IMPACT OF BUDGETARY CONTROL ON FINANCIAL PERFORMANCE OF SELECTED SECONDARY SCHOOLS IN ARUSHA CITY

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IMPACT OF BUDGETARY CONTROL ON FINANCIAL PERFORMANCE OF SELECTED SECONDARY SCHOOLS IN ARUSHA CITY

By

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A Dissertation

Submitted in Partial Fulfilment of Requirements for the Master of Accounting and Finance of the Institute of Accountancy Arusha

October, 2023

AUTHOR'S DECLARATION

I, **FRORIDA MAKOBA** declare that this Research Proposal is my own original work and that it has not been presented and will not be presented to any University for similar or any other degree award.

Signature ……………………….

Date ……………………….

CERTIFICATION BY SUPERVISOR

I, the undersigned, certify that I have read and hereby recommend for acceptance by Institute of Accountancy Arusha the dissertation entitled: **IMPACT OF BUDGETARY CONTROL ON FINANCIAL PERFORMANCE OF SELECTED SECONDARY SCHOOLS IN ARUSHA CITY** in partial fulfillment of the requirements for the Master's Degree of Finance and Investment offered by the Institute of Accountancy Arusha.

Signature: …………………………………………………………

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DEDICATION

Indicate the persons to whom you dedicate your work

ACKNOWLEDGMENTS

Indicate the acknowledgment of various people who supported you in this work

ABSTRACT

This study was about the impact of budgetary control on financial performance of selected secondary schools in Arusha City, Tanzania. The study used the quantitative approach under the descriptive correlational research design. The city had a total of 29 private secondary schools out of which nine, which is 30% of the total population were selected through simple random sampling. From the sampled schools, eight school administrators (school heads, treasurer, deputy school heads, academic masters, disciplinary master, and three heads of departments were purposely selected to constitute the sample. Therefore, a total of 72 respondents were given the questionnaire to fill but the response rate was 70 which is 97.2%. Data was collected through a questionnaire which was piloted in the field for informed validity. Reliability test was run through the SPSS and the test yielded the Cronbach's Alpha of above 0.7 for each variable. Based on the findings of the study, the study came up with the following conclusions. The budgetary process was effective as departments submit budget plans for the following year, every stakeholder was included in the planning of budget, departments participate in the budget planning and constraints that lead to the final budget were explained to school stakeholders. Furthermore, there was a clear budgeting policy in the school and there is a fair allocation of resources as planned. However, the financial performance of the schools was poor as the schools did not afford to cover the operating cost, the schools did not gain profits in their projects and there were inadequate financial resources to run the institutions. Budgetary process did not account for effectiveness of financial performance but budgetary control did. The study recommends that the schools under investigation should maintain the current budgetary processes. The existing budget control measures need to be maintained for schools to perform well financially. There is a need to revamp the financial performance mechanisms for the schools to afford handling the operating costs.

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SPSS - Statistical Package for Social Sciences

IAA - Institute of Accountancy Arusha

CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem

Budgetary process is a key activity in organizations as it guides activities in organizations. If not properly addressed, administrations of the schools will find it difficult to consistently provide timely and quality learning services (Mogeni, 2017). According to Weikart et al (2013), the term budget is used within the context of budgeting cycle. While proposed budget is used when the budget is being prepared, adopted budget is the term that is used when the budget has been approved. Throughout the fiscal year, the term operating budget is used. On the other hand, revenue budget is a plan for all the anticipated revenues in the organization. Finally, expense budget is a plan for all the expenses expected in the organization. The authors advise that financial managers have to oversee budgetary activities in a progressive way throughout various stages of budgeting from planning to the actual implementation of the budget. They further argue that after the budget is adopted, the finance office need to allocate financial resources to different departments in the organization and ensure the financial resources are used according to the established plan.

Budgetary control is therefore an important initiative for proper functioning of organizations. Contrary to this fact, previous studies have indicated existing challenges in financial management among secondary schools in Tanzania. The study of Nelius and Onyango (2022), for instance, revealed different challenges facing heads of schools in Tanzania in implementing financial control measures including lack of training and transparency, inadequate finances and poor cooperation with stakeholders. The study recommended that the heads of schools should be helped to acquire appropriate knowledge and skills necessary for effective financial management.

Quak (2020) investigated on the impact of Public Finance Management (PFM) reforms on education in Tanzania and established that main challenges in Tanzania regarding PFM performances remain budget credibility, mismatches between approved budgets and expenditure outturns, misuse of public finances, inadequate enforcement of procurement and financial regulations, inadequate financial allocations to development budget, low mobilization of local government authorities' own revenue, and unsecured funding for priority investments. The study of Mogeni (2017) considered budgetary process as a key activity in public secondary schools in Kenya as it guided activities of the schools. Just like in Tanzania, the study established that in public schools, budget was prepared in consultation with the board of management, parents association and teachers. Furthermore board of management authorized expenditures on school projects through board minutes and funds received from various sources were recorded immediately for accountability purposes.

On the contrary, Private secondary schools in Tanzania are facing serious sustainability challenges due to limited number of students since number of students in a private schools is a major source of funds to sustain the existence of private schools. The study of Yizengaw (2021) revealed the fact that there is a statistically significant mean score difference between government and private secondary schools in financial resource management. Particularly, the study revealed that private secondary schools demonstrated significantly lower level of stakeholder participation in budget preparation than government schools. Furthermore, government secondary schools were better at planning functions of financial resource management than private secondary schools.

Effective budgetary control leads to the organization having liquidity and working capital, which are very essential for proper functioning of organizations. According to Weikart et al. (2013), being and remaining liquid are the important issues. Liquidity means cash or access to cash to meet daily obligations in the organization. It also means that the company has a great deal of cash and is not in danger of bankruptcy. The authors further describe liquidity as the sum of the organization's cash and cash equivalent short term investment and its unused line of credit and committed loans from financing institutions. Working capital, on the other hand, is defined as the difference between current assets and current liabilities. Organizations therefore need to ensure availability of both liquidity and working capital for effective financial performance in the organizations. Contrary to this advice, private secondary schools in Tanzania have been experiencing serious financial problems as revealed by previous studies. A most recent study, for instance, by Johnson and Pastory (2023) revealed that while cash management influences the financial performance of private schools in Tanzania, there is inefficiency in implementing cash management, particularly cash planning, cash budgeting, cash collection and cash control in private schools. The study also revealed that the condition is influenced by various reasons which include the absence of an Accounting Staff, limited sources of financial resources, lack of Transparency and Accountability, absence of bank accounts, poor computer literacy, and poor record keeping. It is out of this background that this study seeks to investigate on the impact of budgetary control on financial performance of selected secondary schools in Arusha City.

1.2 Statement of the Problem

Financial management is an essential aspect for proper functioning of secondary schools. Particularly budgetary control is essential for private schools in Tanzania to perform well financially. This study therefore seeks to explore the impact of budgetary control on financial performance of selected secondary schools in Arusha City, Tanzania. Empirical evidence shows that the share of private enrollment has been negatively correlated with the availability of public schools. With the 2016 Fee-Free Basic Education Policy, the public secondary education system is experiencing significant demand pressures such that it is impossible for the government to financially support private schools as the government has limited resources to address these pressures. While private schools have excess capacity that can allow for absorption of additional students at relatively low cost (Sabarwal, et al. 2020), the enrolment in private secondary schools is lower, even though number of registered students determines the financial muscles of the schools since such schools depends on school fees as the major source of income. The study will therefore link the relationship between budgetary control measures and the financial performance in selected private secondary schools in Tanzania.

