



New Public Management Practices and Financial Performance of Local Governments in Cameroon

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Abstract

During the previous two decades of this millennium there has been a succession of reforms from New Public Management (NPM) to New Public Governance (NPG) in public organisations in line with the strategic development visions of governments the world over. Central to this is the adoption of private style management techniques to enhance efficient performance in public sector development endeavours. Consequently, a handful of private management practices such as accrual accounting, professionalism, outsourcing, and the use of ICT were introduced in the Local Government of Cameroon. This study sets out to assess the relationship between these NPM practices enshrined in the governance processes of councils and financial performance in Local Governments of Cameroon. The study employs a mix of survey-based research with a triangulated method of data collection. Questionnaires and documentary research are used to collect both financial and non-financial data. From a population of 374 councils in Cameroon, 50 councils and their financial statements as well as books of original account entries are sampled and grouped according to statutory council categories. Both descriptive and inferential techniques are used to know the levels of NPM practices and their effect on financial performance. The results show that professionalism and outsourcing have a positive performance outcome, while accrual accounting and the use of ICT are negative. However the combination of all NPM practices in general is positive. For an efficient performance in the public sector there is need to gradually sequence the integration of NPM practices in the governance and management processes, based on the budget size of public sector entities. There is no one-size fits all policy for the wellbeing of public sector entities.

Key words

New Public Governance; New Public Management; Financial Management; Performance Management

Introduction

Managerial and accounting reforms have been at the top in the agenda of government policies at international, national, and sub national levels. New Public Management (NPM) as well as New Public Governance (NPG) have played a significant role in this reform drive, an effort to transform the public sector to become more result oriented, efficient, and effective like private sector entities. (Gruening, 2001; Hood, 1991, 1995). The basic foundation of the NPM and NPG is the use of the economic market as a model for political and administrative relationships to strengthen and reengineer governments that were perceived as failed states. (Barzelay, 2001; Haque, 2004). In Africa specifically these reform packages championed by international organisations such as the International Monetary Fund (IMF)/World Bank, were used as a device to transform bureaucratic governments that were too large, underperforming, corrupt, or lacking a sense of responsibility and accountability (Brinkerhoff et al., 2015; Hope, 2001; Nyawo et al., 2014). Ineffectiveness and inefficiency in governance are felt more at the local sphere of government than at the national, largely because the welfare of the citizens in these communities depends on the decisions made by local government. Consequently, though there were a plethora of public management reforms across the various levels of government in Cameroon, those of the Local Governments were largely precipitated, with some disappointing outcomes experienced. This study, therefore, explores the

development of some NPM and NPG reform endeavours to enhance performance in local governments of Cameroon.

Background: From NPM to NPG in the Context of Decentralised Entities in Cameroon

With the NPM-oriented developments in the public sector, especially with respect to the transposition of private sector practice for an efficient, effective, and performing public sector, the concept of New Public Governance (NPG) emerged, partly to address the radical changes introduced in global public policy in the 1980s and 1990s. NPG therefore contrasts with NPM in at least two respects: (i) NPG is primarily focused on public sector values (as opposed to private sector values) and (ii) NPG starts from the perspective of networks of organisations (as opposed to that of individual organisations and their relations with clients (Antiroikko et al., 2011). NPG therefore emphasises the plural nature of the modern state with multiple stakeholders and actors involved in policy making processes and the delivery of public services.

In Cameroon, the heritage of the French Jacobin centralised system of administration was triumphantly confirmed and consolidated in 1972 through a referendum, reuniting the Francophone and the Anglophone Cameroon, and transforming the state from a federal Republic to a united Republic of Cameroon. As Naido (2015) puts it, the practice of public management has a lengthy history intimately entwined with changing philosophical conceptions of state administration. With the advent of Biya's administration in 1982, national integration was reinforced with a rigour that transformed the unitary state to an ultra-centralisation of power and oligarchical rule in the hands of a few elites. Essentially, the Cameroon government relied on its traditional centralised top-down administrative management approach typical of the 19th and 20th century mode of bureaucracy. It was a Jacobin administrative system where the delivery of public service was based on bureaucratic red tape (Kofele-Kale, 2011; Tamekou, 2017). Moral bankruptcy, nepotism, and corruption were some of the common practices manifested in administrative and management processes in Cameroon. Within this backdrop, the hassle for a more democratic and accountable governance stirred up by internal and external pressure in the mid-1990s, resulted in more measures being taken to galvanise the administrative, fiscal, and financial decentralization processes in Cameroon (Akoufane, 2004; Kofele-Kale, 2011).

