THE LINK BETWEEN BUDGETARY CONTROL AND FINANCIAL PERFORMANCE IN FINANCIAL INSTITUTIONS.
A CASE OF NATIONAL MICROFINANCE BANK (NMB) ZONAL OFFICE (CENTRAL ZONE) DODOMA
THE LINK BETWEEN BUDGETARY CONTROL AND FINANCIAL PERFORMANCE IN FINANCIAL INSTITUTIONS
A CASE OF NATIONAL MICROFINANCE BANK (NMB) ZONAL OFFICE (CENTRAL ZONE) DODOMA

By
Ndahani J Ng’wasa

A Research Report Submitted in Partial/Fulfillment of the Requirement for the Award of a Masters degree of Business Administration in Corporate Management (MBA-CM) of Mzumbe University.
2017
DECLARATION

I hereby declare with conscious that this dissertation is my own original work and it has never been submitted for any degree award in any university.

Ndahani J Ng’wasa

Sign............................................... Date............................................
DEDICATION

This research work is dedicated to my parents the strongest, wise and passionate people I know. The discipline, hard work and sacrifices they did for me and whose lives purposes have always been to see me reach these high heights with great achievements.
ACKNOWLEDGEMENT

I would love to firstly acknowledge this work to the Lord God Almighty for the precious free life and the love he has shown during all the years since 1992. I have always done everything through him who gives me strength. I am grateful to offer my gratitude. God is good.

Special thanks to my supervisor Dr. Makorere R.F who has always been not only a brother but a parent since I started my first degree and now in my second degree dissertation supervision. We worked hard together with him being a leader. May the Lord grant him more with his heart.

Special thanks to Dr. Hawa Petro for the knowledge and training (Data processing SPSS) it has helped me a lot and supported the originality of my work. Also to Mr. Kitilla S.D for the love throughout MBA-CM course

My family and especially my parents, they are awesome they have always acted for the best interest of my achievements. I am extra grateful
LIST OF ABBREVIATIONS

NMB    - National Microfinance Bank
ROA    - Return on Asset
ROI    - Return on Investments
SPSS   - Statistical Packages for Social Science
ANOVA  - Analysis of one way Variance
ABSTRACT

This study aimed to assess the relationship between budgetary control and financial performance of financial institutions in Tanzania focusing on National microfinance bank (NMB) as a case study. The study objectives includes; ascertaining the relationship between budgetary planning and financial performance, to assess the link between budget monitoring and financial performance and ascertaining the relationship between budgetary participation and financial performance at NMB. Thereafter the study used various research methodologies. Purposive sampling technique was used to select 88 sample size of this study. Data collected through documentary review and questionnaires were analyzed using descriptive statistics and regression methods with the help of the computer software called Statistical Packages for Social Science (SPSS).

Based on the data analyzed, findings showed that there was no any significant relationship between budget monitoring and financial performance (p=0.807). The study findings also proved there was no any significant relationship between budgetary participation and financial performance (p=0.728). However, these results found the existing significant relationship between budgetary planning and financial performance (0.000). This implies that budgetary planning have a great influence to the financial performance of the institution since having prior planning for resource allocation optimize its use and contribute to the financial performance of an institution.

Based on the study findings, the study concluded that budgetary planning is an essential tool for budgetary control in financial institutions. Therefore financial institution are expected to prioritize budgetary planning as it is a key to budgetary control and hence to their performance.

Based on the study findings and conclusions, the study therefore recommends that, the top management should involve all the employees especially those in the sections with direct effect (customer service department) to the performance of the institution so as to know their views and contribution to the budget.
# TABLE OF CONTENTS

DECLARATION.............................................................................................................. i  
DEDICATION................................................................................................................... ii  
ACKNOWLEDGEMENT ................................................................................................. iii  
LIST OF ABBREVIATIONS ............................................................................................ iv  
ABSTRACT...................................................................................................................... v  
TABLE OF CONTENTS ................................................................................................. vi  
LIST OF TABLES ........................................................................................................... x  
LIST OF FIGURES ......................................................................................................... xi  

**CHAPTER ONE ........................................................................................................ 1**  
1.0 Introduction............................................................................................................. 1  
1.1 Background of the Problem ................................................................................... 1  
1.2 Statement of the Problem....................................................................................... 2  
1.3 Research Objectives ............................................................................................. 3  
1.3.1 General Objective ............................................................................................ 3  
1.3.2 Specific Objectives .......................................................................................... 3  
1.4 Research Questions ............................................................................................... 3  
1.5 Scope of the Study ................................................................................................ 3  
1.6 Significance of the Study ...................................................................................... 4  
1.7 limitations of the study ......................................................................................... 4  

**CHAPTER TWO ........................................................................................................ 6**  
LITERATURE REVIEW .................................................................................................. 6  
2.0 Introduction............................................................................................................. 6  
2.1 Theoretical literature review ................................................................................. 6  
2.1.1 Definition of key terms .................................................................................... 6  
2.1.1.1 Budget ........................................................................................................ 6  
2.1.1.2 Budgeting .................................................................................................... 8  
2.1.1.3 Determinants of Effective budgetary control ............................................... 9  
2.1.1.4 Budgeting controls ....................................................................................... 9  
2.1.1.5 Financial Performance .............................................................................. 10
2.1.1.6 Budgetary control and performance relationships .......................... 12
2.2 Budgetary planning and financial performance .................................... 14
2.3 Monitoring and Performance ............................................................. 15
2.4 Budgetary Control Model ................................................................. 16
2.5 Resource Dependency Theory .......................................................... 17
2.6 The Stewardship theory ................................................................. 18
2.7 Empirical Studies .......................................................... ............... 19
2.8 Research gap .................................................................................. 20
2.9 Conceptual Framework ................................................................. 21

CHAPTER THREE .................................................................................. 23
RESEARCH METHODOLOGY .......................................................... 23
3.0 Introduction .................................................................................. 23
3.1 Study Area .................................................................................. 23
3.2 Research design ........................................................................... 23
3.2.1 Study Population ....................................................................... 24
3.2.2 Sample Size and sampling procedures ........................................ 24
3.2.2.1 Sample size .......................................................................... 25
3.2.2.2 Sampling procedures ............................................................. 25
3.2.3 Data collection procedures ........................................................... 26
3.2.3.1 Questionnaires ..................................................................... 26
3.2.3.2 Documentary review ............................................................. 27
3.3 Measurement of variables ............................................................... 27
3.3.1 Dependent Variable ................................................................... 27
3.3.1.1 Financial performance .......................................................... 27
3.3.2 Independent variables ................................................................. 27
3.4 Reliability and Validity of the Data Collection Instruments .............. 28
3.4.1 Reliability measurement ............................................................... 28
3.4.2 Validity measurement ................................................................. 30
3.5 Research ethics ............................................................................. 30
3.6 Data analysis and presentation ........................................................ 30
3.6.1 Analysis on the relationship between budgetary planning and financial performance .......................................................... 31
3.6.2 Analysis on the relationship between budget monitoring and financial performance .......................................................... 31
3.6.3 Analysis on budgetary participation on financial performance. ................. 31
3.6.4 Analysis of the relationship between budgetary control and financial performance ........................................................................... 31

CHAPTER FOUR .......................................................................................... 33
FINDINGS AND DISCUSSIONS ........................................................................ 33
4.0 Introduction ............................................................................................ 33
4.1 Background Information of respondents ................................................ 33
4.1.1 Gender of the respondents .................................................................. 34
4.1.2 Age Distribution of the Respondents .................................................. 35
4.1.3 Work experience of respondents ......................................................... 35
4.1.4 Education level of respondents ............................................................ 35
4.1.5 Designation of respondents .................................................................. 36
4.2 Nature of training attended by the respondents related with budgetary control ........................................................................... 36
4.3 The relationship between budgetary planning and financial performance ....... 37
4.4 The relationship between budget monitoring and financial Performance ...... 39
4.5 The relationship between budgetary participation and financial performance. 41
4.6 Financial performance indicators ................................................................. 43
4.7 Relationship between budgetary control and financial performance .......... 44

CHAPTER FIVE ............................................................................................. 47
SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS .................................................................................... 47
5.0 Introduction ............................................................................................ 47
5.1 Summary of the findings ........................................................................... 47
5.1.1 The relationship between budgetary planning and financial performance.... 47
5.1.2 The relationship between budget monitoring and Firm’s Financial Performance
5.1.3 The relationship between budget participation and financial performance
5.2 Conclusions
5.3 Recommendations of the study
5.3.1 Policy Recommendation
5.3.2 Suggestions for Further Studies
REFERENCES
APPENDICES
LIST OF TABLES

Table 3.1 Reliability Statistics for budget planning ................................................. 29
Table 3.2 Item-Total Statistics ...............................................................................29
Table 4.1 Background information of respondents ............................................... 34
Table 4.2 Training on budgetary control techniques ................................................ 36
Table 4.3 Correlation between budgetary planning and financial performance .......37
Table 4.4 Perceptions of respondents on the existing relationship between budgetary
planning and financial performance .................................................................... 38
Table 4.5 Correlation between budget monitoring and financial performance ......39
Table 4.6 Perceptions of respondents on the relationship between monitoring and
financial performance ..........................................................................................40
Table 4.7 Correlation between budgetary participation and financial performance ..41
Table 4.8 Perceptions of respondents on the relationship between budgetary
participation and financial performance .............................................................42
Table 4.9 Indicators of financial performance .........................................................43
Table 4.10 Results of Regression Analysis on the relationship between budgetary
control and financial performance (n = 88) .........................................................44
LIST OF FIGURES

Figure 2.1 Conceptual framework.................................................................21
CHAPTER ONE

1.0 Introduction

Currently organizations face a lot of challenges that affects their daily operations such as production, marketing and the use of new technology. These changes affect the financial performance of these organizations. This chapter consists of the background of the problem, statement of the problem, objectives, scope and significance of the study.

