Table 2 makes known that our study has no concern with multicollinearity since the indicated values for each item are below 0.500, which is the required benchmark (Hair et al. 2019).

Table 2: Measurement Model

Variables	Outer Loadings	VIF	Cronbach's Alpha	Composite Reliability	AVE
Accounting language capacity (ALC)					
ALC2	0.654	1.363	0.772	0.855	0.597
ALC3	0.840	2.007			
ALC4	0.805	1.734			
ALC5	0.779	1.534			
Accounting staff capacity (ASC)					
ASC1	0.636	1.607	0.903	0.919	0.509
ASC10	0.736	2.131			
ASC11	0.648	1.768			
ASC13	0.748	2.079			
ASC14	0.699	1.860			
ASC15	0.772	2.555			
ASC16	0.691	2.290			
ASC17	0.631	1.959			
ASC7	0.696	1.893			
ASC8	0.808	2.393			
ASC9	0.757	2.095			
Financial reporting quality (FRQ)					
EQC1	0.769	2.019	0.849	0.883	0.784
EQC2	0.722	2.026			
EQC3	0.650	1.641			
FQC2	0.665	1.508			
FQC3	0.619	1.397			
FQC6	0.730	2.431			
FQC7	0.704	2.682			
FQC8	0.713	1.989			

Source: SmartPLS Output

Table 3: Discriminant Validity: Heterotrait-monotrait ratio (HTMT)

Variables	ALC	ASC	FRQ
ALC			
ASC	0.502		
FRQ	0.489	0.636	

Source: SmartPLS Output

Table 4: Discriminant Validity: Fornell-Larcker criterion

Variables	ALC	ASC	FRQ
ALC	0.773		
ASC	0.416	0.713	
FRQ	0.403	0.579	0.698

Source: SmartPLS Output

Examination of the Structural Model

The structural model assessment based on the statistical assurance under the measurement model was considered (Hair et al., 2019). To achieve this, Figure 2 and Table 7 indicate that the model's coefficient of determination is 36.70 per cent. This means that in our model, financial reporting quality in LGAs is illuminated by accounting staff capacity and accounting language capacity by 36.70 per cent. In addition, the contributions

of accounting staff capacity and accounting language capacity on LGA's financial reporting quality were examined by determining the effect size (f^2). Such contribution is 0.324 for accounting staff capacity and 0.050 for language capacity (Table 7). Consistent with Cohen (1988) and Matekele, Rutatola, et al., (2024), it is stated that accounting staff capacity has moderate contributions, while language capacity has a small contribution towards the quality of financial reporting among LGAs. For the summary of the model fit as required by PLS-SEM, Table 5 reports that the score for the Standardized Root Mean Square Residual (SRMR) is 0.078, implying that it is within the acceptable value of 0.080 (Hu & Bentler, 1999). In addition, 0.690 is reported as the Squared Euclidean Distance (d_{ULS}). This is within the required value of 0.950 (Hair, Page, & Brunsveld, 2019). Also, 0.570 is the score for the Geodesic Distance symbolized (d_G), which is below 0.950, while the Chi-square value is 703.226, and the score for the Normed Fit Index (NFI) is 0.728, which falls within the maximum value of 0.90. Based on these results, generally, there is a demonstration of model suitability and fitness (Bollen, 1989; Sarstedt et al., 2021) under the grounds of PLS-SEM.

Table 5: Model fit summary

Items	Saturated model	Estimated model
SRMR	0.078	0.078
d_{ULS}	0.690	0.690
d_G	0.570	0.570
Chi-square	703.226	703.226
NFI	0.728	0.728

Source: SmartPLS Output

In addition to the evaluation of the model fitness, determination of the Stone–Geisser (Q^2), Root Mean Square Error (RMSE), and Mean Absolute Error (M.A.E.) concerned with the items of the dependent variable (financial reporting quality) was also considered. As per Table 6, the highest value for Q^2 is 0.233 (EQC2), while the lowest is 0.102 (FQC8). Each item measuring financial reporting quality falls within the required range of less than one and higher than zero. This is also consistent with the values obtained for RMSE and MAE. Therefore, as advocated by Schubert et al. (2023) and Shmueli et al. (2016), there is assurance that our model has predictive abilities. Finally, before examining the statistical results in terms of testing the proposed hypotheses, blindfolding procedures were taken into account to reveal the predictive significance of the general model (Henseler et al., 2016). This resulted in scores of 0.335 (Q^2), 0.829 (RMSE), and 0.617 (M.A.E.). These values entail that the predictive relevance of our model is guaranteed since they are more than zero. This is in harmony with Fornell and Cha (1994), Matekele, Kileo, et al., (2024), and Shmueli et al. (2019).