Good governance and NPM were then introduced in Cameroon in the early 1990s as reform strategies engineered by the IMF/World Bank neoliberal policies to democratise and transform such bureaucratic governments to be more citizen-oriented (Tsowa, 2017). The law on the Freedom of associations in Cameroon (Law n° 90/53, 1990), the public service reform law in 1995 that defined the status of the civil service with a result-based system of staff evaluation became exigent. Based on the NPM agenda in Cameroon, aspects of decentralisation were institutionalised with decentralised management and financial reform laws enacted through a series of statutory provisions that culminate in the most recent decentralisation law of December 2019, referred to as the General Decentralisation Code. The creation of a local public service, the reinforcement of resources and competences transferred to regional and local authorities in Cameroon were all embedded in this decentralisation machinery. Though a ministerial order establishing an organisational chart that defines job profiles and basic professions for councils (Order n° 000136. 2009), local governments still don't have the manpower and professionals needed to implement the NPM reforms in ways that can positively impact on accountability, efficient service delivery, and performance at large.

Problem Statement

Public sector financial management in Cameroon is plagued by the problem of accountability and performance, which deserve scholarly investigation. The problem of performance, financial accountability, and quality of services have not yet fully materialised in local governments. This paper is informed by the fact that since the adoption and implementation of accrual accounting as a NPM financial reporting technique for the Local

government of Cameroon in 1998, the Audit bench of the Supreme Court has often been decrying the low production rates of end of year management and accounting reports. According to the annual reports of the Audit bench of Cameroon from 2008-2018, not more than 25% of councils in Cameroon have been able to produce financial reports on the prescribed accrual basis. As a matter of fact the production rate of the management account of councils between 2014 and 2016 declined from 23.52% to 10.96%. Due to such accountability related problems and poor performance with regards to the financial functions in councils of Cameroon, municipal authorities are often convicted for irregularities and discrepancies in figures in the presentation of their financial statements that were supposed to be produced on accrual basis (Audit Bench Decision-Cameroon, 2015).

With the growing concern that public sector performance is not as effective and efficient as that of the private sector, according to Hood, (1991, 1995), performance measurement became a central tool in the advent of New Public Management (NPM) reform discourses to transform bureaucratic administration into efficient and effective organisations. From this perspective, decentralisation and democratic accountability as a strategy to transform the ultra-centralised Jacobin government and enhance public sector performance was also central to the NPM reform journey, reinforced by a donor-driven advocacy in Cameroon (Banlillon et al, 2012; Tsowa, 2017).

Many reasons can be advanced for decentralising governance and the management of state resources in ways that could guarantee performance and service delivery to the grassroots of Cameroon. A host of Cameroonian scholars like Banlillon (2012), Chia (2018), Forje (2006), Kofele-Kale (2011), and Tsowa (2017) opine that there was general disillusionment with the political regime, its bad system of governance manifesting corruption, nepotism, and social injustice, poor public service delivery, and inadequate accountability mechanisms. It became mandatory to the traditional hyper-centralised Government of Cameroon as one of the recipients of World Bank neoliberal policies to redefine its decentralisation machinery through a series of statutory provisions to speed up reforms in Local government issues.

Amidst a culmination of these donor driven reforms in the guise of New Public Management, measures were taken to galvanise the administrative, fiscal, and financial decentralisation processes to enhance socio economic development of municipalities in Cameroon (Awason, 2018). At the helm of these reforms was the introduction of accrual accounting and budgeting by a PM Decree (1998) for Local governments in Cameroon (that was subsequently spread to the entire state de-concentrated and public sector entities (CEMAC Directives, 2011).

