

**EFFECTIVENESS OF BUDGETING PROCESS IN ACHIEVING
ORGANIZATIONAL GOALS: A CASE OF TEMESA**

DOREEN DONASIAN ASSEY

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER IN BUSINESS
ADMINISTRATION OF THE OPEN UNIVERSITY OF TANZANIA**

2014

CERTIFICATION

I, the undersigned certifies that, I have read and hereby recommend for acceptance by the Open University of Tanzania a dissertation entitled; “Effectiveness of Budgeting Process in Achieving Organization Goals: The case of TEMESA (HQ)” in partial fulfillment of the requirement for the award of Master in Business Administration in Finance.

.....

Prof. Hosea Rwegoshora

(Supervisor)

.....

Date

COPYRIGHT

No part of this project may be reproduced, stored in any retrieval system, or transmitted in any form by any means, electronic, mechanic, photocopying, recording or otherwise without prior permission of the author or the Open University of Tanzania in that behalf.

DECLARATION

I, Doreen Donasian Assey, declare that this dissertation is my own origin work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

.....

Signature

.....

Date

DEDICATION

I would like to dedication this work to my lovely parents especially for their prayer, care and love that strengthened me through this tough work and to my all relatives for this prayers and care they revealed to me.

ACKNOWLEDGEMENT

First, mostly appreciation and sincere thanks giving to the Almighty God for helping me to conduct my study and be able to write this report because without Him it is impossible to do anything.

Secondly, I would like to express my sincere appreciation to my beloved parents Mr & Mrs. Donasian Assey, my dear husband Mr. Godlisten Mtei, my beloved daughter Gabrielle Malaika Godlisten and my sisters and brother Nancy, Aika and Donnan Assey for their daily encouragement, support and advice they presented to me during the whole period of my study.

Thirdly, I would like to express my appreciation to my supervision Prof. Hosea Rwegoshora for his guidance all over this study. It was not possible for to produce this report alone but through his guidance all work has accomplished.

Fourth, I would like to express my appreciation to organization of TEMESA (Tanzania Electrical Mechanical and Electronics Services Agency) and all the staff members especially from the Accounting section for their support and cooperation they offered to me throughout my study.

Lastly but not least, I would like to appreciate the cooperation provided by my all other Open University Of Tanzania staff members, my friends, and all others during the whole period of my field study. I real appreciate their support they offered.

ABSTRACT

The study focuses on determining the effectiveness of budgeting process in achieving organizational goals. This study was conducted in Tanzania Electrical Mechanical and Electronics Services Agency (TEMESA) Head Quarter Dar es salaam. In this research, both probabilistic and non-probabilistic sampling techniques were used. In probability sampling, simple random sampling method was used because the strata (department) were in homogenous characteristics where it became possible to select unit randomly without bias. Qualitative and quantitative data were analyzed by using the statistical package for the social Science/ personal computer (SPSS/ version 12). The results revealed that budget enables mobilization of TEMESA resources and maximizes proper utilization of resources in the adequate and correct ways and that TEMESA is facing the problem of being not having computerized budgeting software. According to the findings it is recommended that the organization should be carefully in setting the goals for the financial year by making sure that those goals must be achievable in order to avoid wastage of resources. Also an effective management system should deal with all relevant aspects while an efficient management system does this with little use of resources by being integrated and focused on identified aspects including both risks and opportunities. A flexible management system should easily adapt to new requirements without losing effectiveness or efficient.

TABLE OF CONTENTS

CERTIFICATION	ii
COPYRIGHT.....	iii
DECLARATION	iv
DEDICATION	v
ACKNOWLEDGEMENT	vi
ABSTRACT	vii
LIST OF TABLES	xii
LIST OF ABBREVIATIONS	xiii
CHAPTER ONE	1
1.0 INTRODUCTION	1
1.1 Background of the Problem	1
1.2 Statement of the Problem	3
1.3 General Objective.....	4
1.4 Specific Objectives.....	4
1.5 Research Questions	4
1.6 Significance of the Study.....	4
1.7 Dissertation Layout	5
CHAPTER TWO	7
2.0 LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Definition of terms	7
2.2.1 Budget.....	7

2.2.2	Budget Committee.....	8
2.2.3	The Budget Period.....	8
2.2.4	Master Budget.....	9
2.2.5	Organizational goals.....	10
2.2.5.1	Types of Organizational Goals	10
2.3	Literature Review	10
2.3.1	Budget Preparation Process	10
2.3.2	The Budget Process and Review.....	11
2.3.3	Budget Period.....	12
2.3.4	Forecasting Revenue	13
2.3.5	Budgetary Techniques	13
2.3.6	Importance of Budget.....	16
2.3.7	Budgetary Control	17
2.3.8	Problems in Budgeting	18
2.3.9	Budget Guideline	18
2.3.10	Budget Memorandum.....	19
2.4	Conceptual Framework	19
2.4	Empirical Literature Review.....	20
2.5	Knowledge Gap.....	22
CHAPTER ONE		23
3.0	RESEARCH METHODS AND PROCEDURES	23
3.1	Introduction.....	23
3.2	Research Design.....	24
3.3	Selection of the Study Area	25

3.4	Target Population	26
3.5	Sampling Procedures	26
3.6	Sample Size.....	27
3.7	Data Collection Methods	28
3.7.1	Data Collection Tools.....	29
3.8	Primary Data Collection	29
3.8.1	Survey Methods	30
3.8.2	Questionnaires Technique	30
3.8.3	Interviews Technique	31
3.8.4	Textual Analysis	32
3.9	Secondary Data	32
3.10	Data Analysis and Presentation	33
3.10.1	Data Analysis	33
3.10.2	Data Presentation	34
3.10.3	Data Interpretation	34
	CHAPTER FOUR.....	35
4.0	PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS	35
4.1	Introduction.....	35
4.2	Overview of the Agency Budget.....	35
4.3	Budgeting Preparation Procedures in Tanzania Electrical Mechanical and Electronics Services Agency	35
4.4	Types of Budget Prepared by Tanzania Electrical Mechanical and Electronics Services Agency	37
4.5	Contribution of the Budget to the Success of Tanzania Electrical	

Mechanical and Electronics Services Agency and Its Goals Achievement .	38
4.6 Challenges that Tanzania Electrical Mechanical and Electronics Services Agency faces in the Budgeting Process	39
4.6.1 Challenges in the Budget Preparation Process.....	40
4.6.2 Challenges in the Budget Implementation Process	41
CHAPTER FIVE	
5.0 SUMMARY, CONCLUSION AND RECOMMENDATION	43
5.1 Summary of the Research Findings	43
5.2 Conclusion	44
5.3 Recommendations	45
5.3.1 Long Term Recommendations.....	45
5.3.2 Short term recommendation.....	47
5.4 Limitation of the Study.....	48
REFERENCES	50
APPENDICES.....	51