1.3 General Objective

The general objective of this study is to establish the relationship between budgetary control measures and the financial performance in selected private secondary schools in Tanzania.

1.4 Specific Objectives

Based on the general objective, the study will be guided by the following specific objectives:

a) To establish the extent to which budgetary control in terms of budgetary policy and budgetary process exists in the selected private secondary schools in Tanzania.

b) To establish the financial performance in terms of liquidity and working capital in the selected private secondary schools in Tanzania.

c) To determine the relationship between budgetary control in terms of budgetary policy and budgetary process and financial performance in terms of liquidity and working capital in the selected private secondary schools in Tanzania.

1.5 Research Questions

Based on the general and specific objectives, the study will be guided by the following specific research questions:

a) To what extent does the budgetary control in terms of budgetary policy and budgetary process exist in the selected private secondary schools in Tanzania?

b) What is the financial performance in terms of liquidity and working capital in the selected private secondary schools in Tanzania?

c) Is there a relationship between budgetary control in terms of budgetary policy and budgetary process and financial performance in terms of liquidity and working capital in the selected private secondary schools in Tanzania?

1.6 Scope of the Study

Content wise, budgetary control will be limited to budgetary policy and budgetary process. On the other hand, the term financial performance will revolve around availability of liquidity and working capital in the organizations under investigation. Geographically, the study will be conducted among secondary schools in Arusha City only.

1.7 Limitations of the Study

One of potential limitations in this study is that the results cannot be generalized throughout the country as the study will be limited to Arusha City only. Another limitation is that the study will use quantitative approach only and therefore, data triangulation will not be possible in this study. In order to overcome this limitation, the researcher will conduct a pilot study to ensure that items in the questionnaire are properly constructed and are well interpreted by the respondents. Additionally, the questionnaire will be subjected to the reliability test so as to ensure that the obtained data and subsequent results are valid and reliable.

1.8 Significance of the Study

This study is considered significant in the sense that currently private secondary schools in Tanzania are facing serious financial challenges due to limited number of students. This calls for proper budgeting control procedures so as the institutions can use the little available financial resources wisely to meet daily obligations and experience effective financial performance.

1.9 Organization of the Research Proposal

Organization of this study is as follows. Chapter one deals with the introduction, the background of the study, the statement of the problem, the general and specific objectives and subsequent specific research questions, scope of the study, limitations of the study, significance of the study and the organization of the study.

Chapter two will deal with the definition of key terms, theoretical framework, empirical literature review, conceptual framework and theoretical literature review. Chapter three, on the other hand, will deal with the methodology of the study. Particularly, it will address the study area, study approach, study design, population, sample size and sampling method, data collection methods, pilot study, data analysis methods, validity and reliability and finally ethical considerations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with the definition of key terms, theoretical framework, empirical literature review, conceptual framework and theoretical literature review.

2.2 Definition of Key Concepts

This section define key terms operationally as used in this study.

a) Budgetary Control

Budgetary control is the technique of computing actual results with budget to identify any differences and take appropriate control actions.

b) Budget

Budget is defined as a monetary and quantitative expression of business plans and actions prepared in advance to be pursued in the future period of time.

c) Financial Performance

Financial performance is defined as a measure of how well a firm can use its assets to generate revenues. In this study financial performance is measured by availability of liquidity and working capital in the schools under investigation.

2.3 Theoretical Framework

This study will be guided by the Control and Responsibility Accounting Theory Control, a system or process consisting of comparisons between standard and actual performances, with the comparisons serving as a basis for determining the proper responses to actual operating results .If control is viewed from the stand point of its direct relationship to planning, and then it becomes complementary to planning (Koech, 2015).

According to Hopwood (1976), there are three forms of control of work in organizations; administrative controls, social controls and self-controls. Administrative control, which is used in this study includes performance measurement systems and the budget monitoring system. Effective budgetary controls depends on the adherence to the control policies and procedures in the organization. Therefore, financial managers need to make sure that plans are in place to control the budget so as to facilitate effective financial performance. Measures used to control budget include the budgetary policy and the budgetary process. The financial performance depends on the budgetary control measures in the sense that if budgetary control is well implemented, the organization is likely to experience liquidity and the availability of working capital. The organization is therefore likely to experience profitability and smooth running.

2.4. Empirical Literature Review

This section presents study findings on the relations between budgetary control measures and financial performance. A number of studies have been conducted about budgetary practices and financial performance in schools. In Nigeria, for example Oboegbulem and a Kalu (2013) conducted a study about budgeting practices of Principals of Secondary Schools in South East Geo-Political Zone of Nigeria. The study established that principals follow the budget guideline specifications in planning and implementing budget, but do not buy science equipment, maintain school vehicles, buildings and furniture, they did not organize workshops, seminars and conferences, and did not defend budget with their bursars. Based on the findings, it was recommended among others, that Nigerian principals should work cooperatively with their staff.

Ganecho (2018) conducted a study on Challenges and Prospects of Budget Preparation and Utilization. The study discovered that budget utilization significantly affected by contractor's capacity, auditing system and diverting fund from planed activities to unplanned one whereas staff capacity and Inland Revenue collection had no significantly effects on budget utilization. The study recommended that budget utilization performances should be more focused to capital budget rather than recurrent budget. Sabwami et al. (2016)

conducted a study on effects of Budgetary Participation on Hospital Performance, a survey of Public Hospitals in Trans Nzoia County, Kenya. The study did not trace any relation between budgetary participation and the performance of Hospitals.

Recently, Halwiindi and Mwanza (2022) investigated about the effect of budgetary control on financial performance: A Case Study of a Mining Company. The study employed a mixed method approach using both quantitative and qualitative data. Data was collected from both primary and secondary sources that included financial reports for First Quantum Minerals and a sample of 98 employees at First Quantum Minerals using questionnaires and informal interviews. The study found that budgetary control had a positive effect on financial performance for First Quantum Minerals. Therefore, it is important for organization to ensure effective budgetary control measures for the organization to perform well financially.

In Kenya, Odongo (2013) conducted a study about Budgetary Control as a Measure of Financial Performance of State Corporations. Findings indicate that a positive significant relationship exists between budgetary control measures and financial performance of state corporations. Furthermore, budgetary features reflect ability to predict financial milestones of organizations. Managerial commitment, employees' motivation, employee training, competence as well as the attitude affect the budget control process. Doe to these conclusions, the study recommended sensitization of management and employees of state corporations on the importance of budgetary controls in enhancing financial performance, avoidance of political interference in the budgetary process and use of budgets as tools for management efficiency. In the same country, Mbuthia and Omagwa (2013) conducted a study on the effect of budgetary control on financial performance of selected Commercial banks. The study unveiled the fact that budgetary planning has a positive and significant effect on financial performance. Furthermore, budget implementation was found to have positive and significant effect on financial performance. On the other hand, budget control had a positive and significant effect on financial performance. Also, the study found that budget review was found to be having a positive and significant effect on financial performance. Due to these findings, the study recommended that the managers of the banks should review their current performance yearly targets, work on threats and opportunities and analyses the success and failure of previous plans so as to improve on their budgetary planning. Furthermore, the managers in commercial banks were urged to establish more budgeting centers, employ more budget officers and provide budget manual in order to improve on their budgetary control.

