ASSESSMENT OF VILLAGES FINANCIAL MANAGEMENT CHALLENGES AND DEVELOPMENT STRATEGIES IN TANZANIA, ARUMERU DISTRICT

Paluku Kazimoto
Faculty of Business, University of Arusha, United Republic of Tanzania
kazimotop@gmail.com

ABSTRACT

In Tanzania villages are formally established within the Local Government Legislation as fully-fledged authority that can plan, budget, collect some revenue, pass by laws, and so on. The study has revealed that village financial management and village development strategies remain the vital machinery for village socio-economic development. The village financial system and village development strategies are the result of village community initiatives based on village policies and development plan settings. As a result, this study concludes that Wards, NGO, and District/Government have little implication in the village financial system and strategies development in the selected six villages of the Arumeru District. The study concludes that village financial management committees should be formed and informed on how to implement financial policies, and make into consideration all other aspects of finance such as reporting, feedback and communication with stakeholders, village strategies development in the villages should be one of the priorities from the development strategic plan of the Government and other parties existing in the rural areas to overcome the financial management challenges existing in the villages, and a survey should be conducted Arumeru District to find out the level on self-reliance and socio-economic development for households.

Keywords: Financial System, Village financial management and village development strategies.

INTRODUCTION

Every nation or organization is increasingly associating itself with people who are intending to integrate into global financial trade flows and put into application the system that facilitate reporting and implementation of policies that influence change in villages, Districts, and Cities for socio-economic development [6]. Globalization and its challenges, financial institutions that have the mandate of lending and financing activities have faced with difficulties to enhance people with financial support to enable their participation for socio-economic development. Although, financial management is in place, development project activities are implemented at the village level and are meant to enhance village socio-economic development.

In Tanzania villages are formally established within the Local Government Legislation as fully-fledged authority that can plan, budget, collect some revenue, pass by laws, and so on. It is however apparent that many researchers have critically evaluated financial project management rather than related challenges at District level and central government.

Objective of the Study

The study analyzed the factors related to financial management challenges and development strategies in the selected villages from Arumeru District. The study also established the relationship between village financial management and village development strategies.

REVIEW OF THE LITERATURE

Financial management Systems and accountability

The International Monetary Fund’s (IFM) Country Poverty Reduction Report finds that village’s financial management challenges have been regularly cited as a major harmful factor to substantial socio-economic development fulfillment in the villages [10]. For instance, in the United States of America, the village
financial management systems are applied as strategies for socio-economic development [1]. According to Kurokawa African countries will need further foreign cooperation, not only in the marketing but also in financing and management training [8]. Among the multiple causes of rural poverty, the lack of access to formal and adequate financial services remains a major impediment to the socio-economic choices of rural poor people and smallholder farmers [7].

Tanzania Poverty and Human Development Report [9] asserted that sustainable rural socio-economic development would be achieved through financial accountability, transparency, development and implementation of policies, resource management, food security, improvement of education and health services, and accessing cash for income generation activities. With any transfer of authority, there exists a danger of creating a new set of elites who use this authority for personal gain losing contact with their constituency not doing accountability [3].

Accurate accounting records are essential to maintain accountability over financial resources. The Treasurer is responsible for maintaining and providing the Board with accurate financial records and Village officials should ensure that the balances in all accounts in the financial management system are correct, and be able to generate accurate and reliable financial reports from their system at any point in time during the fiscal year. Village officials’ inability to generate accurate financial reports prohibits them from making informed financial decisions [2].

Accountability is rarely safeguarded. Through a lack of initiative have unable village officials to establish proper accounting systems, record operations, monitor loans performance, or even draw up a balance sheet and a budget [7]. The main village financial management challenges are: skilled manpower, village financial Policies, village natural resource profiles, village sources of finance profile, village infrastructure status profile, village socio-economic development plans and over centralization at District level [10].