LIST OF TABLES

Table 3.1: Composition of the Sample by Department and Gender.....	27
Table 4.1: The response on Budgeting Preparation Procedures in Tanzania Electrical Mechanical and Electronics Services Agency.....	36
Table 4.2: The Response on Types of Budget Prepared by Tanzania Electrical Mechanical and Electronics Services Agency.....	38
Table 4.3: Frequency Distribution of Respondent on the Budget Contribution to the Success of T Tanzania Electrical Mechanical and Electronics Services Agency	39
Table 4.4: Frequency Distribution of respondent on Challenges in the budget Preparation Process.....	40
Table 4.5: Frequency Distribution of respondent on Challenges in the Budget implementation process.....	41

LIST OF ABBREVIATIONS

ABB	Activity based budgeting
ABC	Activity Based Costing
ABM	Activity Based Management
ACCA	Association of Chartered Certified Accountants
ADA	Advanced Diploma in Accountancy
CIMA	Chartered Institute of Management Accounting
DBSS	Directorate of Business Support Services
DEHFS	Directorate of Equipment Hire and Ferry Services
DPMW	Directorate of Production, Maintenance and Workshop
DTACS	Directorate of Technical Advice and Consultancy Services
G/L	General Ledger
HQ	Head Quarter
IAA	Institute of Accountancy Arusha
LPO	Local Purchase Order
MAB	Ministerial Advisory Board
MTEF	Medium Term Expenditure Framework
OC	Other Charges
PE	Person Emolument
PSRP	Public Service Reform Programme
SPSS	Statistical Production for Social Science
TEMESA	Tanzania Electrical Mechanical and Electronics Services Agency
TQM	Total Quality Management
ZBB	Zero based budgeting

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Generally, organizations operate using several resources including financial, human, capital and others. Financial resource is one of the key elements in achieving organizational objectives and goals. However, in order to achieve the objectives budget has to be prepared effectively and adhered to. A budget may be described, as a quantitative expression of a plans and the process of converting plans into budget is known as budgeting. Budget is one of the most widely used tools for planning and controlling business organization. The budgeting process may be quite formal in a large institution with committees set up to perform the tasks. On the other hand in a very small firm the owner may write down the budget on a piece of paper or just budget in his head about the items he can remember easily.

A properly managed budget can promote sustainable profits in many business organizations. The actions that follows managerial decisions normally involved several aspects of business, such as the marketing, production, purchasing and finance functions, and it is important that the management should coordinate these various interrelated aspect of decision-making. If the management fails to do this, there is danger that managers may each make decisions that they believe are in the best interests of that organization when, in fact, together they are not; for example, the marketing department may introduce a promotional campaign that is designed to increase sales demand to a level beyond that which the production department can handle. The various activities within a company should be coordinated by the

preparation of plans of actions for future periods. These detailed plans are usually referred as budgets (Drury, 2004).

Budget is among the major tools for implementation of the objectives and policies of the organizations. In other words budget provides the basis for decision making in the organization. Budgeting plays importance not only to organizations but also to individuals on how to spend in relation to the income available. Further, budgets play other managerial roles such as planning, controlling, communication and motivation. A well formulated budgeted system enables the organization to reach its goals more successful (Drury, 2004).

The rapid changes in today's business environment render a rigid approach to budgetary control obsolete. It is no longer helpful to compare actual results to that forecasted anything up to 15 Months previously (Pandey, 2002). He argues that amongst the requirements of a more appropriate system, would be the building in of accountability to explain the differences between actual and planned performance. This demands a more immediate time frame of information reporting. Thus, there is a need to integrate strategic management and budgeting. These authors conceptualized that to be effective, budgets must be aligned with the Organization's strategies, appropriate strategic planning, and performance management processes introduced, and must involve processes that are value based, consequential and Continuous.

The work of (Arora, 2000) could be viewed as further contributions to the above stand point as he recognizes the need for organizations to integrate strategic

management and budgeting. What seems rather unfortunate according to (Arora, 2000) is the fact that most organizations still treat the budgeting and strategic management processes separately and also, a significant portion of small and medium-sized enterprises do not engage in strategic planning (Arora, 2000). Hence, the reason for this research work is to evaluate the effectiveness of budgeting process in achieving organizational goal at TEMESA.

1.2 Statement of the Problem

Budgets play effective role in achieving organizational strategic goals, in this sense budgets are ways through which one can reach the goals set. In budget development process one tries to foresee whether strategic goals can successfully reached or not. Budgets sets standards to achieve goals and can help in evaluating the fluctuations occur during the year and try to ascertain the reasons from deviating from achieving the defined goals.

Different organizations have different goals. Example increasing number of customers, increases profit, increase quality of services provided, improve performance to a certain better level. Organization resources are needed to be employed so as to enhance its achievement. Thus budgeting is vital to any organization that needs to progress positively.

Despite budgeting process being in place in many organizations yet goals set by them are not met or are met at some low level, this study will make a critical analysis to obtain the possible factors that may observe the effectiveness of budgeting process in achieving organizational goals.

1.3 General Objective

The general objective of the study was to investigate how the budgeting process helps organization in achieving its goals.

1.4 Specific Objectives

The study was guided by four objectives namely,

- (i) To examine how budget is prepared.
- (ii) To examine how budgets contribute to the organizational goals achievement.
- (iii) To identify the challenges that the organization faces in the budgeting.
- (iv) To identify measures for improving planning within an organization.

1.5 Research Questions

The research conducted was based on the following questions;

- (i) What are the budgeting preparation procedures?
- (ii) To what extent does the budget contribute to the organizational goals achievement?
- (iii) What are the challenges that the organization faces in the budgeting?
- (iv) What measures should be taken to improve planning within the organization?

1.6 Significance of the Study

The significance of the study will basically contribute on suggestions on improvement of performance of organizations in the future by critically analyzing how effective the budgeting process can be in achieving organization goal. However the findings from the study are expected to be useful to the organization by

enhancing the attainment of the organization goal through the timely budget processed by the organization as this will enable the forward movement of the organization and its growth.

With regard to managerial contribution the study findings would be important to the management as it portrays the major challenges facing their organization in budgeting. Also the organization could improve their effectiveness and efficiency by implementing best practices and improving the relationship with their subordinates in organization daily activities towards attaining same goals. The management could also use the study findings to help detecting weaknesses that may arise in budgeting process. Based on that firms might emulate the best practice.

Finally the study has significance to the researcher by having exposed by undertaking investigations in this fertile area of research. The experience obtained has acted as capacity building platform that could provide impact in terms of career development and provide database for learning purposes in various institutions.