Table 6: Out-sample Predictive Power

Items	$Q^2_{predict}$	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE	IA_RMSE	IA_MAE
EQC1	0.197	0.649	0.487	0.670	0.513	0.724	0.506
EQC2	0.233	0.675	0.523	0.704	0.553	0.770	0.532
EQC3	0.168	0.569	0.452	0.587	0.470	0.624	0.493
FQC2	0.119	0.665	0.511	0.683	0.532	0.709	0.556
FQC3	0.130	0.789	0.569	0.816	0.596	0.846	0.561
FQC6	0.175	0.710	0.537	0.730	0.549	0.781	0.505
FQC7	0.147	0.738	0.550	0.773	0.576	0.799	0.571
FQC8	0.102	0.678	0.494	0.699	0.517	0.715	0.537
PLSpredict LV summary							
Item	$Q^2_{predict}$	RMSE		MAE			
FRQ	0.335	0.829		0.617			

Source: SmartPLS Output

Hypotheses Testing

Computations of the levels of significance and path coefficients under the PLSE-SEM algorithm and bootstrapping with 5000 resamples based on a single-tailored procedure were undertaken, as promoted by Hair and Alamer (2022). This intended to obtain results for hypothesized relationships, denoted by H₁, and H₂. Table 7 demonstrates that accounting staff capacity and accounting language capacity have positive and significant effects on financial reporting quality. The effects of accounting staff capacity on financial reporting are especially significant, with a positive coefficient ($\beta = 0.498$), high significance ($p = 0.000$), and t-values of 7.155. This makes H₁ acceptable, denoting that accounting staff capacity plays a key role in improving the quality of financial reporting among LGAs. This infers that LGAs with accounting staff, who are characterized by professional knowledge of public sector financial reporting process, including professional certifications and conversant with accrual-based IPSAS, analytical skills, and experienced working style as well as relevant computer skills and attendance in various continuous professional development programs, demonstrates high-quality financial reporting practices. This goes in agreement with Thanh and Nguyen (2023), Ismail (2023), Yen et al. (2019), and Sellami et al. (2020), who concluded that implementation of accrual-based IPSAS, including its compliance, is significantly and positively explained by accounting staff with a high level of capacity in financial reporting practices, including possession of general accounting education and professional qualifications. With these results, LGAs in Tanzania should ensure the high capacity of their accounting staff to enhance financial reporting quality.

In addition, a positive link ($\beta = 0.196$), significant connection ($p = 0.007$), and the t-values of 2.687 confirm the influence of accounting language capacity on LGAs' financial reporting quality. This infers that accounting language capacity significantly improves financial reporting practices among LGAs in Tanzania. This leads to the acceptance of H₂. This informs that financial reporting quality among LGAs is highly improved by accounting language capacity. The accounting language capacity emanates from having accountants and auditors with the ability to read, explain and interpret accrual-based IPSAS, present accrual-based IPSAS financial reports, and describe the process of issuing accrual accounting standards as well as provide adequate justifications for a particular accounting treatment to customers including internal and external auditors. When LGAs embrace preparers of financial reports with these features, the quality of financial reporting will be placed in a desirable position. This goes in agreement with Cai et al. (2018) and Yang and Farley (2019), who determined that the performance of accounting students is enhanced when their understanding capacity in the English language is higher. This infers that when accountants have strong language capacity, their analytical ability related to the interpretation and understandability of public sector accounting standards will be improved. This, in turn, will strengthen the preparation and presentation of high-quality financial reports. Strengthening this, Alexander et al. (2018) pointed out that the capacity of human beings, including accountants, originates from their language capacity, which helps them to represent various activities, such as the preparation and presentation of financial statements with desired quality.

In addition, as per Abdulkarim et al. (2023), accounting language capacity assists in shaping, communicating and legitimising reforms related to implementing accrual accounting among public sector entities, hence being unavoidable in enhancing the quality of financial reports. Previous studies such as Liguori and Steccolini (2018) and Evans et al. (2018) support our results by acknowledging that accounting language capacity is highly relevant for accrual accounting practices, mainly in terms of ensuring understandability and reading of accrual-based IPSASs. Furthermore, the upper and lower bounds for the confidence intervals for the relationship between accounting staff capacity, accounting language capacity, and financial reporting quality have no zeros among them. On the other hand, the matrix assessment and map for importance performance were also considered to establish the most impactful variable in explaining financial reporting quality among LGAs. Figure 3 and Table 9 show that accounting staff capacity is the most essential attribute in improving the quality of financial

reporting practices, followed by accounting language capacity. To attain this, management and decision-makers in various LGAs should emphasize enhancing accounting capacity in terms of staff capacity and language capacity, hence leading to an improved quality of financial reporting. In doing so, this will be aligned with Martilla and James (1977), who underlined that factors showing significant performance should be given maximum thoughtfulness.