Improving transparency and accountability on financial and resource management require that certain information to be well prepared and posted to the village board for stakeholders approval e.g. budget and financial statements, etc. [12]. In Africa, village financial management is a potential engine for national socio-economic development. Most of the southern countries have started to enhance village financial management systems to ensure appropriate planning, budgeting and transparency in terms of establishing books of accounts and financial statements to reveal the village financial and economic situation annually [13].

Management Skills for Village financial reporting

The Joint Implementation Review Report for Tanzania Development Program revealed that project’s funds of the community village bank accounts operate for saving and project transactions with the guidance of committee members and village authorities that have appropriate knowledge and skilled manpower on how to manage allocated funds effectively [11].

The worldwide reconsideration of financial strategies has accompanied financial globalization and led globally to the homogenization and stratification of financial management practices and skills [6] [14]. The lack of Village’s financial system generated no accurate balance sheet and trial balance reports for financial report and the general ledgers were not in balance because the included fund balances were not correct [2]. NGOs, commercial banks and the Post Bank do not provide training to improve financial services in villages [4]. Lack of significant high value human resources might prevent the achievement of community-based management, as the costs of collective action will always be higher than the benefits due to lack of skilled personnel [3].

Financial Policies and planning strategies

Entrepreneurs tend to ignore local regulations and controls, undermining the authority of community organizations and appropriating the resource base. In these situations, government law enforcement agencies have been relatively ineffective in providing back-up support. The assumption is that if true community control is in place then sustainable use and management will follow; but the links between village management still require attention. Overall, policies and implementation approaches that provide community members with the authority to make decisions regarding the use and management of resources appear to have a greater chance of succeeding than those transferring control to higher levels [3].
Lack of the Department’s ability to authorize community status as legal owners of the land they occupy is making it virtually impossible for communities to implement effective village financial management. Furthermore, the lack of government support to local Resident Associations also seriously impacts natural resource management, as community structures are generally unable to enforce regulations [5].

METHODOLOGY

Purpose of the Study

The main purpose of this study is to analyze the village financial management challenges and development strategies in the selected villages from Arumeru District In Tanzania.

Research Design and Participants

The study used quantitative research design to describe and analyse the data collected through questionnaire, that both descriptive and inferential statistics were applied to determine the relationship by comparing individual variables within the village financial challenges and village development strategy categories. A structured questionnaire was developed and administered to collect the data for the variables within these categories.

The study involved a population of 329 respondents of which 60.2% were female and 39.8% were male. Purposive sampling technique was used to get the selected villages and the respondents as follows: Lekitatu (30), Magadini (70), Manyire (49), Ngurdoto (80), Nkoanrua (52), and Sakila (48). Factors for village financial challenges were determined by asking the respondent to provide their opinion on the five point scale, ranging from Always (5), Frequently (4), Sometimes (3), Seldom (2), and Never (1), and also determine the availability and use of factors for village development strategies.

Data Analysis

Frequency and percentages were the descriptive analysis for data that were performed in this study. The Pearson Product Moment correlation was used to compare variables within the village financial challenges and village development strategies categories. Responses of respondents were coded and computed electronically using Statistical Package for Social Sciences (SPSS) 16.

RESULT

1. Village financial management challenges

Findings show that three fifth of the respondents 198 (60.2%) indicated that there is financial management system in their village, only 92 (27%) stated that financial management system never existed in the village, and only 39 (11.8%) reported that sometimes their village financial management have established financial system. It was observed that 206 (62.6%) of the respondents reported that accountants for the village financial management were skilled to handle matters related to finance problems, 93 (28.1%) of the respondents never realized that accountants for the village financial activities had skills for financial matters, whereby only 30 (9.0%) of the respondents indicated that sometimes village financial accountants were enough qualified to handle and manage financial matters in the village. Studies support the findings above whereby for instance, in the United States of America the village financial management systems are applied as strategies for socio-economic development [2]. But Kurokawa opposed to results and showed in his study that African countries will need further foreign cooperation, not only in the marketing but also in financing and management training [8]. An other study supports and indicates that among the multiple causes of rural poverty, the lack of access to formal and adequate financial services remains a major impediment to the socio-economic choices of rural poor people and smallholder farmers [7].