Budgetary process is a key activity in organizations as it guides activities in organizations. If not properly addressed, administrations of the schools will find it difficult to consistently provide timely and quality learning services (Mogeni, 2017). According to Weikart et al (2013), the term budget is used within the context of budgeting cycle. While proposed budget is used when the budget is being prepared, adopted budget is the term that is used when the budget has been approved. Throughout the fiscal year, the term operating budget is used. On the other hand, revenue budget is a plan for all the anticipated revenues in the organization. Finally, expense budget is a plan for all the expenses expected in the organization. The authors advise that financial managers have to oversee budgetary activities in a progressive way throughout various stages of budgeting from planning to the actual implementation of the budget. They further argue that after the budget is adopted, the finance office need to allocate financial resources to different departments in the organization and ensure the financial resources are used according to the established plan.

Budgetary control is therefore an important initiative for proper functioning of organizations. Contrary to this fact, previous studies have indicated existing challenges in financial management among secondary schools in Tanzania. The study of Nelius and Onyango (2022), for instance, revealed different challenges facing heads of schools in Tanzania in implementing financial control measures including lack of training and transparency, inadequate finances and poor cooperation with stakeholders. The study recommended that the heads of schools should be helped to acquire appropriate knowledge and skills necessary for effective financial management.

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A number of studies have been done on budgeting from global to the local perspective. For instance, Ganecho studies about challenges and prospects of budget preparation and utilization in selected finance bureau of Kaffa Zone. The main objective of the study was to examine challenges and prospects of budget preparation and utilization using 94 employees who were directly related to budget issues in the organizations as the population. Data for five-year was collected from secondary sources and also primary data was collected through self-administered questionnaire and semi- structured interview. The study compared recurrent budget to capital budget and realized that recurrent budge had satisfactory utilization performance while capital budget was ineffective in performance. The finding uncovered that budget utilization was significantly affected by contractor's capacity, auditing system and diverting fund from planed activities to unplanned one whereas staff capacity and Inland Revenue collection has no significantly effects on budget utilization. The study recommended that budget utilization performances should be focused to capital budget rather than recurrent budget. To protect delays of capital projects and its weak quality, strong rules and and regulations must be adhered to.

Mathenge et al. (2018) investigated about financial factors influencing budget implementation in counties of Kenya. In that study the authors defined public budget as a forecast of government expenditures and revenues for the ensuing fiscal year and also reflects the policy of the government towards the economy. They also considered budget as so fundamental that it is describe as the single most important document of the government in any fiscal year since budget management enforces fiscal discipline, fosters macroeconomic stability, improves the portfolio of programs by rewarding effective and efficient programs and it builds a culture of performance and accountability within the government and its spending units. The study's main objective was to establish financial factors affecting budgetary implementation in the country of Kenya. The study further looked into the evolution of budget process from historical to line budgeting and now to the program based budgets with timelines sets in the New Public Financial Management Act of 2012. The study employed the descriptive research design which involved a survey of some counties. The data provided information that formed the basis for discussion and interpretation of the result. The data from the study was analyzed using both quantitative and qualitative techniques. The findings was presented using tables for ease of interpretation and to enhance clarity and precision. The expected outcome was used to identify which factors usually influence budget implementation in Counties. The main theories covered are agency theory in relation to good governance, stewardship in relation to public participation in budget implementation and capital adequacy, the study found that monitoring, availability of financial resources and financial policies and government financial regulation affect budget implementation to a greater extent.

Karsam (2015) investigated about the effect of budget emphasis and motivation on the relationship between participative budgeting and budgetary slack and the impact on the managerial performance. The study reported that there is a budgetary slack the in budget preparation in the area being studies. The slack was allegedly due to the managerial performance appraisal standards by achieving budget targets, where the owner (employer) applying a standard budget by budget emphasis, and the presence of adverse selection, that is the manager and other insiders know more about the state and prospects of the institution, and also because of the moral hazard, where that manager acts without the knowledge of the shareholders or owners of the company. The study used Path Analysis with partial least square (PLS) on the answer from 93 people who were members of budget drafting team in each organization as respondents through questionnaires. The study revealed that the level of budget emphasis on the relationship between participative budgeting and budgetary slack is 30,1%, the remaining 69,9% was other variables that are not described in this study. To improve the effectiveness of the budget, the study recommended that the management should devolve authority, evaluate and ensure that the budget drafting team has considered the overall budget emphasis, as well as measuring managerial performance in determining the planning and budgeting.

Tahajuddin and Hemali (2018) investigated about knowledge sharing mediates the relationship between budget participation and innovative work behavior. The study was modelled on organizational knowledge creation theory, where the theory of knowledge creation was employed to justify and explore the effect of budget participation on knowledge sharing, and then creation of new knowledge. The study employed the quantitative methods. Data analysis involved the structural equation modelling technique and SmartPLS software. One of the findings in the study is that the innovative behavior in the workplace of the budget participants was affected by their participation in the budget setting process. The study further revealed an indirect relationship via knowledge sharing between budget participation and innovative work behaviour. The study recommended exploiting the budgetary participation of staff as a means to enhance and develop knowledge sharing.

The study of Daniel et al. (2016) assessed the contributions of local governments finance to local governments budget in Nigeria since most local governments in Nigeria no longer performed their statutory responsibilities at the time of data collection due to poor finances accruing from their legitimate revenue sources. The study intended to determine the contribution of allocation from federation account; states' allocations; value added tax allocation and internally generated revenue to local governments' budget in Nigeria. The population of the study consists of time series data of all the local governments in Nigeria for the period of twenty years while data for the period of sixteen (16) years were sampled (1999-2014). The parameters like Local Governments Allocation from Federation Account (LGAFA), Local Governments States Allocation (LGSA), Local Governments Value Added Tax Allocation (LGVATA), Local Governments Internally Generated Revenue (LGIGR) and Local Governments Budget Stock (LGBS) in Nigeria for the period under review were used. Statistical Package for Social Sciences (SPSS) version 20.0 software was used to analyze the data while the hypotheses were tested using linear regression analysis. Results showed that allocation from federation account had significant contribution to local governments' budget in the country. The results further revealed that states' allocations; value added tax allocation and internally generated revenue had no significant contributions to local governments' budget in the country for the period under review. The study recommended that the ministry of local governments and chieftaincy affairs should ensure strict monitoring and implementation of local government's budget.

The study of Sado (2019) dealt with factors Affecting budget allocation to Health Sector in the Woredas in East Wollega Zone in the country of Ethiopia. The study assessed the factors affecting budget allocation to health sector. The results in the study reveal that the factors affecting budget allocation to health sector are; number of: beneficiaries, Health centers, Clinics, Health posts, Health College, staff by profession, and for Administrative and general service. But the variables are not supported by formula rather the budget allocated by budget official's judgment based on budget amount available. Based on the finding, the study recommended that the woredas should implement all factors in the allocation process practically, using selected factors to share experience to each other, provide training for staff periodically.