1.1 Background of the Problem

Today, organizations use different procedures and techniques for controlling and planning functions. The most important one is budgeting, as it plays a significant role in planning and management of daily activities in many organizations. The main function of budgeting is to make a comparison between the forecasts and actual performance. The purpose of budgeting is to estimate revenues and expenditures with the use of proper strategies and plans (Vander, 2000).

Many organizations consider budgetary control as the base for internal financial management gives a wide management platform and lead to effective resource allocation. Budgetary control helps the management to evaluate its plans, implement them by monitoring activities to ensure that they fall on what the business planned. For an organization to implement effectively its budget it needs to use budgetary control as a tool (Carr and Joseph, 2000).

Organizations have been using budgetary control as it has contributed in maintaining the budget process and control the allocation of resources. With a minimum budget control, an organization can compare actual performance and budget and determine any differences followed by proper correction through budget control (Carr and Joseph, 2000).
1.2 Statement of the Problem

Budgetary control has a significant role to financial performance and financial institutions well being. It contributes in management of assets and better allocation of resources which generates more income. Through proper budgetary control financial institutions increase financial performance and enhance profit (Dunk, 2007). Despite of the significant role played by budgetary control on financial performance in financial institutions, but still they face a number of problems including lack of participation in budgetary process, lack of efforts required for monitoring the budgets and poor quality in planning (Otley and Pollamen, 2000). In fact deviations in budget limit sales growth, depreciation of assets, low income, increase in expenses, decrease in profit which contribute to poor financial performance of financial institutions (Carolyn et al, 2007).

As noted by Mashindano (2007) that, for effective budgetary control financial institutions need proper planning and management. As well as noted by Haki Elimu and Policy Forum (2009) found a weak effect of budgetary control on financial performance in Tanzania. In this regard, limited information exists on the relationship between budgetary controls and financial performance. It is still an open question as how do the determinants of budgetary control (planning, monitoring and control and budgetary participation) influence financial performance (Kabagire, 2006).

While previous studies have been stressed on studying the determinants for effective budgetary control, it is also important to identify the link between budgetary control and financial performance. The knowledge on financial performance of financial institutions can help to identify the budget ineffectiveness as well as budgetary control problems which can subsequently be improved (Epstein and McFarlan, 2011).
1.3 Research Objectives

The study has general objective and the specific objectives as shown below:

1.3.1 General Objective

The general objective of this study was to assess the relationship available between budgetary control and financial performance in financial institutions in Tanzania.

1.3.2 Specific Objectives

The research intended:

i. To ascertain the relationship between budgetary planning and financial performance in National Microfinance Bank.

ii. To assess the link between budget monitoring and financial performance in National Microfinance Bank.

iii. To ascertain the relationship that exists between budgetary participation and financial performance in National Microfinance Bank.

1.4 Research Questions

The study will answer the following questions:

i. What is the link between of budgetary planning and financial performance of National Microfinance Bank in the study area?

ii. What relationship between budget monitoring and financial performance of National Microfinance Bank?

iii. What is the relationship between budgetary participation and financial performance in the National Microfinance Bank?

1.5 Scope of the Study

The study was limited to the financial performance and budgetary controls. The researcher considered methods used to control budget and how do these methods relate to financial performance of financial institutions. This study was carried in Dodoma region at the National Microfinance Bank (zonal office) Central zone.
1.6 Significance of the Study

The findings of the study will have a great value to the society, researcher and financial institutions. Therefore, the following are some of the significances of the study;

i. The study will provide the role played by budgetary controls to financial performance and assist managers, business man to improve their decision making for operations.

ii. The study will also help the researcher to get knowledge on how to do research and discover solutions about financial disputes in financial institutions and also enable him fulfill the requirement for the award of a Masters Degree of Business Administration in Corporate Management at Mzumbe university of Tanzania.

iii. The study will also add a different perspective on the field of budgeting and help future researcher to use the literature for further studies in the same study area.

1.7 limitations of the study

In conducting this research the researcher encountered several challenges through the whole study as follows;

i) According to the nature of the work in the institution (bank), some of the bank officers like loan officers, it was difficult to meet them in the office for filling the questionnaires and therefore it was necessary for the researcher to attend to these officers for several times to make sure the questionnaires were filled as planned.

ii) Some respondents were hesitant to fill the questionnaire at the right time and this resulted about the delay in data processing and presentation at the time arranged

iii) Time factor, managing time in this study was a big challenge especially in the data collection period as the researcher was dealing
with respondents (bank officers) who their responsibilities were scheduled so getting them when in need was a challenge.

iv) Since the research needs funds, the researcher faced some financial difficulties when carrying this study especially in the time seeking for data.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, a number of issues are discussed in relation to budgetary controls and the financial performance. The study is based on the work done by scholars about budgetary controls and financial performance with reference to different authors who have different views on the subject. In reviewing the literature the focus will be to connect the gap left by different scholars if any.

2.1 Theoretical literature review

Theoretically, budgetary control has been written by various authors (in the next sections) who have provided different terminologies, theories and views about financial performance and budgetary controls.

2.1.1 Definition of key terms

This section gives the definitions on the issues of the study as identified by different writers.

2.1.1.1 Budget

Budget can be referred as a plan of how the resources of an organization will be used expressed in financial terms, it directs the management of how resources and operations should be carried in a particular period of time. Budget acts as a road map for an organization.

According to Omolehinwa (1989), budget is a plan prepared by individuals in an organization. Such individuals participate in decision making for the aim of achieving what is agreed by the management especially in allocating resources. All the decisions are due to whatever is agreed by the participants in the preparation of the budget.
Lucey (2003) defines a budget as a quantitative expression of a plan of action prepared for an organization as a whole. Focus is usually on departments or functions such as sales and production or financial resources items such as cash, capital expenditure, man power purchase, and others. It is a planning and control tool relevant to all aspects of management activities. In addition, a budget is seen as a document that translates plans into money that will need to be spent to get your planned activities done (expenditure) and money that will need to be generated to cover the costs of getting the work done (income) It is an estimate, or informed guess, about what you will need in monetary terms to do your work (Lysons and Farrington, 2006; Owler and Brown, 1989). In a normal planning cycle, the organization begins with a strategic planning process where the problem that needs to be addressed is looked at and the specific role of the organization in addressing it is defined. This then is related to what actual activities need to be undertaken to achieve the planned impact (Owler and Brown, 1989). Thus the operational plan that needs to be valued. You cannot prepare a budget until you know what it is you are planning to do and that operational costs will only be incurred when you do the actual work.

The budget is an essential management tool. Without a budget, you are like a pilot navigating in the dark without instruments (Owler and Brown, 1989). Therefore it is important for an organization, project or department to have a budget to know how much money it needs to carry out its activities and also forces it to be rigorous in thinking through the implications of its activity planning. There are times when the realities of the budgeting process force you to rethink your action plans and used properly, the budget tells you when you will need certain amounts of money to carry out your activities; the budget enables you to monitor your income and expenditure and identify any problems; the budget is a basis for financial accountability and transparency.

When everyone can see how much should have been spent and received, they can ask informed questions about discrepancies; you cannot raise money from stakeholders unless you have a budget. Externals and internals use the budget as a basis for
deciding whether what you are asking for is reasonable and well-planned (Lucey, 2003).

Since budgeting involves costs, it is crucial to estimate and control the kind of costs to be valued when preparing a budget (Aslani, 2009). The costs a company may need to estimate fall into the following categories: Operational costs – the direct costs of doing the work including materials, equipment, transport and services; Organizational costs also called core costs– these are the costs of your organizational base, including management, administration, governance. Once you have decided on the best organizational set-up to support your operational plans, you will incur the organizational expenses on a regular basis even if you do not carry out your plans or have activity levels as high as you had hoped; Staffing costs – these are the costs for your core staff, the people involved in management, the people doing work that cuts across the organization. These costs include their salaries and any benefits such as medical aid or pension fund payments for which the organization is responsible; Capital costs – these are costs for large investments which while they may be necessary because of a project or projects, will remain organizational assets even after the projects are over. Vehicles and equipment such as computers and photocopiers fit here. They may be used by all projects, or they might only be required for a specific project.

The foregoing scenario projects an organizational process which if not sequentially monitored and controlled, can easily go out of hand, putting the organizational in a financial crisis. Speedy production of budgetary control statements and immediate investigation of revealed variances provide the best basis for bringing operations into line with the plan, or where there have been substantial changes in circumstances making agreed alterations to the plan (Lucey, 2003).

2.1.1.2 Budgeting

Budgeting is the process whereby all the plans about resources and activities are arranged in a way that they can easily be implemented. Plans are shown in monetary terms and assigned in items showing the amount of money that will be spent in each activity.
Egan (1997) takes budgeting as the process that involves both the top level management and lower level employees who both forecast the future and set down targets to be achieved. Budgeting is the process but budgetary control checks if the planned targets have been achieved or not.

2.1.1.3 Determinants of Effective budgetary control

Different studies (as seen in the next sections) suggest different determinants of budgetary control. Budgetary control depends on a number of issues. Vander (2000) identified some of the determinants such as enough financial resources, availability of skilled personnel full participations of all stakeholders in the process of preparing a budget.

2.1.1.4 Budgetary control

Budgetary control is a process of managing the budget and controlling it so as to assure that there is a match of planned estimates and the actual results. It is the responsibility of the manager and all the officials participated in the process of preparing a budget. It is a continuous activity as it helps in achieving what is planned by an organization through management (Collis and Hussey, 2007).

Budgetary control is the process by which financial control is exercised by managers preparing budgets for revenues and expenditure for each function of the organization in advance of an accounting period. It involves continuous comparison of actual performance against the budget to ensure the plan is achieved (Collis and Hussey, 2007).

