

The Mediating Role of Level of Formalisation on the Relationship between Church Planting Phases and Financial Reporting of the Tanzanian Local Churches.

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Abstract: *The accounting profession has shown increased interest in accounting for not-for-profit organisations in several countries over the past few decades, which has a corresponding influence on churches' financial reporting. Many churches struggle with financial mismanagement and a lack of transparency in their financial reporting, leading to mistrust among congregants. The purpose of this study was to assess whether the relationship between church planting phases (surveying, preparing, sowing, cultivating, and reaping) and financial reporting is mediated by the level of formalisation at the local church level. The study collected data from 374 Tanzanian local churches' accountants, evangelists and pastors in Dodoma, Arusha and Dar es Salaam cities from selected denominations such as the Tanzania Assemblies of God, Evangelistic Assemblies of God Tanzania, Evangelical Lutheran Church of Tanzania and the Anglican Church of Tanzania. Based on Institutional Theory, hypotheses were formulated. The study employed a self-administered questionnaire while using a purposive sampling technique to select participants. To get the sample of interest, the study used probability sampling, namely stratified and simple random sampling techniques. The data was analysed for measurement and structural model analyses using Smart-PLS version 4.0. The study findings reveal that the level of formalisation negatively mediates the relationship between church planting phases and financial reporting of the Tanzanian local churches. This is in lieu that the formalisation suppresses the relationship between church planting phases and financial reporting. Meaning that as church planting increases, the financial reporting tends to decrease due to a low formalisation level. This suggests that the more emphasis or progress there is in planting activities, the less effectively financial reporting is applied or adhered to due to a low formalisation level. For the attainment of effective financial reporting during the establishment of a new church, the local churches should improve their formalisation level. In addition, the study informs Christian denominations on the essence of formalisation to improve the financial reporting of local churches.*

Keywords: *Financial Reporting, Formalisation Level, Church Planting Phases, Local Churches, Tanzania.*

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1.0 Introduction

The accounting profession has shown increased interest in accounting for not-for-profit organisations in several countries over the past few decades, which has a corresponding influence on churches' financial reporting (Adewole & Adewale, 2021; Boimau et al., 2023; Clayton et al., 2023). The growing interest in accounting for not-for-profit organisations has led to a more structured and transparent financial reporting environment for churches (Adewole & Adewale, 2021; Clayton et al., 2023). While this poses challenges such as compliance with stricter standards and possible increased administrative burdens, the benefits of improved transparency and accountability are significant (Ga et al., 2021). Scholars continue to debate the issue of the inconsistent churches' financial reporting worldwide (Adewole & Adewale, 2021; Clayton et al., 2023; Ga et al., 2021). These inconsistencies include variance in disclosure practices, measurement techniques, financial statement item recognition, and flexibility in implementing accounting principles (Christanti et al., 2023; Ryoba & Chalu, 2023). Since these inconsistencies have impacted the continual existence of local churches, both academicians and religious leaders are striving to identify the factors affecting proper financial reporting (Clayton et al., 2023; Cooper & Yen, 2020). Legal systems, level of formalisation, belief systems, church planting and adoption of accounting standards are among the commonly considered set of factors (Clayton et al., 2023; Cooper & Yen, 2020; Duncan et al., 1999; Lomboan et al., 2024; London & Richardson, 2020). Amongst these set of factors, church planting is one of the primary causes of inconsistent financial reporting (Agyapong & Fynn, 2018; Hill, 2011).

In recent years, religious planting has gained popularity all over the world and is done as an important effort to promote growth and development (Alawode, 2020). Despite the predictions of prominent scholars in the middle of the 20th century (Berger, 1968), amazing trends show how religious planting initiatives have significantly led to growth in religious organisations (Becka, 2019; Heward-Mills, 2008). Approximately 80.8% of the global population in 1970 claimed to be affiliated with a religion in some way (Becka, 2019; Mathew et al., 2019). But by 2000, this percentage had risen to 87.0%, and it has since kept rising, reaching 88.7% by 2022 (Zurlo et al., 2022). Additionally, the percentage of Chinese people who identify as religious rose sharply from 39.8% in 2000 to 61.2% in 2022 (Zurlo et al., 2022). Furthermore, Russia has recovered its Orthodox roots, with 82.4% of the population being Christian in 2022 (Becka, 2019). Similar to Russia, the majority of some post-Soviet nations are Christian, including Belarus (79.0%) and Armenia (94.7%) (World Christian Database, 2023). Some, like Tajikistan (97.9%), Turkmenistan (96.5%), and Uzbekistan (95.6%), have a predominantly Muslim population (Afifuddin & Siti-Nabiha, 2010; Zurlo et al., 2022). Additionally, by 2022, Germany's religious variety had increased from 0.3% in 2000 to 5.2% (Zurlo et al., 2022). In a similar vein, the United States rose from 0.6% in 2000 to 4.6% in 2022 (Zurlo et al., 2019, 2022). In contrast to the increase, the World Christian Database revealed that the top custodians of Christian funds globally embezzled 59 billion USD in mid-2022, up from 19 billion USD annually in 2000, which is an ecclesiastical crime.

There have been recent instances of church embezzlement all around the world (Chowa et al., 2020; Faboyede et al., 2022; Rockson, 2019). A bookkeeper in Lubbock, Texas, stole \$450,000 from the church using its credit cards to cover hospital bills, food costs, a car

loan, and the operation of a bakery she and her daughter co-owned (Rockson, 2019). A Catholic bishop in Formosa, Brazil, and five priests working under his authority embezzled \$608,000. When the reported cost of operating a parsonage soared, the church became aware of the deceit (Chowa et al., 2020). An accounting department employee in Australia stole over \$300,000 from an organisation that collected and deposited funds from several churches (Rockson, 2019). When a church financial officer began following the serial numbers of certain donated bills after seeing a difference in the financial reports, the employee was detained. Inconsistent financial reporting promotes embezzlement in religious institutions, claim Thompson et al. (2024).

Islam, Christianity, and traditional religion are the three main faiths practised in Africa. Nonetheless, with 400–500 million followers each, Islam and Christianity are the two most popular religions (Eneji & Iwuagwu, 2021). In Tanzania, Christianity is the most popular religion, with a large following, followed by Islam (Kihwaga, 2022). Tanzanian Christianity is distinguished by its diversity. There are many different denominations. These denominations include Tanzania Assemblies of God (TAG), Evangelical Lutheran Church of Tanzania (ELCT), Roman Catholic, Anglican Church of Tanzania (ACT), and Evangelistic Assemblies of God Tanzania (EAGT). Other denominations include Moravian, Africa Inland, Holiness Mission, Swedish Free Mission, ELIM Pentecostal, Free Pentecostal Church of Tanzania, Mormons, Presbyterians, Quakers, Seventh-day Adventists, etc. (World Christian Database, 2023). Among these denominations, four were chosen considering their scales of church planting initiatives.