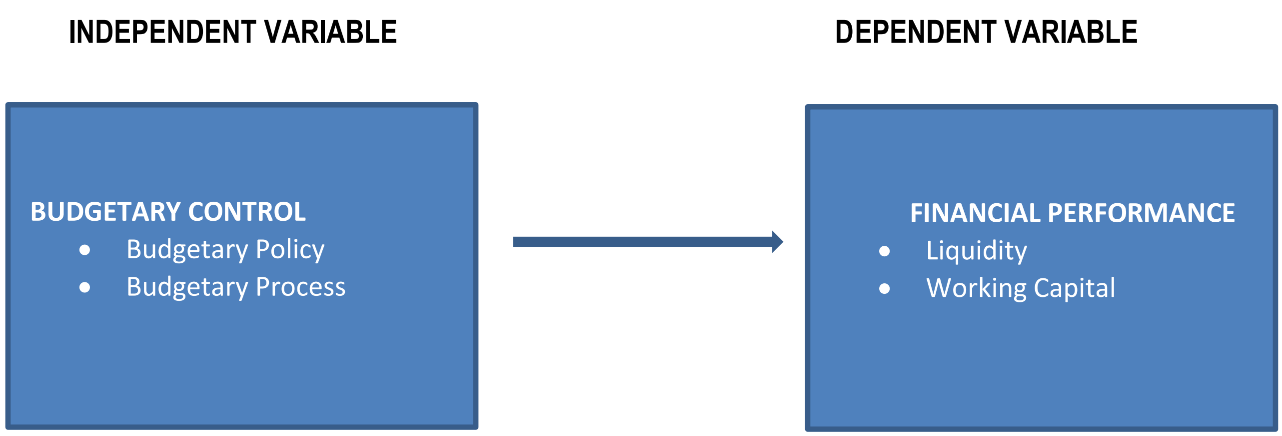
The study of Alrawazqee and Tsatkhlanova (2021) investigated on improving Performance or Corruption Motivation in Beyond Budget Implementation, Survey in Public Sector Organizations. The study's aim was to determine possibility beyond budget implementation in public sector organization submissive to federal government budget instructions. The study recommended that budget as an act should be followed by those organizations committed by financial ministry planning. The study interviewed accounting managers, auditing managers, and their assistance in research sample organizations which owned by government. Interviews were conducted from a managerial viewpoint with the accounting managers and their assistants, as well as from a control viewpoint with auditing managers, in order to distinguish between areas of corruption and financial performance motivation. The study commended that organizations need to improve their level of controlling and efficiency for employees since ignoring traditional budgets will cause corruption and authority misusing. Implementation beyond budgeting helps them to provide solutions the problems facing activities which unexpected.

The study of Mulani et al. (2015). Sought to establish the effects of the budgetary process on SME's performance: an exploratory study based on Selected SME's in India. The study is intended to find out the impact of budgeting on the performance of small and medium enterprises of India. Three major areas of the study included budgeting in SMEs, performance measurement in SMES and Small and Medium Enterprises. The budgeting process was explained and analyzed from the point of view of budgetary planning, budgetary sophistication and control. The study involved the sample of two hundred and sixty eight firms is selected from SME sector of India, selected from three districts of Mumbai, Pune and Solapur. The performance of Small and Medium Enterprises of India was affected by the characteristics of the budget goals. The results add to the fact that higher performance can be achieved through more clear goals. Astonishingly budget goals that are difficult but achievable motivate employees to achieve budget goals. Moreover tight but achievable goals also increase employee's motivation in achievement of budget objectives and it improved the performance of Small and Medium Enterprises of India. Another important result is that formal and tight control mechanism of control for budgetary process also tends to increase firm performance in the SME sector of India. It was very interesting to find out that budgetary process have greater impact on the performance of the firm in SME sector as compared to the budgetary control process. Furthermore budgeting planning affected the sales growth of firms in Small and Medium Enterprises more than the budgetary control phenomena. But the impact of budgetary planning on sales was very weak and in turn budgetary control strongly affected the profit in small and medium enterprises. Sales and budgetary sophistication have a statistically insignificant relationship and budget sophistication relationship with profit is even negative. The sophistication of budgetary tools includes acquiring and installation of costly financial modeling software, training and expensive training and follow up mechanism. This needs a huge investment which is difficult for Small and Medium Enterprises to acquire that much huge investment. If firm goes for these huge investments this increase in their expenses will decrease their net profit value. Budgetary goal clarity has a statistically insignificant relationship with the employee's motivation level and further the budget goal difficulty and employee's job involvement also shows a statistically insignificant relationship. As far as the firm size is concerned it affects sales insignificantly, however it impacts profit of the firm in SMEs sector. Medium sized firms showed a greater growth in their sales as compared to the smaller sized firms.

2.5 Conceptual Framework

This section presents the conceptual framework in the study using a pictorial description which shows the relationship between the independent variable (budgetary control) and financial performance appear in figure 2.1:

Figure 2. 1: Conceptual Framework



Source: The Study, 2023)

It is assumed that once the budgetary control is well implemented in terms of budgetary policy and budgetary process, effective financial performance is likely to be realized in organizations. Therefore, it is assumed that once the schools under investigation appropriately ensure the budgetary control, the schools will have the required liquidity and working capital.

2.6 Theoretical Literature Review

2.6.1 Budgetary Control

This section presents the theoretical literature review about various terms and concepts used in this study. Ainsworth and Deines (2009) define budgeting as a plan for the future expressed in quantitative terms. It is a process of expressing a company's goals and objectives from its balanced scorecard perspectives in quantitative terms and therefore is a crucial part of the planning process which may result into effective financial performance.

As defined before, budgetary control is the technique of computing actual results with budget to identify any differences and take appropriate control actions. Much as private schools in Tanzania are experiencing serious financial challenges, it is imperative that appropriate financial management skills, particularly budgetary control measures are applied so that the schools under investigation can financially perform better.

2.6.1.2 Cash Budget

Cash is defined by Libby et al. (2009) as money or any other instruments that banks will accept for deposit and immediate credit to a bank account such as a check, money order, or bank draft. They also argue that cash equivalents are short-term, highly liquid investments obtained within three months of maturity. They are combined with cash and reported as current assets because they are readily convertible to known amounts of cash and are so near to maturity that there is little risk that their value will change. They could include check one has received but not yet deposited to one's bank account.

According to Brigham and Ehrhardt (2005), cash budgeting is one of powerful budget control measures. Cash budgeting shows the firm's projected cash inflows and outflows over some specified period. It is advised that companies should use am monthly cash budget forecasted over the next year plus a more detailed daily or weekly cash budget for the coming month. The monthly cash budgets are used for planning purposes and the daily or weekly cash budgets for actual cash control. Therefore, it is advised that organizations consider the use of both monthly and weekly cash budget for the effective financial performance.

Edmonds, et al (2008) advice that cash management is an important aspect for cash budgeting and thus, budgetary control measures. They argue that when cash is disbursed from the petty cash fund, the custodian should complete a petty cash voucher. Any supporting documents should be attached to the petty cash voucher. The person who receives cash should sign the voucher as evidence of receiving the money. The total of the amounts recorded on the petty cash voucher plus the remaining coins and currency should equal the balance of the petty cash ledger account.

2.6.2 Financial Performance

2.6.2.1 Liquidity as a Measure for Financial Performance

Liquidity is defined by Brigham and Ehrhardt (2005) as a firm's cash and marketable securities position and to its ability to meet maturing obligations. A liquid asset is any asset that can be quickly sold and covered to cash at its fair value. According to Edmonds, et al (2008), liquidity is the ability to convert assets to cash quickly and meet short term obligations. Furthermore, liquidity is the ability to generate sufficient short term cash flows to pay obligations as they come due. Harrison et al. (2013) describes liquidity as a measure of how quickly an item can be converted to cash.

Liquidity is an important measure for financial performance as argued by Ainsworth and Deines (2009) who maintain that when assessing a business as a potential investment, its liquidity is an important consideration particularly for creditors whose returns rely exclusively on cash flows from the company. They further define liquidity as the cash position of a company and its ability to generate cash inflows through normal operations to meet the cash outflows required. They finally advise that the company should not have sufficient cash on hand to pay off all their liabilities. They should depend on the timing of the cash inflows and in relation to the timing needs of the outflow to pay liabilities. This implies that firms with too much cash can indicate that the firm's financial resources are not being used effectively. Therefore, the management of petty cash need to be taken seriously.

