EFFECTIVENESS OF BUDGETING PROCESS IN PUBLIC SECTORS:
A CASE STUDY OF TEMEKE MUNICIPAL COUNCIL
EFFICIVENESS OF BUDGETING PROCESS IN PUBLIC SECTORS
THE CASE STUDY OF TEMEKE MUNICIPAL COUNCIL

By
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A Dissertation Submitted in Partial / fulfillment of the Requirements for the Award of the degree of Masters of Science in Accounting and Finance (MSc A& F) of Mzumbe University

2012
CERTIFICATION

The undersigned person certifies that he has read and hereby recommends for acceptance by Mzumbe University, the research paper entitled “Effectiveness of budgeting process in public sectors: A case study of Temeke Municipal Council (TMC)”, in partial fulfillment of the requirements for the award of the Master Degree in Finance and Accounting at Mzumbe University.

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I, Rahel Hakam do here declare that this research dissertation is my original work. It has not submitted for similar award to any other university or other higher learning institution.

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DEDICATION

This work is dedicated to my parents Mr. and Mrs. Hakam Hassanary who laid down the foundation of my education and whose love and devotion make my life worth living. I also dedicate it to my beloved husband Mr. Chanzi Sylvester Massawe our children Careen Chanzi Massawe and Caitline Chanzi Massawe and finally to my Almighty LORD who were the fountain of my aspiration towards the accomplishment of my long journey in education.
ABSTRACT

This study was about the effectiveness of budgeting process in public sectors, where by the researcher considers Temeke Municipal Council (TMC) as a case study.

Budget as the major process to ensure survival and attainment of organization goals has to be performed and manage well. Many organizations fail to achieve its objectives set despite having a budget. This is due to the improper planning on revenue collection and generation as well as expenditure of the organization and ignorance of other important aspects of budgetary control such as well trained staff and uncertainty amount of fund available.

Budget is tools for organization to manage the plans to meet its intended goals. The organization should be aware of their objectives and goals when preparing their budgets.

Therefore this dissertation is intended to evaluate the effectiveness of budgeting in achieving an organization goal.

This research considers both qualitative and quantitative approaches, where by a sample sizes of twenty respondents were considered as an optimum one. These samples consider employees from finance, planning, and internal audit and managements departments of the municipal council. Fortunately, all targeted respondents respond to the questions. Findings from both respondents were critically analyzed in accordance with the pre stated research objectives and questions. The researcher found that, to a large extent there is effectiveness of budgeting process in public sectors and this is due to the achievements comes from the budgeting process system in all affairs. The researcher found that the expansion of revenue collection and good performance of the management are the good results of the budgeting system. Otherwise, the researcher suggests that all public sectors should have the budgeting system and the budget planners should ensure the budget correspond with their policies.
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CHAPTER ONE

PROBLEM SETTING

1.1 Background to the Problem

Budgeting is the process of planning for the available resources so that they can be used in most efficiency manner to maximize the production of an organization. In researcher’s perspective budgets are short terms or long terms planning that are quantified in financial terms. When budget cover a period of one year or less it is a short term plan and when it covers two year or more it is a long term planning.

The reason that organization makes budgeting according to Mwisho (2004) is to set some targets that are to be attained for the specified period of time. In order for performance to improve budgets must be set within the organization in a manner which is rational and transparent and adequate feedback on financial performance is provided.

Rather than being used as pressure device, the budget should be used as positive instrument to assist in establishing goals, in measuring operating results and in isolating areas that are in need of extra effort or attention. Administration of a budget program requires a great deal of insight and sensitivity on the part of management. The ultimate object must be to develop the realization that the budget is designed to be a positive aid both in achieving individual and organizational goal. (Garrison 2000), because budgeting allocates resources, the budgeting process to a large extent determines which department gets more resources and which get less. Also the budget sets the benchmarks by which the managers and their departments will be at least partially be evaluated. (Procurement Journal Volume 1 No.7)

In researcher’s perspective running a successful budgeting program that avoids interoffice battles requires considerable interpersonal skills in addition to purely
technical skills. An effective budgeting system will help to deal with all challenges but in current situation it is not clear how effective budgeting system is in practice.

1.2 Statement of the Problem

Budget as the major process to ensure survival and attainment of organization goals has to be performed and managed well. Budgeting process must include three interrelated concepts which are transparency, accountability, and participation. While transparency, accountability, and participation in budget processes often go hand in hand, we should be wary of conflating them. Most of the cited studies points out various problems experienced by public sectors including low level of revenue and tax education to most revenue collectors, non-adherence to financial rules and regulations, low application of simplified technology in billing and revenue collections. Most of these studies were conducted in different public sectors trying to depict the main challenges facing these sectors specifically. However, challenges may differ from one sector and other depending on the nature of activities in the given sector which necessitates other researches to be conducted.

Robinson (2006) explains the trend toward greater openness in public budget processes as resulting from the confluence of several factors, the democracy and good governance agenda of the 1990s, the emergence over the past two decades of a large number of independent “budget groups in developing and transitional countries, the political momentum around participatory budgeting with its origins and a growing recognition of the centrality of state budgets in reflecting government policy preferences at a time that public expenditure management has become an increasingly important facet of development policy.

Kaliso Dafrosa M, Tanzania in (March 2000) conducted a research on ‘Budgeting with its limitations’ a case study of NSSF Morogoro, she reveals that the major problems in developing a budgeting system are such as, seeking the support and involvement of all level of management, developing meaningfully forecast and plans especially the sales plans, educating all individual to be involved in the budgeting process and gaining their full participation, establishing realistic objectives, policies, procedures
and standards of desired performance. Additionally, much less attention has been paid to the revenue side of the budget process than to the expenditure side.

As Brautigam (2004) notes, “participation focused on the social expenditure side of the budget may neglect the revenue side; this might miss opportunities to strengthen the sustainability of pro-poor spending as well as accountability for the success or failure of budget and look more broadly at “what works” beyond targeted interventions.

1.3 Research Gap

Various authors have conducted studies on effectiveness of budgeting process in public sectors. Most of the cited studies points out various problems experienced by public sectors including low level of revenue and tax education to most revenue collectors, non-adherence to financial rules and regulations, low application of simplified technology in billing and revenue collections. Most of these studies were conducted in different public sectors trying to depict the main challenges facing these sectors specifically. However, challenges may differ from one sector and other depending on the nature of activities in the given sector which necessitates other researches to be conducted. Time elapsed since undertaking of these studies, also necessitates other researches on similar issue to see whether the situation has changed or the previous problems have been solved. By employing Temeke municipal council as a case study, this study analyses the main challenges which are facing the municipal given the changing business environment and dynamics in the global economy which have direct impact to the country and the rest of the world. Since this is the council within Dar es Salaam city which is an economic hub of the country, its challenges are considered to be cutting across all municipals and the possible solutions suggested can be applied in most municipals and district councils in Tanzania.
1.4 Research Objectives

1.4.1 General Objectives

The target of this study is to assess the effectiveness of budgeting process in public sectors through pointing out various problems experienced by public sectors in budgeting and budgetary process, also low level of revenue and tax education to most revenue collectors and non adherence to financial rules and regulations.

1.4.2 Specific Objectives

So as to assist in achieving the above, the following objectives used as the ones to provide the researcher with the path to follow through for proper analysis and from it obtain a meaningful conclusion

(i) To access the impact of budgeting control system on achieving the organization goals
(ii) To evaluate budgeting procedures used on achieving organization goals
(iii) To access if the organization preparing its budget with accordance to its policies
(iv) To examine the outcomes of budgeting controls deviations.

1.5 Research Questions

The questions below supported the researcher on the process of data collection.

(i) How does budgeting control system contribute to the effectiveness of achieving the organization goal?
(ii) What are budgeting procedures used to achieve the organization goals?
(iii) Is the organization preparing its budget accordance with the policies established?
(iv) What is to be done in case of deviations of budgeting controls in an organization?

1.6 Scope of the Study

The study conducted within four departments of Temeke Municipal Council. These departments are Finance department, Planning department, Internal Audit department
and Management department. Five employees in each department involve in study to reach the target of twenty respondents within organization.