Church planting is an act of establishing a new Christian local congregation (Paas, 2018). The financial activities incurred during the church planting process from the initial stage to when a church becomes fully operational have been categorised into phases (Agyapong & Fynn, 2018; Emilton, 2017; Hill, 2011). The phases are surveying, preparing, sowing, cultivating, and reaping (Agyapong & Fynn, 2018; Paas, 2018). Church planting requires resource mobilisation, management, and accountability (Paas, 2018). Financial reporting plays a critical role in ensuring transparency and trust among stakeholders, such as donors, members, and regulatory authorities (Clayton et al., 2023; Lomboan et al., 2024). A lack of standardised financial reporting in church planting organisations (local churches) leads to challenges in resource allocation, management, financial accountability, and trust among stakeholders during the church planting process (Agyapong & Fynn, 2018; Hill, 2011).

The accounting literature records the historical presence of financial reporting in religion. This is evident in early Jewish and Buddhist temples, as well as Egyptian temples, to mention a few (Ezzamel, 1997; Fonfeder et al., 2003). Moreover, several studies (such as Christanti et al., 2023; Clayton et al., 2023; Oti & Asuquo, 2016) have researched churches' financial reporting generally. In a similar vein, financial reporting has been referred to as financial management in other studies (Akotia, 2019; Boimau et al., 2023; Hill, 2011; Irawan et al., 2021; Tanui et al., 2016; Wang & Wang, 2018). Although these scholars acknowledge that financial reporting has a significant impact on religion, not many studies have been done to thoroughly examine the relationship between church planting phases and financial reporting, therefore, our study is a direct response to this academic appeal.

Nonetheless, the results of a few studies that are now available have presented mixed findings on the influence of church planting phases on financial reporting. Hill's (2011) study conducted in the United States found a significant and positive influence between church planting phases and financial management. Furthermore, Cooper and Yen (2020) found a significant and favourable correlation between church planting phases and financial accountability in Ontario and Quebec, Canada, which is partially in line with Hill's (2011) findings. However, a study conducted in Ghana by Agyapong and Fynn (2018) and in Nigeria by Olawale (2016) found a significant negative association between church planting phases and financial accountability/accounting, respectively. These conflicting findings could be explained, in part, by variation in the level of formalisation in the local churches' affiliated denominations (Agyapong & Fynn, 2018; Cooper & Yen, 2020).

Formalisation is reflected by the laws, rules, written documents and procedures developed to coordinate numerous challenging tasks to guarantee the accomplishment of organisational objectives (Belsito & Reutzel, 2019; Danish et al., 2015; Pasolo, 2024). The more tools an organisation utilises to simplify operations and the more descriptions, definitions, and internal processes it employs, the more formalised it is (Danish et al., 2015; Pasolo, 2024). Oti and Asuquo (2016) pointed out that in highly formalised organisations, practically every work activity has a written procedure that specifies what needs to be done, how it should be done and who is in charge of it. According to Kenton (2021), churches are dualistic, enhancing organisational order and spirituality, in contrast to companies. Similarly, Cooper and Yen (2020) emphasised that managing spiritual matters does not substitute for the place of authority and order in any local church context. Previous studies have not taken into account the interplay between a level of formalisation and the relationship between church planting and financial reporting. Referring to Institutional Theory by DiMaggio and Powell (1983), Christian denominations, based on their formalisation level, may exert external pressure to enforce proper financial reporting of the local churches (Eitrem et al., 2024). A highly formalised denomination is expected to convey sufficient pressure on its related local churches to implement proper financial reporting (Duncan et al., 1999).

Furthermore, other previously published research has concentrated on how the level of formalisation and financial reporting are directly related. Pasolo's (2024) study examined the connection between Indonesian accounting procedures and organisational structures, including formalisation. According to Laith (2024), the most important factor influencing the improvement of management accounting information quality was the level of formality in the organisational structure. However, Shahzad et al. (2022) employed the formalisation level as a mediator construct on the relationship between perceived business risk and organisational financial performance in Pakistan. The literature that is currently available indicates that there is a shortage of studies on how the relationship between church planting phases and financial reporting is mediated by the level of formalisation.

Moreover, the empirical studies' results offer conflicting findings regarding the connection between church planting phases and financial reporting. For instance, Olawale (2016) found a negative correlation between church planting phases and financial accounting, while other studies, such as Cooper and Yen (2020) and Hill (2011) found a favourable correlation. Furthermore, the conflicting results may stem from the

fact that these studies have primarily taken a direct approach, ignoring the indirect effect on the established relationship (Cooper & Yen, 2020; Olawale, 2016). This study assessed the mediating effect of formalisation level in the relationship between the phases of church planting and financial reporting of Tanzanian local churches to close this gap. In addition, most of the available studies have primarily focused on financial reporting centred on a single Christian denomination or church (i.e., Adewole & Adewale, 2021; Boimau et al., 2023; Hill, 2011; Kihwaga, 2022; Olawale, 2016). This study examined a variety of Tanzanian Christian denominations to enhance the findings' generalizability in developing nations. Additionally, most of previous research (such as, Clayton et al., 2023; Hill 2011; Pasolo, 2024; Shahzad et al., 2022) are contextually limited, because they concentrated on churches or denominations in developed nations rather than Tanzania and other developing nations in Africa that have distinct political, economic, and cultural contexts. Likewise, Tanzanian studies have explored the impact of church planting phases on other fields, however, little has been done regarding financial reporting. Studies that have examined topics other than financial reporting, are such as church expansion and growth by Msuya (2021), restoring the Kingdom of the LORD by Madeghe (2014), discipleship by Msuya (2018), and evangelistic effectiveness by Kihwaga (2022), highlight the knowledge gap that the current study aims to fill.

Many churches struggle with financial mismanagement and a lack of transparency in their financial reporting, leading to mistrust among congregants (Clayton et al., 2023). Despite the historical presence of financial reporting in religious contexts and a growing body of literature on churches' financial practices, there remains a significant gap in understanding the relationship between church planting phases and financial reporting, particularly in developing countries such as Tanzania. While some studies have reported mixed findings indicating both positive and negative correlations between these phases and financial accountability, most existing research primarily focuses on direct relationships without exploring the mediating role of formalisation. This oversight neglects the potential influence that varying levels of organisational formalisation within different church denominations may have on financial reporting practices. Thus, this study aims to investigate how the level of formalisation mediates the relationship between church planting phases and financial reporting in Tanzanian local churches across various denominations, thereby filling a crucial gap in the literature and enhancing the understanding of financial management in diverse religious contexts.