Mukah (2016) acknowledges that New Public Financial Management reforms introduced by the law on the orientation of decentralisation appears to be too slow for lack of resources. This, he says, may jeopardise the decentralisation processes in Cameroon. While council authorities are still having herculean challenges in service delivery due to poor human resources and management deficits characterised by corrupt practices, there has been little or no empirical scrutiny to know the extent to which such management practice impacts on council financial performance. Has financial performance improved with the plethora of financial management reforms in Councils of Camerons over two decades ago?

Research Questions

With the underlying problems, the main research question is posed thus: What is the relationship between NPM practices and financial performance in councils of Cameroon.

Specifically, do New Public Management practices affect financial performance in councils of Cameroon?

Objectives of the study

In an endeavour to answer the above research questions that motivate this study, the main research objective is to assess the relationship between the practice of accrual accounting as a NPM tool and the financial performance in councils of Cameroon. In order to attain the main objective stated above, the specific objective is to assess the effect of NPM practices on financial performance in Councils of Cameroon.

The Hypothesis of Research

The hypothesis is to test the relationship between NPM practices such as accrual accounting practices (ACAP) the use of ICT, professional staffing, as well as outsourcing and financial performance in councils. It is stated thus:

- H₀ = the null hypothesis: NPM practices have no effect on financial performance;
- H₁ = alternative hypothesis: NPM practices have a significant positive effect on financial performance.

Review of Theoretical and Empirical Literature

Hood (1991, 1995), one of the main NPM advocates, contributed to developing the NPM theory as a term coined in the late 1980s to denote a new (or renewed) management style with emphasis on techniques borrowed from the private sector to re-engineer production in public service delivery. Gruening (2001) and a host of NPM scholars further advanced that NPM can be traced to a mix of a variety of theories essentially of the administrative behavioural sciences of the neoclassical school and the rational and humanistic school, combining managerialism with economic rationalism (Harrison et al., 2012; Hope, 2001; Mohammad, 2003).

To Hope (2001), the basic foundation of NPM is the use of the economic market as a model for political and administrative relationships, with an institutional aspect anchored on the public choice theory, principal agent theory, and agency theory. These elective ideas have revolutionised the public sector reforms from the 1980s and 1990s, galvanised under the umbrella of NPM in the quest for the highest levels of accountability, efficiency, and effectiveness in the public sector, through an entrepreneurial culture, methods, and techniques (Hood, 1995, 1997). The agency and entity theory culled from the neoclassical and behavioural schools of thought in the management sciences are therefore expressive components that can be useful in the theorisation of NPM and its implication on council performance in this study. Essentially, these theories have a common characteristic in defining strategic choices in management; these include the organisational structures and boundaries, what management tools to use as well as structures of contractual relationship regarding (financial) resource management within and outside of an entity.

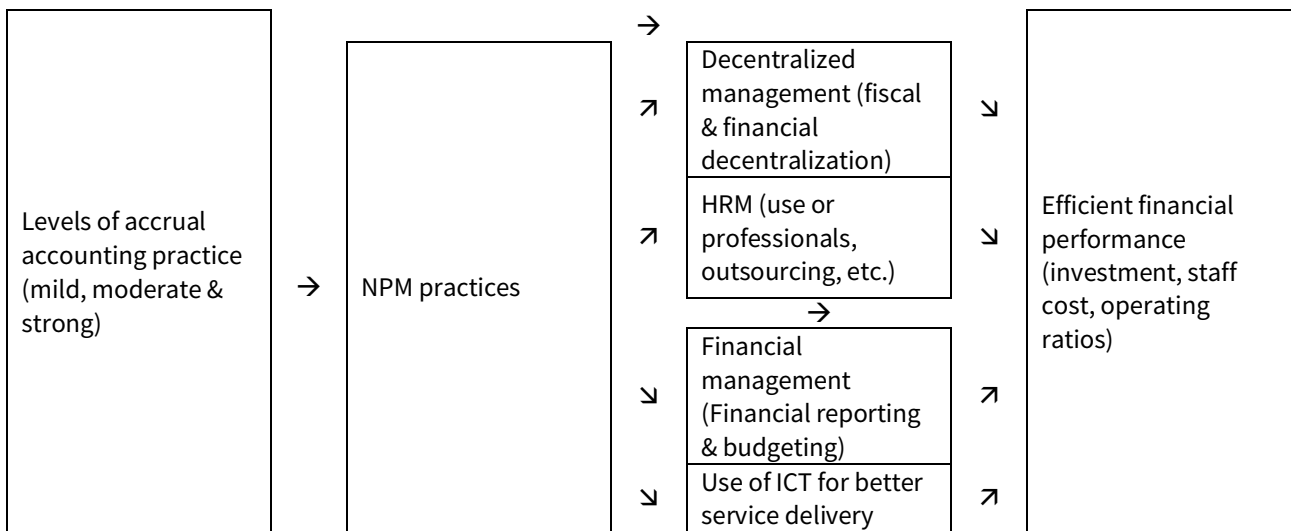
Economic Commission for Africa (2004) as a regional advisory body piloted a number of studies on the reform experiences of African countries, to enable its member states to share and learn from best practices to improve on their own public sector reform agenda. Strategic management, enhanced decentralisation and financial management, human resource capacity, partnerships with civil society and private entities, accrual accounting, the use of ICT were some of the proposed recommendations to revamp generally public sector performance in Africa. ECA (2004), however, contended that a number of African governments have triggered reforms in their public sector with the application of these NPM techniques on a selective basis in search of a better performing public sector. This, however, produced mixed results as the reforms were not applied in a comprehensive and consistent manner, due to multiple challenges such as corruption, multiple accountability, and inadequate resources and institutional capacity.