1.7 Significance of the Study
Significance of the study conducting a research lies on the need to contribute by either providing solution to the problem or generating knowledge to the existing stock of knowledge. The practical or theoretical contributions expected in this study are such as follows:

To Researcher
The study expected to meet the researcher desire, that is to acquire academic or professional objectives thereby being awarded master degree in accounting and finance and also meeting the researcher curiosity in the content of widening the existing band of knowledge.

To the Scholar/Academics
As a result of the research findings, the generated facts and recommendations are to be stored in libraries, books and magazine which add up to existing knowledge that will be used by other Academics for the sake of reading/conducting further studies in the field.

To the Organization
The findings will help the organization to evaluate the effectiveness of budgeting process on setting its goals. It also increases the confidence to the organization on its operations during the financial year.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter gives the theoretical and empirical literature review of the study. Under literature review then I concerned with the reading of different books, articles and various reports founds in different libraries and in the websites. This was done with the purpose of better understanding the research topic and searching for ideas, unsolved problems, conclusions, recommendations and the recommended areas for the further research.

2.2 Theoretical Literature Review
2.2.1 Budget
According to Gernson and Norren (2000) A Budget is a detailed plan for the acquisition and use of financial and other resources over specified time period it represent a plan for the future expressed in formal quantitative terms. The act of preparing is called budgeting. The use of budgets to control firm’s activities is known as budget control. The master budget is a summary of a company’s plans that sets specific targets for sales, production, distribution and financing activities. It generally culminates in cash budgets budgeted income statement and a comprehensive expression of managements the future and how these plans are to be accomplished.

Hongren (1997) defined budget as a qualitative expression of plan of action and aid to coordinate and implement budget process is a part of a large system that involve setting objectives, considering alternative programmed, implementing program and incorporate it into the long-range plan through the budgeting process. Ronald (1994) defined budget as detailed plan, expressed in quantitative terms that specifies how resources will be acquired and used during a specified period of time. A procedure used to develop a budgeting is a budgeting system.
Lucy, T (1996) argues that a budget is a short term plan usually developed within a framework of the medium to long term corporate plan. The budgetary process encompassing budgetary planning and budgetary control is the way that the corporate plan is implemented period by period.

A budget is a plan for how much money you have and how much money you spend. Sticking to the realistic budgets allows business to pay its debts and allows saving for the proverbial rainy days. This is according to Eugene F.Brigh and Joel F.Houston (2006).

Shilling Law (1996) said budget reflect what management has decided to do and what it expect to accomplish by doing so. He concluded that budget is a qualitative expression of plan of an organization.

2.3 Budgeting
Budgeting is a critical step in planning and controlling day to day operations. It also a time consuming malt – layered and complex process. To stream line the budgeting process and ensure more timely and accurate budgets companies place great value as a formalized process that produces accurate budgets.

Therefore budgeting is a process of translating planning and programming decision into specific projected financial plans for relatively short period of time. Budgets are short range segment of actions programs adopted that set out planned accomplishment and estimate the resources to be applied for the budget period in order to attain that accomplishment.

2.4 Zero-based Budgeting
The problem of budgetary slack is particularly acute when the prior year’s budget is used as the starting point for preparing the current budget. This is called incremental budgeting. It is presumed that established levels from previous budgets are an acceptable baseline, and changes are made based on new information. This usually
means that budgeted amounts are incrementally increased. The alternative to incremental budgeting is called “zero-based budgeting.”

With zero-based budgeting, each expenditure item must be justified for the new budget period. No expenditure is presumed to be acceptable simply because it is reflective of the status quo. This approach may have its genesis in governmental units that struggle to control costs. Governmental units usually do not face a market test; they rarely fail to exist if they do not perform with optimum efficiency. Instead, governmental entities tend to sustain their existence by passing along costs in the form of mandatory taxes and fees. This gives rise to considerable frustration in trying to control spending. Some governmental leaders push for zero-based budgeting concepts in an attempt to filter necessary services from those that simply evolve under the incremental budgeting process. Business entities may also utilize zero-based budgeting concepts to reexamine each expenditure each budget cycle.

While this is good in theory, zero-based budgeting can become very time-consuming and expensive to implement. In business, the opportunity for gross inefficiency is kept in check by market forces, and there may not be sufficient savings to offset the cost of a serious zero-based budgeting exercise. Nevertheless, business managers should be familiar with zero-based budgeting concepts as one tool to identify and weed out budgetary slack. There is nothing to suggest that every unit must engage in zero-based budgeting every year. Instead, a rolling schedule that thoroughly reexamines each unit once every few years may provide a cost-effective alternative.

2.5 Budgetary Control

Budgetary control is both a planning and controlling device. It used to determine progress towards the achievement of short term plans, ensure coordination between key areas of the institution.

Budgetary planning and control is the most visible use of accounting information in the management control process. By setting standard of performance and providing feedback by means of variance reports, the accountant information required for
overall planning and controlling, this is by Emanuel et al (1985). The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements. It enables economies in the enterprise. Some of the advantages of budgetary control are:

Maximization of Profit: The budgetary control aims at the maximization of profits of the enterprise. To achieve this aim, a proper planning and co-ordination of different functions is undertaken. There is proper control over various capital and revenue expenditures. The resources are put to the best possible use.

(i) Co-ordination: The working of the different departments and sectors is properly co-ordinate. The budgets of different departments have a bearing on one another. The co-ordination of various executives and subordinates is necessary for achieving budgeted targets.

(ii) Specific Aims: The plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal of the organization. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims. If there is no definite aim then the efforts will be wasted in pursuing different aims.

(iii) Tool for Measuring Performance: By providing targets to various departments, budgetary control provides a tool for measuring managerial performance.

(iv) The budgeted targets are compared to actual results and deviations are determined. The performance of each department is reported to the top management. This system enables the introduction of management by exception.

(v) Economy: The planning of expenditure will be systematic and there will be economy in spending. The finances will be put to optimum use. The benefits derived for the concern will ultimately extend to industry and then to national economy. The national resources will be used economically and wastage will be eliminated.
(vi) Determining Weakness: The deviations in budgeted and actual performance will enable the determination of weak spots. Efforts are concentrated on those aspects where performance is less than the stipulated.

(vii) Corrective Action: The management will be able to take corrective measures whenever there is a discrepancy in performance. The deviations will be regularly reported so that necessary action is taken at the earliest. In the absence of a budgetary control system the deviation can determined only at the end of the financial period.

(viii) Consciousness: It creates budget consciousness among the employees. By fixing targets for the employees, they are made conscious of their responsibility. Everybody knows what he is expected to do and he continues with his work uninterrupted.

(ix) Reduces Costs: In the present day competitive world budgetary control has a significant role to play. Every businessman tries to reduce the cost of production for increasing sales. He tries to have those combinations of products where profitability is more.

(x) Introduction of Incentive Schemes: Budgetary control system also enables the introduction of incentive schemes of remuneration. The comparison of budgeted and actual performance will enable the use of such schemes.

2.6 Types of Budget
There are three types of Budgets.

(i) Cash Budget

(ii) Capital Budgets

(iii) Income and expenditure budget

2.6.1 The Cash Budget
The Cash Budget is prepared for the purpose of cash planning and control. It defined from income and expenditure and capital and detail expected cash inflow for a designated time period usually for each month or quarter.
2.6.2 The Capital Budget

The Capital budgeting is the list of expenditure and investment intended to be invested for the coming years on capital projects and investments in terms of equipment’s that will form part of the organization fixed asset.

2.6.3 Income and Expenditure Budgets

The income and expenditure budget set out the anticipated running cost of the organization and shows where the funds will be obtained to cover the costs. The annual income and expenditure budget often broken down into shorter period such as monthly or quarterly. An expenditure budget is an umbrella term for the company's overall budget, which outlines the organization’s expected capital expenditures. In order to adequately understand what capital expenditure is, one must first understand that capital in a business sense means, above all else, investment assets for the generation of further assets. While it could be argued that virtually all companies' financial activities are a type of capital expenditure, it makes the most sense to break down the total expenditure budget into categorical subsections to make it easier to report to executives and other relevant personnel. By some definitions, such as the one found on the Business Dictionary's website, an expenditure budget can also be an internal budget for the allocation of pre-purchased production goods, such as raw materials at a manufacturing plant.

2.7 Conceptual Framework

This is a model which shows the relationship between the dependent variables and the independent variable.