2.0 Theoretical Perspective

2.1 Institutional Theory

Among organisational theories, Institutional Theory is an important theoretical perspective (Jepperson & Meyer, 2021). This theory's central claim is that the social context in which organisations operate shapes their procedures, activities, and organisational structures (Eitrem et al., 2024). Scholars from a variety of fields other than religion have already utilised this theory, including public health (Staroňová & Gajduschek, 2019), sociology (Jepperson & Meyer, 2021), economics (Obińska-Wajda,

2016), political science (Staroňová & Gajduschek, 2019), etc. The theory suggests that institutions seek legitimacy by complying with prevailing values and norms in their institutional surrounding environment, which leads to isomorphism (Eitrem et al., 2024). Furthermore, Institutional Theory highlights how organisations are intricately linked to their institutional environment, and how their actions either reflect or react to the structures and rules of this environment (Obińska-Wajda, 2016). The theory also recommends that to conform to the norms and intangible elements of their institutional environment, organisations should embrace tangible elements such as structures, rewards and procedures (Chariri, 2011; Eitrem et al., 2024). Through a process of isomorphism, organisations often become homogeneous in their operations to conform to rationalised regulations and gain legitimacy (Meyer & Rowan, 1977). Coercive, mimetic, and normative forces are the three main ways that institutional isomorphic change occurs (DiMaggio & Powell, 1983, p.150).

The term formalisation describes an organisation's formal laws, rules, and policies that regulate employee conduct and institutionalise efficient practices (Laith, 2024). The regulating authorities used to enforce adherence to current regulations are the subject of coercive pressures in the Institution Theory (DiMaggio & Powell, 1983). The theory was used to investigate how organisations like the Tanzania National Board of Accountants and Auditors, the Christian Council of Tanzania, the Council of Pentecostal Churches of Tanzania and the registrar of societies office through Christian denominations might enforce appropriate financial reporting of local churches. According to Mao and Zech (2002), the level of formalisation determines whether churches adopt rules, laws, and standards. Belsito and Reutzel (2019) assert that the level of formalisation of the governing body determines the standards and rules that subsidiary bodies adopt. As subsidiaries, local churches function under the control of the denominations to which they belong. Therefore, depending on their formalisation level, Christian denominations are part of the external pressure that regulates the local churches' financial reporting, specifically during church planting (Oti & Asuquo, 2016).

3.0 Empirical Literature Review and Hypothesis Development

Prior empirical research on the relationship between church planting and financial reporting in other countries has produced inconclusive findings. A study conducted in the United States by Hill (2011), for example, found a favourable and significant influence on the association between financial management and church planting (surveying, preparing, sowing, cultivating, and reaping). In addition, the findings of Hill (2011) are somewhat consistent with those of Cooper and Yen (2020), who used a 205-structured survey questionnaire and 18 interviews with top church leaders to investigate the impact of church planting phases on the financial accountability of Baptist churches in Ontario and Quebec, Canada. According to their research, the five church planting phases significantly and positively influence financial accountability. Cooper and Yen (2020) added that to ensure accountability and transparency in the financial reports, church leaders should establish financial policies and processes.

In addition, Cooper and Yen's (2020) study revealed that state agencies, including recognised denominations, have encouraged local churches to formalise their financial reporting. However, using 187 structured survey questionnaires, Agyapong and Fynn (2018) investigated how Ghanaian Presbyterian churches' financial accountability was affected by the five planting phases. Their research revealed that churches' financial accountability is significantly and negatively affected by all five planting phases. Moreover, Agyapong and Fynn (2018) found that extensive violations of appropriate financial reporting processes have been fostered by Christian religious leaders' reliance on wealth as a measure of success, which has made it easier for church resources to be exploited. Additionally, Olawale (2016) found a substantial negative correlation between financial accounting and church planting phases.

Although the aforementioned earlier research concentrated on the direct relationship between church planting phases and financial reporting, other earlier studies that are currently accessible have concentrated on the direct relationship between the level of formalisation and financial reporting (Laith, 2024; Pasolo, 2024). Pasolo (2024) conducted a qualitative literature analysis in Indonesia to examine the connection between financial reporting and organisational structures, including formalisation. According to Pasolo's (2024) research, organisational structures influence appropriate financial reporting practices to improve agility and transparency. Furthermore, Laith's (2024) study used 77 survey questions given to accounting specialists to investigate how changes in organisational structure affected the quality of management accounting information in Iraq.

According to Laith's (2024) research, the most important factor influencing the improvement of management accounting information quality was the level of formality in the organisational structure. In addition, the aim of the Hung et al. (2019) study was to ascertain how the structure of the organisation was affected by accounting quality in Vietnam. The study's conclusions demonstrated that the structure of the organisation has an impact on the quality of accounting data. The Kuraesin (2016) study examined the connection between organisational structure and the quality of information systems for accounting, which is consistent with Hung et al. (2019). Kuraesin (2016) highlighted that the level of formalisation is one of the elements affecting appropriate accounting practices. However, Baines and Smith's (2003) investigation confirmed that variations in the level of formalisation resulted in changes to accounting practices and the quality of financial reports that were produced. Additionally, the findings of Baines and Smith's (2003) study showed that a high level of formalisation increased reliance on financial accounting data, resulting in a positive relationship.

On the other hand, Shahzad et al. (2022) employed the level of formalisation as a mediator variable in the relationship between perceived business risk and organisational financial performance. The study found that organisational financial performance and the perceived business risk component are mediated by the formalisation level. The study provides managers with useful information that can be used as a guide to improve financial performance (Shahzad et al., 2022). This suggests

that the relationship between church planting and financial reporting may be mediated by the level of formalisation. Based on these studies, the relationship between church planting phases and financial reporting was thought to be mediated by the level of formalisation. It is, therefore, hypothesised that:

H₁ - Formalisation level mediates the relationship between surveying and financial reporting of the local churches.

H₂ - Formalisation level mediates the relationship between preparing and financial reporting of the local churches.

H₃ - Formalisation level mediates the relationship between sowing and financial reporting of the local churches.

H₄ - Formalisation level mediates the relationship between cultivating and financial reporting of the local churches.

H₅ - Formalisation level mediates the relationship between reaping and financial reporting of the local churches.