Budgetary control is well explained by the Institute of Cost Management Accountants as a link of how employees respond to the policy of an organization and an overall comparison of actual results and forecasts. This calls for either managing the responsibility of employees to implement what is required in the policy or to manage budget variances.
2.1.1.5 Financial Performance

Financial performance occurs when the targets set for a particular period of time are met or achieved. Financial performance is measured in monetary terms through different ways. To evaluate whether an organization is financially performing the determinants of financial performance should be assessed.

According to Behn (2003), financial performance is measured through internal and external measures. Internal measures include asset management, liquidity and availability of capital. External ones are all macroeconomic factors and other factors which are not in the scope of an institution.

For proper performance evaluation managers need to set priorities and to lie upon them so as know which should come first given limited resources (Kravchuk & Schack, 1996). In measuring financial performance two stages are involved, the first is the framework that shows all financial data since organizations focus on the results of activities in financial terms. Financial performance also requires standards of measurement so as to compare the performance of an organization with other organization so as to see if they have performed well or worse. Nowadays managers use control measures that assist them in controlling the whole organization financial performance (Kravchuk & Schack, 1996).

Measures of performance are recognized as an essential element in all control and monitoring tools. Managers, head of departments and supervisors directs their efforts and have a responsibility to be familiar with how, when, and where to make and implement the changes. These changes cannot be prudently implemented without enough knowledge of the correct information to which they are supported (Lucey, 2003). The completion of performance measurements for a detailed process must involve as lots of employees as possible to motivate ideas and strengthen the notion that this is a group effort necessitating buy in from all involved in order to be successful (Lucey, 2003). Significant benefits are realized by institutions implementing performance measurement tools. These advantages are realized almost instantly through an advanced understanding of programs by all employees. In addition, employees get a chance to obtain a broadened perspective of the company's
operations, instead of the more limited perspective of their own instant remoteness of control (Kamukamu, 2006). As a progression, performance measurement is not only involved with collecting data associated with a prior defined performance objectives or standards, usually the same with the budget.

Performance measurement is superior consideration as an overall management system including prevention and distinguish aimed to achieve conformance of the work product or service to organizational customer needs. Furthermore, it is concerned with optimization procedures through increasing efficiency of the product or service. These actions occur continuously, to allow options for expansion and improvement of the operational processes or product as better methods are discovered and used. In this context, the process of measuring performance will be viewed from the opinion of budgetary controls where it will be discussed within budgeted limits. This is based on the fact that measuring performance is primarily outcome management and one of its main objectives is to reduce or remove overall difference in the work product or progress. The objective is to get there at sound decisions about deeds affecting the procedures or products and its outcomes which is what budgetary monitoring and control need to achieve.

The company gets important information about its assets, products and the steps or procedures to produce them. Through these tools one can easily understand, monitor and organize how to control and manage the daily operations. The performance measures assist us to know how we progress with organizational operations, identifying the goals met and unmet goals, the degree of customer satisfaction, if our procedures are statistically recorded and the areas for improvement. These measures facilitates our decision making process by providing us with important information and necessary inputs. They are composed of different unit of measurements that are useful in a number of ways. Performance measures are also tied up with the company goals and objectives, the can show the difference of an operation or procedure and identify the deviations from any work design.
2.1.1.6 Budgetary control and performance relationships

Poor budgetary control styles lead employees to show dysfunctional responses in operations since the styles tend to over control them. These poor styles direct employees or organizational personnel to achieve budgetary targets in the end of every stated period of time when reporting.

Brownell, (1982) comment that the higher the budgetary control the higher the participation because when budgetary control increases the employees will need to know what are the plans of an organization in details. Then, it’s obvious when budgetary control increase budget participation will also increase. Budgetary participation moderates the effect between budgetary control and employees’ performance, but there is a negative direct effect between budgetary participation and financial performance. But where there is a high budgetary control there is a positive relationship between budgetary participation and financial performance.

Otley and Pollanen (2000) found that there is a direct negative effect between participation and financial performance but it depends on the level of budgetary control. According to the study budgetary planning and monitoring systems are the moderators of the effect of budgetary control on financial performance.

Budgetary control refers to the process of preparing budgets as tools of communicating the expected organizational performance within a specified time period, then using them to evaluate performance. Corrective measures are taken on significant positive or negative variances of actual performance from budgeted performance. Alternatively, Lysons and Farrington (2006) see it as the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis for its revision. In general, budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performances and taking suitable remedial action so that budgeted performance targets may be achieved (Cooper, 1996; Fang, 1996). It influences the financial objectives, the allocation of funds as well as investment ventures that organization undertakes. Most
importantly it influences the financial position of an organization. Thus, for any organization to be able to achieve better performances, their management needs to effectively develop and utilize budgetary control systems within time. An organization needs to develop a budgetary control mainly for seven reasons, namely: coordination, clarification of authority and responsibility, communication, control, motivation, compromise, and asset utilization maximization.

Coordination as a reason for budgetary control means the activities of the whole organization can only be ran smoothly if they are planned for in advance. Budgetary control enables the relationships between organizational activities to be determined in advance and therefore their smooth implementation made possible. As for clarification of authority and responsibility, budgetary control clarifies where the authority and responsibility performance of each activity lies in the organization thereby promoting accounting responsibility among the employees.

As for communication, budgetary control enables the effective and efficient communication, both horizontal and vertical, to occur within the organization between managers and their employees. On the part of control however, budgets acts as yardsticks against which the actual performance is compare so as to determine whether there is positive or negative deviation or whether the actual performance is satisfactory.

Motivation as a major reason behind budgetary control forms a sound basis of motivating employees. Budgeting and budgetary control calls for genuine participation of workers and their managers, which has a motivating effect. As for compromise, managers compromise their individual departments’ goals so as to achieve the overall organizational goals, thus avoiding instances of sub optimality in the budgeting process. Lastly, under budgetary control, asset utilization maximization enables a company to foresee deficiencies and excesses of assets in advances thus enabling the managers to avoid idle capacities and shortages. A company can only make full use of its available assets if it has a budgetary control system in place.
2.2 Budgetary planning and financial performance

Planning in budgets involves long term planning, short term planning and strategic planning (Sizer, 1989). Sizer further argue that short term planning should embrace the environment and the resources available in an institution. Planning includes selecting goals and the means to achieve them. It forecasts and estimates the results which help an institution to prepare for it, this links it to budgeting. An institution through planning is able to make an assessment of its stability through goals and objectives. According to Sizer (1989) good planning is indicated with systematic goal. Planning process must be comprehensive but easy to understand. The plan should be featured with flexibility and balanced. Well prepared plans tell how, what and when something is to be done (Callaham and Waymire, 2007). Budget planning list priorities and control strategies. Organization operations and activities to be performed are arranged in order of preference.

Budgets are put before the budget periods based on the circumstances or environment anticipated. In long term planning major decisions can be made as part of it (Coates, 2005). Significances of budgeting applies to the whole institution if both short term plan and long term plan consequences are taken into consideration (Otley, 2000). However, the annual budgeting process makes a follow up of the plans in the budget to assure that they are in line with the company’s objectives. Without the annual budgeting process the day to day operations will not be monitored correctly and this may result to misallocation of resources (Robinson, 2009).

Variations are wrapped by the available resources. This calls for a consistent plan including all departments and employees of the institution. Budgetary planning is therefore an important tool to success in organizations and budgeting process enforces planning to occur in any management. Once planning is not well conducted the organization will not perform efficiently and effectively (Lucey, 2002). This process give confidence the managers to foresee problems that will occur before they take place and avoid rushed decisions that are made on different basis in different moment, based on convenience rather than logical judgment (Lucey, 2002). In
institutions planning and priorities should therefore be significant factors that influence the budgeting process.

Based on the previous studies reviewed above, therefore it may be concluded that the perception that budgets have less importance in the current world are increasing and highly challenging the internal and external organization environment. As a result knowledge about budgeting activities and operations is helpful to provide initial light into whether budgets are still suitable planning and control tools.

2.3 Monitoring and Performance

Budgetary Monitoring is a prevention process against misuse or embezzlement of funds in terms of procedures and policy that establish the limits of financial behavior. According to Drury (2000), budgetary monitoring process is a clear, systematic and continuous process which is featured by the following phrases:

Establishing performance targets or day to day operation levels for each section in the organization by way of setting goals and objectives to be attained influences the monitoring of the institution performance. Communicating particulars of the budgetary strategy to all the company stakeholders for simple admiration of the set targets and objectives supports possession of the results achieved at end of operation. Controlling actual revenue or actual cost data this is done by way of comparing of actual performance with the budgeted one (performance) and frequently reporting of budget variations to the top management. This helps in identifying the reasons for the variations between actual results and budgeted performance and taking the suitable clear measurements.

The “bottom-top” approach allows lower level officials to participate in all levels of management when making decision or in the decision-making process. Negotiations then start between the top management and heads department to finalize budgetary numbers. The process of budgeting then shifts to a "tops-down" approach, where the top management has all the control to set the final budget decision. Through this monitoring process analysis, control and management of the problem of in favoritism is generally handled (Lucey, 2003).
In the process of monitoring and controlling it is assumed that all expenditures must correspond with the budgeted targets and maintains all necessary information about the expenses. Financial control is also one of the most significant aspects of the process budgeting. By means of budgetary control, which means a direct comparing between actual results and planned figures in the budget and reporting on the budget variances, a control structure is set for management and full control. This edge points to managers to make a follow up flow of resources efficiently, accurately and consistently. This calls for continuous control process throughout the year in a monthly basis, and not just at the end of one accounting or budget period. The goals of control are to plan the policy of an institution in a particular place, to coordinate all the operational activities of the organization so as to achieve the firms or institutional targets. According to Briston (1981), financial control and monitoring ensures competent and cost-effective program implementation within a responsibility centers. He furthermore noted that, the existing financial control systems must be supported by further improvements in the overall monitoring process for better implementation of the budgeting process in accordance with approved operation programs. The above process demands wide planning and approval structure, consistent with procedures for constructing budgets, both Capital, investment and Revenue. Resonance methodologies for identifying the financial impact on suggested expenditures, compatibility with other officials and performance data and a control system that set clear and clean responsibilities and gives monitoring information on financial performance timely and accurately.