A successful and sound budgeting system is based upon certain equities according to Mwisho (2004) these pre requisites represent:

(i) Top Management Support
(ii) Clear and realistic goal
(iii) Assignment of authority and responsibilities
(iv) Creation of responsibility center
(v) Adoption of Accounting system
(vi) Full participation
(vii) Effective communication
(viii) Budget Education
(ix) Flexibility

These can be presented in a conceptual framework model

Source: Researcher Findings

2.8 Purposes of Budgeting
The primary purpose of budgeting mentioned by Mwisho (2002) is as follows:
(i) To state the firm’s expectation in clear formal avoid confusion and to facilitate their attainability.
(ii) To coordinate activities and efforts in such a way the use of resources is maximized.
(iii) To communicate expectation to all concerned with the management of the form so that they are understood supported and implemented.
To provide a detail place of action for reducing uncertainty and for the proper direction of individual and group effort to achieve goals.

2.9 Empirical Literature Review
Empirical research refers to research that relies on experience or observation alone, often without due regard for system and theory. It is a data based research, coming up with conclusions which are capable of being verified by observation or experiment (Kothari, C.R 2004:4)

Number of different scholars and the organization which they are also specialized with research they have done their research concerning to the effectiveness of budgeting process in public sectors worldwide and come up with their own conclusions, here below are some of their findings as described:

2.10 Benefit of Budgeting
According to Nguyen Minh Ngoc, Bangkok, Thailand in (March 1999) researched on ‘How an organization can be benefited from budgeting processes’ he portrayed that the budgeting process can encourage all level of management to think ahead. Budgeting process can enhancing managerial perspective that is to increase managers awareness of the environment in which the organization operates.

Also budgeting provides management with an opportunity to coordinates of activities of different department and make easy performance valuation. He also shows that, the involvement of staffs in budgeting process increases morale on their performance which eventually resulted to high organization achievements.

2.11 Budgetary Slack
According to Webb Kren Dunk, California, USA (June 1993) researched on ‘Outcome accountability pressure on subordinates’ propensity to create budgetary slack’ he suggested that lower level of budgetary slack would be observed when an organization established a policy to investigate favorable budget variances. Webb’s variance investigation policy is exerting accountability pressure which signals to
subordinates that budgetary slack is not desirable and likely increases a superior’s ability to detect slack. The ability of superiors to detect budgetary slack has been found to prevent subordinates’ propensity to create budgetary slack.

Robinson (2006) identifies two dimensions of transparency that are especially pertinent to the budget process: (i) transparency around the sources of data and information used to frame decisions on revenue priorities and expenditure allocations and (ii) transparency in the budget process. He argues that both forms of transparency can help to reduce the scope for corruption. Furthermore, general budget support has become a preferred instrument for many foreign aid donors, who may now take a greater interest in transparency in order to ensure that the funds they put into general government are spent appropriately.

The international community’s interest in improving accountability in the budget process likely stems from effectiveness of government spending. A number of studies have shown that government expenditures are not having the desired effect on health and education outcomes. This has led to important reflection on the part of donor agencies and private foundations as to how to make foreign aid more effective. Improving accountability in the budget process may be one avenue whereby donors can be assured that their money will not be wasted.

Goetz and Jenkins (2005) provide a useful framework for thinking about accountability, which can be applied to budget in order to assess their impact. They first distinguish two important aspects of accountability, weaker form of accountability, which entails having to provide information about one’s actions, and justifications for their correctness, and enforcement stronger form, which entails having to suffer penalties from those dissatisfied either with one’s actions or rationale invoked to justify them.

The quality and extent of citizen participation in the budget process emerges as a key factor determining the potential impact of transparency, and accountability in this sector. Simply placing more budget information in the public domain will not have
an impact unless citizens can understand it, and have the legal and institutional channels to use it.

The study therefore proposes that the presence of outcome accountability pressure reduces budgetary slack. In this study, outcome accountability pressure refers to a requirement for subordinates to justify, be responsible and to provide feedback on their decision choice. We expect outcome accountability to exert the following pressures on subordinates who negotiate with their superior for the final budget target: justification, responsibility and feedback pressures. In a budget negotiation context, we expect such pressure requires the subordinate to provide an explicit justification for their final budget target. It is expected that when individuals know that they have to justify a decision to another person, especially a superior, the accuracy and consistency of decision making tends to increase, and the impact of decision biases such as overconfidence, susceptibility to order effects, and insensitivity to new information, tend to decrease found that justification pressure improved judgment accuracy and consistency.

Outcome accountability pressure signals to individuals that their decision outcomes will be monitored and need to be justified regardless of procedures. If subordinates are held accountable the presence of a mandatory control system should enable superiors to better detect attempts to build slack into budgets. Such fear is therefore expected to discourage and prevent subordinates’ budgetary slack creation.

Therefore, we expect that subordinates experience responsibility pressure as they have to be cautious about their negotiation with their superior regarding the appropriate final budget target. They will have to ensure that the potential budget variances will not be too large in the future which may warrant an investigation by top management.

Finally, individuals who are expected to provide information about their final budget will also experience feedback pressure. Such pressure will deter individuals setting budget proposals below their performance capability level or creating budgetary
slack due to fear of being detected by their superior or being perceived as incompetent.

2.12 Limitation of Budgeting
According to Kaliso Dafrosa M, Tanzania in (March 2000) conducted a research on ‘Budgeting with its limitations’ a case study of NSSF Morogoro, she reveals that the major problems in developing a budgeting system are such as, seeking the support and involvement of all level of management, developing meaningfully forecast and plans especially the sales plans, educating all individual to be involved in the budgeting process and gaining their full participation, establishing realistic objectives, policies, procedures and standards of desired performance, applying the budgeting system in flexible manner and maintaining effective follow up procedure and adopting the budgeting system wherever the circumstances changes.

On her study, she portrayed that budgeting facilitates flow of information from the bottom up for the general planning and from the top down for coordination the budget is used to allocate decision rights different members for the organization and establish performance measure, which are used to reward managers. The information in the budgeting process may be inhibited or biased because the information on used for planning is also used to evaluate individuals.

2.13 Conditions for Effective Budgeting
According to Owaga Saleem, Kenya in (1990) researched on ‘Budgeting system with its conditions’ he reveals that, a good budgeting system should have different characteristics such as, budgeting system should involve person at different levels, budgeting system should have a good accounting system budgeting system should have proper authorization and responsibility, reporting system and results reported should reflect the performance undertaken and the target of the budget should be realistic and the budget system should have whole hearted support of top management.
2.14 Government Budget

Definition

A Government Budget refers to the estimates of government revenue and expenditure in a given year. In Tanzania government budgets are presented to the National Assembly by the minister of finance in June each year. The minister makes the review of government revenue and expenditure on the previous year and makes forecast of government revenue and expenditure for the coming financial year. The budget starts to be implemented after it has been approved by the national assembly.

Example of Budget of Government of Tanzania for the Financial year 2013/2014

<table>
<thead>
<tr>
<th>Budget Revenue</th>
<th>Tzs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Revenue</td>
<td>11,154,071</td>
</tr>
<tr>
<td>LGA own source</td>
<td>383,452</td>
</tr>
<tr>
<td>General budget support</td>
<td>1,163,131</td>
</tr>
<tr>
<td>Foerign loan and Grants including MCA(T)</td>
<td>2,692,069</td>
</tr>
<tr>
<td>Domestic Borrowing</td>
<td>1,699,860</td>
</tr>
<tr>
<td>Non Consescion Borrowings</td>
<td>1,156,400</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>18,248,983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget Expenditure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent</td>
<td>12,574,949</td>
</tr>
<tr>
<td>Development</td>
<td>5,674,034</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>18,248,983</td>
</tr>
</tbody>
</table>

Researcher findings 2013

2.14.1 Roles of the Government Budget

Government Budget has an essential role in the planning and control of the economics activities of a nation. Government budget have many functions as follows:

(a) Allocation of Resources

This function relates to the provision of public goods and services by the government. All the goods and services in a country are produced by the government
or by the formal and informal markets sectors or by the not for profit community and unpaid house hold sectors. In allocating resources, the government must decide both the relative size of public service provision, as well as how available resources are divided among the various government function (example administration, health, and defense) policies and programs.