4.0 Methodology

4.1 Study Sample

Through the level formalisation, this study seeks to assess the relationship between the phases of church planting and local churches' financial reporting from the perspectives of Institutional Theory. This objective was achieved using a survey that was carried out among accountants, pastors, and evangelists of the EAGT, TAG, ACT, and ELCT churches located in Tanzania's cities of Dodoma, Dar es Salaam, and Arusha. The three cities were picked because they had a large number of local churches belonging to selected religious denominations in the area. Moreover, many local churches in these cities struggle with financial mismanagement and lack of transparency in their financial reporting, leading to mistrust among congregants.

In addition, it was easy to trace supporting data on church planting and accounting practices because the headquarters of the chosen denominations are located in two of the chosen cities. Besides, ELCT headquarter is located in Arusha, while TAG, ACT, and EAGT national offices are in Dodoma. These four denominations were chosen because they have been around and operating for over 30 years and have grown quickly as a result of local churches being established throughout the country (Kihwaga, 2022). Moreover, the selected denominations represent a significant portion of the Christian population in Tanzania and have well-documented church planting initiatives (World Christian Database, 2023).

In the initial stage, purposive sampling was employed to select denominations that reflect a broad spectrum of Christian beliefs and practices in Tanzania. In addition, the selection focused on diverse theological backgrounds, administrative structures, and sizes of congregations to capture a comprehensive view of financial reporting practices across different denominational contexts. The rationale for this selection was to ensure representation of both mainstream and less formalised church structures. After

identifying the denominational groups, **stratified sampling** was employed to select local churches within each denomination. This involved dividing the local churches into strata based on key characteristics such as church size (e.g., small, medium, large), geographic location (rural vs. urban), and age (newly planted vs. established). By classifying churches into strata, the study ensured that each subgroup was represented proportionately in the final sample.

This method minimises bias and enhances the diversity of inputs regarding financial reporting practices across different contexts. Following the stratification, simple random sampling was used within each stratum to select individual churches. This approach ensures that each church within the strata had an equal probability of being chosen, thus avoiding selection bias and enhancing the representativeness of the sample. This method facilitated a better distribution of data, allowing for more accurate generalisations about the financial reporting trends across various church planting phases. Throughout the sampling process, attention was given to potential biases, such as those arising from convenience sampling or over-representation of certain geographic areas. By intentionally selecting churches from both urban and rural settings, as well as considering different sizes and age groups, the study aimed to mitigate these biases. To further enhance reliability, the study could document the demographics and characteristics of all churches in the pool from which the final sample was drawn. This transparency can help validate the representativeness of the sample and facilitate comparisons with the overall population of churches in Tanzania.

In this study, the unit of analysis was local churches that operate in Tanzania. An existing church must normally exhibit theological faithfulness, community involvement, efficient governance, and financial accountability while adhering to the particular standards established by their denomination to be granted the status of a local church by denominational leadership (Hill, 2011). In addition to overseeing the required number of branches (the number varies by denomination), a local church has completed all five planting stages (Hill, 2011; Wang & Wang 2018). One of these three, a pastor, an accountant, or an evangelist, made up the unit of inquiry from a local church (Cooper & Yen, 2020). With the help of evangelists who manage the church planting departments, pastors serve as the local churches' chief administrators (Olawale, 2016).

Whilst these two have managerial positions in the local churches, accountants are in charge of all financial matters regarding church planting and are responsible for paying for all projects' expenses. These respondents were therefore deemed to have sufficient knowledge, experience, and expertise regarding church planting, the level of formalisation, and the financial reporting of their local churches. Since the study's hypotheses were developed using pre-existing theory, the study employed a deductive research approach. 392 questionnaires using a five-point Likert scale were distributed to gather data. 374 of the 385 returned questionnaires were judged appropriate for assessment, yielding a 98.2% response rate.

4.2 Data Analysis Approach

The data analysis approach employed in this study was two-step structural equation modelling (SEM), as recommended by Anderson and Gerbing (1988). The measurement model analysis, focused on construct reliability, discriminant validity, and convergent validity using the partial least squares algorithm, was conducted. Next, partial least squares structural equation modelling bootstrapping analysis was used to analyse structural models and test hypotheses. Because of its robustness, PLS-SEM was selected over covariance-based SEM (Hair et al., 2011). Additionally, PLS-SEM was selected over multiple regression because regression analysis requires the setup of multiple models when dealing with several variables, while PLS-SEM enables the analysis of research models with many variables, incorporating measurement errors and unobserved variables. Because of this, it is easier to find mediation in PLS-SEM by examining the model diagram (Ramli et al., 2018; Uzir et al., 2021).

Moreover, PLS-SEM can consistently predict an individual's scores on latent variables, hence, it is effective for both predictive and exploratory purposes (Ramli et al., 2018; Uzir et al., 2021). PLS-SEM is particularly robust in handling measurement errors because it allows for the estimation of relationships between latent variables (the constructs) while simultaneously accounting for the error variance in the observed indicators. Also, constructs such as financial reporting and church planting phases are likely influenced by several unobserved or latent variables (e.g., church culture, community engagement, external pressures from church governance). These factors can significantly impact how the constructs are expressed, but may not be directly measurable. Hence, PLS-SEM excels in modelling complex relationships by allowing researchers to capture unobservable influences and their relationships. It facilitates the exploration of the interplay between multiple latent variables, which is crucial for understanding the nuanced dynamics in church financial reporting across different planting phases.

Moreover, the relationships proposed in the study likely involve interdependencies between constructs, where changes in one construct can affect multiple others. PLS-SEM can model these complex interrelationships more effectively than multiple regression, which typically focuses on direct relationships between observed variables. Given the exploratory nature of this study, in assessing the mediating role of formalisation in the relationship between church planting phases and financial reporting, PLS-SEM provides the flexibility to refine the model iteratively based on data insights. Smart-PLS 4.0, a program based on PLS regression, was used to test the hypotheses and evaluate the mediation impact. For assessing the significance of path coefficients and the reliability of the models, bootstrapping is a crucial technique employed in PLS-SEM. It generates confidence intervals and standard errors for estimated parameters.

The study used a common practice by setting the number of bootstrapping iterations at 5000. This increases the robustness of the confidence intervals and ensures more reliable significance testing of the path coefficients. Moreover, in evaluating the significance of path coefficients, a mediation effect exists if the 95% bootstrapped confidence interval's t-statistic is more than 1.96 and the p-value is less than 0.05, while

no zero exists in between the Bias Corrected accelerated Confidence Interval (BCa-CI) lower and upper limits (Hair et al., 2020).

5.0 Findings

5.1 Respondents' Demographic Characteristics

It was found that 68.2% of respondents were males and 31.8% were women after analysing their demographic information. The respondents' ages appeared to be evenly spread, with 28.9% of them being between the ages of 41 and 50 and 23.3% being between the ages of 31 and 40. Table 1 below provides a detailed breakdown of respondents' education, church position, experience and professional credentials.