1.7 Dissertation Layout

In this initial chapter, an attempt has been made to define the rationale for the study is analyzing how effective the budgeting process can be in achieving organization goals. It is knowledgeable that different organizations have been setting budgets as a way to foresee whether their strategic goals set are not met regardless the efforts. The next chapter is basically on viewing literature which includes journals, papers, magazines and articles just to mention the few. However empirical evidence from various different levels show that budget is an essential tool in organizations. In

chapter three various research methods and techniques were employed in collecting data which culminated into the realization of this study. A combination of different approaches was used, whereby each approach serves a different but complementary role within an overall research design. Chapter four has pointed out major findings of the study which pointed out the awareness of TEMESA staff in budget preparation, types of budget prepared by TEMESA, how budget contributes to the success of TEMESA and challenges that TEMESA face in budgeting process. Finally the last chapter explained the summary, conclusion and recommendations on how effective can the budget be to an organization.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This part gives the theoretical base of the study and explains what has already been done and found by other researchers in the similar field. It specifically reviews literature concerning the performance of different organizations in relation to budgeting.

2.2 Definition of Terms

2.2.1 Budget

Over the past two decades the word that because the common in all managers vocabulary is “budget”. Budget is perhaps the most chosen course of action or in action by the management and staff across all sectors. Management at all levels within the public, private and third sector have used the budget as their shield or excuse when confronted or challenged about any decisions. It’s not uncommon to hear variations of the phrases “the budget doesn’t permit us to”, or it is not in our budget”.

Furthermore, management in some sectors may be forgiven for believing their sole. That has become budget preparation, budget compliance and budget monitoring so, what do we understand by the term budget? Lucey (2002), defined budget as a quantitative statement, for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows. A budget provides a focus for the organization, aids the co-ordination of activities and facilitates control. Planning is

achieved by means of a fixed master budget, whereas control is generally exercised through the comparison of actual costs with a flexible budget.

According to Saleemi (1990), budget is defined as a financial or quantitative statement prepared and approved and approved prior to a defined period of time. It may include income, expenditure and the employment of capital. Drury (1996), defined budget as a detailed plan that coordinates various activities within the company for further actions. Hongreen (1981), defined budget as a quantitative expression of plan of action and an aid to the implementation of this plan.

2.2.2 Budget Committee

According to ACCA Financial Management and Control (2006), the budget committee is a coordinating body in the preparation and administration of budgets. Also as written by Saleemi (1990), it consists of the chief executive who is a chairman, departmental heads, and the budget officer who is responsible for the effective operations of the budget committee. Form Sharma and Gupta (2003), its functions are to advice upon matters of policy with regard to production and sales revenues, also to deal with accounting procedures and statistics, to give proper consideration to financial requirements, then to supervise the final preparation of the budget, then to review individual budget estimates, further to suggest revision and lastly to review individual preparation of the budget.

2.2.3 The Budget Period

With reference to Saleemi (1990), the budget is prepared for a specific period. There may be periodic budget and continuous budgets or rolling budgets. The periodic

budget covers fixed period of time like six months, one year or five years. If the budgets are prepared for a longer period then these budgets may be divided into shorter periods or control periods for budgetary control. The budget period depends upon the type of the business and the control aspects. Continuous budget is a process whereby budgets for a year are continually extended by another period i.e. one quarter or half year. The quarter or half year just ended is dropped and next quarter or half year is included. This procedure provides a base to review the budgets of longer periods after shorter intervals.

2.2.4 Master Budget

According to Lucey (2002), the master budget is a comprehensive organizational wide set of budgets. The master budget results in a set of related financial statement for a set time period, usually one year. It coordinated all the financial projections in a single organizational wide set of budgets for a set time period and provides the overall picture of the planned performance for the budget period. It comprises operational budgets and functional budgets.

(i) Operational budgets

These include revenue or sales budget, production budgets, direct labors cost budget, direct material purchase budget, manufacturing overhead budget, chosing stock budgets, cost of goods sold budget, marketing cost budget, distribution cost budget and administrative budget.

(ii) Functional budget

These include budgeted profit and loss account, budgeted balance sheet, cash budget and budgeted statement of cash flow.

2.2.5 Organizational goals

According to CIMA, organizational goal are status of affairs or preferred results that about achieving its mission.

2.2.5.1 Types of Organizational Goals

According to Lucey (2002); organizational goals can be classified as follows:-

(i) Official goals

These goals are the formally stated goals of an organization described in its chapter and annual reports and they are emphasized in public statements by key executives.

(ii) Operative goals

These are the outcome that the organization actually seeks to attain through its operating policies and activities

(iii) Operational goals

Defines the performance objective and desired behaviors within an organization

2.3 Literature Review

2.3.1 Budget Preparation Process

The budget preparation process as written in ACCA Financial Management and Control (2006), involve the following steps: Firstly, communicating details of the budget policy and budget guidelines whereby aggressive pricing policy, wage rate increases, changes in productivity are taken into account. The determine the factors that restrict output and thus the organization performance. These are known as the

limiting factors which can be shortage of labor or materials, limited demand or limited production capacity. Also preparation of the sales budget is followed where the majority of other budgets are derived.

Moreover the initial preparation of budget is followed. Next step is the negotiation of the budget with superiors such that the manager with the draft budget submits to different superiors for approval before it reaches the budget committee. Then coordination of budgets is done so as to modify those ones which are not well – suited. Final acceptance of the budget is followed whereby budgets are summarized into a master budget. The last step is the budget review whereas actual results are compared with the budget results whereby corrective action is taken when differences occur.

2.3.2 The Budget Process and Review

According to C. Adams et al. (2003) the budget process and review are discussed as follows:

- (i) The budgeting activity shall be rolled out by a budget guidance letter issued by the Chief Executive at least six months before the close of the year outlining the Government policies, general economic conditions, guidelines on how to budget and budget time–table.
- (ii) It is the responsibility of each head of department to prepare an appropriate budget for the divisions in an accepted format approved by the Agency.
- (iii) Economist and Marketing Manager and Chief Accountant shall obtain forecasts and estimates for the annual budget from each department and then consolidate them into the Agency’s annual budget.

- (iv) Economist and Marketing Manager and Chief Accountant shall make monthly review of the revenue budget and capital budget by comparing actual performance with estimates, obtaining reasons for variances and recommending appropriate corrective action.
- (v) Under no circumstances shall a deficit annual budget be operated by the Agency.
- (vi) All the Agency's employees responsible for expenditure are expected to exercise due economy and thrift. Money must be spent only if it is absolutely necessary, and not merely because it has been provided for in the budget.