(b) **Distribution of Income and Wealth**

This function refers to the use of budgetary policy to try to redress inequalities in income and wealth distribution. Government makes decision about what constitutes a fair distribution between different groups of people.

(c) **Stabilization of the Economy**

Government budgets are used to promote a certain level of employment, stability in prices, Economic growth, environmental sustainability and external balance. Stabilization policy require economic, political and social judgments in determining for example which objective has priority at any time and at what are acceptable levels of unemployment, debts, interest rates and so on. Budgetary policy can encourage sustainable economic growth through the planning potential of budgets.

2.14.2 **Types of Government Budgets**

There are three types of National Budgets:

(a) **Surplus Budget**

A surplus budget is a budget in which the estimates revenue are greater than the estimated expenditure. To achieve a surplus Budget the government increase the tax structure .Therefore surplus budget reduces the purchasing power and investments.

**Uses of surplus Budgets**

(i) To correct inflation: surplus budget can be used to control inflation because of higher tax, which reduces disposable income and the purchasing power.
(ii) Correct balance of payment problem. By increasing tax on imports a surplus budget reduces the volume of imports and thus controls a deficit in the balance of payment.

(iii) Discourage consumption of harmful products: Increases in tax structure can also control consumption of harmful products.

(iv) To pay debts. Surplus budget can be used to pay government debts.

**Surplus Budgeting**

Surplus budgeting occurs when the government plans to spend less than the revenue available in a given financial year. Aims and objectives of surplus budgeting are:

(i) To reduce aggregate demand so as to curb inflation.

(ii) To finance development program in the county.

(iii) A surplus budget also aims at accumulating reserves for the purpose of future investments.

(iv) To reduce money in circulation.

(v) Enable the nation to give grants to other countries.

(vi) To enable the establishment of development projects within and outside the country.

However a surplus budget may lead to:

(i) A depression in the economy.

(ii) Excessive Taxation of the people.

(iii) Unemployment due to lack of incentives to save and invest.

(iv) A decrease in money supply.

(v) Inadequate or insufficient aggregate demand due to high levels of taxation.

(b) **Deficit Budget**

**Deficit** budget is a budget in which the estimated government revenue fall short of the estimated government expenditures, a deficit budget has the following effects:

(i) It stimulates consumption and investment due to low tax.

(ii) It stimulates recovery from a recession.
Deficit Financing
Deficit financing does occur when government planned expenditure estimates to be in excess of the expected revenue.

Aims of Deficit Financing
(i) Reducing the burden of taxation to the people.
(ii) Increasing the level of supply.
(iii) Increasing the level of aggregate demand.
(iv) Encouraging saving among the general public.
(v) Curbing down a deflation
(vi) Stimulate the level of economic activities

Causes of budgetary deficit in Less Developed Countries like Tanzania:
Budgetary deficit are a common deficit basically arising from high government expenditure and limited avenue of revenue collection.
(i) Low taxable capacity. This has not enabled less developed countries like Tanzania to raise adequately revenue to balance the budget.
(ii) High level of tax evasion and avoidance. This too has limited prospects by the government to acquire the required revenue.
(iii) High population growth rate. The ever increasing population in less developed countries like Tanzania has led to high expenditure there by leading to budgetary deficit.
(iv) Uneven distribution of income has further affected the taxation potential of the country leading to limited revenue.
(v) Limited size of enterprises. In Tanzania and indeed many less developed countries the size of enterprises is still small and cannot raise enough tax revenue to balance the budget.
(vi) Corruption. Budgetary deficit has been attributed to high rates of corruption among politicians and some categories of the civil society. This has resulted into loss of revenue which would otherwise have been used to cover the budgetary needs.
(vii) Unemployment. The rampant unemployment coupled with the current retrenchment programmed has worsened the situation, whereby a reasonable majority of unemployed can hard contribute any revenue to the national treasury.

(viii) Poor planning. There is often lack of proper planning and financial discipline and commitment which has consequently lead to wastage and misuse of public fund.

(ix) Price Fluctuations. Poor countries being mainly dependent on agriculture are subjected to price fluctuation. This will imply unpredictable revenue from agricultural production which may consequently lead to deficit in the budgets.

(x) High marginal propensity to import. Lot of revenue in form of foreign exchange is being spent to import necessities. This has always resulted into less revenue available to meet the budgetary requirement.

(xi) Subsistence sector. Poor countries are characterized by a relatively large subsistence sector with low productivity, output and income (revenue).

(xii) Political reasons. The taxation potential is further limited by desire for some politician to attain their political aspirations and this greatly reduces the revenue base of the country.

(xiii) Political instability. Poor countries are entangled in political turmoil. This provoke them to indulge in excessive expenditure to finance them (war) however a lot of revenue is lost in the process.

(xiv) High and unproductive expenditure by the by the government on its programmed have further adversely affected their revenue base causing temporary deficits in the budgets.

(xv) Limited tax revenue due to poor methods of collection has also led to reduced source of finance to balance the budget.

(xvi) Law savings and hence limited level of capital accumulation have also affected the balancing of the budget, because this limits the revenue potential of the country.

(xvii) Poor national and global economical performance unfavorable terms of trade, have affected most of led developed countries potential to earn the required revenue to finance their budget.
(xviii) Debt servicing. Poor countries have a heavy debt burden which often takes a substantial proportion of their revenue which could have catered for the budgetary requirement.

(xix) Inflation. The ever increasing prices of goods and services have also affected the national budgets. With inflation it is quite difficult to predict future budgetary planning.

(xx) Unpredictable external funding has led to low and unreliable revenue which consequently affect the government budget.

**Measures to Reduce Fiscal Deficit**

Large fiscal deficit have two bad consequences. First it leads to excessive Government borrowing from which causes rise in market interest rate. Higher market interest rates tend to reduce resource available for private sector investment. Second the extent to which a large fiscal deficit is financed by borrowing from the bank of Tanzania which issue new currency which is called reserve money or high powered money for the Government.

This causes greater expansion in money supply through the process of money multiplier and generate inflationary situation in the economy, Thus to check the rate of inflation ,fiscal deficit has to be reduced through both raising revenue of the government and reducing government expenditure.

In the Tanzania context the following measures can be adopted to reduce fiscal deficit and thereby to reduce inflationary pressure in the economy. I first spell out the measure which may be adopted to reduce government expenditure and then describe measures for raising Government revenue.

**Measure to Reduce Public Expenditure**

In the context of Tanzania economy the following measures can be adopted to reduce public expenditure for reducing fiscal deficit and thereby check inflation.

(i) A Drastic reduction in expenditure on major subsides such as fertilizers electricity to curtail public expenditure.
(ii) The huge sum of money is spent by the government on other charges bonus, leave encashment. Reduction of expenditure on these is necessary if the government is determined to cut public expenditure.

(iii) Another useful measure to cut public expenditure is to reduce interest payment on past debts, in my view funds raised through disinvestment in the public debts rather than financing current expenditure. Retirement of public debts quickly will reduce burden of interest payment.

(iv) Budgetary support to public sector enterprise other than infrastructure projects should be from the markets and banks.

**Increasing Revenue**

To reduce fiscal deficit and there by check rise in inflation rate apart from reducing government expenditure, Government revenue has to be raised. Some measures to increase government revenue are:

(i) As regard to mobilizing resources to increase public revenue. It may be noted that the police of moderate taxes with simplified taxation structure should be followed. This will help to increase public revenue rather than reduce it.

(ii) In Tanzania the tax base is narrow for both direct and indirect taxes: only small portion of population pays income taxes. To increase revenue from taxation, tax base should be broadened by taxing agricultural income and income from un organized industrial and services sector. The various exemptions and deductions provided in the income and wealth taxes should be withdrawn to broaden the tax base and collect more revenue.

(iii) There should be restructuring of public sector enterprises so that they make some surpluses at least do their own development so that their dependence on government budgetary resource should be dispensed with. For this purpose their pricing policy should be such that it recovers at least use cost.
Financing Budget Deficit

Budget deficit financed by Borrowings:
Budgetary deficit that is financed by borrowing by the government from the market reduces the supply of lendable resources for the private sector in the short run which causes market interest rate to rise. High market interest leads to decline in private investment. In this way budget deficit financed by borrowing crowds out private investments.