2.4 Budgetary Control Model

According to Robinson and Last (2009), each firm has a framework that shows all their spending and how resources are allocated. This framework is budgetary control and is used as a tool to manage firm’s activities. Budgeting ensures that resources are not wasted and effective allocated. It is very essential to ensure that firms output and deliveries meet what was planned by the management. According to budgetary control model a good budget is that which take in hand organization expenditures in an effective and efficient way. a good budgetary control system can be determined
by observing the level of cash inflows or income of an entity Pfeffer and Salancik (1978).

An organization should have a system that ensures the budget is well administered and controlled so as to maintain a proper allocation of resources. If an organization will plan properly for its resources it will help it toward increasing its revenues and more allocate them for the organization. An organization will only achieve this by cutting down costs so as to increase the quality of what its offers. In contrary if an organization doesn’t have enough income to fund what is so far estimated in the budget then it has to fund its budget estimates through borrowing or any other aid (Robinson and Last, 2009). This make budget be the mostly regarded as a tool that controls expenditures.

2.5 Resource Dependency Theory

According to Pfeffer and Salancik (1978), for an organization to survive it must have an ability to acquire resources and maintain the availability of such resources. Resource dependency theory brings the opinion that financial institutions don’t have the ability to have all the required resources without depending to externals. Then for them to acquire the needs of their resources they have to develop positive relationship with the external environment so as to make sure they are well and enough supplied. The management has to introduce internal budget control systems that can cover the needs of both environments, internal and external. In fact availability of resources provides organization with confidence and power which lead to strong relationships through increasing value and performance improvement. Having access to resources ensures proper organization functioning, processes and financial performance (Dalton & Canella, 2003).

The life of financial institutions depends on internal budgetary control. If the financial performance of an institution is appealing, investors and customers will safely have a will to increase transactions and invest their money in such institution. An excellent way to ensure financial performance in financial institutions is through budgetary control systems.
Therefore the resource dependency theory postulates that there is a direct relationship between resource management and financial performance. But for this relationship to be positive and strong there should be budgetary control and planning and this can be done by introducing internal systems (budget control systems) and external systems to cover the needs for both environment (internal and external). Also the theory gave a basis to this study by showing the link between financial performance and internal management and controls of the budget.

2.6 The Stewardship theory

According to Donaldson and Davis (1991), the theory holds that in an organization managers seeks to improve their capabilities in their responsibility so as to achieve goals and satisfy themselves internally, everything managers do it’s for the best interest of organization stewardship to meet the required needs. According to this theory, variations in performance occur to organization structure in which employees’ works. Donaldson and Davis (1991) postulate that the theory doesn’t concentrate in motivation of the managers but on the facilities and structures.

Stewardship theory addresses that, working collectively brings greater achievements than individualism. Managers don’t take individual goals as a motivating factor but rather they are motivated by the objectives of their management. The theory of stewardship assumes there is a strong relationship between organization achievements and top management satisfaction. An organization performance may gain more utility through collective behaviors and working as a team than a sense of individualism. A steward maintains and increase shareholders value through performance this is due to the fact that through their actions employee’s utility are maximized (Donaldson and Davis (1991).

In financial institutions stewardship theory addresses that managers and lower level employees should make an optimum use of resources for profit maximization to an institution and its stakeholders. The theory argues that managers work for the best interest of the company and not for their own interest. And they will increase efforts in performing their duties and responsibilities in order to achieve the objectives of an institution.
Stewardship theory addresses the importance of cooperation between the top management and the lower levels and this sights the significance of budgetary participation in an institution and how the control systems can ensure the resource utilization by the lower levels.

2.7 Empirical Studies

The study done by Callahan and Waymire (2007) titled the impact of budgetary control in bond rating on financial performance. This study aimed to show how significant it is to link how institutions rate bonds with performance especially in financial institutions. With the evidence from statistics from the local authorities, in June 2006, there over seven million US dollars financial bonds that established a good financial base for government units. This applies when extending credits to customers in different time periods. In this study the researcher was interested to know if there is any direct role played by budgetary control and financial performance. And using the sample of US companies budgetary control was influenced by bond rating.

However, the study done by Marcormick and Hardcastle (2011) on budgetary control and performance in financial institutions in Europe found contrary results from Callahan and Waymire (2007). Using a sample of about 40 institutions for the purpose of assessing the role of budgetary control on performance data were collected in 10 years time. Data analysis used a regression model and at the end of the study results prove a positive relationship between budgetary control and performance.

According to the study by Nickson and Mears (2012) which aimed in assessing the role played by budgetary control to enhance financial performance of commercial banks in Boston Massachusetts, using a sample of five banks to test the role played by budgetary control of the banks, collection of secondary data in a period of previous 10 years was done and with the help of a regression modal for analysis results revealed that budgetary control play a significant role to enhance performance of the banks.
Moreover, Nickson and Mears (2012) did a survey on practices of budget in institutions where it was found that the committee responsible for budget and different departments were the less budgetary tools used. And budgetary participation was the big challenge in the budgetary process.

According to the study of Silva & Jayamaha (2012) an evaluation of the impact of budgetary process on organization performance was made and sees if there is a significant impact on performance in the industry. Based on the collected data from the financial statements, and using the correlation coefficients and analysis subjected that budgetary process have a positive association with organization performance in the industry. This proves that financial companies maintains all the procedures to control their budgets so as to ensure higher levels of performance and this brings a positive relationship between budgetary process and organization performance.

**2.8 Research gap**

Based on the empirical literature review above, for many years the relationship between budgetary control and financial performance has been studied. Different scholars for example Nickson and Mears (2012) found different relationships (positive, negative and none), and most of the scholars have investigated the effects of budgets and budgetary control on financial performance without revealing the relationship that exists between the two (budgetary control and financial performance). The common problem is that researchers present inconsistent results in their findings about the same problem. This study specifically focused on identifying the link between budgetary control and financial performance in financial institutions in Tanzania.

Budgetary control in financial institutions has rarely been studied in Tanzania and through its characters, process and drawbacks in budget control implementation. It has also been observed most researchers (seen in the literature review) in their studies have used only Net profit as a measurement of performance but this tool is not efficient measure for performance since different firms use different size of
initial capital to invest therefore using net profit to measure and compare the performance of firms is difficult. This study intends to fill the above mentioned gaps.

2.9 Conceptual Framework

The conceptual framework of this study as shown in figure 1 illustrates the relationship between budgetary control and financial performance. Budgetary control has an indirect relationship with financial performance through budgetary planning, monitoring and budgeting participation which both have a direct relationship to financial performance as seen in figure 2.1 bellow;

**Figure 2.1 Conceptual framework**

![Conceptual Framework Diagram]

**Source: Researcher, (2017)**

According to the Figure 2.1 above, the conceptual framework shows that, budgetary control is the independent variable and financial performance is a dependent variable. The independent variable (budgetary control dimensions) has a direct relationship with financial performance through budgetary planning, budget monitoring and budgetary participation.

Conceptual framework (figure 2.1), budgetary planning, budget monitoring and budgetary participation have a direct relationship with financial performance. Budgetary planning affects financial performance through ensuring all the targets for a certain period of time are managed through the budget estimated. Also budgetary monitoring affects financial performance in a way that a financial institution uses budgetary plan as a control tool to monitor all its financial operations in a given
period of time. Budgetary participation has a direct relationship with financial performance in a financial institution since budget as a tool for control increases awareness of workers to participate in the whole process of budgeting.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents a background of how data was collected. This chapter provides a description of the study area, research design, study population, sample size and sampling procedures, procedures used in data collection, measurement of the variables and data analysis.

3.1 Study Area

This study was conducted in Dodoma region in the district of Dodoma municipal. The district is among the five districts in Dodoma region central Tanzania. Geographical location is 6°10’23”S 35 44’31”E. The land is 2,576km$^2$. It was the preferable site for the study due to the accessibility of information needed by the researcher and also the institution location was suitable for the researcher in the basis of different costs of research during the study period.

The study was specifically conducted at the zonal office (central zone) of National Microfinance Bank in Tanzania. The researcher chose the NMB central zone office because it was easier to obtain required information of all the branches of NMB in the central zone office. And also since the budget preparation process for the central zone Dodoma sum ups at the central zone office.

3.2 Research design

A research design is the layout of conditions for collection of data and data analysis in a systematic manner that objects to combine relevance to the research purpose and economy in course of action (Kothari, 2004). Research design is the structure of concepts within the study conducted. In fact, research design includes an overview of what the researcher will do from the sketch to the point of data analysis. On the other hand Kothari (2005) summarized researched design as a plan of the way research has to be carried out.
In this study, a descriptive survey research design was used to assess the relationship between budgetary control and financial performance. Descriptive survey is usually used to make a description of important variables in a population aiming to establish the relationship between these variables. Kothari, (2005) recommends a descriptive research design to be simplest design to understand. This design helps to collect required information from the respondents and describes the existing relationship with reference to budgetary control.

3.2.1 Study Population

Mugenda and Mugenda, (2003) defined population as a total group of events, objects or individuals with similar characteristics. This study targeted the bank manager, supervisors and bank officers.

The study population was 88 employees of NMB in the central zone office Dodoma (Direct communication with NMB zonal manager, 2016). The reason of using all employees in the institution is well justified by Mugenda and Mugenda, (2003) who noted that when the population size is small the possibility of sampling error to occur is high then using the whole population is vital.