Table 7: Hypotheses Testing

Hypotheses	Relationship	Original sample	Sample mean	T statistics	P values	f ²	Confidence Interval		Status
							Lower Bound	Upper Bound	
H ₁	ASC -> FRQ	0.498	0.501	7.155	0.000	0.324	0.046	0.329	Accepted
H ₂	ALC -> FRQ	0.196	0.207	2.687	0.007	0.050	0.351	0.624	Accepted
R ² =0.367									

Source: SmartPLS Output

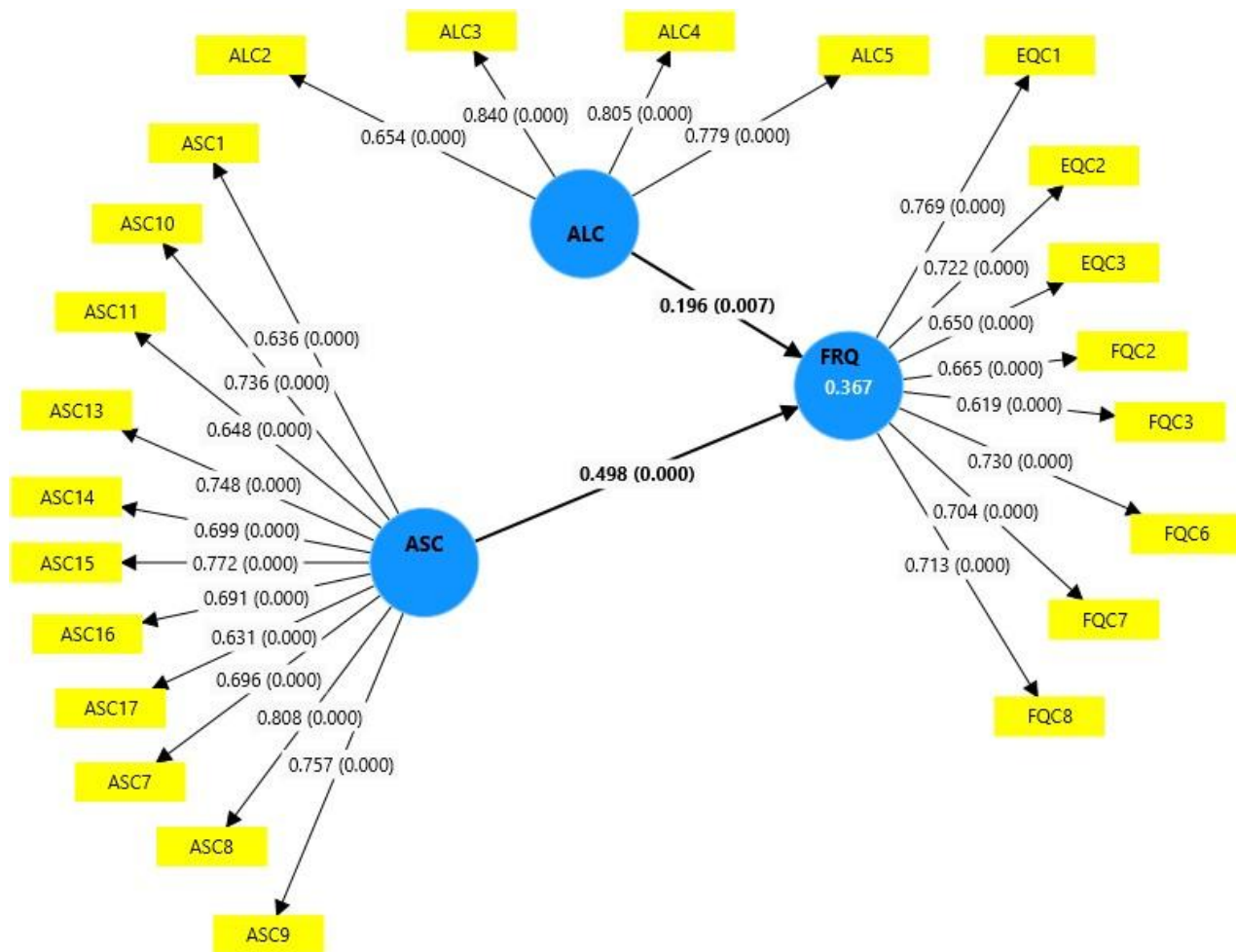


Figure 2: Structural Model

Source: SmartPLS4 Output

Table 9: Importance-performance matrix for financial reporting quality (FRQ)