2.6.2.2 Working Capital as a Measure for Financial performance

Working capital is defined by Harrison et al. (2013) as current assets minus current liabilities. It measures a company's ability to meet its short term obligations with its current assets. The larger the working capital, the higher the chances to pay debits. According to Brigham and Ehrhardt (2005), working capital, sometimes referring to as gross working capital, refers to current assets used in operations. Working capital is closely related to net working capital and net operating working capital. The authors argue that working capital means current assets minus current liabilities. On the other hand, net operating working capital is considered as operating current assets minus operating current liabilities. In other words, net operating working capital is equal to cash accounts receivables, and inventories, less account payable and accruals. This implies that in organizations, current assets have to be more that current liabilities for the organizations to perform efficiently.

Proper budgetary control is required to avoid capital deficiency which Libby et al. (2009) define as a condition when one or more partners do not have a large enough balance in their capital accounts to cover all transactions the liquidation requires. This situation can occur when the partnership has suffered numerous loses over its life. It can also occur when one or more partners have made disproportionately large withdrawals or when the partnership incurs large loses in the liquidation process. There are several procedures in dealing with capital deficiency. These include, but not limited to selling the partnership's assets, except for cash, allocating any gain or loss from the sale of assets to the partners, paying the partnership's outstanding liabilities, and distributing the remaining cash to the partners.

Weygandt et al. (2012) argue that working capital is current assets minus current liabilities. The current ration is a more dependable indicator of liquidity than working capital. Two companies with the same anout of working capital may have significantly different current ratios. The current ration is only one measure of liquidity. It does not take into account the composition of the current assets. For example, a satisfactory current ratio does not disclose the fact thst a portion of the current asset may be tied up in slow moving inventory. A dollar of cash may be more readily available to pay the bills than a dollar of slow moving inventory.

2.6.2.3 Studies on Financial Performance

A number of studies have been conducted on financial performance. Kipesha (2013) investigated about performance of Microfinance Institutions in Tanzania focusing on integrating Financial and Non-financial Metrics. The study further evaluated the performance of Microfinance institutions in Tanzania by integrating financial and nonfinancial performance metrics, using a balanced scorecard approach with five dimensions financial, social, customer, learning and growth and internal business process. The study revealed that low average financial performance among Microfinance institutions reviewed. On average, the institutions reviewed were not sustainable with low relative productivity and low profitability. The average nonfinancial performance was high indicating that Microfinance institutions were better performing in nonfinancial measures compared to financial measures. The overall financial performance indexes showed that commercial banks outperform traditional Microfinance institutions. The study further revealed a positive correlation between overall financial performance with nonfinancial performance and overall performance, something suggesting that tradeoff does not exist on financial and nonfinancial performance when measured in a collective way.

Akhtar, et al. (2012) studied on the relationship between Financial Leverage and Financial Performance in Pakistan. The study examined the generalization that firms with higher profitability may choose high leverage by using various statistical tools. The findings of the study show a positive relationship between the financial leverage and the financial performance of the companies. The results confirmed that the firms having higher profitability may improve their financial performance by having high levels of financial leverage. The study provides evidence by evaluating different facts. It reveals that the players of the fuel and energy in Pakistan can improve at their financial performance by employing the financial leverage and can arrive at a sustainable future growth by making vital decisions about the choice of their optimal capital structure.

In Tanzania, Ngomuo and Wang (2015) measured the performance in public sector organizations: evidence from Local Government Authorities in Tanzania. The main focus of the study was to establish the performance of Local government authorities in the country using balanced scorecard model to integrate financial and nonfinancial performance measures. The finding revealed that the overall performance of Tanzanian local governments is poor with a performance level of 39.43% which is much contributed by poor financial performance rather than nonfinancial performance. Furthermore, there was a room for Tanzanian Local government authorities to improve both financial and nonfinancial performance through improvement in individual performance metrics in the future which will in turn improve overall performance. Given the advantages of balanced scorecard, it is recommended that LGAs should adopt balanced scorecard from their strategic point of view which will enable them to improve both financial and nonfinancial performance

The study of Manini et al. (2016) dealt with the effect of business financing on the performance of Small and Medium Enterprises in Lurambi Sub-County, Kenya. The study concentrated on the effect of sources of business financing on the financial performance of Small and Medium enterprises in Lurambi Sub-County using the descriptive survey. Analysis of data was done using descriptive and inferential statistics. The study established that sources of business financing affected financial performance of small and medium enterprises significantly; commercial loan financing affected financial performance significantly; retained earnings financing affected financial performance significantly; trade credit financing affected financial performance of small and medium enterprises significantly. The study recommends that small and medium enterprises should make use of commercial loan financing, retained earnings financing and trade credit financing for them to realize higher levels of financial performance. The Government of Kenya should encourage lenders to share the financing risks with the government in order to reduce the cost of financing.

Kwakye et al. (2021) investigated on the impact of Ethical Behavior on Financial Performance of Firms Listed on Ghana Stock Exchange so as to add the literature, from which those in the field of academia can continually refer. The study used the cross-sectional survey design. Data was analyzed through multiple regression analysis. The study revealed that all independent variables had positive correlations with the financial performance of firms studied. On firms' financial performance, the ROA of firms, according to findings was positively and strongly correlated to their adherence to ethical business standards. Based on these findings, the study recommends that corporate firms pay more attention to practices that enhance good ethical behavior through the implementation of ethics policies, and reduce or eradicate nepotism to increase their chances of performing better financially. In addition, firms should ensure gender equality and equity, employee training on ethical standards of work, and encouragement of ethical leadership.

Mwambuli (2016) investigated on the Effects of Board Structure Characteristics on Corporate Financial Performance in Developing Economies: Evidence from East African Stock Markets. Particularly, the study examined the linkage between board structure characteristics and corporate financial performance in a developing market. To achieve the objective of this study, the researcher used a strongly balanced panel dataset of 240 observations including 30 non-financial listed firms in East African region covering the period from 2006-2013 (8 years period). Measures for corporate financial performance employed were return on assets (ROA) and return on equity (ROE) as dependent variables for econometric Model 1 and Model 2 respectively and explanatory (independent) variables for board structure characteristics were board size

(BS), number of non-executive directors (NED), CEO duality (CD) and board and managerial shareholdings (BMS).

The study revealed a statistically significant positive effects of board size (BS), number of non-executive directors (NED) and CEO duality (CD) on East African listed firm's financial performance while board and managerial shareholding (BMS) has a statistically significant negative effects on East African listed firm's financial performance at 5% significance level. Based on the findings, the study recommended the East African listed firm's to adopt a larger size of board of directors , large proportion of nonexecutive directors in the board, CEO-Chair position in their organization structure and a small portion of board and managerial shareholding on their ownership structure in order to improve their financial performance and securities markets regulatory authorities to stimulates new efforts towards better corporate governance practices especially board structure characteristics due to its statistically significant effects on companies financial performance and future research can be extended after considering other board structure characteristics which were not included in this study like board meeting, board attendance, biography of board members and existence of the position of chief financial officer (CFO) in board of directors (BOD).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology of the study. In includes such subsections as study area, study approach, study design, population, sample size and sampling method, data collection methods, pilot study, data analysis methods, validity and reliability and finally ethical considerations.

3.2 Study Area

The study was conducted in Arusha City. Arusha city is one of administrative districts in the Arusha Region. It is a district with more secondary schools than any other district in Arusha region. This is the reason that made the researcher to select it as the study area.

3.3 Research Design

The researchers made use of the descriptive research design in conduction the study. According to Sekaran and Bougie (2013) descriptive studies are often designed to collect data that describe the characteristics of persons, events or situations. It may involve the collection of quantitative data. In this study, quantitative design will be used. The author further argues that in descriptive designs, one may decide to look for association between variables being studied.