Aware that improved financial management, accountability, accrual accounting, use of ITC, decentralisation, and human resource management seem to be the most common features that run across most empirical literature on NPM (Gernoid, 2001; Mohammed et al., 2003), our study is going to explore the practice of accrual accounting as a NPM tool, in tandem with these reform ideas that may collectively steer performance in local governments of Cameroon.

Conceptual framework. Accrual accounting at the helm of NPM reforms in Local Governments of Cameroon.

Accounting professionals and researchers opine that the practice of accrual cannot be done in isolation; there is need for other complementary reforms to ensure the successful implementation of this accounting technology (Ouada, 2004; PwC, 2015). In order to achieve efficient performance in councils of Cameroon, the practice of accrual accounting therefore had to be reinforced by other NPM applications such as decentralised management, human resource management, financial management, and use of ICT applications. The dynamics in this performance relationship is captured in a framework exposed in Figure 1.

Figure 1: Conceptual Framework for accrual accounting accompanied by NPM Practices for efficient Financial Performance in Councils of Cameroon



Source: Author

The conceptual framework in Figure 1 depicts the relationship between the levels of the practice of accrual accompanied by other NPM practices such as the use of ICTs, financial management and budgeting, HRM as the independent variables of this study. Accrual accounting practiced at different levels should lead to an accountable and efficient financial performance in Councils as an outcome to be investigated in this study. This relationship also holds when accompanied by other NPM practices (use of ICT, HRM, etc.) as independent variables on financial performance in councils of Cameroon.

Methodology

Research design & population of study

A survey-based design with questionnaires administered to identify NPM practices in councils of Cameroon. The population of study constituted 50 councils sampled from the 374 councils in Cameroon, categorised according to their administrative circumscription as Regional councils, City councils, sub divisional and councils (General Decentralisation Code, 2019).

Data collection and analysis

Primary data was collected through a questionnaire on NPM practices in councils of Cameroon, administered to council officials. Secondary data was sourced from financial statements such as the budget statement and the balance sheet to capture the statutory financial ratios used as a proxy for financial performance in this study. All of the data sourced were exported through the use of SPSS and STATA statistical packages.

Both descriptive and inferential statistical analysis were employed to establish the relationship between NPM practices and financial performance in Councils of Cameroon.

Modelling the effect of new public management practices on financial performance of councils

As Mohammad et al. (2003) and ECA (2004) have suggested, the practice of accrual accounting as a new public management tool needs to be complemented by other new management practices such as the use of information and communication technologies (ICT), the use of professional staff with knowledge and experience in accounting and finance, and outsourcing for expertise. Hence the objective of this study is to investigate the effect of these new public management practices on the financial performance of councils, while controlling for council-specific factors such as the council's age, the average size of its budget, and the average education level of its workers.