The findings show that 117 (35.5%) of the respondents never observed any report from village financial accounts in the village, 114 (34.6%) reported that frequently village financial reports have been produced and distributed, and 98 (29.8%) of respondents stated that sometimes financial reports have been produced. More than half 173 (52.6%) of the respondents reported never to have participated in financial reports sharing in the village, 119 (36.2%) of the respondents acknowledged sometimes to have participated in financial report presentation; only 37 (11.2%) of the respondents frequently have participated in financial report sharing in the village. The Tanzania Poverty and Human Development Report confirms the findings; that sustainability for development would be achieved
through financial accountability, transparency, development and implementation of policies, management of resources for income generation activities [9]. Campbell joins by stating that any transfer of authority, there exists a danger of creating a new set of elites who use this authority for personal gain losing contact with their constituency not doing accountability [3]. Whereby other researchers negatively stated that accurate accounting records are essential to maintain accountability over financial resources. The Treasurer is responsible for maintaining and providing the Board with accurate financial records and Village officials should ensure that the balances in all accounts in the financial management system are correct, and be able to generate accurate and reliable financial reports from their system at any point in time during the fiscal year. Village officials’ inability to generate accurate financial reports prohibits them from making informed financial decisions [2].

More than half 175 (53.2%) of the respondent indicated that financial management policies have been always followed, and only 103 (31.3%) of the respondents reported that village financial management never followed financial policies. More than three fifth 228 (69.3%) of the respondents indicated that village financial management always had developed a plan, 94 (28.6%) of the respondents reported that there was never been a development plan for financial management in the village, and only 7 (2.1%) of the respondents confirmed that sometimes village financial management had developed a plan. Studies support the results; improving transparency and accountability on financial and resource management require that certain information to be well prepared and posted to the village board for stakeholders approval e.g. budget and financial statements, etc. [9]. And other reports state that village financial management is a potential engine for national socio-economic development. Most of the southern countries have started to enhance village financial management systems to ensure appropriate planning, budgeting and transparency in terms of establishing books of accounts and financial statements to reveal the village financial and economic situation annually [13].

Village development strategies initiative

Findings in table 2 indicate that more than half 168 (51.1%) of the respondents reported that there have never been a development strategy in the village for financial management, and only 49 (14.9%) of the respondents stated that always financial development strategies had been established in the village for village financial management. 217 (65.9%) of the respondents stated that the Wards never established or initiated development strategies for villages, only 112 (34.1%) of the respondents indicated that the ward sometimes established development strategies for village financial management. Aline with the study, the Joint Implementation Review Report for Tanzania Development Program revealed that project’s funds of the community village bank accounts operate for saving and project transactions with the guidance of committee members and village authorities that have appropriate knowledge and skilled manpower on how to manage allocated funds effectively [11].

More than three fifths 226 (68.7%) of respondents reported that the District never established development strategy for village financial management, only 42 (12.8%) of respondents reported that the District had sometimes developed development strategies for village financial management in the village. And more than half 168 (51.1%) of the respondents confirmed that there have never been widely shared development strategies for financial management, 100 (30.4%) of the respondent reported that sometimes widely financial development strategy have been shared in their village, and only 61 (18.50%) of the respondents confirmed always participating in sharing widely financial development strategies in their village. Campbell negatively supports the findings that entrepreneurs tend to ignore local regulations and controls, undermining the authority of community organizations and appropriating the resource base. In these situations, government law enforcement agencies have been relatively ineffective in providing back-up support. The assumption is that if true community control is in place then sustainable use and management will follow; but the links between village management still require attention. And that policies should be implemented in approaches that provide community members with the authority to make decisions regarding the use and management of resources appear to have a greater chance of succeeding than those transferring control to higher levels [3].