Table 1: Respondents' Demographic Characteristics

No.	Demographic	Subset	Frequency	Percent
1	Sex (M-male, F-female)	M	255	68.2%
		F	119	31.8%
2	Age (in terms of years)	Below 20	1	0.3%
		21 to 30	71	19.0%
		31 to 40	87	23.3%
		41 to 50	108	28.9%
		51 to 60	64	17.1%
		Above 60	43	11.5%
3	Respondents' Position in the church	Evangelists	61	16.3%
		Pastors	142	38.0%
		Accountants	169	45.2%
		Others	2	0.5%
4	Experience with the current church (In terms of years)	Below 2	30	8.0%
		2 to 4	74	19.8%
		5 to 7	95	25.4%
		8 to 10	62	16.6%
		Above 10	113	30.2%
5	Educational level	Certification Ordinary diploma	8	2.1%
		First degree	109	29.1%
		Second degree	188	50.3%
		degree	56	15.0%
		Doctorate	10	2.7%
		Professor's level	3	0.8%
6	Qualifications	Other fields	31	8.3%

No.	Demographic	Subset	Frequency	Percent
		Theology	168	44.9%
		Accounting	175	46.8%

Source: Data analysis (2024)

5.2 Local Churches' Characteristics

Of particular note, 55.6% of the local churches are located in the cities that are the subject of the study, with the remaining churches coming from rural, small-town, suburban, and outside-the-city locations. Furthermore, 92.8% were recognised as local churches. However, just 7.2% were local church branches. Table 2 below provides a thorough analysis of the attributes of the sampled churches.

Table 2: The Profile of the Sampled Churches

S/ N	Type	Profile	Frequency	Percent
1	The location of churches	Dodoma	144	38.5%
		Arusha	120	32.1%
		Dar es Salaam	110	29.4%
2	An environment where the churches are located	Within the city	208	55.6%
		Sub urban	37	9.9%
		Small-town	23	6.1%
		Out of the city	51	13.6%
		Out of the town	21	5.6%
		Village area	34	9.1%
3	Church size (in terms of members)	Below - 100	72	19.3%
		100 to 200	78	20.9%
		200 to 300	77	20.6%
		300 to 400	53	14.2%
		400 to 500	32	8.6%
		Above - 500	62	16.6%
4	Churches' years of operation	Below - 10	87	23.3%
		10 to 20	107	28.6%
		20 to 30	85	22.7%
		30 to 40	40	10.7%
		40 to 50	45	12.0%
		Above - 50	10	2.7%
5	The identification of churches	- Local churches	347	92.8%
		A branch of the local church	27	7.2%
6	Churches in the denomination	Lutheran	109	29.1%
		EAGT	96	25.8%
		Anglican	60	16.0%

S/ N	Type	Profile	Frequency	Percent
		TAG	109	29.1%

Source: Data analysis (2024)

5.3 Measurement (Outer) Model

5.3.1 Constructs Reliability and Convergent Validity Results

The reliability of the constructs was evaluated using Cronbach's alpha and composite reliability (Hair et al., 2020). The findings indicate that composite reliability ranges from 0.793 to 0.948 and Cronbach's alpha ranges from 0.790 to 0.947. Each construct exceeds the lowest permitted cut-off value of 0.7, as shown in Table 3 below (Hair et al., 2020). Furthermore, the factors' outer loadings and the average variance extracted (AVE) (Table 3) were examined to assess the convergent validity (Hair et al., 2020). According to Hair et al. (2020), six items were eliminated from the assessment because their outer loadings were insufficient, falling below 0.40. This is consistent with Hair et al. (2020); if a construct's AVE is less than 0.5, it cannot have convergent validity. The decision to remove six low-loading items was primarily based on their insufficient loadings, which could indicate poor relevance to the underlying construct. Removing low-loading items can improve the reliability and validity of the constructs by ensuring that only relevant indicators are retained. This enhances the representation of the construct and minimises measurement error, potentially leading to a more coherent and accurately defined latent variable (Hair et al., 2020). While specific changes in model fit metrics should be reported, it is generally expected that removing low-loading items would lead to an improved model fit (Hair et al., 2020).

Table 3: Construct's reliability and convergent validity results

Factor Cronbach)	(α - Measures	Factor loadings	AVE	Composite Reliability
Surveying (0.885)	SU1	0.820	0.685	0.888
	SU2	0.866		
	SU3	0.836		
	SU4	0.808		
	SU5	0.806		
Preparing (0.869)	PR1	0.811	0.657	0.870
	PR2	0.848		
	PR3	0.818		
	PR4	0.797		
	PR5	0.777		
Sowing (0.867)	S01	0.821	0.653	0.869
	S02	0.807		
	S03	0.836		
	S04	0.847		
	S05	0.821		
Cultivating (0.790)	CU1	0.822	0.704	0.793
	CU2	0.826		

Factor Cronbach)	(α - Measures	Factor loadings	AVE	Composite Reliability
Reaping (0.890)	CU3	0.869	0.695	0.919
	RE1	0.842		
	RE2	0.847		
	RE3	0.865		
Denomination' Formalisation Level	DF01	0.870	0.759	0.895
	DF02	0.874		
	DF03	0.891		
	DF04	0.850		
Financial Reporting (0.947)	AP2	0.803	0.631	0.948
	AP5	0.791		
	AP6	0.837		
	AP7	0.729		
	AP8	0.807		
	AP9	0.826		
	AP10	0.778		
	AP11	0.823		
	AP12	0.768		
	AP14	0.792		
	AP15	0.775		

Source: Field data (2024)

Note: SU–Surveying, PR–Preparing, SO– Sowing, CU–Cultivating, RE–Reaping, DFO–Denomination' Formalization Level and AP–Financial Reporting.

5.4 Discriminant Validity

Discriminant validity is shown by the level of difference between items that belong to various constructs. The discriminant validity of the constructs was evaluated using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) approach. According to the Fornell–Larcker criterion, the square root of the Average Variance Extracted (AVE) for each construct should be greater than the highest correlation between that construct and any other construct. This criterion ensures that constructs are distinct from one another. The results indicated that all constructs met this criterion, demonstrating sufficient discriminant validity. Thereafter, the heterotrait-monotrait (HTMT) ratios were assessed, yielding values within a range that further supports the conclusion of discriminant validity. Specifically, HTMT values below the threshold of 0.85 confirm the distinctiveness of the constructs. For a detailed explanation of discriminant validity, see Table 4.