If central bank is following the policy of targeting interest rates then to prevent the interest rate from rising it will increase the money supply by buying part of the securities or bonds issued by the government. This is generally called accommodating deficit.

Budget Deficit Financed by Printing Money
This is the deliberate policy of government of financing the budget deficit through the use of printing money. This will increase money supply in the economy. According to Keynesian view when money supply is increased in the times of depression when both productivity capacity and labor are laid idle due to deficiency of aggregate demand price level is not likely to rise much and the effect of increase in money supply is to raise output or income.

Balanced Budget
Is a budget in which the estimated revenue are equal to the estimated expenditure.

Effects of Balanced Budget
(i) That the government cannot borrow.
(ii) That there are stable prices, means there is neither inflation nor deflation in the economy.
(iii) Money supply does not increases
(iv) Aggregate demand does not change
(v) The central bank does not print any more money
(vi) Constant level of employment
2.14.3 Budget Process in Tanzania

The budget process is actually about the annual budget cycle, events and activities. Essentially it involves the determination of resource and their uses for the attainment of the government objectives. A sound budget serves as a tool for economic and financial management and accountability and also serves as a mechanism for allocation of resources among different needs and priorities as well as bringing economic stability and growth.

(i) Budget Formulation
(ii) Scrutiny of budget proposal and dialogue
(iii) Budget Execution
(iv) Budget monitoring and control
(v) Budget Formulation.

(vi) The budget estimates are formulated in line with detailed macroeconomic forecast on future growth, inflation and external sector (imports) trends. Donor /Government consultation assist the budget process by confirming donor financial commitment in the budget. This discussion takes place between ministry of finance sectors and development partners.

Once the macro policy and sector performance review and resources projections are completed the government then formulates goals, objectives and budget priorities which should be achieved in the forthcoming financial year. The budget frame is also formulated for longer three year time period in a document called the budget guidelines comprises representatives from the ministry of finance, planning commission, Prime minister’s office Civil service department and Regional Administration and local government.

2.15 The budget Guidelines Contain

An overview of macroeconomic performance and projection priority sector which are consistent with targets and have been updated and cost vote expenditure ceiling based on resources availability and procedures for preparation and submission of the draft budget to the ministry of finance.

(i) Scrutiny of budget proposal and dialogue
(ii) The inter ministerial technical committee
(iii) This is a committee of all permanent secretaries which has a role of scrutinize budget proposal before they finally approved by the cabinet.

2.16 Cabinet Approval of Estimates
The cabinet budget paper is then discussed by the cabinet after preliminary review by the inter ministerial technical committee. The role of the cabinet is to deliberate on the budget cabinet paper and then approve government budget proposal for fiscal year in question before they are submitted to the legislature.

2.17 Parliamentary Sector Committee
The process of obtaining parliamentary authorization starts with discussion by sector committee preliminary briefs is provided by the minister of finance and the minister for planning and privatization. Detailed budgets are then submitted to parliamentary committee for scrutiny one by one.

2.18 Public Debate and Authorization
After the estimates have been reviewed by the sector committees of the parliament they have to be tabled to parliament for debate and authorization. The major events during parliamentary debates and authorization of the government are as follow:
(i) Presentation of public speech on macro economic performance and projections by the minister for planning and privatization.
(ii) Presentation of the government proposal budget to parliament by the minister for finance through a budget speech.
(iii) Parliamentary debates /discussion on sector estimates by passing the appropriation bill.
(iv) Parliamentary approval and passing the finance bill that empower the minister for finance to raise the money and finance the budget.

2.19 Budget Execution
Budget execution is an important stage of the budget process as it is at this stage that actual revenue collection and services delivery takes place. Execution of the budget
therefore is about the collection and accounting for revenue, provision of services through the recurrent budget and implementation of development projects. The key documents used during implementation of the budget are revenue and expenditure estimates books, action, and cash flow plans and budget memorandum.

**Major Activities are**

(i) Release of funds by ministry of finance

(ii) Collection and accounting for revenue collections by TRA and others. Accounting officers are appointed as receivers of revenue and accountable officer for expenditure in accordance with the public finance act 2001.

(iii) Delivery of services and project implementation by institutions. This involves both government institutions and development partners. Donors are required in some cases to release funds and award of contracts.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes how the study designed and how the research conducted. A research study use both qualitative and quantitative method.

3.2 Research Paradigm
There are two major research philosophies identified in the Western tradition of science, namely positivist and interpretivist (Blaikie 2007).

Positivism proposes that reality is constructed through absolute natural laws and mechanics. These laws and mechanisms can be defined through observation. If something can be observed, it can be defined and quantified. The observer and observed are seen as independent entities, and the observer must keep an ‘objective distance’. There can be no interaction between the two, as this could influence the observers’ results.

Interpretive is based on the observation that there are fundamental differences between the natural world and the social world. Because of this, the logic and methods of the natural sciences are not applicable to the study of societies. The aim of interpretive is to understand the subjective experiences of those being studied, how they think and feel and how they act/react in their habitual contexts. At its core is an assumption that social actors generate meaningful constructs of the social world in which they operate.

For this study, the researcher uses interpretive research because reality is not rigid but is a creation of those individuals involved in the research.
Reality does not exist in a vacuum, its composition is influenced by its context, and many constructions of reality are therefore possible. Hughes and Protor (1997) suggest that among the various factors that influence reality construction are culture, gender and believes.

They recognize the intricate relationship between individual behavior, attitude, external structures, and social-cultural issues.

3.3 Area of the Study
The study conducted at Temeke Municipality in Dar es Salaam region. The institution is considered relevant for the study because it has a wider coverage in operations and many departments which need to be budgeted in each financial year. This enabled the researcher to assess the effectiveness of budgeting process for each department.

3.4 Study Population
The study population consisted of heterogenous population comprised of management department and other departments. Each head of department with their subordinates have been participated.

3.4.1 Sample Size
Sampling is the process whereby the researcher selected some of the staffs (unity of inquiry) from the target population from which the data for the problem under investigation was collected. A sample of five staffs from each department was taken as respondents to be employed in this study making a total of 20 employees in the municipal. This was a representative figure as it resulted in the effectiveness on the accuracy and wide coverage with regards to population available.

3.4.2 Sampling Techniques and Procedures
Participants of the study were selected in both probability and non-probability sampling techniques
3.4.3 Probability Sampling
In this technique, simple random sampling was used as a probability sampling tool where by staffs and department managers were listed and selected to give equal opportunity of their participation.

3.4.4 Non-probability Sampling
This is the sampling technique where by respondents are not given equal chances of participation in data gathering. With this technique two tools were used as follows:-

(i) Convenience sampling
In this type, researcher develop sample from Temeke Municipal Council employees regarding their availability, ability and willingness to respond. Here, I decided to use this sampling procedure as it cost effective and normally leads to the required population sample

(ii) Judgmental Sampling
This technique enable I to choose the sample thought to be the best representative of targeted population to the type of information needed. Thus respondents from all departments of Temeke Municipal Council obtained through this technique.

3.5 Data Collection Instruments
I collected data from various sources by using both primary and secondary methods of data collection.

3.5.1 Primary Data
Structured and non structured questionnaires were used as the guiding techniques for data collection during the study. In this regard, the questionnaires set open-ended and closed questions. Both played a significant role in enabling respondents to fully give their opinions. For example, open-ended questions enable officers, and functionaries to express their opinion without limiting them and to save time, the technique of close-ended question facilitated specific responses. The researcher administers the questionnaires and this enabled the researcher to observe time management.
In addition, this enabled the researcher to give clarifications on issues not well understood by the respondent.

3.6 Reliability and Validity of Data

3.6.1 Reliability
Reliability refers to the consistency of a measure. A test is considered reliable if it is consistent and stable in measuring what it is intended to measure. According to Saunders, Lewis and Thomill, (2004), reliability is assessed by posing the following questions: Will the measure yield the same results on other occasions? Is there transparency in how sense was made from the raw data? In measuring the reliability, the researcher ensures that the external sources of variation are controlled and that boredom and fatigue are reduced to the minimum possible. In achieving reliability, the researcher use close-ended questions.

Reliability can be threatened by various reasons including the way questionnaire is structured. To avoid reliability threats the study use structured questionnaire. The questionnaires were pre-tested first before sending to the participants to respond.