2.3.3 Budget Period

This is the time the budget is intending to cover. The resources allocated to a specific area is suppose to be sufficient throughout the stated period Lucey (2002); An Agency budget covers a period of twelve months from July to June of each year. From October on wards each year production center will start to prepare budget proposals for the following financial year. Divisional Heads advices their Budget Centers on Agency priorities Government and Ministerial matters and insure that all requirements discussed and recommended by them are included in the budget. In December each year the Heads of Division will compile their budgets to obtain Divisional budget which will be used to compile master budget.

In February the Management will scrutinize the Divisional budgets, discuss, and recommend the Revenue and expenditure budget for the Agency. In April of each year the Management will consider the draft estimates and prepare final draft which

will be submitted to Workers Council and Ministerial Advisory board, and finally to the Ministry responsible to the agency. The TEMESA's annual budget must be approved by the Ministerial Advisor Board at least two months before commencement of the financial year.

2.3.4 Forecasting Revenue

Revenue estimates refer to the forecasts of the likely revenue to be collected during the financial year from the provision of goods and services by TEMESA. Revenue is likely to accrue from ferries services, consultancy equipment hire etc and Miscellaneous Income.

Procedures to be followed when forecasting revenue are as follows:

- (i) Review past year's income and tabulate figures by type of revenue and the activity;
- (ii) Analyze the time series to identify seasonal cyclical and random Fluctuations;
- (iii) Extrapolate revenue from past year's figures;
- (iv) Reflect any future changes in pricing and volume of trade;
- (v) Check acceptability of forecasts with the Divisional Heads and Check consistency of forecasts with TEMESA's framework document.

2.3.5 Budgetary Techniques

Budgetary techniques refer to the budgeting approaches that have been adopted by various organizations to achieve various goals. C. Adams et al (2003) discuss them as follows:

(a) Value based Budgeting

This is a formal and systematic approach for managing the creation of shareholders value over time. All expenditure plans are evaluated as project appraisals and assessed in terms of the shareholders value they will create. This helps to link strategy and shareholder value to planning and budgeting.

(b) Profit planning

It is about planning the future financial cash flows of profit centers (profit wheel). It gives the possibility to assess whether an organization or unit generates sufficient cash flows, creates economic value and attracts sufficient financial resources for investment. It also ensures consideration of an organization's short-term and long-term prospects when preparing its financial plans.

(c) Zero Based Budgeting (ZBB)

According to Lucey (2002), zero based budgeting is also called priority based budgeting, it requires that all activities are justified and prioritized before decisions are taken relating to the amount of resources allocated to each activity.

Zero based budget being compiled as if the programmers were being launched for the first time on the basis of cost benefit analysis. Therefore the budget from each cost centre should be made from zero.

According to Lucey (2002), zero based budgeting is also called priority based budgeting, it requires that all activities are justified and prioritized before decisions are taken relating to the amount of resources allocated to each activity.

Zero based budget being compiled as if the programmes were being launched for the first time on the basis of cost benefit analysis. Therefore the budget from each cost centre should be made from zero.

(d) Activity Based Budgeting (ABB)

According to C. Adams et al (2003) activity based budgeting (ABB) is similar to activity based costing (ABC) and activity based management (ABM). It actually involves planning and controlling along the lines of value adding activities and processes. Resource and capital allocation decisions are consistent with ABM analysis, which involves structuring the organization's activities and business processes so that they better meet customers and external need. ABB can be applied in all industries and functions, including services industries and overhead functions. It also can be used in manufacturing. It is really a management process, operating at the activity level, for continuous improvement on performance and costs [Wilhelmi and Kleiner (1995)].

The key features of ABB include: a planning process linked to the organization's strategic objectives, a use of well-proven activity analysis techniques—the heart of all activity based systems, identification of cost improvement opportunities, analysis of discretionary spending options and priority ranking, establishment of performance targets for control, integration with activity planning and accounting to provide effective control, a participative process to control and sustain continuous improvement. The benefits of ABC are that it: highlights the cost of activities, puts resource allocation in the context of rising/falling activity levels, encourages new thinking; how can the activity be carried out more effectively (process

improvement)? links to TQM (total quality management) programmes, as the activity cost can be related to the service level achieved. Facilitates cost cutting by taking the activity level into account, thus making cost targets more realistic to achieve, enables trend analysis and benchmarking of costs to take place, can be used for day-to-day operational control [7, p.39].

According to Horngreen (1991), it involves defining the activities that underlie the financial figures in each function and using the level of activity to decide how much resource should be allocated, how well it is being managed and to explain variances from the budget. ABB recognize that, it is activities, which drive costs, and the aim is to control the causes of costs directly rather than the costs themselves. Also not all activities add value so it is essential to differentiate and examine activities for their value adding potential.

(e) Planning, programming and budgeting system

According to Hanley (1990), it involves the programmed plans that focus on the end objective and the gross categories of output. That is overall goals and objectives are established first, followed by identification of programmes necessary to achieve the desired objectives and expected benefits. All programmes to be vanished are ranked and select the least cost programme to accomplish, “the programme with lower cost will be undertaken.”

2.3.6 Importance of Budget

Running a business often requires owners to carefully plan and review their finances. Most companies use some form of accounting for identifying, measuring, analyzing

and reporting their financial information. Accounting tools may include budgeting, financial statements, forecasts and other for managing financial information. Business budgets maybe one of the most important accounting tools of company since it usually represent a detailed analysis of how a company expects to spend money in future time period C. Adams et al (2003). Many companies create budgets on annual basis so they can carefully outline the expected needs of each department in the business same as TEMESA.

However According to Horngreen (1991), major benefit to using a business budget is that ability to limit how much money is spent on certain operations. Budget usually counts to ensure that capital is not wasted on unessential items or the company does not overpay for economic used in the business. Also organization often use budgets to plan for future business growth and expansion. Capital saved on regular business expenditures may be placed into a special reserve account designed for selecting new business opportunities. This ensures that companies have capital on hand when needing to make a quick decision for expanding business operation.

2.3.7 Budgetary Control

A budgetary control is a system of controlling costs through preparation of budgets. Drury (1996) defined budgetary control as the establishment of budgets relating to the responsibility of executives of a policy and the continuous comparison of the actual with the budgeted results, either to ensure by individual action the objective of the policy or to provide a basis for its revision J. Batty found in Sharma and Gupta (2003), defined it as “A system which uses budget as a means of planning and controlling all aspects of producing and or selling commodities and services,” While

Welsch in Sharma and Gupta (2003), defined as the use of budget and budgetary reports throughout the period to co-ordinate, evaluate and control day operations in accordance with the goals specified by the budget” Also CIMA, has defined budgetary control in the following words “The establishment of departmental budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objectives of that policy or to provide a firm basis for its revision.