More than two fifths 155 (47.1%) of the respondents reported never participated in
promotional neighborhood for village financial management, 91 (28.2%) of the respondents sometimes participated in the promotion of financial strategy for village development, and only 81 (24.6%) of the respondents frequently participated in the promotion on village development. Findings reveal that three quarters 244 (74.1%) of the respondents were neglected and not considered in financial strategies development promotion in the village, and only 85 (25.9%) were considered for the reduction of financial vulnerability in the village. More than three fifths 241 (73.3%) of the respondents reported that there has never been good governance on financial management in the village, and only 88 (26.7%) reported to have acknowledged good governance in the village for financial management.

Relationship between Village Financial Challenges and Villages Development Strategies

Results from table 3 show a highly positive significant correlation was found between village financial system and the strategy of relying on outsider (r=0.522). Further, the results indicate that there were found a highly significant correlation but negative between financial systems and good governance of leadership in the village (r=-0.294), access to cash through financial institutions (r=-0.775), ability to provide food (r=-0.420), and leadership transparency in the village (r=-0.160). The results therefore, imply that the village financial system rely on outsider’s strategies. The negative significance of relationships observed means that the more financial systems are organized, the worse good governance strategies, access to cash through financial institutions, ability to provide food, and leadership transparency strategies in the village. This implies that the village copy what happens in other regions and that strategies developed in the village are not in alignment with the village financial systems as it could be.

Findings in table 3 show that there is a highly positive significant correlation that was found between level of education of accountants for village financial management and the strategy of relying on outsider (r=0.470). This means that the more education of accountants is higher, the better the strategy of relying on outsider. The results also indicate that there was a highly negative significant correlation between education of accountants and good governance of leadership in the village (r=-0.261), access to cash through financial institutions (r=-0.691), ability to provide food (r=-0.240), and leadership transparency in the village (r=-0.179). This means that the higher is the education of accountants, the less is the good governance of leadership strategies, less the access to cash through financial institutions, the less the ability for food security strategies, and the less the transparency strategies in the village. This implies that most of the villages educated accountants are not credible with all their skills that cannot help the village financial system and development strategies.

Findings show a highly positive significant correlation that was found between village financial report and the strategy of relying on outsider (r=0.341). The findings indicate that there was a highly negative significant correlation between village financial report and good governance of leadership in the village (r=-0.286), access to cash through financial institutions (r=-0.468), and strategy of ability to provide food (r=-0.356). This means that more the financial report was better, the worse good governance strategies of leadership, worse access to cash strategies, and worse food security strategies for the villages. This implies that the report was made by outsider with no consideration of what is going on in the village.

Results show that a highly positive significant correlation was found between level of village financial policies and the strategy of relying on outsider (r=0.493). The results also indicate that there were a highly negative significant correlation with village financial policies and good governance of leadership in the village (r=-0.272), access to cash through financial institutions (r=-0.629), and the strategy of ability to provide food (r=-0.607).

Findings show that a highly positive significant correlation was found between the level of village financial development plan and of cash access through financial institutions in the village (r=0.384). The results also indicate that there was a highly negative significant correlation with financial development plan and the strategy of relying on outsiders in the village (r=0.284).
Conclusions and recommendations

The study has revealed that village financial management and village development strategies remain the vital machinery for village socio-economic development. The village financial system and village development strategies are the result of village community initiatives based on village policies and development plan settings. As a result, this study concludes that Wards, NGO, and District/Government have little implication in the village financial system and strategies development in the selected six villages of the Arumeru District. The study concludes with the following recommendations:

- Village financial management committees should be formed and informed on how to implement financial policies, and make into consideration all other aspects of finance such as reporting, feedback and communication with stakeholders.

- Village strategies development in the villages should be one of the priorities from the development strategic plan of the Government and other parties existing in the rural areas to overcome the financial management challenges existing in the villages.

- A survey should be conducted Arumeru District to find out the level on self-reliance and socio-economic development for households.

REFERENCES