Table 4: Results of the Fornell-Larcker Criterion and HTMT Ratio

Constructs	AP	DFO	CU	PR	RE	SO	SU
AP	0.794	<i>0.824</i>	<i>0.702</i>	<i>0.582</i>	<i>0.732</i>	<i>0.638</i>	<i>0.603</i>
DFO	0.761	0.872	<i>0.706</i>	<i>0.586</i>	<i>0.752</i>	<i>0.648</i>	<i>0.611</i>
CU	-0.610	-0.593	0.838	<i>0.508</i>	<i>0.804</i>	<i>0.641</i>	<i>0.586</i>
PR	-0.531	-0.518	0.422	0.811	<i>0.621</i>	<i>0.564</i>	<i>0.481</i>
RE	-0.672	-0.671	0.675	0.546	0.833	<i>0.692</i>	<i>0.627</i>
SO	-0.584	-0.573	0.536	0.491	0.611	0.809	<i>0.451</i>
SU	-0.555	-0.544	0.492	0.427	0.561	0.398	0.827

Source: Data analysis (2024)

Note: - Fornell-Larcker criteria (**bolded**) and HTMT (italicised).

Key: *SU-Surveying, PR-Preparing, SO- Sowing, CU-Cultivating, RE-Reaping, DFO-Denomination' Formalisation Level and AP - Financial Reporting.*

5.6 Multicollinearity Test

The variance inflation factor (VIF), a multicollinearity measure, quantifies the degree to which the variance of the expected regression coefficient is inflated. When the VIF score is three or higher, multicollinearity is present (Hair et al., 2020). There was no indication of multicollinearity. All Variance Inflation Factor (VIF) values are below the commonly accepted threshold of 3. The highest VIF value recorded in this investigation was 2.402 (Table 5).

Table 5: VIF Findings

Paths	VIF
SU → DFO	1.511
PR → DFO	1.543
SO → DFO	1.682
CU → DFO	1.901
RE → DFO	2.201
DFO → AP	2.402

Source(s): Data analysis (2024)

Key: *SU-Surveying, PR-Preparing, SO- Sowing, CU-Cultivating, RE-Reaping, DFO-Denomination' Formalisation Level and AP - Financial Reporting.*

5.7 Structural Model for Hypothesis Tests

The first hypothesis (H1)'s Smart-PLS results are shown in Table 6, which confirms that the level of formalisation negatively mediates the relationship between church planting surveying and financial reporting of the Tanzanian local churches ($\beta = -0.147$) with a ($t = 3.503$). Additionally, 95% bias-corrected accelerated confidence interval bootstrapping results confirm the presence of mediation. Since there was no zero in between the Bias Corrected accelerated Confidence Interval (BCa-CI) lower and upper limits (-0.224 , -0.084). The indirect effect was significant at a p-value of 0.000, hence the hypothesised relationship (H1) was statistically supported.

Hypothesis (H2) results displayed in Table 6, below, indicate that the level of formalisation negatively mediates the relationship between church planting preparation and financial reporting of the Tanzanian local churches ($\beta = -0.103$), thereby supporting hypothesis (H2) at 0.004 p-value with a $t = 2.661$. This is because zero does not fall between the (BCa-CI) lower and upper limits, which were -0.169 and -0.040 , respectively. In addition, regarding hypothesis (H3), the findings exhibited in Table 6, below, reveal that the level of formalisation negatively mediates the relationship between church planting sowing and financial reporting of the Tanzanian local churches ($\beta = -0.137$, 95% BCa-CI = -0.206 to -0.071 , $t = 3.315$). Hence supporting hypothesis (H3) with a p-value of 0.000.

The findings regarding hypothesis (H4), as shown in Table 6, below, confirmed that the level of formalization negatively mediates the relationship between church planting cultivating and financial reporting of the Tanzanian local churches ($\beta = -0.137$) with a $t = 3.059$, thereby supporting hypothesis (H4) at 0.001 p-value. This is because zero does not fall between the BCa-CI lower and upper limits, which were -0.214 and -0.068 , respectively. Concerning hypothesis (H5), the findings in Table 6, below, show that the level of formalisation negatively mediates the relationship between church planting reaping and financial reporting of the Tanzanian local churches ($\beta = -0.197$), thus supporting (H5) at a p value of 0.000 and $t = 4.530$. This is because zero is not between the 95% bootstrapped CI's lower and upper limits (-0.270 ; -0.128).

Table 6: Results for Bootstrapping Specific Indirect Mediating Effect

Hypotheses	β	SE	t	Bias	P value	BCa 95% CI Lower	Upper	Results
SU -> DFO -> AP	-0.147	0.042	3.503	0.003	0.000	-0.224	-	significant
PR -> DFO -> AP	-0.103	0.039	2.661	0.001	0.004	-0.169	-	significant
SO -> DFO -> AP	-0.137	0.041	3.315	0.003	0.000	-0.206	-0.071	significant
CU -> DFO -> AP	-0.137	0.045	3.059	0.000	0.001	-0.214	-	significant
RE -> DFO -> AP	-0.197	0.043	4.530	0.000	0.000	-0.270	-0.128	significant

Source: Data analysis (2024)

Key: SU – Surveying, PR – Preparing, SO – Sowing, CU – Cultivating, RE – Reaping, DFO – Denomination' Formalisation Level and AP – Financial Reporting, SE – Standard Error, BCa 95% CI – Bias Corrected accelerated 95% Confidence Interval.