2.3.8 Problems in Budgeting

Budgeting involves various activities that must be done by the budget centre and there are people participating in the budgeting and control process. But is not always fully successive due to the following factors as written in Lucey (2002);

- (i) It is difficult to estimate the revenue and expenditure in which will be included in budgeting.
- (ii) It is difficult to estimate the activity level accurately in some organizations.
- (iii) It is difficult to set the budget that will fit, to all budget centers or departments.
- (iv) Inflation and other economic factors are unpredictable and conflict may arise during the control and monitoring of the operations.

2.3.9 Budget Guideline

The Budget guidelines present the macro-economic assumptions and forecasts at the time when the budget is prepared, procedures for preparation of the budget, the

outline of the information require for budget preparation, budget ceiling and floors for the departments, and the organizational policies, authorities and responsibilities in budget preparation. In TEMESA each department is to make sure that its budget is prepared in accordance with the guidelines.

2.3.10 Budget Memorandum

This is a composition of the information that is required from each department for budget formulation. In TEMESA each department should provide at least the following information necessary for establishing the budget:

- (i) Strategic framework/ plan of the department
- (ii) Budgetary performance of the previous year
- (iii) Scope of the projects and activities that are to be implemented in the coming year
- (iv) Estimate of the budget for each project/activity

The estimates must include a table of annual target to be achieved for the next year.

The strategic concerns of the budget guidelines, the estimate ceiling for the organization and the strategic priorities for the organization.

2.4 Conceptual Framework

The effective budget of any organization leads to the goals realization. The goals realization in an organization is used to describe how successfully the organization is or becoming. The failure of the same describes the opposite. Therefore goal realization in an organization suppose to be reflected by its growth of the organization through attaining its goal example increasing of market share. One way

of having an effective budget is through the proper use of appropriate computer system to achieve the process. Most budgets prepared in organizations aim at achieving organization goals. One of the approach is involving staff from development department in budgeting process. However the organization may decide to adopt or not to adopt. As such, adoption of the involvement of all staff in budgeting is influenced transparency in organization. In situation where staff are involved there will be transparency hence will reduce mismanagement of organization fund. The combination of which contribute effective budget hence goal realization (Jacobs J. F 2003).

2.4 Empirical Literature Review

This section reviews the work done by other researchers, which relate to this topic. The purpose is to relate the theoretical literature review with the findings of other researchers.

Jensen (2001), in his paper entitled “Paying People to Lie: The Truth about the Budgeting Process”¹, he analyzed the counterproductive effects associated with using budgets or targets in an organization's performance measurement and compensation systems. He pointed out that paying people on the basis of how their performance relates to a budget or target causes people (both managers and employees) to game the system and in doing so to destroy value. To stop this highly counterproductive behavior people must stop using budgets or targets in the compensation formulas and promotion systems for employees and managers.

¹Available at SSRN: <http://ssrn.com/abstract=267651> or doi:10.2139/ssrn.267651

Jacobs J. F (2003) in his paper entitled “Budgeting and Budgetary Control”² spoke out that Operational management needs to know the causes of off-standard performance in order to improve operations. The knowledge of variances (real result versus budget) will aid control, at least if and when these variances are understood well enough. A deeper understanding of the state of the company is the ultimate goal of all representations in budgeting and budgetary control. Management's task is to find the reasons for the variances and to take proper action to bring operations into line with the budget. In some cases the variances and trends might indicate that the standards need amendment.

Katiti (2005) concluded that:-In achieving organizational goals there is a need to plan on how to arrive at targeted positions. These plans have to be made by making comparison on the benefit to be attained at low possible costs. King’ori (2005) concluded that:- the program accountant is not involved in preparation of program annual work plan and budget; therefore it is recommended that the program accountant should be involved in process because of an important role an accountant plays as a key person on the financial matters and planning.

Bert (2003) who submitted a report from the topic “The role of budget and budgetary Control in district council concluded that: The role of budget is achieving the goals of organization, hence the organization has to exercise a proper budgeting system and laying down proper budget policies and guidelines otherwise the organization can find itself wasting resources without meeting expectations.

² Available at SSRN: <http://ssrn.com/abstract=400120> or doi:10.2139/ssrn.400120

Writing on the role of budget in achieving organization performance, Vitus (2004) from IFM revealed that ‘by the start of an annual budget cycle the Managers of any organization should have formalized their views and identified the most likely outcomes and targets they will work to for the coming year in terms of profits, Sales and Cost.

In another research paper done by Gambries Veronica (2005) submitted to Institute of Accountancy Arusha (IAA) with the title “Effectiveness of budget and budgetary control in local government. A case study: Mwanza City Council”, the researcher concluded that Budgeting Officers in Mwanza City stand in their positions to resist changes and challenges of any kind in the budgeting process. This may be due to several factors such as conservatism, insecurity, lack of understanding due to poor and/or lack of knowledge concerning the role of budget.

2.5 Knowledge Gap

Empirical evidence from various studies at different levels shows that for an organization to achieve its goals it has to point out its goals then budget for the same with adequate and sufficient fund. However for the budgeting process to be fruitful, many prerequisites are needed to be kept in place, thus creation of budget centers, the usage of adequate accounting records, establishment of budget committee, preparation of budget manual, budget period and determination of the key factors that are to be given priority. Given the conditions of a fruitful budget organizations need to improve their budgeting process for the best. Example The use of computer programmes i.e Accounting software’s.

CHAPTER ONE

3.0 RESEARCH METHODS AND PROCEDURES

3.1 Introduction

This chapter covers the research methodology and description of the methods and techniques that used in the collection of data. This chapter provides details about the research methods and techniques that were used in data collection and data analysis for the study. According to Leedy and Ormoed (2001) research methodology refers to “the general approach the researcher takes in carrying out a research project”. On the other side, Kothari, (2004) defines research methodology as a scientific and objective understanding of how research is conducted. Through it; various steps are employed in studying a research problem along with the logic behind them. This chapter is organized into ten subsections as follows; introduction, research design , study area of justification , population sample and sampling design ,source of data, data collection and techniques, validity and reliability, ethical consideration ,data analysis and conclusion .

On the other hand it is argued that, principally methodology is a theory that guide study under investigations. In conducting research one can use particular kind of methods and explain why you use that methods and not the other. Making clear on this Kothari argues that: Thus when we talk of research methodology us not only talk of research methods, but also consider the logic behind the methods we use in the context of our study and explain why we are using a particular method or technique and why we are not using others so that research results are capable of being evaluated by either a researcher himself or by others (Kothari, 2009).

Research methods understood as the techniques applied in the collection of data or information in the research activity. These methods include questionnaire, interview, textual analysis and survey method (Kothari, 2004). This means that, by which a person gives order to answering questions and testing responses. Research methods lie along a continuum from formal to informal. This part will be composed of research methodology and procedures that will be used in the study. (Kothari, 2000) defines research methodology as “a way to systematically solve the research problem”. This chapter describes about the strategies of the study, survey population, sampling design, measurement of variables, methods of data collection, data processing and data analysis.