Kumar (2014) describes the descriptive design as one which attempts to describe systematically a situation, problem, phenomenon, service or program. In this study, the researcher described the extent to which budgetary control in terms of budgetary policy and budgetary process exist in the selected private secondary schools in Tanzania. It also described the financial performance in terms of liquidity and working capital in the selected private secondary schools in Tanzania. Finally, the researchers looked for the possible association between budgetary control in terms of budgetary policy and budgetary process and financial performance in terms of liquidity and working capital in the selected private secondary schools in Tanzania.

3.4 Research Approach

According to Sekaran and Bougie (2013), there are two approaches in research. In quantitative approach and qualitative approach. Qualitative research approach, data is in the form of words and is collected through such open ended tools like interview. Quantitative approach, on the other hand, collects data in the form of words through questionnaire surveys. In this study, the researcher used the quantitative approach using the questionnaire survey as a way of collecting closed ended data from the field.

3.5 Population, Sample Size and Sampling Methods

According to Sekaran and Bougie (2013), sampling begins with precisely defining the target population. The target population must be defined in terms of elements, geographical boundaries, and time. In this study, Arusha city was targeted as the area for the study. The city had a total of 29 private secondary schools. Out of the 29 schools, nine schools, which is 30% of the total population were selected through the simple random sampling approach. The schools were listed alphabetically and every third school was picked as part of sample. From the sampled schools, eight school administrators (school heads, treasurer, deputy school heads, academic masters, disciplinary master, and three heads of departments were purposely selected to constitute the sample. Therefore, a total of 72 respondents were given the questionnaire to fill the response rate was 70 respondents which is 97.2%.

3.6 Data Collection Methods

As stated before, the collection of data will be done through the questionnaire survey which will be constructed by the researcher through literature. The questionnaire had two major sections. The first section solicited for demographic information from the respondents. The second section presented items for both the independent and dependent variables for respondents to tick the most appropriate options according to their perception. The options were in the following four- point Likert scale: 1= strongly disagree, 2= disagree, 3= agree and 4= strongly agree.

3.7 Pilot Study

Before the collection of data from the field, the questionnaire was subjected to the field for piloting exercise. Five schools from the remaining schools after sampling will be selected through the simple random sampling to constitute the schools for pilot study. Likewise, from each school eight administrators were given the questionnaire to fill, thus a total of 40 people will be engaged in the exercise. Questionnaire surveys were checked to determine whether respondents were able to answer all the question. In case of any ambiguity, the statements in the questionnaire were revised before the actual data collection exercise.

3.8 Data Analysis Methods

Data analysis was of three types. The first one involved the demographic factors of respondents where frequencies and percentages were used to establish the characteristics of respondents. Secondly the first and second research questions were analyzed through descriptive statistics in terms of mean scores and standard deviations. The third research question was analyzed through regression analysis to establish the relationship between the independent and the dependent variables.

3.9 Validity and Reliability

Validity was established through critical analysis of the items in the questionnaire through experts in the field of research. The experts advised whether the content in the questionnaire is rightly placed and whether the items can answer the intended research questions. Their opinions were taken into consideration before the instruments are used in the field for pilot study.

Reliability was ensured by running the obtained data from the field in the SPSS to determine the required Cronbach's Alpha. As seen in the appendices, the Cronbach Alpha for each of the three variables was above 0.7 which means the instrument was able to provide reliable results. The reliability results appear in table 1:

Table 1: Reliability Results

SN	FACTOR	ITEMS	CR ALPHA
1	Budgeting Effectiveness	6	.960
2	Budgetary Control	4	.837
3	Financial Performance	7	.894

3.10 Ethical Considerations

To address ethical issues, the researcher first of all made sure that every idea taken from other sources will be acknowledged and cited properly to avoid plagiarism issues. Secondly, names and personal information of respondents were secured in the sense that their names were not be exposed. Finally, the researcher secured an introduction letter from the directorate of graduate studies at the Institute of Accountancy Arusha. The letter introduced the researcher for the Arusha City office authority to provide the permission to visit the schools for data collection.

3.11 Conclusion

This section addressed the methodological concerns in this study. Particularly, it addressed the study area, study approach, study design, population, sample size and sampling method, data collection methods, pilot study, data analysis methods, validity and reliability and finally ethical considerations.

CHAPTER FOUR

PRESENTATION AND DISCUSSIOON OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study regarding the impact of budgetary control on financial performance of selected secondary schools in Arusha City. The study is guided by the following research questions: (1) what is the perception of school stakeholders regarding the effectiveness of budgeting and budgeting control? (2) What is the perception of school stakeholders toward the financial performance of the schools under investigation? (3) Is there a significant relationship between budgetary control and financial performance? The aim of the study was to establish the link between effectiveness of budgetary management and the financial performance of the schools. This was accomplished through both descriptive statistics and inferential statistics as presented in the next subheading.

4.2 Presentation of Findings

This section presents the finding of the study through analysis of data for each of the research questions mentioned above. The analysis of data was threefold. First, the paper presents the demographic factors for school stakeholders who participated in the study. Secondly, the study presents the results for the first research question using descriptive statistics in terms of mean scores and standard deviation. The mean score is interpreted as follows: 1.00-1.49=strongly disagree, 1.50-2.49=disagree, 2.50-3.49-agree and 3.50-4.00-strongly agree.

Finally, the study correlates the independent and dependent variables to establish the influence of the independent variables on the dependent variable. In this aspect, the analysis involves the testing of a hypothesis using the regression analysis.

4.31 Demographics of Respondents

The study involved a sample of 70 school administrators including school heads, treasurers, deputy school heads, academic masters, disciplinary masters and heads of departments. These respondents were categorized according to their gender and age as reflected in table 2.

Table 2: Demographics of Respondents

SN	Demographic	f	%
1	**GENDER**		
	Male	31	44.3
	Female	39	55.7
	Total	**70**	**100**
2	**AGE**		
	26-35	11	15.7
	36-45	23	32.9
	46-55	32	45.7
	56 and above	4	5.7
	Total	**70s**	**100**

Male respondents were 31 (44.3%) while female respondents were 39 (55.7%). Therefore, the majority of respondents were females. In terms of age, respondents ranged from the age group of 26 to 35 to 56 and above. Those in the age group of 26 to 35 were 11(15.7%) while those in the age group of 36 to 45 were 23 (32.9%). Those in the age group of 46 to 55 were 32 (45.7%) while those in the age group of 56 and above were only 4 (5.7%). Therefore, the majority of respondents belonged to the age group of 36 to 55.

4.32 Descriptive Analysis of data

This section presents the descriptive analysis of data for the first two research question regarding budgetary issues (budgetary effectiveness and budgetary control. The analysis is done through mean scores and standard deviation.

Research Question 1: What is the perception of school stakeholders regarding the effectiveness of budgeting and budgeting control?

This research question sought to establish the effectiveness of budgeting and budgeting control. The budgeting effectiveness variable had six items in the questionnaire as seen in table 3 while the control section had 4 items as seen in table 4.