To model this relationship, we begin by establishing the following functional relationship among the variables:

$$FE = f(ACAP, ict, profstaff, outsourcing, age, budget, edu) \dots \dots \dots (1)$$

FE or financial efficiency (for financial performance) which is our dependent variable is continuous, ranging from 0 to 3 where higher scores represent better levels of financial performance. All the dependent variables are categorical variables, where ACAP, which represents the practice of accrual accounting, is equal to 1 if it is mild and 2 if it is moderate; ict is equal to 1 if the council uses ICT and 0 otherwise, profstaff is equal to 1 if the council uses professional staff with knowledge and experience in accounting and finance and 0 otherwise; outsourcing is equal to 1 if the council outsources for expertise and zero otherwise. The variable age is also categorical because the councils in this study are either between 10 and 25 years old (ages10 to 25) or between 25 and 55 years old (ages 25 to 55). Budget of councils is either less than 500 million CFAF (budget500m), between 500 million CFAF and 5 billion CFAF (budget500m5b), or between 5 billion and 40 billion (budget5b40b). Lastly, edu or average education level of councils is either primary (primaryedu), secondary (secondaryedu) or tertiary/professional (terprofedu).

Hence the multiple regression model is fully specified as in equation (2):

$$FE_{it} = \beta_0 + \beta_1 ACAP_{it} + \beta_2 ict_{it} + \beta_3 profstaff_{it} + \beta_4 outsourcing_{it} + \beta_5 age10to25_{it} \\ + \beta_6 budget500m_{it} + \beta_7 budget500m5b_{it} + \beta_8 secondaryedu_{it} + \beta_9 terprofedu_{it} \\ + \varepsilon_{it} \dots \dots \dots (2)$$

Again, for each of the categorical variables, one category was excluded which was used as the reference category for making comparisons. The financial efficiency model specified in equation (2) above was estimated by the pooled OLS technique.

In this model, the sign of ACAP was expected to be positive, meaning that moderate accrual accounting should have a greater effect on financial efficiency than mild accrual accounting. The signs of ict, *profstaff* and

outsourcing were all expected to be positive, meaning that councils that adopt any of these new public management practices should be more financially efficient than those councils that do not. The sign of *ages10to25* was expected to be negative, meaning that councils that were between 10 and 25 years had to be less financially efficient than those that are 25 to 55 years old. Older councils were expected to be more efficient by virtue of their experience. Similarly, the sign of *budget 500m* and *budget500m to 5b* was expected to be negative, signifying that councils operating with these budgets had to be less financially efficient than their counterparts operating on larger budgets of 5 billion to 40 billion. This is because it is possible that higher budgets would significantly permit councils to overcome their most pertinent constraints. Lastly, *secondaryedu* and *terprofedu* was expected to all have positive signs, implying that councils with these levels of education should be more financially efficient than their counterparts where the average level of education is just primary education.

Post estimation tests for the regression models

Autocorrelation was tested for both of the two models, for heteroskedasticity and for multicollinearity by applying the Breusch-Godfrey, the Breusch-Pagan and the variance inflation factor (vif) tests. The null hypothesis was accepted for the models since the p-value of the chi-square statistic was greater than 5%. The mean vif of the models were reasonably below 2.5, signaling the absence of multicollinearity.

To test for model specification, the link test was performed. The link test seeks to test the hypothesis that the model specified is the appropriate model as against the alternative that the model is wrongly specified. The results show that the hypothesis of correct model specification cannot be rejected at 5%.

A test for the normality of the residuals was also performed to ascertain whether the residuals were normally distributed. The normality of the residuals is an important assumption in classical regression and in hypothesis testing. Two tests were performed: the Skegness/kurtosis test for normality and the Shapiro-Wilk W test. The tests show sufficient evidence of the normality of the predicted residuals.

To test for omitted variables bias, the Ramsey RESET test was conducted. The result of the test does not lead us to reject the hypothesis of possible variable omission bias. It is possible that some significant variables that can reasonably explain financial efficiency of councils have not been captured by the data in this study. These omitted variables, among other issues such as data measurement issues, are collectively represented by the error term in each of the regressions.