The target population varies in different financial institutions. This is because most of these financial institutions deal with different activities and functions serving different types of customers (Badu, 2011).

3.2.2 Sample Size and sampling procedures

This section provides the sample size for the study and sampling procedures used by the researcher in the study. A sample is a small number of individuals from the entire population which properties are investigated or studied in order to have information of the entire population (Webster, 1985 as cited from Kombo and Tromp, 2006). Therefore, the sample size and sampling procedures are explained in the next subsections;
### 3.2.2.1 Sample size

In this study, therefore the sample size selected was eighty eight (88). It included zonal manager, department manager, supervisors and bank officers as explained in the next section. Reasons of selecting 88 sample size is that, due to the number of target population being small (88) then the researcher chose to use all the elements in the population to allow the accuracy of data.

As noted by Sanders et al (2009) that a population of less than 100 elements is small enough for the researcher to investigate all the cases this will usually result a sampling distribution to have a normal distribution and give a true picture of the total population.

Therefore, different sampling techniques were used to select sample size as explained in the next section:

### 3.2.2.2 Sampling procedures

Kombo and Tromp (2006) define sampling as a selection of a number of elements from a total population which was used to draw conclusion. A sample size for this study was drawn from the population using multi-stage sampling procedure as it can be seen below:

(a) Stage I was the selection of region. That is Dodoma region which has five Districts. Dodoma region is purposively selected. It was selected due to the researcher’s perspective that data collection was simplified.

(b) Stage II was selection of a district. Dodoma municipal district (mji mpya street), was purposively selected for data collection; mji mpya has a total of two NMB offices, Mazengo branch and Mtendeni branch with the Zonal office at the same location. Mtendeni branch Zonal office was purposively selected. Purposively sampling was selected so as to focus on particular characteristics of a population that are of interest, which will effectively enable the researcher to answer the research questions (Kombo, 2009).

(c) Stage III was selection of respondents (bank employees). Fifty two (52) bank officers from bank departments were purposively selected. Four (4)
department managers, thirty one (31) supervisors and one (1) zonal manager were selected purposively in the zonal office. The researcher used purposively sampling because the units selected based on the possession of similar characteristics and such characteristics were of particular interested to the researcher (Kothari, 2004).

In fact, purposive sampling was used to get the respondents who were the officials of national microfinance bank. It was also used to obtain the study area, the district and the branch. In fact it was used to obtain 88 respondents from the institution. According to Coates (2005) argues that, the choice of purposive sampling is based to the actual knowledge that in financial institution especially banks, bank officers (managers, supervisors, head of departments and normal bank officers) who are involved in the budget process have more knowledge and experience in the matters concerning budget than other workers who are not involved in the budget process.

3.2.3 Data collection procedures

In order for the researcher to obtain information from respondents and compile information from different departments, the researcher used different procedures of collecting data as explained bellow;

3.2.3.1 Questionnaires

Ndunguru (2007) define questionnaire as a plan of inquiries for the respondents to fill in about required information. Kothari (2004) provides that, this method is the very common one especially in a case of many cases. In this study, questionnaires were used to collect data from bank officials (managers, head of departments, supervisors and bank officers). Practically, questionnaires were distributed to be filled by respondents (bank employees) so as to get needed information for this study on budgetary control related issues.

Respondents (bank employees) participating in budget preparation were asked questions based on the specific objectives of the study. The researcher asked general
questions, questions about budgetary planning, budgetary monitoring and budget participation so as to extract information relevant for the study.

3.2.3.2 Documentary review

The documentary sources of data for research purposes include published books, manuscripts, journals, research reports, newspaper and other unpublished literally works. The researcher collected information from bank’s documents like attendance lists, bank plans, reports and other written materials to enable collection of reliable data. This method enabled the researcher to obtain previously recorded information relating to the research problem.

3.3 Measurement of variables

Both dependent and independent variables were measured with different ways as shown below to enable easily collection and analysis of data.

3.3.1 Dependent Variable

In this study, a dependent variable is financial performance. The dependent variable was measured as explained below;

3.3.1.1 Financial performance

Financial performance of the study area was measured through its indicators which include; profitability, return on assets, returns on investment and cash flows. The increase in the level of the indicators provides the increase of financial performance.

According to Suberu (2010) argues that for financial institutions to have high financial performance, the management has to measure its financial position through the amount of cash flows, the level of returns it receives from investment and also its profitability. These will provide the general standing of the institution financially.

3.3.2 Independent variables

In this study, the independent variables were budgetary planning, budgetary participation and budget monitoring. These variables relates to financial performance
(dependent variable). They affect financial performance through proper budgetary control. Therefore the independent variables mentioned above are measured through examining the budget control systems.

According to Badu (2011) budgetary control systems can be measured through comparing actual results and the budgets and through responsibility centers. Responsibility centers help managers and supervisors to determine the significance level of activities in units.

In this regard, budgetary planning, budgetary participation and budget monitoring by observing if there is effective levels of monitoring and control, the levels of planning and budget participation in the institution. Also by observing if the targets set by the institution through its management are met. Because if the aggregate goals are achieved this will determine budgetary control to be effective.

3.4 Reliability and Validity of the Data Collection Instruments

In this study, it was necessary to measure internal consistency between the variables to ensure that all the variables are measuring the same thing. Also validity measurement was used to measure the accuracy within the variables. The measurements were used as explained bellow:

3.4.1 Reliability measurement

Reliability is concerned with whether alternative researchers would reveal similar information (Saunders, 2000). In gathering data, multiple collection methods was used by the researcher, which helped to strengthen the objectivity and reliability of the data while at the same time diminishing the chance of biased information. Also, reliability refers to the consistency with which repeated measures produce the same results across time and across observers (Patton, 2002). The researcher was therefore assured reliability of the data by making a pilot study.

In this study, reliability of scale was used by the researcher to identify if there was internal consistence in the variable (financial performance). The aim was to identify if all the variables were measuring the same underlying construct.
According to Best and Khan (2006), one of the most effective used indicators of internal consistence is cronchback alpha coefficient. Ideally cronchback alpha coefficient should be above 0.7 to show there is reliability (internal consistency) between the variables.

In this study, there were four variables both measuring financial performance. The results are well presented in table 3.1 and 3.2 below:

**Table 3.1 Reliability Statistics for budget planning**

<table>
<thead>
<tr>
<th>Cronbach Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.777</td>
<td>3</td>
</tr>
</tbody>
</table>

*Source: Field data, (2017)*

In Table 3.2, the researcher wished to examine if all the independent variables budgetary planning, budget monitoring and budgetary participation were all measuring the same construct that’s financial performance as seen bellow:

**Table 3.2 Item-Total Statistics**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach’s Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary planning</td>
<td>11.49</td>
<td>8.718</td>
<td>.492</td>
<td>.754</td>
</tr>
<tr>
<td>Budgetary monitoring</td>
<td>11.17</td>
<td>7.918</td>
<td>.624</td>
<td>.711</td>
</tr>
<tr>
<td>Budgetary participation</td>
<td>11.56</td>
<td>8.252</td>
<td>.521</td>
<td>.746</td>
</tr>
</tbody>
</table>

*Source: Field data, (2017)*

From the findings the cronbach’s alpha coefficient is above 0.7 (0.777) and this implies that there is internal consistency between the variables. Therefore this means the variables were all measuring the same construct (financial performance)

In their study Best and Khan (2006) noted that, cronbach’s alpha coefficient will decide for the scale to be considered reliable with the study sample (above 0.7). They further noted that the other information of interest is the column marked Corrected
Item-Total Correlation. These figures give you an indication of the degree to which each item correlates with the total score. Low values (less than .3) here indicate that the item is measuring something different from the scale as a whole. If your scale’s overall Cronbach alpha is too low (e.g. less than .7) you may need to consider removing items with low item-total correlations.

### 3.4.2 Validity measurement

Validity addresses the problem of whether a variable measures what it is supposed to measure (Zikund, 2000). Validity is therefore defined as the accuracy of the measurement. It is an assessment of the exactness of the measurement relative to what actually exist (Burns and Bush, 2001). Therefore the researcher was assured validity of the information by gathering information from people with the knowledge, understanding and experience of the problem investigated. Besides, the quality of the analysis were increased by the researcher (Miles and Huberman, 1994). The researcher stated the purpose and objectives of the research clearly to the respondents before starting the research and chose people in relation to the study.

### 3.5 Research ethics

In this study, the researcher yielded different ethical issues both concerning primary data collection.

i) The researcher got permission from the zonal office manager after insurance of high adherence and confidentiality of data obtained from the office.

ii) Strict confidence was applied during the study especially on the details of the questionnaire and document analysis of budget documents. Identification of all respondents (bank officers) was also covered up immediately after the coding of the information into SPSS and synthesized for analysis.

### 3.6 Data analysis and presentation

After data collection, analysis was done by use of computer program statistical packages for social sciences (SPSS) version 16. The researcher used descriptive
statistics of frequency and percentages and correlation analysis to analyze data. Regression analysis and correlation analysis were used to show the relationship between budgetary control and financial performance under all study objectives. Data were presented in an order and according to the series of objectives and research questions to enable easy interpretation of the findings. The interpretation of data was done by comparing and contrasting primary and secondary data, the researchers’ views and other scholars view.

3.6.1 Analysis on the relationship between budgetary planning and financial performance

This study used correlation analysis to analyze the levels of budgetary planning being applied by National Microfinance Bank. Also the study used descriptive statistics where percentages and frequencies presented on custom tables were adopted for easily presentation some specific data about financial performance of financial institutions in the study area.

3.6.2 Analysis on the relationship between budget monitoring and financial performance

In this study, the relationship that exists between budget monitoring and financial performance was analyzed through correlation analysis and other techniques including frequency counts and percentages for presentation.

3.6.3 Analysis on budgetary participation on financial performance.

In this study, the relationship between budgetary participation and financial performance was analyzed through correlation analysis.