3.6.2 Validity
Test validity is the extent to which inferences, conclusions, and decisions made on the basis of test scores are appropriate and meaningful Saunders et al (2007). In ensuring validity of data, no research assistants were employed in this research. This assists the researcher in having confidence with collected data. A pilot study of 10 respondents have been conducted to test if they understand the questions asked in the questionnaire and to ensure validity of data. This assists the researcher in refining the questionnaire before distributing them to the selected sample. The findings used to modify the questionnaire which used for actual study.

3.7 Data Analysis Techniques
In view of Kothari (2004: 157), data analysis involves systematic and scientific steps that include coding for classifiably of the needed information as per objectives.
In this study I collected data by using both qualitative and quantitative approaches and interprets them with help of Microsoft Excel and SPSS. This was done by presenting those data in graphs, percentages as well as in tables.

3.8 Ethical and Moral Issues
The researcher adhered to ethical and moral issues by exercising appropriate behavior in relation to the rights of those who become subject of this work, including right to know the true purpose of the research, to decide which question to answer and the right to withdraw from the participation anytime.
CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction
This chapter describes the data collected and observations made during the study. The results were analyzed and interrelated respectively. The findings are presented in a discussion form; bar charts, column chats and pyramid figures when appropriate have been used. As per data collection methodology used in this study, findings were compiled from responses to questions asked to selected employees of an institution through questionnaires and interview. Findings were further made through observations and also references were made from various institutions’ documents including annual reports, financial reports as well as marketing brochures. As far as confidentiality is involved, the findings did not show the names of an individual who were involved in the interview and questionnaires during the study.

4.2 Respondents of the Study
Twenty (20) respondents included in the study were given questionnaires in order to know their views on effectiveness of budgeting process in public sectors while all respondents responded to questionnaires. This was about 100% response from respondent's employees.
Table 4.1: Respondents Participation

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Targeted responses</th>
<th>Actual responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance department</td>
<td>5</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Planning department</td>
<td>5</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>5</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Management department</td>
<td>5</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April – June 2013)

Figure 4.1: Response of participants

4.3 Presentations of the Findings

The researcher collected all the information and organized data for analysis. Responses to the questions were analyzed, percentages were calculated and SPSS program was used for presenting the findings.
4.4 General Information of the Respondents

In this study the researcher collected information from five departments of Temeke Municipal Council employees which are from Finance, Planning, Internal Audit and Management departments. Therefore the researcher collected data and gather information about the study on different institution departments which actually proved the room for better results.

The researcher targeted to collect data and gather information to a sample of 20 respondents. Among these respondents the information was gathered and data collected from all respondents basing on gender, occupation and age. For better presentation of findings on general information’s of the respondents, the tables and figures below used:

4.5 Findings from Respondents

Table 4.2: Positive Impacts of Budgeting Control System

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>Investment Planning</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Flagging Potential Problems</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Coordinate Activities</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Refining the historical view</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April – June 2013)
From the figure above, 20% of the respondents say one of the positive impacts of budgeting control system is accountability while 30% of the respondents say the positive impact is performance evaluation. Also 20% says the budgeting control system helps on coordinating the activities, 10% says the system resulted to flagging the potential activities, 15% says the budget control system acts as a tool of investment planning while 5% says the budget resulted on refining the historical views.

Table 4.3: Negative impacts of budgeting control system

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>It acts as a pressure device</td>
<td>11</td>
<td>55%</td>
</tr>
<tr>
<td>It cause departmental conflicts</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>Costs overestimation</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April- June 2013)
Figure 4.3: Negative impacts of budgeting control system

![Bar chart showing negative impacts of budgeting control system](chart.png)

Source: Field data (April-June 2013)

Here, the figure above shows that 55% of the respondents says one of the negative impact of budgeting control system is it acts as a pressure device, 35% says the budget system may resulted to departmental conflicts while 10% says the budget may cause the costs overestimations by the planners.

Table 4.4: Timely meeting of organizational goal:

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data (April-June)
The table above shows that 90% of the employees at Temeke municipal council agree that the organization meets its goal timely, this gives the researcher a confidence that Temeke municipal budgeting procedures are performed well as a result the achievement of the organizational goal is met on time. Though 10% percent of the respondents analyzed that the municipal does not meet its goal on planned time.

Table 4.5: Understanding of Budgeting Procedure by all participants of budgeting process

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Department</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Planning Department</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Internal Audit dept</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Management department</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Field Data (April-June)
Figure 4.5: Understanding of Budgeting Procedure by all participants of budgeting process

Source: Field Data (April-June)

The respondents shows that 75% of the employees from different departments That are finance department, planning department, internal audit department and Managerial Department accepted that the procedures of budgeting are understood by all the participant so it gives the researcher a confidence that the procedure is understood though only 25% from other department said that the procedure is not understood.

Table 4.6: Possession of the required skill by the personnel concerned with budgeting process

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data (April-June)
It seems that 100% of respondents who are employees at Temeke Municipal Council say that the personnel concerned with budgeting process possesses the required skill which gives the researcher the confidence that the employees are concerned with Budgeting process in way that they know exactly what they do.

**Table 4.7: Budgeting Procedures Used to Achieve the Organization Goal**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realistic and Quantifiable goals</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Historical components</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Periodic- Specific budgeting</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Standardization</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Inclusive reviews</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Budget reviews</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Adopt and Dissemination</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Frequent evaluation</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Field data (April – June 2013)

**Figure 4.7: Budgeting Procedures Used to Achieve Organization Goal**

Source: Field data (April – June 2013)
The figure above portrayed the budgeting procedures used by municipal according to respondents. It seems 20% of the employees knows about the realistic and quantifiable goals as one of the budgeting procedures, 10% knows about historical components, 5% says about periodic- specific budgeting, 15% knows about standardization, other 5% knows about inclusive reviews, 20% knows about budgeting reviews, 10% says about adopt and dissemination while 15% of the respondents knows about frequent evaluation as one of the budgeting procedure.

**Table 4.8: Employees duration with Temeke Municipal Council**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a Year</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>2-4 year</td>
<td>9</td>
<td>45%</td>
</tr>
<tr>
<td>4 and above years</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April - June 2013)

**Figure 4.8: Employees duration with Temeke Municipal Council**

It was proved that the employees who work at Temeke Municipal Council in between 2-4 years are 30%. It seems 25% of respondents were employed within a
less than a year of a period while 45% of the employees work at the institution for 4 years and above.

**Table 4.9: Concerning of Departments with Budget Preparation**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April-June 2013)

**Figure 4.9: Concerning of Departments with Budget Preparation**

![Pie chart showing 100% Yes and 0% No]

Source: Field data (April-June 2013)

It seems 100% of the respondents who are employees at Temeke Municipal Council say yes that their departments are concerning with the budget preparation of the municipal which gives the researcher the confidence that the employees are aware with the study. However, 0% of the employees says no on their departments concerning with budget preparation.
Table 4.10:  Budget preparation with Accordance to Its Policies

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>70%</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April – June 2013)

Figure 4.10:  Budget Preparation with Accordance to Its Policies

Source: Field data (April – June 2013)

The figure above shows that 14 respondents who are 70% respond ended yes that the organization prepare its budget with accordance to its policies while 6 respondents who are 30% says the organization prepare its budget without consideration to its policies.
Table 4.11: Period Covered by the Budget

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Months</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>One year</td>
<td>20</td>
<td>100%</td>
</tr>
<tr>
<td>More Than a Year</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: FieldData (April -June)

The above data can also be presented in a figure as follow:

Figure 4.11: Period Covered by the Budget

The above respondents show that 100% of employees revealed that the budgeting period at Temeke Municipal Council covers a period of one year.
The figure above shows that, 35% of the respondents see one of the outcomes of budget control deviation is economic and competitive outcomes. 30% of the respondents say budget control deviation acts as nature while 25% says the deviation resulted to interdependences. Also 10% of the respondents say the budget control resulted into encumbrances.
Table 4.13: The Existence of Budgeting Committee

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data April-June

Figure 4.13: The Existence of Budgeting Committee.