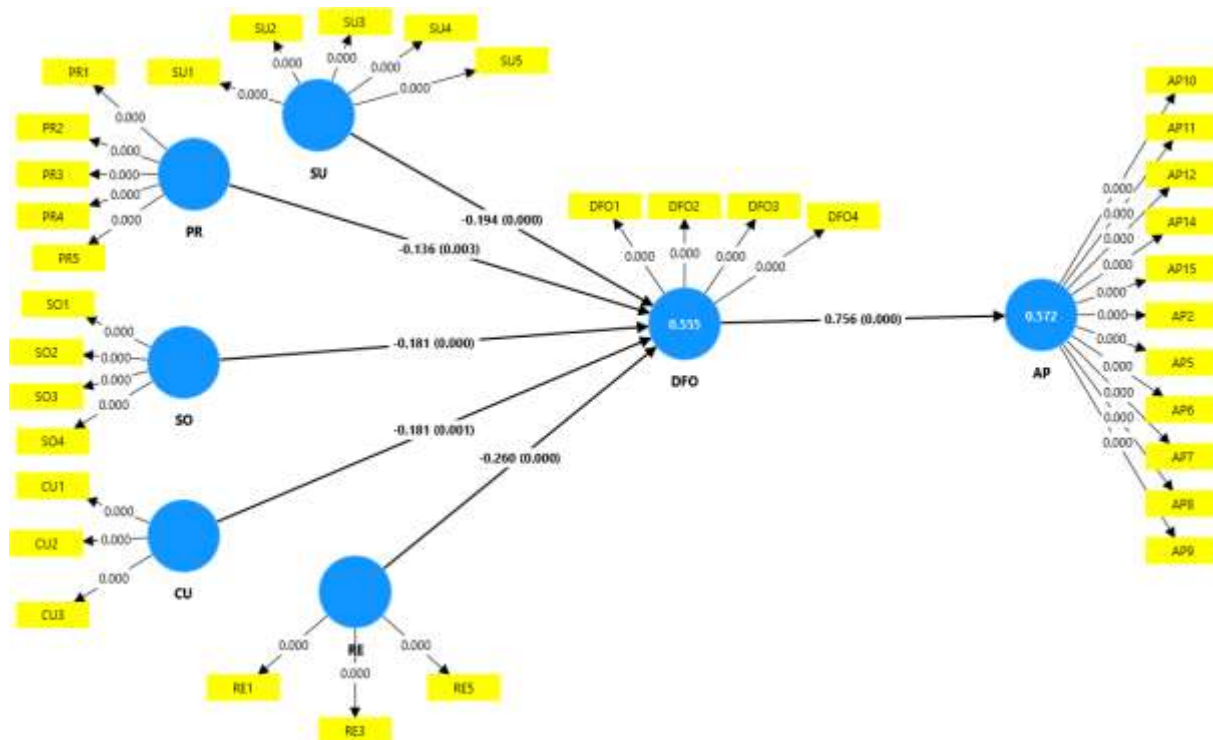


Figure 1: Structural Model

Source: Data analysis (2024), depicted from Smart-PLS version 4.0.

5.8 Discussion of the Findings

This study aimed to investigate whether the relationship between church planting phases and church financial reporting is mediated by the level of formalisation. The mediation results show how the relationship between church planting phases and financial reporting is indirectly impacted by the level of formalisation. The study found all of the hypothesised relationships to be significant, indicating that surveying, preparing, sowing, cultivating, and reaping among Christian denominations have a negative effect on financial reporting, which is mediated by the level of formalisation. The study raised pertinent issues about the level of formalisation within the Christian denominations. These include implementing standard rules among affiliated local churches, keeping member churches informed of important information promptly, and establishing easily accessible and well-documented governing structures.

Church planters and management team complete several activities during surveying, such as collecting demographic information of an area to plant a new church, identification of community needs, financial planning, allocation of resources, and development of fundraising initiatives (Anderson, 2019; Cooper & Yen, 2020; Wang & Wang, 2018). This current study's findings revealed that the level of formalisation negatively mediates the relationship between church planting surveying and financial reporting of the Tanzanian local churches. This indicates that the level of formalisation suppresses the relationship between church planting surveying and financial reporting. Meaning that as surveying increases, the financial reporting tends to decrease due to a low formalisation level. This suggests that the more emphasis or progress there is in

surveying, the less effectively financial reporting is applied or adhered to due to a low formalisation level. During this phase, the lack of consistent financial reporting might lead to insufficient data on community needs, financial resources, and demographics. If financial assessments are neglected, church leaders may choose planting locations based on incomplete information, undermining potential outreach efforts, as explained by Olawale (2016). Additionally, in Tanzania, the results contradict the Institutional Theory, which holds that new churches gain legitimacy by implementing structures and policies in the institutional frameworks (Braun, 2017). On average, the findings show that the denominations are not implementing standard rules among affiliated local churches, keeping member churches informed of important information promptly, and establishing easily accessible and well-documented governing structures. A survey was conducted among four Christian denominations: EAGT, TAG, ACT, and ELCT. While church planting surveys are more common in all four denominations, their local churches frequently overlook the importance of accurate financial reporting because of lower formalisation levels that are imitated from the denominations.

Additionally, the study's findings are relatively consistent with those of Agyapong and Fynn (2018), who discovered that surveys significantly and negatively influence churches' financial accountability. Agyapong and Fynn (2018) went further to explain, the negative significant relationship is due to resistance to formal financial systems, as in some church cultures, there might be a perception that strict accounting measures are antithetical to faith-based endeavours, leading to a reluctance to adopt formal practices. Furthermore, the results of our study are in line with those of Olawale (2016), who demonstrated that planting surveying significantly and negatively affects financial accounting. As Olawale (2016) explained, church management usually takes advantage of the fact that many Christians are preoccupied with their faith, and due to this, they evade adopting accepted financial reporting practices.

Olawale (2016) went further to explain that a negative relationship could be because of a misperception of sacredness as a component of the religious belief system. Financial reporting has been perceived by the religious community as more of a secular nature, and its inconsistent profanity elements should not be accepted in church holy activities (Booth, 1993; Laughlin, 1988; Olawale, 2016). Churches may ignore the importance of appropriate financial reporting in their financial management because of this aspect of their beliefs. However, the study's findings run counter to those of Hill (2011), who discovered a positive correlation between surveys and the level of financial management practised by churches, though they did not take into account the mediating effect of the level of formalisation.

This current study's findings revealed that the level of formalisation negatively mediates the relationship between church planting preparation and financial reporting of the Tanzanian local churches. This indicates that the level of formalisation suppresses the relationship between church planting preparation and financial reporting. As preparing increases, the financial reporting tends to decrease due to a low formalisation level. This

suggests that the more emphasis or progress there is in preparing, the less effectively financial reporting is applied or adhered to. A negative relationship in this context could indicate that as churches focus more on activities related to preparation (e.g., mobilising volunteers, setting up infrastructure), they may inadvertently neglect robust financial planning and budgeting (Agyapong & Fynn, 2018).

Mismanagement of the funds allotted for preparation can result from this neglect, causing financial strain and resource misallocation (Olawale, 2016). This might be because regulatory agencies aren't applying enough coercive pressure (Institutional theory) to ensure that local churches follow the rules and regulations, i.e., accounting standards in the preparation of their financial reports (Eitrem et al., 2024). Nonetheless, our research's results align with Olawale's (2016) and Agyapong and Fynn (2018) findings, though they did not take into account the interplay of the level of formalisation as a mediating variable. One plausible explanation for the negative significant result of the current study is that different local churches within the same denomination prepare their financial reports using different formats. As evidenced by the current study findings, there isn't a single, uniform format that the denominations' local churches utilise. This leads to problems in their reporting.