Table 3: Budgeting Process Effectiveness

SN	Budget Effectiveness	Mean	Std. Dev	Interpretation
1	Departments submit budget plans for the following year	2.8143	.51900	Effective
2	Every member is included in the planning of budget	2.8000	.49927	Effective
3	Departments participate in the budget planning for the following year	2.8000	.52750	Effective
4	Constraints that lead to the final budget are explained	2.7571	.57573	Effective
5	There is a clear budgeting policy in this school	2.7571	.57573	Effective
6	There is a fair allocation of resources as planned	2.7570	.4945	Effective
	OVERALL	**2.7810**	**.48698**	**Effective**

4.321 Budget Effectiveness

Table 3 shows the budgeting effectiveness in the schools under investigation. The mean score were interpreted as follows: 1.00-2.49= not effective and 2.50-4.00= effective. The effectiveness of budgeting was measured by six items whose overall mean score was 2.7810 with the standard deviation of .48698. This suggests that respondents considered the budgeting process as effective. This is worth commending as the study of Mogeni (2017) considered budgetary effectiveness as a key activity in public secondary schools in Kenya as it guided activities of the schools.

Mean score for each item in the table was in the same category of 2.50 to 4.00 which suggests that respondents considered all aspects of budgeting as effective. This is reflected by the fact that respondents agreed that departments submit budget plans for the following year. They also agreed that every member is included in the planning of budget, departments participate in the budget planning for the following year and that constraints that lead to the final budget are explained to school stakeholders. They further agreed that there is a clear budgeting policy in the school and that there is a fair allocation of resources as planned. Therefore, the budgeting process was effective.

4.322 Budget Control

Table 4 shows the budget control effectiveness in the schools under investigation. The mean score were interpreted as follows: 1.00-2.49= not effective and 2.50-4.00= effective. The control effectiveness was measured by four items whose overall mean score was 2.6536 with the standard deviation of .43658. This suggests that respondents considered the budget control effective in the schools.

Table 4: Effectiveness of Budget Control

SN	Budget Control	Mean	Std. Dev	Interpretation
1	My department works within the approved budget	2.6857	.52593	Effective
2	The school administration reviews budget regularly	2.6857	.49761	Effective
3	The organization operates within the approved budget	2.6571	.56172	Effective
4	My department is constantly reminded of how much has been spent	2.5857	.52455	Effective
	OVERALL	**2.6536**	**.43658**	**Effective**

This is reflected by the fact that respondents agreed that the departments work within the approved budget, the school administration reviews budget regularly the schools operate within the approved budget and that the departments are constantly reminded of how much has been spent. The results are against the findings of Quak (2020) who investigated on the impact of Public Finance Management reforms on education in Tanzania and established that main challenges remain budget credibility, mismatches between approved budgets and expenditure outturns, misuse of public finances, inadequate enforcement of procurement and financial regulations, inadequate financial allocations to development budget, low mobilization of local government authorities' own revenue, and unsecured funding for priority investments. These findings are similar to what in Nigeria Oboegbulem and a Kalu (2013) established that principals in private secondary schools followed the budget guideline specifications in planning and implementing budget.

Finally, the study of Mbuthia and Omagwa (2013) on the effect of budgetary control on financial performance of selected Commercial banks in Kenya unveiled the fact that budgetary planning has a positive and significant effect on financial performance. Therefore, it is worth noting that the schools under investigation are doing well in budgetary control.

Research Question 2: What is the trend of financial performance in secondary schools in Arusha City?

4.333 Financial Performance

After establishing the budgetary control measures that take place in the schools under investigation, the second research question sought to establish the financial performance in the secondary schools under investigation. To establish the financial performance, the respondents were required to respond to seven items in the questionnaire whose overall mean score was 2.3041. in this research question, liquidity was used as a major means of determine the financial performance of the schools under investigation. This initiative based on the fact that liquidity is an important measure for financial performance as argued by Ainsworth and Deines (2009) who maintained that when assessing a business as a potential investment, its liquidity is an important consideration particularly for creditors whose returns rely exclusively on cash flows from the company. In line with this fact, the mean score were interpreted as follows: 1.00-2.49= not effective performance and 2.50-4.00= effective performance. The overall mean score therefore indicates that the financial performance of the schools is not effective.

Table 5: Financial Performance

SN	Financial Performance	Mean		Std. Dev	Interpretation
1	The organization affords to cover it operating cost	2.4857		.53141	Not Effective
2	The organization gains profits in tis projects	2.4714		.53083	Not Effective
3	There are adequate financial resources to run the institution	2.4143		.57717	Not Effective
4	There is enough liquid cash to cater for immediate expenses	2.3857		.68721	Not Effective
5	Salaries are paid on time	2.2286		.72575	Not Effective
6	The working capital is available	2.1286		.67933	Not Effective
7	The organization does not need to request for loans for its sustainability	2.0143		.85961	Not Effective
	OVERALL	**2.3041**		**.52046**	**Agree**

Likewise, the mean score for each item in the questionnaire was between 1.00 and 2.49. Therefore, the respondents disagreed that their organizations afford to cover the operating cost, that the schools gain profits in their projects and that there are adequate financial resources to run the institutions. They further disagreed that there is enough liquid cash to cater for immediate expenses, that salaries are paid on time, that the working capital is available and that the organizations do not need to request for loans for its sustainability. Therefore, the financial performance of the schools under investigation was not effective. These findings relate to those by Yizengaw (2021) who revealed a statistically significant mean score difference between government and private secondary schools in financial resource management. Particularly, the study revealed that private secondary schools demonstrated significantly lower level of stakeholder participation in budget preparation than government schools. Furthermore, government secondary schools were better at planning functions of financial resource management than private secondary schools.

4.33 Inferential Statistics

This section tests the null hypothesis that emanate from the third research question that appears below, which sought to establish the inter relationship between the independent and the dependent variables:

Research Question 3: Is there a significant relationship between budgetary control and financial performance among secondary schools in Arusha City?

To answer this research question, the following null hypothesis had to be tested through regression analysis: there is no significant relationship between budgetary control and financial performance among secondary schools in Arusha City. The analysis of this question involved five tables 5 to 9.

Table 5 shows that budget Control was found to be significant predictors of Financial Performance. The multiple correlation coefficient, which is the relationship between budgetary control and financial performance is .417 as appears in the model summary which is in table 5.

Table 6: Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	CONTROL	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: PERFORMANCE

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.417[a]	.174	.162	.47647

a. Predictors: (Constant), CONTROL

Table 8 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.253	1	3.253	14.330	.000[b]
	Residual	15.437	68	.227		
	Total	18.691	69			

a. Dependent Variable: PERFORMANCE
b. Predictors: (Constant), CONTROL

Table 9: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.972	.356		2.727	.008
	CONTROL	.502	.133	.417	3.786	.000

a. Dependent Variable: PERFORMANCE

Table 10: Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	EFFECTIVENESS	-.134[b]	-1.189	.239	-.144	.957

a. Dependent Variable: PERFORMANCE
b. Predictors in the Model: (Constant), CONTROL

The coefficient of determination is .162 in table 6, which is interpreted as 16.2% of the variance in Financial Performance is accounted for by Budgetary Control., accounting for16.2%.The results of the regression using the stepwise method indicates that the model explains 16.2% and that the model is a significant predictor of financial performance. While budgetary control is significant determinant of financial performance, budgetary effectiveness is not a significant predictor. Therefore, the null hypothesis is partly rejected and we maintain that there is a significant relationship between budgetary control and financial performance among secondary schools in Arusha City. These findings concur with what the study of Johnson and Pastory (2023) established that cash management influences the financial performance of private schools in Tanzania.

The findings further match with the findings of Halwiindi and Mwanza (2022) who investigated about the effect of budgetary control on financial performance in a Mining Company, using the mixed method approach. The study found that budgetary control had a positive effect on financial performance for First Quantum Minerals. The study recommended that it is important for organization to ensure effective budgetary control measures for the organization to perform well financially. In Kenya, Odongo (2013) conducted a study about budgetary control as a measure of financial performance of state corporations. Similarly, the findings revealed a positive and significant relationship between budgetary control measures and financial performance of the state corporations under investigation.