The respondents from Temeke Municipal Council show that 100% of the respondents agreed that the budgeting committee is existing and it performs its duties.
Table 4.14: Functions of Budgeting Process Performed by Budgeting Committee

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>Staffing</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Organizing</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Directing</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Controlling</td>
<td>3</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data (April – June 2013)

Figure 4.14: Functions of Budgeting Process Performed by Budgeting Committee

From the figure above, 30% of the respondents says planning is among of the budgeting process function, 25% says about directing as the function of budgeting process, 10% says on staffing as the budgeting function, 20% says another function of budgeting process is organizing while 15% of the respondents says on controlling as the function of budgeting process
CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.1 Justification of the Objectives
The researcher had some objectives concerning research undertaken, the findings obtained from the analysis of data collected help the researcher to verify if the objectives formulated are active at high level or not, so the researchers findings of 2013 were properly analyzed regarding to the objectives which were formulated before. These objectives are such as:

(i) To access the impacts of budgeting control system on achieving the organization goals
Here the researcher tries to access the impacts of budgeting control system on achieving the organization goals of Temeke Municipal Council. The researcher examines both the positive and negative impacts of budgeting control system. Some of the questions asked from this objective aimed:

(i) To understand concerning of departments with budget preparation.
(ii) To evaluate the positive impacts of budget control system.
(iii) To evaluate the negative impacts of budget control system.
(iv) To access the functions of budgeting process.

(ii) To Evaluate Budgeting Procedures Used on Achieving Organization Goals
Here the researcher tries to examine the budgeting procedures used by Temeke Municipal Council on preparation of its budget. The researcher evaluates whether the council used the procedures which are used by other public sectors or it not uses some of the procedures at all.

The question at this objective aimed:

(i) To understand the budgeting procedures
(ii) To understand the Municipal Council procedures as they correspond with other public sectors

(iii) To access if the Organization Preparing Its Budget with Accordance to Its Policies
Here the researcher tries to examine if Temeke Municipal Council prepare its budget with accordance to its policies from the stage of preparation to the stage of implementation. At first the researcher examine the policies of the Council, thereafter the researcher makes the evaluation of the budgeting system with accordance to its policies. The question asked from this objective aimed:
(i) To understand the Municipal Council policies
(ii) To understand whether the Municipal Council prepare its budget with accordance to its policies

(iv) To examine the Outcomes of Budgeting Controls Deviation
Here the researcher tries to examine the outcomes of budgeting control deviations. The researcher examine the budget control system of Temeke Municipal Council which resulted to identify the components deviated by the management from its budget. However the question asked from this objective aimed:
(i) To understand the Municipal budget control system
(ii) To understand the workers perception on the budget control system
(iii) To understand the outcomes of Municipal budget controls deviation

5.1 Impacts of budgeting control system on achieving organization goals
5.1.1 Concerning of departments with budget preparation
The results shows that 100% of the respondents say yes that their departments are concerning to the budget preparation of Temeke Municipal Council while 0% responded to no.
The positive responses from the employees provide confidence to the researcher that the respondents are familiar with the study which eventually it provides a good target to the researcher.
5.1.2 Positive Impacts of Budgeting Control System

The result shows that one of the positive impacts from budgeting control system is accountability which was responded by 20% from the respondents. 15% of the respondents see investment planning as one of the positive impact of budget control system on achieving organization goals. Also performance evaluation is among of the positive impact of budget control system which was responded by 30% of the employees while 20% of the respondents say budget control system helps the council on coordinating the municipal activities. However 5% of the respondents say the budget control system acts as a tool of refining the historical view of Temeke Municipal Council.

5.1.3 Negative Impacts of Budgeting Control System

Here the results shows that 55% of the respondents see the budget control system can acts as pressure device imposed by management to the employees which can eventually resulted to bad labour relation and inaccurate record keeping. Also 35% of the respondents say the budget control system may resulted into departmental conflicts which may arise due to disputes over resource allocation and departments blaming each other if targets are not attained. However the 10% of the respondents say budget control system may resulted into costs overestimation which means, managers may overestimate costs so that they will not be blamed in the future should they overspend.

5.1.4 Functions of Budgeting Process

The results shows that 30% of the respondents see one of the function of budget process is planning which means the organization establishes long-term financial goals and operational objectives for the future size and activities of the organization. These include products, product mix, services, markets, market share, volume of sales, quality of sales, level of debt and capitalization, number of employees, degree of horizontal and vertical integration, research and development, public or private ownership, advertising campaigns, training and development, and benefit packages. Also 10% of the respondents view staffing is another function of budget process which means the organization clearly defines and assigns responsibility for the
budgeting process itself, along with the level of detail required to formulate the business plan. Moreover 20% of the respondents say organizing is among of the budget process which implies in planning for profits the staff needs to organize for action. Here the management proposes procedures to form a comprehensive plan for each activity and for the organization as a whole. However 25% of the respondents view on directing which means the budgetary process establishes lines of reporting and accountability for the execution of the plan. Besides spelling out the various responsibilities of the managers, it also places limits on their authority. Also 15% of the respondents say the last function of the budget process is controlling which means the budgetary process sets up the reporting procedures and techniques for evaluating both short-term and long-term outcomes. Since the budget program is an instrument of organizational control, a company's accounting and its chart of accounts will reflect clear lines of responsibility for each of its divisions.

**Implication of the Results**

The results from the respondents imply that the Municipal Council should have the budgeting system for the aim of achieving the organization goals. It means that the budgeting system plays a great role on expanding the municipal in financial aspects based on the functions and positive impacts of budget process. Also the results from the employees provide a full confidence to the researcher that the respondents are aware with the study.

**Conclusion**

Despite of budgeting process having the negative impacts such as it acts as pressure device, it cause a departmental conflicts and it resulted into costs overestimation the municipal council should proceeds with the system on having budgeting system because the system is having more advantages compared to the disadvantages. In fact the expansion of high collection of revenue and better performance from year to year comes from good budgeting system from the Temeke Municipal Council.
5.2 Budgeting Procedures Used on Achieving Organization Goals

5.2.1 Budgeting Procedures

The result from the respondents shows that the Municipal Council is using the budgeting procedures on preparation of their budget. The employees seem to be familiar with the procedures used by budgeting committee which shows 20% of them say on realistic and quantifiable goals as one of the budgeting procedure, 10% say on historical components, 5% view on periodic-specific budgeting, 15% say on standardization, 5% of the employees say on inclusive reviews, 20% say on budget reviews, 10% say on adopt and dissemination as the procedure of budgeting and 15% of the employees say on frequent evaluation procedure.

Implication of the Results

Here the result from the customers implies that the municipal budgeting committee council follows the budgeting procedures from the stage of preparation to the stage of implementation and evaluation. This means that the municipal council succeeded to achieve their goals due the clear follow up of budgeting procedures within all stages.

Conclusion

However even though, the municipal council follow the budget procedures on the preparation and implementation of budget, the management should ensure that there is a clearly system of budgeting evaluation from the period to period for the aim of achieving the organization goals. Although the municipal council fails to collect revenue, controlling expenditure due to the poor evaluation of the budgeting procedures.

5.3 Organization Budget Preparation with Accordance to Its Policies

5.3.1 Budget Preparation with Accordance to Its Policies

The results from the employee’s shows to a large extent the municipal council prepare its budget with accordance to its policies. This is also due to the researcher evaluation on the municipal policies before providing the questionnaires to the respondents. The results shows that 70% of the respondents say yes the municipal
council prepare its budget with accordance to its policies while 30% of the respondents say the municipal council prepares its budget without using their policies.

**Implication of the Results**
The result implies that the uses of municipal council policies on the preparation of the budget facilitate to the large extent on achieving the organization goals since the policies are the core stones to the organization development. In other way round, the results shows the municipal council didn’t use its policies on preparation of the organization budget.

**Conclusion**
However, the municipal council seems to use their policies during the budget preparation but on the other hand they don’t use their policies on the preparation of the budget. This provides the bad image to employees who might reduce their accountability and at last it hinders the organization on achieving its goals. Therefore the municipal council should ensure the budget preparation involves the organization policies.