Presentation of Results

Result of descriptive statistical analysis

To assess the effect of new public management (NPM) practices on financial performance of councils, data was collected for new public management practices and also for council specific characteristics.

The NPM practices included the practice of accrual accounting; the use of information and communication technologies (ICT); the use of professional staff with knowledge and experience in accounting and finance; and outsourcing for expertise (that is, the hiring of external experts for the treatment of accounting files). The control variables included council specific characteristics such as the age of the council, the average size of its budget and the average educational level of its staff.

The 40 councils in this study can be described by the summary figures on Table 1. We observe that there are four city councils, 11 sub-divisional councils and 25 municipal councils. Also, 30 of the councils practice mild accrual accounting while 10 practice moderate accrual accounting. For the NPM practices, 37 of these councils use modern ICTs, five have professional staff with knowledge and experience in accounting and finance, and 36 councils do outsource for expertise. A majority of the councils (27 in number) have staff that, on the average, have just secondary education, and a majority of the councils (23 in number) operate on a budget that is less than 500 million. We equally observe that 23 of these councils have been existing for 10 to 25 years while 17 have been existing for 25 to 55 years.

Table 1. Characteristics of Councils and NPM practice

Variable	Number of councils
City councils	4
Sub-divisional councils	11
Municipal councils	25
Mild accounting	30
Moderate accounting	10
ICT use	37
Professional staff	5
Outsourcing	36
Primary education	1
Secondary education	27
Tertiary/professional education	12
Budget below 500million	23
Budget 500 million to 5 billion	14
Budget 5 billion to 40 billion	3
Age of council: 10 to 25 years	33
Age of council: 25 to 55 years	7

Source. Author

To investigate the effect of these new public management practices on the performance of councils in Cameroon, a financial efficiency (FE) score was constructed to proxy for performance. It was constructed by composing three indicators of performance, namely, the average investment ratio, the operating cost ratio, and the staff cost ratio. If staff cost ratio is less than or equal to 35%, investment ratio is greater than or equal to 40% and operating cost ratio is greater than or equal to 60%, then FE assumes a value of 3. But if only two of the conditions hold, then FE is 2. If only one of the conditions holds, FE is 1 and if none of the conditions holds, then FE is 0. Table 1 summarises the different efficiency scores for the different categories of councils considered in this study.

Concerning the other new public management practices that were complementary to accrual accounting, we found a high prevalence of the use of ICTs in councils in Cameroon. In fact, all the city councils used ICTs, all the sub-divisional councils use ICTs and 96% of municipal councils use ICTs. However, there is an extremely low usage of professional staff with knowledge and experience in accounting and finance by councils in Cameroon. No sub-divisional council in our sample uses professional staff with knowledge and experience in accounting and finance while only 12% of municipal councils and 50% of city councils do. On the other hand, there is a high level of outsourcing for expertise in these councils. The figures reveal that all the municipal and sub-divisional councils and 75% of city councils outsource for expertise, notably, for the treatment of their accounting files.

Result of inferential statistics

To investigate the effect of new management practices on financial performance of councils in Cameroon, a pooled OLS model was estimated with financial efficiency as dependent variable to proxy for performance, and accrual accounting as an independent variable. Other independent variables included other NPM practices like the use of ICT, the use of professional staff, and outsourcing. Control variables consisted of council-specific attributes such as: age of council, average education of its staff, average size of its budget, and various interactions of these controls with accrual accounting. FE as a proxy for financial performance was constructed by composing three indicators of performance: average investment ratio, operating cost ratio and staff cost ratio. If staff cost ratio $\leq 35\%$; investment ratio $\geq 40\%$ and operating cost $\leq 60\%$, then FE has a value of 3. But if only two of the

conditions hold, then FE is 2. If only one condition holds, FE is 1 and if none of the conditions hold, then FE is equal to 0.