3.2 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims at combining relevance to the research purpose with economy in procedure (Kothari, 2004). There are four types of research design namely explanatory, descriptive, experimental and analytical research design (ibid). This study used both explanatory and analytical research design. The choice of the two research design is based on the fact that these the two approaches vary in strength and weakness therefore the study uses both of them for complementary purposes. The explanatory research design for instance uses open ended questions and probing which gives participants the opportunity to respond in their own words rather than forcing them to choose from fixed responses, and quantitative methods demands.

This approach enabled the study to explore the respondents' feelings and attitudes with regard to the effectiveness of budgeting in achieving in realizing organizational

goals. The analytical research design offers opportunity for clarity on the process of analyzing collection of data. Analytical research design was useful for examining the challenges facing organizations in budgeting process.

In addition, a case study strategy was employed because this study intended to undertake an intensive investigation on how budgets contribute to the organizational goals achievement. Qualitative and quantitative research methods were used to collect primary data about the problem under investigation. In addition, quantitative research method was used to complement the qualitative one.

3.3 Selection of the Study Area

TEMESA was selected amongst other organizations as it is an organisation that has been facing insufficient capital expenditure timely the fact that has been resulting to its poor performance and under performance. However the fact has been generating debts for the organization i.e. MDAs and LGAs. This organization was selected as it faces insufficient budget expert in carrying out its budget preparation process. And also researcher found out that the organization is facing poor administration on its conducts.

In addition has been insufficiently empower its human resources by offering training on budgeting to build their capacity of which could enhance the effective budget formulation. However the case study was ready to offer their support in term of providing the information that was required and their time in accomplishing this successfully.

3.4 Target Population

The population targeted depended on the number of employees working in specific departments where the study was conducted. The researcher expected the population to be eighty five (85) people who are working in Business support services Department, Technical Advice and Consultancy Services Department, Equipment Hire Department, Ferry Services Department and top management who were purposively selected.

3.5 Sampling Procedures

Sampling design refers to a systematic way of choosing a group that is small enough for convenience of data collection, but large enough to be a true representative of the population from which it has been drawn (Barbie, 2010). In this study, purposive and random sampling techniques were used.

(a) A purposive sample is a representative subset of larger population, constructed to serve a specific need or purpose (Kothari, 2004). Purposive sampling method (a non-probabilistic sampling technique) was used to select the specific departments to be studied. The purposive selection was based on the assumption that these people had broad knowledge of understanding the whole concept of budget and its importance in an organisation. Purposive sampling can be applied here since used with a number of techniques in data gathering (Godambe, 1982 cited in Tongco, 2007). Also purposive sampling was used because the study will start with a survey, the purposive sampling were done basing on the survey around the study area (Brown, 2005 cited in Tongco, 2007).

(b) Simple random sampling method is a probability sampling whereby all members in the population have equal chance of being selected to form a sample Kothari (1997). It was used because it became possible to select unit randomly without bias from the sample frame without replacement. This enabled the study to acquire appropriate and unbiased information since every member had an equal chance of being selected. It enables the researcher to acquire data from a large pool.

3.6 Sample Size

According to Kothari (1997) sample size is most typically refers to the number of units that were chosen from which data were gathered. However, sample size can be defined in various ways.

Table 3.1: Composition of the Sample by Department and Gender

Respondent department	Count % of Total	Gender of respondent		Total
		Male	Female	
Production & Maintenance	Count % of Total	3 12.0%	0 .0%	3 12.0%
Technical Advice	Count % of Total	0 .0%	2 8.0%	2 8.0%
Consultant Service	Count % of Total	4 16.0%	10 40.0%	14 56.0%
Business Support Service (BSS)	Count % of Total	2 8.0%	2 8.0%	4 16.0%
Ferries & Hiring Services	Count % of Total	1 4.0%	1 4.0%	2 8.0%
Total	Count % of Total	10 40.0%	15 60.0%	25 100.0%

Source: Research Findings (2013)

It is noted that sample size depends indirectly on the population size, variability of the population and the acceptable error set by the auditor. The sample size comprised of 25 people, 3(12%) male were from production and maintenance department, 2 (8%) female were from technical advice and consultant Service department, 4(16%) and 10(40%) male and female were from business support service department respectively, 4(16%) for both male and female were from ferries and hiring services department, as well as 2(8%) male and female were from other department such as legal unit.

3.7 Data Collection Methods

Data have different meaning depending on the purpose of the study under investigation. Krishnaswima ana Ranganatham (2005) define data “are facts, and other relevant materials, past and present, serving as base for study and analyses”. Also according to Polit and Hungler (1999) data means the information obtained in a course of a study.

Therefore data is raw, unorganized facts that need to be processed. Data can be sometime simple and seemingly random and useless until it is organized. The study used both the primary and the secondary data. The primary data includes data collected through the questionnaires and interview to the key information basing on the characteristics of the study.

Primary data refers to those collected by an investigator for the first time of conducting the research (Kothari, 2004). Primary data collection allows for interaction between the researcher and the respondents, hence it facilitates explanation and description of the subject under study.

3.7.1 Data Collection Tools

In collection data from the study area, survey, questionnaires and interview were used. It is noted that the different between secondary and primary data in the field of research depends on the relationship between the person or research team who collect data and the person who analyzing data (Boslaugh, 2007)¹⁷.

3.8 Primary Data Collection

The research were obtained data from primary data sources by the using the library and questionnaire (Kathori, 2005). A simple questionnaire is designed to easy the understand and the response. The participants of the both genders during primary data collection were put into consideration to eliminate gender biasness. Questionnaires were used as the chief data collection instrument which they were submitted t all staffs in TEMESA. The questionnaire was designed in such a way that they could easily be Self-administered questionnaire, provide quick responses, and the analyses were faster and suitable for computer based research methods (Jarvinen, 2004). Where the questionnaire we're not be filled and picked on the first visit, additional visits were be made immediately.

Kothari (1985) define Primary data as the original formation collected for the first time. Kothari (2004) add that, primary data are “those which are collected afresh and for the first time, and thus happen to be original character”. Also Krishnaswami and Ranganatham (2005) further contend that primary data are fresh source from which the researcher directly collects data that have been previously collecting primary data the methods that used includes, survey, questionnaires, interviews and textual Analysis.