3.6.4 Analysis of the relationship between budgetary control and financial performance

The model of regression method was employed to study the relationship between budgetary control and financial performance (between independent variables and the dependent variable).
The regression model used in the study was as follows;
\[ Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon \]
\( \alpha \) - Constant (this is the level of financial performance without budgetary control)
\( x_1 \) = budgetary planning
\( x_2 \) = budget monitoring
\( x_3 \) = budget participation
\( Y \) = financial performance
\( \varepsilon \) = error
\( \beta_1 - \beta_3 \) = regression coefficients
CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter entails the presentation and findings of the study as show in the research methodology. The analysis of the findings was done using the data collected from 88 respondents through the filled questionnaires. This chapter is contented with the background information and the analysis of the specific objectives.

4.1 Background Information of respondents

This section presents the respondents in terms of gender, sex, work experience, education level and designation of respondents. The percentages were based on the total number of respondents. The researcher decided to use this information because some of the characteristics such as work experience and education level can influence individuals or respondents to provide accurate information as shown in table 4.1 bellow;
### Table 4.1 Background information of respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>50</td>
<td>56.8%</td>
</tr>
<tr>
<td>Female</td>
<td>38</td>
<td>43.2%</td>
</tr>
<tr>
<td><strong>Age distribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-29</td>
<td>35</td>
<td>25%</td>
</tr>
<tr>
<td>30-39</td>
<td>22</td>
<td>39.8%</td>
</tr>
<tr>
<td>40-49</td>
<td>23</td>
<td>26.1%</td>
</tr>
<tr>
<td>50-Above</td>
<td>8</td>
<td>9.1%</td>
</tr>
<tr>
<td><strong>Work experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-10</td>
<td>52</td>
<td>59.1%</td>
</tr>
<tr>
<td>10-15</td>
<td>25</td>
<td>28.4%</td>
</tr>
<tr>
<td>15-20</td>
<td>7</td>
<td>8%</td>
</tr>
<tr>
<td>20-Above</td>
<td>4</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>Education level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate level</td>
<td>8</td>
<td>9.1%</td>
</tr>
<tr>
<td>Diploma level</td>
<td>19</td>
<td>21.6%</td>
</tr>
<tr>
<td>Degree level</td>
<td>55</td>
<td>62.5%</td>
</tr>
<tr>
<td>Postgraduate level</td>
<td>6</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Designation of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>1</td>
<td>1.1%</td>
</tr>
<tr>
<td>Department manager</td>
<td>4</td>
<td>4.5%</td>
</tr>
<tr>
<td>Supervisor</td>
<td>31</td>
<td>35.2%</td>
</tr>
<tr>
<td>Bank officer</td>
<td>52</td>
<td>59.2%</td>
</tr>
</tbody>
</table>

**Source:** Field data, (2017)

#### 4.1.1 Gender of the respondents

The researcher made a classification of respondents according to sex and helped to get representation of both gender. The classification removed biasness of getting information from a single gender. The findings indicated that between the respondents (88), 50 were male making 56.8% and 38 were female making 43.2%. Therefore this means the representation by of the respondents in this study was free from biasness.
4.1.2 Age Distribution of the Respondents

In this study, the researcher established the age distribution of respondents so as to identify how this demographic feature affects the perceptions of respondents. There was a necessity of assessing the respondents age, as it would have an effect on the way employees behave in an institution. People behave differently and have different perceptions in different age categories.

The findings revealed that among respondents 22 (25%) were aged between 20-29, 35 (39.8%) were between 30-39, 23 (26.1%) were between 40-49 while 8 (9.1%) were above 50. From the findings it is evidenced that the majority of the respondents were aged between 30-39, which showed that most of the respondents were below 50 years. Actually this implied that there was accuracy in the response given by the respondents as most of them were in a position to point out there views correctly just as it is.

4.1.3 Work experience of respondents

This study established the number of years respondents worked with NMB bank in different positions they are.

Results from the findings indicated that 52 (59.1%) of the respondents worked for the institution in a period between 5-10 years, 25 (28.4%) worked between 10-15 years, 7 (8%) spent between 15-20 years with the institution, while only 4 (4.5%) made a total of respondents who worked with the institution for more than 20 years. This correspondence implied that most of the respondents did not work with the organization for a long time which suggests that they still have cautiousness with their work and very few escape their attention. In fact they formed a strong basic as a source of information as respondents can get information attentively.

4.1.4 Education level of respondents

In this study the researcher classified the respondents according to their education level so as to get information and know the exact number of respondents in each category of education.
The findings revealed that 8 (9.1%) had a certificate level, 19(21.6%) had a level of diploma, 55(62.5%) had bachelor degree in the institution while only 6 (6.8%) had attained post graduate level of education. This indicated that there were different levels of education between the respondents making even distribution of education level through their qualifications and therefore were a good sample to provide the information required. Therefore the researcher obtained data required which were relevant.

4.1.5 Designation of respondents

The study grouped the respondents according to their involvement with the institution. The findings identified that majority of the respondents 52 (59.1%) were bank officers while 31 (35.2%) were supervisors. Among the respondents 4 (4.5%) were department managers and only 1 (1.1%) was a manager (zonal manager). The distribution was fair and therefore the response was unbiased.

4.2 Nature of training attended by the respondents related with budgetary control

In this study, the researcher assessed the budget control techniques and training provided to the respondents so as to identify how the institution updates its workers. The findings are shown in Table 4.2 bellow:

<table>
<thead>
<tr>
<th>Nature of training</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>study leave</td>
<td>14</td>
<td>15.9</td>
</tr>
<tr>
<td>work shops</td>
<td>32</td>
<td>36.4</td>
</tr>
<tr>
<td>Seminars</td>
<td>42</td>
<td>47.7</td>
</tr>
<tr>
<td>Total</td>
<td>88</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, (2017)

The study identified that a majority of the respondents, 42 (47.7%) took training on budgetary techniques through seminars, 32 (36.4%) of the respondents were trained through workshops while only 14 (15.9%) were trained through study leave. This
correspondence proved that majority of the respondents had adequate knowledge about budgetary control techniques for this survey.

4.3 The relationship between budgetary planning and financial performance

The study required to establish the relationship between budget planning and financial performance so as to see the correlation which exists. The findings are presented in Table 4.3 and 4.4 bellow:

**Table 4.3 Correlation between budgetary planning and financial performance**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation value</th>
<th>Financial performance</th>
<th>Budgetary planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.511***</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>88</td>
<td></td>
<td>88</td>
</tr>
<tr>
<td>Budgetary planning</td>
<td>Pearson Correlation</td>
<td>.511***</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>88</td>
<td></td>
<td>88</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

**Source: Field data, (2017)**

According to Table 4.3, financial performance has a relationship with budgetary planning. The correlation between budgetary planning and financial performance is 0.511, which means that one level increase of budgetary planning will lead to 0.511 higher financial performances. The chance of this correlation coefficient to occur is 0.000. This coefficient shows that there is a significant statistical positive relationship between budgetary planning and financial performance (r=0.511, p<0.01).

Findings also in Table 4.3 show that, there is a moderate positive relationship between budgetary planning and financial performance. NMB has a clear prior identification of programs, realistic goals and attainable objectives as part of budgetary planning process.
These results are in agreement with the prior study done by Otley (1997) who noted that program activities and group (employees) discussion should be done. In her study, she reminded that there is a close relationship between financial performances and resource allocation (through planning).

**Table 4.4** Perceptions of respondents on the existing relationship between budgetary planning and financial performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear program activities are indicated prior</td>
<td>7</td>
<td>10</td>
<td>9</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Discussion with my team about the targets to be met</td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>47</td>
<td>32</td>
</tr>
<tr>
<td>We identify high priority programs to include in budget</td>
<td>8</td>
<td>27</td>
<td>6</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>We know the type and level of resource to provide through planning</td>
<td>7</td>
<td>20</td>
<td>7</td>
<td>25</td>
<td>29</td>
</tr>
</tbody>
</table>

**Source: Field data, (2017)**

The findings of the study showed that, 62 (70.5%) of respondents agreed that there are clear program activities are indicated prior, 79 (89.8%) were in support with the statement that they always have a discussion with their teams about the targets to be met, 47 (53.4%) agreed with the statement that they identify the programs with high priority to subject them in the budget while 54 (61.4%) of total respondents were of the opinion that they know the type and level of resources to provide through planning.

Evidence from the findings shows that program activities are indicated prior and targets to be met are well discussed with the teams in an institution. This could be because knowing the targets to achieve ensures a logical road map for implementation of firm’s activities which contributes to the institution financial performance. Planning is an essential tool for budget control since it helps the management to anticipate challenges and failures and know earlier what measures to take for the anticipated situation to be controlled.
Sizer (1989) is in supportive with the study findings that program activities are prior indicated. In his study, he noted that there is a necessity to indicate program activities so as to secure a systematic use of resources within an organization. Also Otley (1997) noted that program activities and group (employees) discussion should be done. In her study, she reminded that there is a close relationship between financial performances and resource allocation. In short she argued that financial performance is greatly affected with the way resources are prioritized and allocated.

4.4 The relationship between budget monitoring and financial Performance

The second objective in this study was to identify the relationship between budget monitoring and financial performance in NMB Tanzania. The correlation between budget monitoring and financial performance as shown in table 4.5 is -0.200

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation value</th>
<th>Budget monitoring</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget monitoring</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-.200</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.062</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Financial performance</td>
<td>Pearson Correlation</td>
<td>-.200</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.062</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data, (2017)

The study results revealed that an increase in one level of budgetary control results to 0.2 increases (higher) in the level of financial performance. The probability of occurrence by chance for this correlation coefficient is 0.062. This coefficients implicates that there is no statistically relationship between budget monitoring and financial performance (r=0.200, p=0.062)
The findings showed that a total of 84 respondents which is 95.4% agreed that there is a continuous comparison of budgets and actual results, 72 (81.9%) agreed that adjustments are done whenever need arises to the institution, 24(27.3%) were of the opinion that the top management review the budget through conferences, 57(64.7%) said that there is a high level of monitoring budget while 68(77.2%) supported that budget deviations are frequently monitored.