Variables	Total effects	Performance	Overall Score	Rankings
ALC	0.196	77.173	394.513	2
ASC	0.498	71.664	143.906	1

Source: SmartPLS Output

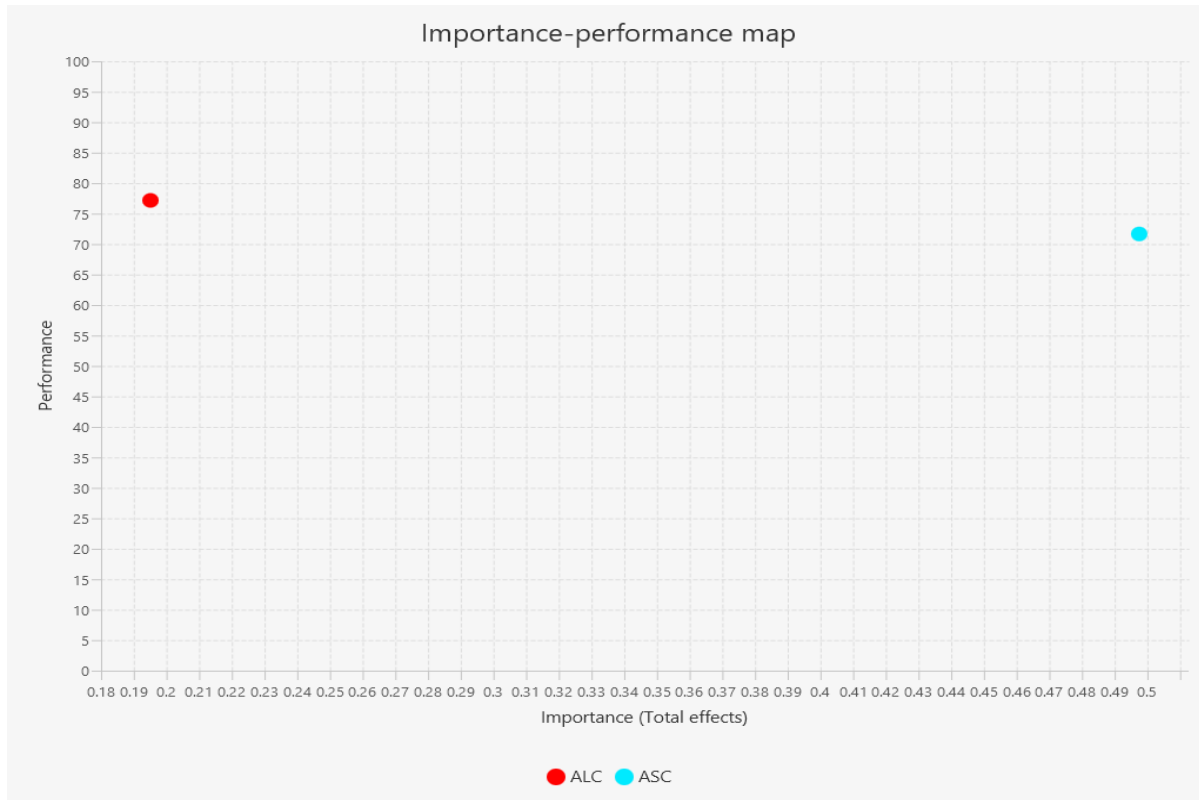


Figure 3: Importance-performance map

Source: SmartPLS4 Output

Conclusion

Directed by institutional and cognitive load theories and inadequate studies on financial reporting quality among public sector institutions, this study explored the effects of accounting staff capacity and accounting language capacity on financial reporting quality in Tanzanian LGAs. This study concludes that accounting staff capacity and accounting language capacity positively and significantly contribute to LGAs' financial reporting quality. Therefore, LGAs in developing countries such as Tanzania should enhance the capacity of accounting staff and language capacity to boost financial reporting quality.