3.8.1 Survey Methods

Taylor-Powell and Hermann (2000) define survey as the way to collect information directly from the people in a systematic standardized way. Survey use questioners that ask question in the same way to all respondents. The Survey method was used to gathering primary data for the study. According to Lovell and (1970) define survey as “a form of approach is strong in obtaining data from large population or from a representative sample from which generalization may be made. Second, the survey approach was used because it is strong in providing results which are reliable, representative and valid. If this approach is properly conducted, the results are reliable and representative of a much wider population. Households ‘survey conducted in the sample residential units located in the 2 selected sub-wards in study areas. The main instrument used for data collection under survey method is questionnaires consisting both open and close questions.

3.8.2 Questionnaires Technique

This technique was used because it has the ability to observe data beyond the physical reach of the observer (Kothari, 1990; Cohen et al., 2000). Robbins and Pollnac (1969) argue that, questionnaires is a way to find information in a study about “acculturation” Kothari (1985) contends that, questionnaires as the most important means of data collecting. In this study the questionnaires were mixtures of closed and open-ended questions. Structured written questionnaire was administered to the heads of households. The selection of the household based on the fact that they are the main decision makers in the households. The questionnaire were prepared and distributed in the area concerned and to the sample selected.

3.8.3 Interviews Technique

An interview is a purposefully interaction in which one person obtains information from another person or people (Enon, 1998). This technique helps in obtaining valid and reliable information from the respondents. According to Krishnaswami and Ranganatham (2005) interviews defines as, “a two systematic conversation between an investigator and an informant, initiated for obtaining information relevant to a specific study”. Interviews not only cover the conversation but also involve learning from the respondent’s gesture. This technique helps to get the valid and reliable information from the respondent. This study employed structured interview guide during face to face interviews with key officials from TEMESA. The interview technique was used because it is quite flexible, adaptable and can be used with many people. Also the interviewee used to collect information personally from the sources concerned and this helps to reduce the chances the bias from the data collection perspective.

In addition interview applied on this study since, is the only suitable method for getting information from illiterate applied or less educated respondents as proposed by Krishnaswami and Ranganatham (2005). We interview peoples to find out from them those things we cannot directly observe issue is not whether observation data are more desirable, valid or meaningful than self report data.

The fact is that we cannot observe feeling, thought and intentions. We cannot observe behaviors that took place as some precious point in time. We cannot observe situation that preclude the presence observer, we cannot observe how people have

organized the world the meaning they attach to what goes on in the world. We have asked people questions about those things (Patton, 2002).

This quotation from Patton indicated how interview is important methods in collection of data. In the collection of data or information relating to corruption issue in any sector needs also to know the perception, intentions and feeling of respondent regarding the study under investigation. Also traditionally most of the developing countries people are willing to talk rather than writing so, this also is among of the purposes for employing interviews in the study area.

3.8.4 Textual Analysis

Krishnaswami and Ranganatham (2005) define textual analysis as “a research technique for making inferences by objectively and systematically identifying specified characteristics of content of documents”. MacKee (2003) put it: “textual analysis is a way for researchers to gather information about how other human beings make sense of the world. It is a methodology a data gathering process for those researchers who want to understand the ways in which members of various cultures and subcultures make sense of who they are and of how they fit into the world in which they live”. In this study textual analysis used to helps the researcher to get the perfect starting point of the study under investigation. Also this study used textual analysis for the aim of getting information related to study under investigation from various newspapers.

3.9 Secondary Data

Secondary data are usually collected by someone other than the user (Kothari, 2004). Common sources of secondary data in social sciences research include censuses,

organizational records and data collected through qualitative methodologies or research. Kothari (2004:95) defines secondary data as “those which have already been collected by someone else and which have already been passed through the statistical process”. According to Krishnaswami and Ranganatham (2005:165) secondary data means, sources that containing data which have been collected and compiled for another purposes. Literature review which were included are the reading of published and unpublished materials such as books, journal, government reports, articles and the research reports.

3.10 Data Analysis and Presentation

3.10.1 Data Analysis

The compilation and processing of the quantitative and the qualitative data which were collected started immediately after the field work. According to Kothari (2005) data analysis and processing involves editing the schedules and interview responses, coding and classification and entering data into the computer.

The quantitative data which collected on the study has been be sorted, edited, coded and then processed with help of the computer using the Statistical Package for Social Sciences (SPSS). This technology has been used to processing data and running the statistical test, has been be done by the researcher’s satisfaction, and various outputs (listings, chart, graphs, tables) has been sorted and printed. Tables and bar graphs also employed to analyze the data the study.

Qualitative data gathered has been analysis technique. The content analysis technique examines the intensity with which certain words have been used. This

instrument systematically analyses or describes the all forms or content of written and the spoken materials. The information also which will be collected on the public and the other institution and organizations will be analyzed through content analysis technique.

3.10.2 Data Presentation

Through descriptive statics outputs from SPSS and Microsoft Excel such as percentages of responses, frequencies and means has been used for constructing table, figures, illustration and charts by using Microsoft office 2010.

3.10.3 Data Interpretation

If possible chart and tables were used to test relationship between budget preparation and goal realization in TEMESA

CHAPTER FOUR

4.0 PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents the result analysis of information collected from the fieldwork. It is the most important chapter during research because it provides answers to research questions.

4.2 Overview of the Agency Budget

The preparation of Agency budget is based on Medium Term Expenditure Framework (MTEF). TEMESA contains four departments which are Directorate of Business Support Services (DBSS), Directorate of Equipment Hire and Ferry Services (DEHFS), Directorate of Production Maintenance, and Workshop (DPMW) and Directorate of Technical Advice and Consultancy Services (DTACS) where by each department is required to prepare its own budget and these budget there after form the Agency budget which is submitted to the Ministry of Works to be compiled together with the Ministry's budget and finally submitted to the Ministry of Finance to form the national budget. The national budget is then submitted to Economic and Finance Committee of the Parliament of the United Republic of Tanzania gives prior approval to the estimates before they are submitted to the National Assembly for debate, discussion and approval.

4.3 Budgeting Preparation Procedures in TEMESA

According to government operation manual, Government declared its intention by introducing performance budgeting in rolling plan and forward budget guidelines. In

TEMESA the performance of budget operation check list is through progress report evaluation which helps in the comparison of expected performance with the actual reported performance. This is done through evaluation of quarterly reports submitted from these four departments of the Agency.