Pooled OLS estimates of the effect of NPM practices on financial performance showed the model is globally significant at 10% since the p-value of the F-statistic is 0.0965 which is less than 0.1. The R-squared value is 0.447, meaning that the covariates jointly explain only 44.7% of the variation in the independent variable. We also find that apart from professional staff, outsourcing, and age of council, all the variables have a significant effect on financial efficiency. Post estimation tests were performed to verify if the model satisfied the classical OLS assumptions. The post estimation tests showed no evidence of multicollinearity nor heteroskedasticity in the model.

Specifically, the result of the pooled OLS showed a negative and statistically significant effect of ICT use on financial efficiency at 5%. Councils that use ICTs have a financial efficiency score that is two units lower than the score of councils that do not use ICTs. This finding is rather surprising, one that is inconsistent with prior expectations, for we had predicted that the use of ICTs by councils would significantly boost their financial performance.

It shows that the use of professional staff with knowledge and experience in accounting and finance has a positive effect on financial performance, but this effect is statistically insignificant. This finding is not consistent with prior expectations, for we expected that the use of professional staff with knowledge and experience in accounting and finance would significantly raise the financial performance of councils in Cameroon. This positive but insignificant effect can, however, be explained by the low representation of professional staff in our sample. In fact, only five out of the 40 councils in this study, representing 12.5%, reported working with professional staff who were knowledgeable and experienced in accounting and finance. This implies that there exists a possible threshold effect, that is, there needs to be a minimum level of professional staff for it to actually start to exert a significant influence on financial efficiency.

The results also reveal that outsourcing has a positive but statistically insignificant effect on financial efficiency of councils. This means that we cannot conclude, based on this result, that councils that hire external experts to treat their accounting files are necessarily more financially efficient than those councils that do not. This finding is inconsistent with our prior expectations. It was equally expected that outsourcing for expertise would be a significant factor in boosting FE, financial efficiency as a proxy for financial performance.

It was also shown that councils operating on budgets above 500 million right to 5 billion are less financially efficient than those operating on budgets less than 500 million. Precisely, the former has a financial efficiency score that is 3.05 units lower than the score of the latter whose effect is positive and significant at 5%. Councils operating on budgets between 5 billion and 40 billion are also less financially efficient than those operating on budgets below 500 million, though this effect is insignificant. Low financial efficiency in councils operating on budgets above 500 million as compared to those operating on budgets lower than 500 million may be due in part to embezzlement and mismanagement but also to lack of accountability and transparency on the part of the former.

The results further reveal that councils with staff who, on average, have attained secondary education are more financially efficient than those whose staff on average has attained only primary education. The same is true for councils whose staff, on average has attained tertiary or professional education. However, councils with staff who have attained tertiary or professional education on average have a lower financial efficiency score than their counterparts with just secondary education. This effect is statistically significant at 5% and 1% respectively. Hence, we conclude that councils with staff who, on average, have attained secondary education are more financially efficient in all the councils.

The results obtained show that the age of a council has no significant effect on its financial efficiency. Even though older councils (25 to 55 years) seem to be more financially efficient than younger councils (10 to 25 years), this effect is statistically insignificant. Consequently, a generalization can't be made based on the result. This

insignificance could be explained in part by the low representation of older councils in the sample, which were only seven out of 40, representing only 17.5% of the councils.

Councils that practiced mild accrual accounting and outsource for expertise were found to be less financially efficient than councils that practice mild accrual accounting and do not outsource. In addition, councils that practice mild accrual accounting and have budgets lower than 500 million are less financially efficient than councils that practice mild accrual accounting and have budgets that are above 500 million. Lastly, councils that practice mild accrual accounting and whose staff has secondary level of education on average are more financially efficient than those councils that practice mild accrual accounting and whose staff has attained more than secondary education.

Discussion on the findings and validation of hypothesis

Regarding the relationship between various levels of accrual accounting practice and performance in councils, the study showed that councils with mild level of accrual accounting practice, predominantly of councils in the rural and semi urban areas had a better financial performance than those practicing moderate level of accrual accounting. Generally, the findings showed that accrual accounting has no effect on financial performance in councils. These results contradict the claim by accounting professionals that the higher the level of the practice of accrual accounting the better is accountability and financial performance IFAC, 2016; PwC, 2015).