This study also examined the relationship between planting sowing and Tanzanian local churches' financial reporting mediated by the formalisation level. Participation in outreach events, adherence to the budget, conversion and long-term connection rates, contingency planning, and community and public relations are all examples of sowing (Hill, 2011; Murren, 2020; Olawale, 2016). The findings showed level of formalisation negatively mediates the relationship between church planting sowing and financial reporting of the Tanzanian local churches, meaning that as sowing increases, financial reporting tends to decrease due to a low formalisation level. This may be because church employees may not be well-versed in appropriate financial reporting techniques, such as accounting standards, as explained in Institutional theory (normative pressures) (Eitrem et al., 2024; Ryoba & Chalu, 2023).

One more explanation for the negative result, perhaps, can be a lack of legal requirements related to local churches' disclosure policies (Olawale, 2016). Significant negative mediation results from the current study could also be explained by the local churches' and denominations' commitment to preserving sacred belief systems (Clayton et al., 2023; Cooper & Yen, 2020; Olawale, 2016). Denomination's management believes that leaders of local churches should be responsible stewards as a sign of their devotion to God (Cooper & Yen, 2020). It worth noting that, leaders of majority of Tanzanian denominations are bound by this verse in the Bible *"Mathew 6:3-4, But when thou doest alms, let not thy left hand know what thy right hand doeth: That thine alms may be in secret: and thy Father which seeth in secret himself shall reward thee openly"* (Kihwaga, 2022). They therefore do not strictly and seriously consider the financial reports of their associated churches. This runs opposed to the findings of Cooper and Yen's (2020) study, which revealed that state agencies, including recognised denominations, have encouraged local churches to formalise their financial reporting. Therefore, it is

essential to analyse and create relevant rules, standards, and regulations to make sure local churches follow the guidelines set out by the appropriate regulatory agencies.

The relationship between cultivating and local churches' financial reporting, mediated by the level of formalisation, was also the subject of this current study. Cultivating mostly focuses on discipleship, spiritual growth, and relationship building (Nterful, 2020; Olawale, 2016). It also entails assessing and pursuing new church members who have accepted the faith. The results of the study demonstrated that the level of formalisation negatively mediates the relationship between church planting, cultivating and financial reporting of the Tanzanian local churches, meaning that as cultivating increases, financial reporting tends to decrease due to a low formalisation level. This suggests that the more emphasis or progress there is in cultivating, the less effectively financial reporting is applied or adhered to. One possible explanation for this could be because churches imitate formalisation and financial reporting of bigger or more well-known religious organisations (Institutional Theory) (Eitrem et al., 2024). Four Christian denominations were surveyed: ELCT, ACT, TAG, and EAGT. Although church planting and cultivating are more prevalent in all four denominations, because of lower formalisation levels that are copied from these denominations, local churches usually fail to see the significance of precise financial reporting. Our finding supports Agyapong and Fynn's (2018) research, though it did not include the mediating effect of the level of formalisation. Another reason for the negative and significant result could be the fact that many Christians are driven by faith when going to the church, management frequently takes advantage of this and avoids disclosing financial information as required (Agyapong & Fynn, 2018).

The relationship between planting, reaping and financial reporting of the local churches was also researched in this current study. Based on the results of this study, the level of formalisation negatively mediates the relationship between church planting reaping and financial reporting of the Tanzanian local churches. This indicates that as one variable (reaping) increases, the other variable (financial reporting) tends to decrease due to a low formalisation level. This suggests that the more emphasis or progress there is in reaping, the less effectively financial reporting is applied or adhered to. This might be because churches are impacted by the standards, beliefs, and expectations of the broader institutional community in which they function (Institutional Theory) (Eitrem et al., 2024). If Christian denominations have a low formalisation level, they also do not stress the need to maintain accurate financial reporting, which influences their associated churches to act the same. The study's conclusions are in line with those of Agyapong and Fynn (2018), who found that widespread violations of appropriate financial reporting procedures have been fostered by Christian religious leaders' emphasis on wealth as a measure of success, which has made it easier for church assets to be misused.

6.0 Conclusion, Theoretical and Practical Contributions

This study is a pioneering effort in Tanzania's Christian denominations field. The study has stepped into unknown terrain by examining the impacts of church planting phases

on local churches' financial reporting mediated by the level of formalisation. Taking into account the level of formalisation, this study has demonstrated the value of incorporating different stages of church planting into local churches' financial reporting by employing the basics of Institutional Theory. Furthermore, the study's conclusions imply that by being open and truthful about its financial status, the church could establish a reputation for financial sustainability. This can be achieved through proper financial reporting.

By including church planting phases in the context of Christian denominations, particularly in Tanzania, this study enhances the discourse on local churches' financial reporting. This study highlights how local churches' financial reporting is influenced by church planting phases mediated by the level of formalisation. This study demonstrates the applicability of Institutional Theory in Tanzanian local churches through validation by empirical evidence. Practically, Church leaders can use the findings to enhance transparency and accountability in their financial reporting, which can foster trust among members and external stakeholders. Furthermore, the findings of this study alert Christian denominations and other regulatory agencies to assess their level of formalisation in ensuring local churches are providing accurate financial reports. In addition, the results of this study raise awareness and equip church leaders with useful financial reporting skills. This helps to resolve the issue of inconsistencies that have impacted the local churches' ability to survive. Churches have a big impact on society, and their financial reporting is essential for transparency, accountability, and effectiveness in the use of resources. Examining the relationship between church planting phases and financial reporting offers valuable information for enhancing financial governance in religious institutions.

6.1 Research Limitations and Areas for Future Studies

There are a few noteworthy limitations, even though this work made significant contributions.

A major drawback is the use of self-reported data, subject to recollection concerns and biases like social desirability. Despite efforts to guarantee the precision and reliability of responses, survey-based research has inherent limitations that cannot be fully eliminated. Additionally, because the study focused on particular regions and Christian denominations, the findings' generalizability may be limited. Tanzania's unique sociocultural, economic, and regulatory context may influence the opinions and actions of local church accountants, pastors, and evangelists in ways that differ from those in other regions. As a result, caution should be used when extrapolating results to broader populations or a wider range of people.

Although our study takes into account the effects of church planting phases on financial reporting, it differs greatly from other studies, and there are still intriguing areas for further study. Examining moderating factors that might affect the connections between the independent variables and church financial reporting is one possible direction for

future research. The perspectives and experiences of local pastors, accountants, and evangelists in Christian religious denominations may be influenced by variables such as the adoption of accounting standards, church age, size, and location. Examining the interactions between these moderating factors and the study's core constructs may provide important and valuable insights about how church financial reporting varies depending on the contexts.

Conflict of Interest

Authors do not have any conflict of interest.

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