In this study it is clear that a continuous comparison of budgets and the actual results is well done. This may be due to a number of reasons like; deviations may occur at any time and need to be monitored. This could also be because of indifferences that exist between workers ability (efficiency). Due to this fact there is a necessity for the company to have a continuous comparison of the budget and the actual results so as to control and ensure that there are little deviations or not at all from what is in the budget already. All this should be done to ensure smart results are established.

This result is in line with Bristol (1981) who had noted that budget can effectively be monitored through the use of benchmarks frequently. In her study she wrote that an
organization must review its budget every month to ensure it is in line with the company objectives. Lyson and Farrington (2006) are in line with the study that a continuous comparison of the budget targets and actual results is an effective way to manage an institutional budget. In their study they established the need of budgets to be reviewed frequently (quarterly) in order to have consistency in the data about the budget needs and to get updated.

4.5 The relationship between budgetary participation and financial performance

The third objective in this study was to identify the relationship between budgetary participation and financial performance in NMB Tanzania. The correlation between budgetary participation and financial performance is shown in table 4.7:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation value</th>
<th>Budgetary participation</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary participation</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.045</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.679</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Financial performance</td>
<td>Pearson Correlation</td>
<td>.045</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.679</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>88</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: Field data, (2017)

From Table 4.7, the correlation coefficient between budgetary participation and financial performance is 0.045 and the probability of 0.679. This coefficient from the results proves that there is a perfect independency between the two variables (budgetary participation and financial performance (r=0.045, p>0.05).

The study revealed that there is no correlation between budgetary participation and financial performance because employees of NMB are not involved in the budget process. Instead the top management and head of departments take the overall department needs and impose the budget figures.
This result differs from that of Sizer (1989) who signified the importance of participatory budgeting through involving each member of the company in budget preparation.

Table 4.8 Perceptions of respondents on the relationship between budgetary participation and financial performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am involved in the budget process</td>
<td>18</td>
<td>40</td>
<td>10</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Employees are given support by the manag</td>
<td>20.5%</td>
<td>45.5%</td>
<td>11.4%</td>
<td>14.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Employees are given support by the manag</td>
<td>22.7%</td>
<td>31.8%</td>
<td>11.5%</td>
<td>17.0%</td>
<td>17.0%</td>
</tr>
<tr>
<td>All departments are involved</td>
<td>16</td>
<td>17</td>
<td>6</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>Views of all stakeholders are concerned</td>
<td>18.2%</td>
<td>19.3%</td>
<td>6.8%</td>
<td>22.7%</td>
<td>33.0%</td>
</tr>
<tr>
<td>Views of all stakeholders are concerned</td>
<td>22.7%</td>
<td>23.9%</td>
<td>9.1%</td>
<td>12.5%</td>
<td>31.8%</td>
</tr>
</tbody>
</table>

Source: Field data, (2017)

From the findings only 20 (22.6%) agreed that they are involved in the budget process, 30 (34%) were of the opinion that employees are given support by the top management, 49(55.7%) of the respondents agreed the statement that all the departments are involved in the budgets while 39(44%) supported that the views of all stakeholders are taken in the budgets to be considered.

Majority of the respondents agreed that all the departments are involved in budget process and the views of employees’ from various departments are considered. This is very important for the institution because it gives chance to all the stakeholders by considering their views.

The results are in line with the study of Arora (1995) that participative budgeting should be used in an institution. He suggest more further that the involvement of employees in the budget process should go together will taking their views regularly so as to ensure all the budget needs in each department are taken into consideration so as to have clear and accuracy in the actual results.
Cook (1968) revealed that departments’ involvement in the budget process in an institution should be done to assist the top management with relevant information and budget issues in order to have timely implementation of the budget plans. The study further insists that in order to have a systematic budget follow up then every employee should be involved in the budget process.

4.6 Financial performance indicators based on respondents perceptions

The researcher investigated the financial performance indicators. The bellows were the findings as seen in Table 4.9:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>38</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>1.1%</td>
<td>3.4%</td>
<td>.0%</td>
<td>43.2%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Return on assets</td>
<td>4</td>
<td>8</td>
<td>6</td>
<td>50</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>4.5%</td>
<td>9.2%</td>
<td>6.8%</td>
<td>56.8%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Return on investment</td>
<td>1</td>
<td>7</td>
<td>8</td>
<td>34</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>1.1%</td>
<td>8.0%</td>
<td>9.1%</td>
<td>38.6%</td>
<td>43.2%</td>
</tr>
<tr>
<td>Cash flows</td>
<td>5</td>
<td>12</td>
<td>11</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>5.7%</td>
<td>13.6%</td>
<td>12.5%</td>
<td>45.5%</td>
<td>22.7%</td>
</tr>
</tbody>
</table>

Source: Field data, (2017)

From the findings, 84 (95.5%) agreed to the statement that profitability is among the financial performance indicator, 70 (79.5%) agreed that return on asset is an indicator of financial performance, 72 (81.8%) of the respondents agreed that return on investment is an indicator for financial performance while 60 (68.2%) were of the opinion that cash flow is an indicator of financial performance in their institution.

It is well evident that profitability is one among the financial performance indicators, and the reason behind it could be because in any business the main objective is to maximize profit and the institution has put emphasis toward achieving this target and it’s what makes it a financial performance indicator.

The results are supported with the study by Oden (2010) that despite organizations using different techniques and ways to measure financial performance, using profit is
can be an effective way to measure financial performance if it is done correctly and accurately but further noted that profitability is not the only way to measure performance since organization’s wealth is more than just tangibles.

4.7 Relationship between budgetary control and financial performance

This study used the regression model to assess the relationship between budgetary control and financial performance. Regression model was also used to identify how budget monitoring, budgetary participation and budgetary planning contribute to financial performance of an institution. The summary from the model indicated that 21.6% of the data is accounted in the regression model with the value of R Square 0.216 but the model showed that there was significance which justifies the truth that the regression model was not computed by chance. This resulted to the credibility and reliability of the regression model

Table 4.10 Results of Regression Analysis on the relationship between budgetary control and financial performance (n = 88)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Std Errors</th>
<th>Coefficients</th>
<th>T-ratios</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary Planning</td>
<td>0.092</td>
<td>0.426</td>
<td>4.648</td>
<td>0.000*</td>
</tr>
<tr>
<td>Budgetary participation</td>
<td>0.052</td>
<td>0.018</td>
<td>0.350</td>
<td>0.728</td>
</tr>
<tr>
<td>Budget monitoring</td>
<td>0.066</td>
<td>0.016</td>
<td>0.245</td>
<td>0.807</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.610</td>
<td>2.517</td>
<td>4.124</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

R2 = 21.6%
Adjusted R2 = 18.8%
F-Value = 7.727

*Note: * and ** Significant 5%.

Dependent Variable: financial performance (Continuous variable)

Source: Field data, (2017)

Based on Table 4.10, the regression model fits the data and the variables explained about 21.6% of the total financial performance in 2017. The significant value of F
statistics 7.727 indicated the significant impact of the three variables (budgetary planning, budget monitoring and budgetary participation) on financial performance in financial institution.

Based on the study results, the results in Table 4.10 show that the coefficient of budgetary planning (0.092) was significant (p=0.000) and positively affect financial performance. The notion was that, having prior plans of the institutional operations is very important as it helps to determine the direction of the institution and enhance financial performance. In this study, however, the study findings are in line with the findings of Otley (1997) who noted that program activities and group (employees) discussion should be done. In her study, she reminded that there is a close relationship between financial performances and resource allocation.

Based on the survey results, Table 4.10 indicates the coefficient of budgetary participation (0.052) was insignificant and positively affects financial performance. This implied that there was no significant relationship between budgetary participation (p=0.728) and financial performance. In this study, however, the study findings were in contrast with the findings of Sizer (1989) who signified the importance of participatory budgeting through involving each member of the company in budgets preparation.

Based on survey results, Table 4.10 show that, the coefficient of budget monitoring (0.066) was insignificant and positively affects financial performance. The notion is that, monitoring and controlling the budget depends on the level of planning subjected by the management in an institution. In this study, however, the study findings are in line with Bristol (1981) who had noted that budget can effectively be monitored through the use of benchmarks frequently. In her study she wrote that an organization must review its budget every month to ensure it is in line with the company objectives.

In evaluating the regression model for institution financial performance with the study indicators, the researcher evaluated the standardized coefficients on the variables and presented the regression equation (table multiple linear) bellow;
Financial Performance = 2.517 + 0.426(budget planning) + 0.16 (budget monitoring) + 0.18 (budgetary participation) + 0.610 (standard error)

In this study, the findings indicated that budgetary planning was a very essential and significant tool for budgeting in overall institution financial performance. The implication of this statement is that, despite budget monitoring and participation being used as budgetary control tools, budget planning is the most effective and significant factor because planning contribute in financial performance of the institution.

The study findings are in agreement with Lucey (2003) as she noted that although budget monitoring and participative budget are used by the management, budget planning is still a vital and a very important tool because with planning it ensures an optimum resource allocation and decrease possible budget deviations.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS OF THE STUDY

5.0 Introduction

In this chapter the researcher dealt with study objectives, providing the summary of the findings, conclusions and recommends what ought to be done so as to improve the whole budgeting process. The summary covers the information of respondents and recommendations on the existing relationship between budgetary control and financial performance.