Accrual accounting practice on its own did not significantly contribute to financial performance. Conversely, when accompanied by other NPM practices such as the use of ICTs, the use of professional staff, and outsourcing for expertise, accrual accounting practice became an important determinant of the financial performance of the selected councils in Cameroon exposed in this study.

We found that outsourcing for expertise and the use of professional staff with knowledge and experience in accounting and finance did not significantly contribute to financial efficiency in councils of Cameroon. ICT use on their part even showed a negative effect on financial performance. This means that the complementary NPM tools proposed by Mohammad et al. (2003) and ECA (2004) do not considerably lead to an improvement in financial performance in local governments in Cameroon. We cannot affirm based on the findings of this study that councils that employ these new tools perform better than their counterparts that do not.

Outsourcing for expertise has not been shown to have any significant effect on financial performance, even in the private sector. Agburu, Anza and Iyortsuun (2017) have shown, for instance, that while outsourcing for back office services, outsourcing for primary activities, and outsourcing for supporting activities significantly contributes to the performance of small and medium sized enterprises in Benue State, Nigeria, outsourcing for accounting services on the other hand has no significant effect on the performance of these enterprises. In fact, outsourcing for accounting expertise in councils can be very expensive, and can be a demotivating factor to council workers who may consider it as undermining their competence. These two factors can interplay to dampen the effect of outsourcing on the performance of local governments.

The use of ICTs and their impact on the financial performance of public sector organizations have been strongly debated in the literature. For instance, Yunis et al. (2017) have shown that even though ICT and innovation are strategic resources, their contribution to sustainable competitive advantage depends on the entrepreneurial behaviours of those involved in the organisation. The use of ICT does not significantly improve the financial performance of councils because of many intertwined factors. First, these council staff members do not yet have the required competence in using accounting software. The imposition of the SIM_BA accounting software by a ministerial decision of the state of Cameroon (Decision n° 00000525 (2014), as the obligatory accounting software application for all councils, has not significantly improved accounting practice in councils of Cameroon. The use of this software is yet to be understood by council staff who most often have to resort to seeking assistance from the few experts in Yaoundé who have mastered this application. The poor state of computers in most councils in Cameroon is another concerning factor, coupled with the poor electricity supply by the national electricity supply

company (characterised by frequent outages and low voltage). These factors interplay to jeopardise the desired effect of ICTs on the financial performance of these councils.

The use of professional staff with knowledge and experience in accounting and finance does not yet show any significant effect on the financial performance of councils in Cameroon. This finding, which is contrary to our expectation and to the underlying theory of financial efficiency, can be explained by the threshold effect. The idea behind the threshold effect is that there needs to exist a minimum level of an explanatory variable for it to have any significant effect on the outcome variable. We found that only five of the 40 councils in our study, representing 12.5%, had staff with knowledge and experience in accounting and finance. Hence, even though the effect of professional staff on financial performance was positive, it was insignificant, meaning we cannot say it is different from no effect at all. This can thus be explained by the severe underrepresentation of professional staff in councils of Cameroon. The number of such professional staff has not yet reached the critical minimum level required to exert a significant influence on financial performance.

Based on the research approach adopted for this study and the findings after controlling for council specific characteristics such as the age of the council and the size of the budget, we found out that all the NPM practices together, that is, accrual accounting, use of ICTs, use of professional staff, as well as outsourcing, have a positive and significant effect on financial performance. Hence, the null hypotheses where NPM practices have no significant effect on financial performance is rejected and the alternative hypothesis accepted at 5% level of significance.

Conclusion and recommendation

The study demonstrated that accrual accounting like all NPM practices on their own cannot significantly contribute to financial performance. For instance, when accrual accounting was practiced in isolation it didn't yield any significant effect on performance. However, when accompanied by other NPM practices such as the use of ICTs, the use of professional staff, and outsourcing for expertise, accrual accounting practice became an important determinant of the financial performance of the selected councils in Cameroon analysed in this study. Outsourcing for expertise, which yielded no significant effect on financial performance should be discouraged as much as possible, especially if the cost effect on the council outweighs the benefits. If it is absolutely necessary, outsourcing should be selective and controlled through a monitoring process as a follow up mechanism to ensure faithfulness and reliability in financial reporting for a better financial performance in councils of Cameroon.

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