Theoretical Implications

This study examined the relationship between accounting staff capacity, accounting language capacity, and LGAs' financial reporting quality. This study offers a shred of current evidence in the literature for an informed understanding of what explains public sector financial reporting quality. Since all two hypotheses are confirmed, accounting staff capacity and accounting language capacity are essential determinants of LGAs' financial

reporting quality. In line with the researchers' understanding, this is a novel study which relates accounting staff capacity, accounting language capacity, and financial reporting quality since prior studies are limited. Based on this, our study adds to the scarce literature on the quality of financial reporting in public sector environments while utilising institutional and cognitive load theories. Besides that, the present study provides theoretical knowledge by concluding that financial reporting practices among LGAs can be greatly enhanced by considering accounting staff and language capacity. Essentially, our theoretical model, directed by institutional and cognitive load theories, offers a message that improved financial reporting practices can be achieved through accounting staff capacity and accounting language capacity.

Managerial Implications

Since accounting language and staff capacity influence the practices of the financial reporting process, LGAs in Tanzania must vigorously promote and encourage professional development, enhance financial reporting skills, support the implementation of accrual accounting, and generally be an excellent example of promoting the capacities of accountants and internal auditors. In doing so, the quality of financial reporting among LGAs will be guaranteed. In addition, this study provides social implications to the local communities and general society for receiving high-quality financial reports from the LGAs. The results of this study insist and remind council management teams in various LGAs to fulfil the objective of the conceptual framework for public sector reporting, which is the provision of quality reports to innumerable stakeholders, including local communities. By providing quality financial reports, the local communities, societies, and development partners will be on suitable grounds to access and evaluate the financial performance and position of various LGAs. In doing so, numerous economic and non-financial resources provided to LGAs will be assessed, and their contributions towards the attainment of sustainable development goals (SDGs) in terms of poverty reduction will be acknowledged.

Also, this study provides implications for universities, colleges, and professional bodies to design and establish curriculum and teaching methodologies that help build a strong base related to accounting language capacity and accounting staff capacity. This originates from the fact that preparers of financial reports are accountants and internal auditors who have been trained and studied in various universities, colleges, and professional bodies. Therefore, creating suitable grounds for them to obtain the required skills and knowledge will add more value to the practices of accountants and auditors. Finally, LGAs are advised to establish relevant long- and short-term continuous professional development programs for their accountants, internal auditors, council management team, and decision makers such as councillors. This is essential for the LGAs to have a sustainable capacity to prepare financial reports and provide informed responses to audit queries and recommendations by the management team. In addition, viable support from councillors as the result of being capacitated in reading, understanding and interpreting financial reports will be assured. In general, implementing this will add more value to the capacity of the LGAs in financial reporting practices, hence locating them in a reputable position.

Policy Implications

The results of this study offer implications for the LGAs in Tanzania in formulating regulations and policies related to enhancing accounting staff capacity and accounting language capacity. Establishing such policies and regulations in LGAs will facilitate accounting capacities, which assist in attaining the intended financial reporting quality since it will spell out the need for professional qualifications and attendance of professional training. In doing so, malpractices and irregularities related to financial reporting processes will be highly curbed. This will boost the delivery of social services by LGAs to various local communities, hence attaining SDGs through improved social services.

Limitations and Opportunities for Future Studies

Despite our current study's remarkable strengths, readers should be concerned about some shortcomings. Firstly, this study is limited by directionality and causality. The results show that accounting staff capacity and accounting language capacity have a positive and significant effect on LGA's financial reporting quality. Still, being cross-sectional, it is hindered by directionality and causality. To completely understand the time-based changes, consideration of longitudinal designs should be encouraged. This will aid in strengthening our results, hence creating remarkable contributions. Additionally, bias related to social desirability may be embraced in this study, affecting its results. This deduces that respondents may be aligned with various societal norms and prospects while not considering their actual behaviours and attitudes towards public sector financial reporting quality. To avoid this, researchers should apply mixed-data collection approaches involving quantitative and qualitative methods. A qualitative approach will aid in establishing insights related to participants' motivations, experiences, and challenges in financial reporting practices, complementing our findings. In doing so, the combined approaches will provide a great understanding of the connection between accounting staff capacity, financial reporting quality, and accounting language capacity.

On the other hand, since this study employed purposive sampling, upcoming studies are recommended to apply probability sampling procedures. This will assist in creating generalization of the results while overcoming any potential bias. Lastly, informed by institutional and cognitive load theories, this study considered only the effects of accounting staff capacity and accounting language capacity on LGAs' financial reporting quality. Other contextual and institutional factors may explain the quality of financial reporting in the local government setting. To comprehensively view our findings, the conceptual model should be extended by including additional factors not limited to the digitalisation of activities, results-oriented culture, and innovative-oriented culture. This may be undertaken by considering them as mediating or moderating variables.

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