5.1 Summary of the findings

This section presents the summary of the findings from the study. Under this the section the relationship between budgetary control as per objectives and financial performance is summarized, recommendations and conclusion as follows;

5.1.1 The relationship between budgetary planning and financial performance

According to the study findings, 70.5% were in agreement with the fact that there is a prior indication of the program activities, 89.8% of the respondents were of the opinion that they discuss with their team the targets to include in the budget, 53.4% supported that they identify programs with high priority to include in the budget while 61.4% agreed that they know the type and level of resources to allocate through planning.

It is evident from the study findings that there is a clear indication of program activities initially. This could be due to the fact that planning for program activities initially avoids the misuse of resource and therefore optimum resource allocation which gives a bright way for financial performance.

The study by Sizer (1989) is in agreement with the study findings there a prior indication of program activities. In his findings, he revealed that there should be a prior indication of program activities to ensure a systematic flow of activities within organizations. Otley (1997) also support that program activities should be indicated
prior. In her study, she postulated that organizations financial performance is widely affected with how its program activities are prior indicated and prioritized.

5.1.2 The relationship between budget monitoring and Firm’s Financial Performance

In this study there was an establishment that 95.4% of the respondents agreed that budgets are actual results comparison is a continuous process in the institution, 77.2% accepted that budget deviations that arise in different moment are monitored frequently, 81.9% of the respondents were of the view that budget adjustments are done whenever necessary, 64.7% agreed that there is a high level of budget monitoring while only 27.3% had agreed that the top management review the budget through conferences to evaluate performance.

The evidence from the study shows that continuous comparison of budgets and actual results is well implemented. Comparison of budget and actual results is done because of the frequent deviations that may occur at any point of time. Another reason could be due to difference of accuracy and efficiency between workers in their operations.

The study results are in line with Bristol (1981) that the best and most effective technique to manage the budgeting process is by developing regular benchmarks to monitor the budget continuously.

In her study, she further noted that the budget of the company needs to be reviewed every month so as to ensure it is in line with the company objectives and requirements.

Lysons and Farrington (2006) also are in line with the study findings as they accepted that continuous comparison of the two (budgets and actual results) manages the budget effectively. In their study they offered a knowledge that institution budget needs to be reviewed at least quarterly so as to keep the process updated and consistent.
5.1.3 The relationship between budget participation and financial performance

In this study the findings revealed that 55.7% of the respondents agreed that all departments in the institution are involved in the budget process, 44% were of the opinion that the views from the stakeholders are taken into consideration, 34% of the respondents were of the opinion that they get support from the top management while only 22.6% were in agreement with the statement that they are involved in the budgeting process.

Majority of the respondents were in agreement with the statement that all departments take part in budget and they are involved. This could be because in an institution there are different departments with different budget needs, this makes it vital to consider every department in the budget.

Arora (1995) is in supportive with the study findings that for the budget to bring positive actual results the needs of each section in an institution have to be considered. This should go together with taking the views of employees in the sections to the budget.

Cook (1968) in his study of budgeting insisted on participative budgeting being a tool to control budget. He noted that in order to have a significant advantage from budgets, organizations should make sure they involve their stakeholders and all departments in the budgeting process every time they start the process (budgeting).

5.2 Conclusions

Due to the findings presented, budgetary planning is a strong tool for budgetary control process in a given institution. Institutions are expected to give budgetary planning the highest priority in controlling their budgets. This could be in agreement with the fact that budgetary planning affects the budgetary control process and together have a significant contribution in the institution financial performance. Actually budgetary planning gives the institution assurance that it will be able to meet the planned needs in order of preference and priority. This gives confidence
that there will always be achievements and strong financial performance in the institutions.

Profitability is part of financial performance indicator in institutions, this has been due to the fact that profits receive by institutions gives the full picture of the performance of the institution, how it has done in the market and if the investments have bring positive results hence it is an indicator of financial performance. Getting healthy profits could be the result of a good cooperation between the management team and employees in the whole process of budgeting. That’s why profitability results target is a good financial performance indicator that should be used by institutions.

5.3 Recommendations of the study

In light of the study findings, the following are the recommendations of the study and suggestions of areas for further studies;

5.3.1 Policy Recommendations

From the study findings the bellow are the policy recommendations;

i) Based on the findings, institutions should target to the programs with high priority to include in the budget so that an institution to have a competitive advantage over their rivals (competitors).

ii) Findings showed that employees are not fully involved in the budget process this results to imbalance of the budget process and decisions which lead to poor results. In this view, the study therefore recommends that, the top management should involve all the employees especially those in the sections with direct effect (customer service department) to the performance of the institution so as to know their views and contribution to the budget.

iii) Based on the study findings, it was evidenced that the top management does not review its performance through meetings and conferences. In this view, therefore the study recommends that, the top management should ensure that
the performance of the institution is reviewed through conferences where all
the members may share views and opinions about budgeting. There holding
conferences should be of importance to the budget process.

Therefore, for the institution to ensure high financial performance all these
recommendations should be put in action. Actually by practicing the actions
proposed by the study an institution will then realize better organization
performance.

5.3.2 Suggestions for Further Studies

In this study, the general objective was to analyze the role played by budgetary
control system on financial performance in financial institutions in Tanzania.
However, examining the relationship between budgetary control system and financial
performance of financial institutions is very important.

The purpose of this study was only limited to identify the existing relationship
between budgetary control and financial performance in financial institutions. In fact
there are some areas that the study didn’t touch such as assessing the impact of
budgetary feedback in the performance of institutions, assessing the impact of
budgetary process as whole to the performance of an institution and also the direct
effect of budget control systems to financial performance was not touched but only
ascertain the relationship between the two. Therefore, the study recommends further
studies to be conducted in the following areas;

i) The research can be done to assess the effectiveness of budgetary
feedback on financial performance

ii) Furthermore, the study can be done on the assessment of the impact of
budget process on financial performance in financial institutions

iii) Finally studies should be conducted to assess the direct effects of budget
control systems on financial performance rather than identifying the
relationship that exists
REFERENCES

Accounting, organizations and society, Volume 25, issue 6, august 2000 pages 609-622.

Ahmed .Z.U (2005), Implementing participatory Budgeting approach in least Developed countries (LDC); Myth and Reality, the cost and management.33/4 pp.75 -84.

Badu, D. (2011). An investigation of budgeting and budgetary Control at Ernest Chemist Laurea, Published BBA Degree, University of Applied Sciences


Mashindano J. (2007) “budgeting for outcomes-linking budget with MKUKUTA”

Mc wally, R.(2002),`` The annual Budgeting process Accounting Ireland, Vol. 34 No1, pp.10-12


Prendergast, P. (2000) "Budgets hit back” management Accounting, pp14-16 58


APPENDICES

APPENDIX 1: QUESTIONNAIRE FOR NMB BANK ZONAL OFFICE EMPLOYEES

Section A: Personal Data

1. Kindly indicate your gender. (Tick as appropriate)

Male [ ]
Female [ ]

2. Age of respondent

20-29 [ ]
30-39 [ ]
40-49 [ ]
50-59 [ ]
Above 60 [ ]

3. Tick for how long you have worked in this organization.

5-10 years [ ]
10-15 years [ ]
15-20 years [ ]
20 years and above [ ]

4. Tick the highest level of education attained.

Certificate level [ ]
Diploma level [ ]
Graduate level [ ]
Post Graduate level [ ]

5. Identify below by ticking (✓) as to how you are associated with NMB.

Top Management [ ]
Departmental Head [ ]
Section Head [ ]
6. Tick which of the following training on budgetary control techniques you have undergone.
   Study Leave [ ]
   Workshops [ ]
   Seminars [ ]

**SECTION B: FINANCIAL PERFORMANCE**

7. Respond whether you agree or disagree with the following as basic financial performance indicators in your institution and provide your own views
   i) ……………………………………………………………………………………
   ii)…………………………………………………………………………………

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION C: BUDGET PARTICIPATION

8. Kindly indicate the extent to which you agree or disagree with the following statements and provide your own views

i) ………………………………………………………………………………………………………

ii)……………………………………………………………………………………………

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am involved in the budget process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are given support throughout the budget by the management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All the sections(departments) are involved in the budget setting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The views of all stakeholders to the budget are considered</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION D: BUDGET MONITORING

9. Please respond by indicating the extent to which you agree or disagree with the below statements and provide your own views

i) ……………………………………………………………………………………………

ii)…………………………………………………………………………………………

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparing budget and actual results is a continuous process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance is reviewed through budget conferences by the top management.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The level of monitoring budget in the institution is high</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deviations are monitored frequently.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments in the budget are done whenever necessary.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**SECTION E: BUDGET PLANNING**

10. Indicate the extent you agree or disagree with the statements below and provide your own views

i) ………………………………………………………………………………………………………

ii) ………………………………………………………………………………………………………

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Not sure</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program activities are clearly indicated.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are clear target results in the budget.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We discuss with my team the targets to be met.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We identify programs with high priority to include in the budget.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs and plans are the basic tools in allocating financial resource.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We know the type and level of resource to provide through planning.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 2: The relationship between budgetary control and financial performance as depicted in the regression model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.465a</td>
<td>.216</td>
<td>.188</td>
<td>.693</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), monitoring, planning, budgetary participation

Source: Field data, (2017)

The summary from the model indicated that 21.6% of the data is accounted in the regression model with the value of R Square 0.216 but the model showed that there was significance which justifies the truth that the regression model was not computed by chance. This resulted to the credibility and reliability of the regression model.
APPENDIX 3: The relationship between budgetary control and financial performance as depicted in the regression model

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>11.126</td>
<td>3</td>
<td>3.709</td>
<td>7.727</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>40.317</td>
<td>84</td>
<td>.480</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>51.443</td>
<td>87</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), monitoring, planning, budgetary participation
b. Dependent Variable: financial performance

Source: Data analysis in this study, (2017)