4.34 Summary of the Findings

In summary, the study realized that schools under investigation are doing well in budgeting processes and budgeting control processes. However, the financial performance was found to be lower as respondents disagreed that their organizations afford to cover the operating cost, that the schools gain profits in their projects and that there are adequate financial resources to run the institutions. They further disagreed that there is enough liquid cash to cater for immediate expenses, that salaries are paid on time, that the working capital is available and that the organizations do not need to request for loans for its sustainability. Therefore, the financial performance of the schools under investigation was not effective.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusions and then gives the recommendations based on the findings of the study. The study was guided three research questions about the perception of school stakeholders regarding the effectiveness of budgeting and budgeting control, the perception of school stakeholders toward the financial performance of the schools under investigation and the relationship between budgetary control and financial performance. The analysis of data was done through both descriptive statistics and inferential statistics which called for testing of one null hypothesis. In summary, the study realized that the schools under investigation are doing well in budgeting processes and budgeting control processes. However, the financial performance was found to be lower as respondents disagreed with all the items that measured the financial performance in the questionnaire. Based on the findings of the study, the following are conclusions and recommendations of the study.

5.1 Conclusions of the Study

Based on the findings of the study, the researcher came up with the following conclusions regarding the budgetary effectiveness.

1. The budgetary process was effective as departments submit budget plans for the following year, every stakeholder was included in the planning of budget, departments participate in the budget planning and constraints that lead to the final budget were explained to school stakeholders. Furthermore, there was a clear budgeting policy in the school and there is a fair allocation of resources as planned.
2. The budget control measures were effectively done as departments worked within the approved budget, the school administration reviewed budget regularly, the schools operated within the

approved budget and that the departments were constantly reminded of how much has been spent. Therefore, the budgetary control was effective.

3. The financial performance of the schools was poor as the schools did not afford to cover the operating cost, the schools did not gain profits in their projects and there were inadequate financial resources to run the institutions. Furthermore, there was no enough liquid cash to cater for immediate expenses, salaries were not paid on time, the working capital was not available and the schools needed to request for loans for its sustainability. Therefore, the financial performance of the schools was not effective.
4. Budgetary process did not account for effectiveness of financial performance but budgetary control did. Therefore, budgetary control is an important factor worth considering in schools if the schools need to financially perform well.

5.1 Recommendations of the Study

Based on the conclusions of the study, the researcher came up with the following recommendations regarding the budgetary processes and financial performance of the schools under investigation.

1. The schools under investigation should maintain the current budgetary processes in terms of departments submitting budget plans for the following year, every stakeholder being included in the planning of budget, departments participating in the budget planning and constraints that lead to the final budget being explained to school stakeholders for informed decisions that would help to rescue the schools for potential shortfalls in financial performance.
2. The existing budget control measures need to be maintained for schools to perform well financially. These includes involving departments in the preparation and approval of the budget, reviewing

budget regularly, operating within the approved budget reminding stakeholders of how much has been spent against the prevailing budget.

3. There is a need to revamp the financial performance mechanisms for the schools under investigation to afford handling the operating costs. Particularly, the school administrators should avoid unnecessary spending and stick to the approved budget to avoid overspending that may threaten the financial performance of the schools.

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APPENDIX 1: QUESTIONNAIRE

My name is **FRORIDA MAKOBA**, a Postgraduate Student at the Institute of Accountancy Arusha pursuing a Master of Accounting and Finance degree. My study is about **IMPACT OF BUDGETARY CONTROL ON FINANCIAL PERFORMANCE OF SELECTED SECONDARY SCHOOLS IN ARUSHA CITY**. Please tick (√) the most correct response in all sections. Your response will be treated confidentially. Therefore, do not indicate your name.

SECTION A: DEMOGRAPHICS

1. Gender ( ) **Male** ( ) **Female**

2. Age ( ) **25 and below** ( ) **26-35** ( ) **36-45** ( ) **46-55** ( ) **56 and above**

3. Category of Respondent ( ) **Teachers** ( ) **School Administrator**

SN	**Please read the statement below and indicate your level of agreement or disagreement by ticking in the provided option in section B and C** **B. BUDGETARY CONTROL MEASURES**	**Strongly Disagree**	**Disagree**	**Agree**	**Strongly Agree**
	Effective Budgeting				
1	There is a clear budgeting policy in this school				
2	Departments submit budget plans for the following year				
3	Departments participate in the budget planning for the following year				
4	Every member is included in the planning of budget				
5	Constraints that lead to the final budget are explained				
6	There is a fair allocation of resources as planned				
	Budgetary Control				
1	My department works within the approved budget				
2	The school administration reviews budget regularly				
3	The organization operates within the approved budget				
4	My department is constantly reminded of the budget and how much has been used				
	C. FINANCIAL PERFORMANCE				
1	The organization affords to cover it operating cost				
2	The organization gains profits in tis projects				
3	There are adequate financial resources to run the institution				
4	There is enough liquid cash to cater for immediate expenses				
5	Salaries are paid on time				
6	The working capital is available				
7	The organization does not need to request for loans for its sustainability				

- **THANK YOU VERY MUCH -**

APPENDIX 2: WORK PLAN

The writing process will follow the schedule that is stipulated in the following table below:

SN	Item	Date
1	Title identification	September 2022
2	Proposal Writing	January to May 2023
3	Proposal Defence	June 2023
4	Pilot study	June 2023
5	Data Collection	July 2023
6	Data Analysis	July 2023
7	Writing the final report	August 2023
8	Final Defence	September 2023
9	Submission	September 2023

APPENDIX 3: RESEARCH BUDGET

SN	ITEM	/ UNIT	UNITS	TOTAL
1	Typing costs			2500,000
2	Travel costs			150,000
3	Binding cost			400,000
4	Internet cost			250,000
	Total			**1,050,000**

APPENDICE 4: RELIABILITY TEST

BUDGET EFFECTIVENESS

Reliability Statistics

Cronbach's Alpha	N of Items
.960	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
There is a clear budgeting policy in this school	13.9286	5.690	.916	.948
Departments submit budget plans for the following year	13.8714	5.969	.907	.949
Departments participate in the budget planning for the following year	13.8857	5.842	.948	.945
Every member is included in the planning of budget	13.8857	6.016	.928	.948
Constraints that lead to the final budget are explained	13.9286	5.951	.803	.962
There is a fair allocation of resources as planned	13.9286	6.386	.763	.964

BUDGET CONTROL

Reliability Statistics

Cronbach's Alpha	N of Items
.837	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
My department works within the approved budget	7.9286	1.777	.670	.793
The school administration reviews budget regularly	7.9286	1.719	.787	.743
The organization operates within the approved budget	7.9571	1.723	.648	.804
My department is constantly reminded of the budget and how much has been used	8.0286	1.883	.580	.831

PERFORMANCE

Reliability Statistics

Cronbach's Alpha	N of Items
.894	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The organization affords to cover it operating cost	13.6429	10.726	.651	.885
The organization gains profits in tis projects	13.6571	10.866	.607	.889
There are adequate financial resources to run the institution	13.7143	10.265	.723	.877
There is enough liquid cash to cater for immediate expenses	13.7429	9.672	.732	.874
Salaries are paid on time	13.9000	9.106	.831	.861
The working capital is available	14.0000	9.304	.846	.860
The organization does not need to request for loans for its sustainability	14.1143	9.523	.568	.903