**5.4 Outcomes of Budgeting Control Deviation**

**5.4.1 Budgeting Controls Deviation**
The results from the respondents shows that 35% say on economic and competitive as an outcome of budgeting control deviation while 30% of the respondents say budgeting control deviation acts as a nature while 25% say about interdependences as an outcome of budget control deviation. Also 10% of the respondents say the outcome of budgeting control deviation cause encumbrance. An encumbrance is a budgetary restriction occurring in advance of a related expenditure. The purpose of an encumbrance is to earmark funds for a designated future purpose. For instance, a department may have $100,000 budgeted for office supplies for the upcoming year. However, the department may have already entered into a $500 per month contract for copy machine repair services. Although $100,000 is budgeted, the remaining free balance is only $94,000 because $6,000 has already been committed for the repair
service. At any point in time, the total budget, minus actual expenditures, minus remaining encumbrances, would result in the residual free budget balance for the period.

Implication of Results
The result from the employees implies that the outcomes from the budget control deviation resulted to the poor performance of the municipal council. It means that the budget control deviation affect the council from all level such as in economic level and to the competitive level. This means the deviations of budget control affects the council in current state as well at a future trend.

Conclusion
Here the researcher suggested that the municipal council should avoid the budget control deviations so as to avoid the outcomes portrayed by the respondents such as interdependences, economic and competitive outcomes as well as encumbrances. This will also help the municipal council on expanding at all levels.

5.5 Summary
The researcher succeeded to analyze all the answers provided to the employees of different departments of Temeke Municipal Council based on the research objectives which were to access the impact of budgeting control system on achieving the organization goals, to evaluate budgeting procedures used on achieving organization goals, to access if the organization preparing its budget with accordance to its policies and to examine the outcomes of budgeting controls deviations. The result shows that there is effectiveness of budgeting process in public sectors.
CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary
This chapter concludes the research which commenced on April-July, 2013 at Temeke Municipal Council on assessing the effectiveness of budgeting process in public sectors. To a large extent, the research was successful as it has met all the pre set objectives of the research. The research saw there is effectiveness of budgeting process in public sectors due to the respondent’s answers from the study objectives.

6.2 Conclusion
While budget is a financial statement, which provides details of the proposed revenues and their utilization for expenditure for a specific period, the budgetary control is the process of comparing what was planned with what has been accomplished during the period. A budgetary control system helps to measure the progress made towards goals, to uncover deviations, to initiate corrective actions, to know the causes for deviations and hence to avoid leaving things to happen as they happen. Information centers have certain peculiarities as service-oriented and not-for-profit organizations and hence implementation of budgetary control system in each institution is more difficult than in profit - oriented organizations. The major difficulty is the problem of measuring the outputs in order to set standards for budgets. The process of budgetary control system starts with estimating the revenues expected for the year, followed by planning the expenses that equal revenues and then trying to prepare time schedule for both revenues (grants) and expenses with all the restrictions relating to allocation and use of funds with provision for reallocation. An operating statement with time targets is prepared by giving detailed breakup of revenues and expenses by department’s subjects, head of account etc., as required for monitoring. This statement is used as a monitoring tool to check the noticeable variations in the expenses.
If variations are serious, then they have to be suitably rectified by either adjusting in subsequent periods or by re appropriation of funds from other heads. Budget and budgetary control system have many merits like use of the Rupee as a common denominator, dealing directly with efficiency of the organization, stimulating good management practices, detecting deviations, suggesting corrective actions, facilitating centralized control an availing collective wisdom of people involved. At the same time budgetary control system suffers from drawbacks like creating conflicts and pressures among departments, overemphasis on observable factors and number games, possibility of dictatorial behavior of top management, ignoring the quality of services, possibility of becoming a cumbersome, time consuming and unduly expensive affair, creating suspicion among inefficient employees, complacency of paperwork, leading to ineffectiveness where estimates are erroneous, not responding to environmental changes, etc. A relatively new flexible budgetary system is put forth as an alternative self-adjusting budget, which takes into account changes in environmental factors and economic forces and does not hold a manager responsible for variations due to changes on which he has no control.

6.3 Recommendations
Apart from disadvantages of budgetary control system, the absence of profit measure is quite typical to service-oriented and not-for-profit organizations. The absence of a single, satisfactory and overall measure of performance that is comparable to the profit measure is the most serious management control problem in a not-for-profit organization. Since service-oriented and not-for-profit organizations have multiple goals and these goals usually cannot be expressed in quantitative terms, often there is no clear cut objective function that can in turn be used in analyzing proposed alternative courses of action. Secondly, there is no plausible way of estimating the relationship between inputs and outputs. There appears to be no direct relationship between costs and benefits. There is a clear difficulty in measuring the performance of service-oriented and not-for-profit organizations. Further, due to dissimilar functions, the organizational units cannot be compared in service-oriented and not-for-profit organizations.
Profit-oriented organizations measure their output by the amount of revenue earned based on prices charged for goods and services sold. For individual profit centers, revenue is measured by transfer prices. Service-oriented and not-for-profit organizations either should device similar monetary measures of output or rely on nonmonetary measures. Information centers have not given adequate attention to their pricing policies. It is not relevant here to discuss or debate on the merits and demerits of charging for information services, if charges are introduced on information services and suitable pricing policies are developed, it becomes easy to measure the efficiency and effectiveness of information centre and its responsibility as a cost centers. The general rule should be that prices are equal to full cost (Full cost pricing). If price exceeds its cost, the information centre becomes profit-oriented organizations. If the price is below full cost, it results in misallocation of resources in the economy. Secondly, “the smaller and more specified the unit of service that is priced, the better the basis for decisions about the allocation of resources and more accurate the measure of output for management control purposes” provided the cost of paper work does not overweigh the benefits and the pricing policy is consistent with the overall policy of the organization. The management control process is further facilitated if price is set prior to the performance of the service (prospective pricing). The transfer-pricing concept should be adopted to measure the output of any responsibility/cost centre within the information centre. The non-monetary output measures could be classified in many ways. They can be subjective or objective, discrete or scalar, quantitative or qualitative. Generally, there are three important categories of non-monetary output measures. They are identified based on what they intend to measure:

(i) Result Measures
A results measure tries to express output in terms that are supposedly related to an organization’s objectives. It is an ends-oriented, surrogate or proxy measure and tells directly the impact of the organization on the outside world.
(ii) Process Measures
A process measure, which is means-oriented, relates to an activity carried on by the organization and measures the output of a responsibility centre or an individual. There is an implicit assumption that what the responsibility centre does incongruent to the objectives of the organization. Process measures measure efficiency but not effectiveness and are most useful to measure current and short-term performance.

(iii) Social Indicators
A social indicator is only a rough indicator of accomplishment of an organization and it is affected by any uncontrolled extraneous factors. Social indicators take into account the result of the work of the organization and they are useful for long-range analysis of strategic problems. They are nebulous, difficult to obtain on a current basis, little affected by current programmed effort and susceptible to external influences and hence of little value in day-to-day management.

Lastly, inputs themselves are used as proxy output measures with the assumption that inputs are often a better measure of output than no measure at all. The classical example is the money spent on research projects is used as proxy output measure. One should be careful and as far as possible, avoid reliance on such measures.
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APPENDICES

QUESTIONNAIRE

Dear respondent,
I am Rahel Hakam, conducting an academic research on effectiveness of budgeting in achieving municipal goal at Temeke Municipal Council.

This is the research questionnaires you are kindly requested to answer the questions that will assist the researcher in her study. The information obtained will be treated confidential for research purpose only.

Please tick/feed the bullet that have your favorite answer

1. What are the positive and negative impacts of budgeting control system to the effectiveness of budgeting process in achieving the organization goal?
   (i) Does the organization meet its goals timely?
       (a) YES
       (b) NO
   
   (ii) Are the budgeting procedures understood by all participants of budgeting process?
       (a) YES
       (b) NO

   (iii) Do the personnel concerned with Budgeting process possess the required skills?
       (a) YES
       (b) NO
2. **What are the Budgeting procedures used to achieve the organization goal?**

   (i) How long have you been working with Temeke Municipal Council?
       (a) Less than a year
       (b) 2-4 years.
       (c) 4 and above years.

   (ii) Is your department concerned with budget preparation?
        (a) YES
        (b) NO

3. **Is the organization preparing the budget in accordance to the policies established?**

   (i) What is the period covered by the budget?
       (a) Six Month
       (b) One year
       (c) More than one year

4. **What is done in case of deviations of budgeting control in organization?**

   (i) Is there a budgeting committee in your organization?
       (a) (a)Yes
       (b) (b)No

   (ii) If yes what are the functions of budgeting process performed by budgeting committee?
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