Table 4.1: The response on Budgeting Preparation Procedures in TEMESA

Procedure in budget preparation	Yes		No		Total	
	Respondents	Percent	Respondents	Percent	Respondents	Percent
Each subsection or department prepare its budget	17	68.0%	8	32.0%	25	100.0%
Budget review process by budgeting team	18	72.0%	7	28.0%	25	100.0%
Management team for further review	18	72.0%	7	28.0%	25	100.0%
Permanent secretary for further approval	17	68.0%	8	32.0%	25	100.0%
Budget implementation	17	68.0%	8	32.0%	25	100.0%
Other specify	15	60.0%	10	40.0%	25	100.0%

Source: Research Findings (2013)

Table 4.1 shows the percentage distributions on the procedures followed by TEMESA in budget preparation, where by 17(68.0%) of respondents, responded “yes” that budget preparation is normally starting from each subsection, while 8(32.0%) of respondents responded “no”, then is followed by budget review process by budgeting team and management team for further review whereby 18(72.0%) of respondents agreed by responding “yes” while 7(28.0%) of respondents disagreed by responding “no” respectively, finally 17(68.0%) of respondent said “yes” and

8(32.0%) of respondents said no for the categories of permanent secretary for further approval and budget implementation respectively, while 15(60.0%) of respondent said there is additional procedure apart from the above mentioned, that procedure is done by first calculating the saving and asses the debts while 10(40.0%) of respondent they said they don't know.

From the findings above the researcher realized that, majority of respondents know the procedures of budget preparation and it is true that budget preparation starts from the users of the budget who initiate the inputs which are necessary for budget, then they submit the inputs to the headquarters for initial review. There after the inputs are submitted to the Budgeting Team for consolidation to form one budget of the Agency and then submitted to the Management team for further review.

Management team (Stake Holders) contain of head of departments, Regional managers and Head of Stations (e.g. GTA, Magogoni Ferry, Cooperation Sole and MT Depot) of TEMESA. The budget is then submitted to the Agency Workers together with Stake holders for initial Approval, after that it is submitted to the Permanent Secretary of the Ministry for further Approval and finally submitted to the Ministerial Advisory Board (MAB) for final Approval. Then Implementation of the budget is the final stage.

4.4 Types of Budget Prepared by TEMESA

The Table 4.2 shows the types of budget being prepared by TEMESA, whereby among of 25 respondents 16(64.0%) agreed that both two types of budget is being prepared by TEMESA, while 5(20.0%) said, only operational budget is being

prepared by TEMESA and 4(16.0%) agreed that only capital budget is mostly prepared by TEMESA. The implication of the above percentage distributions gave us the truth that both types of budgets are being prepared by the departments i.e. Operational Budgets and Capital Budgets; however it is not the case that all departments should prepare both the types of the budgets in every fiscal year. The budgets are prepared under the Zero Based Budgeting system, that is to say every year you have to start afresh preparing your budget.

Table 4.2: The Response on Types of Budget Prepared by TEMESA

Types of budget	Respondents	Percent
(a)Operation budget	5	20.0
(b)Capital budget	4	16.0
(c)Both a&b	16	64.0
Total	25	100.0

Source: Research Findings, 2013

4.5 Contribution of the Budget to the Success of TEMESA and Its Goals

Achievement

The Table 4.3 shows the percentage distributions on how budgeting process has been playing a vital role towards the success of TEMESA and its goals achievement. Where the results revealed that 15(60.0%) of respondents agreed that budget enables mobilization of TEMESA resources and maximizes proper utilization of resources in the adequate and correct ways while 10(40.0%) of respondents said that, they don't know, 19(76.0%) of respondents said the budget has been helping in measuring the

actual performance of the Agency through the set of targets (Actual against targeted) while 6(24.0%) said that, they don't know, 16(64.0%) of respondents agreed that, budget contributed the introduction of management of accounting system while 9(36.0%) don't know, and finally 20(80.0%) and 19(76.0%) of respondents agreed that, budget has been helping in installing of vending machine and other office rehabilitation respectively, while 5(20.0%) and 6(24.0%) of respondents disagreed.

The implication of the above results shows that, it is statistically significance to say that budget has been helping TEMESA in achieving its goals since majority of respondents agreed on that budget contributes the success of TEMESA.

Table 4.3: Frequency Distribution of Respondent on the Budget Contribution to the Success of TEMESA

Budget contribution	Yes		No		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Budget enabled mobilization of resources	15	60.0%	10	40.0%	25	100.0%
Budget helped in measuring actual performance	19	76.0%	6	24.0%	25	100.0%
Introduction of management of accounting system	16	64.0%	9	36.0%	25	100.0%
Installing of vending machine	20	80.0%	5	20.0%	25	100.0%
Office rehabilitation	19	76.0%	6	24.0%	25	100.0%

Source: Research findings, 2013

4.6 Challenges that TEMESA faces in the Budgeting Process

Despite the achievement that TEMESA has been having as a result of budgeting process, there are some challenges that it faces in the budgeting process. These

challenges can be divided into two main groups: (a) Challenges in the budget preparation process, and (b) Challenges in the Budget implementation stage.

4.6.1 Challenges in the Budget Preparation Process

The Table 4.4 shows the challenges that facing TEMESA during budget preparation process, where the researcher results revealed that majority of respondents agreed that TEMESA is facing the problems of being not having computerized budgeting software in which their view were uncouncted by 18(72.0%) while 7(28.0%) of respondents had no views on this, 21(84.0%) and 19(76.0%) respondents had their view that inadequate financial resources and Database for improving revenue collections also facing TEMESA in budget preparation respectively while 4(16.0%) and 6(24.0%) of respondents had no view, 13(52.0%) respondents said that, TEMESA is facing the lack of working capital (i.e. operating with inadequate working capital), while 12(48.0%) respondents had no view, finally another problem facing TEMESA is manpower i.e. knowledge and exposure which were uncouncted 24(96.0%) of respondents out of 25 respondents.

Table 4.4: Frequency Distribution of respondent on Challenges in the budget Preparation Process

Challenge in budget process	Yes		No		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
No computerized budgeting program/software	18	72.0%	7	28.0%	25	100.0%
Inadequate financial resources	21	84.0%	4	16.0%	25	100.0%
Database for improving revenue collection	19	76.0%	6	24.0%	25	100.0%
Lack of capital	13	52.0%	12	48.0%	25	100.0%
Other specify	24	96.0%	1	4.0%	25	100.0%

Source: Research Findings (2013)

4.6.2 Challenges in the Budget Implementation Process

The Table 4.5 shows the main challenges facing TEMESA in budget implementation where 18(72.0%) respondents out of 25 they agreed that budget control process to some point appears to be hard because of standard estimates funds not being enough, this problem leads the Agency to unachievable objectives while 7(28.0%) they had no views.

Table 4.5: Frequency Distribution of respondent on Challenges in the Budget implementation process

Challenge in budget implementation	Yes		No		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
No budget control process	18	72.0%	7	28.0%	25	100.0%
Olds and outdated workshop tools	23	92.0%	2	8.0%	25	100.0%
Uncompleted projects	24	96.0%	1	4.0%	25	100.0%
Unpredictable price fluctuation	24	96.0%	1	4.0%	25	100.0%
Other specify	23	92.0%	2	8.0%	25	100.0%

Source: Research Findings (2013)

Also sometimes it becomes difficult to control budget due to various hindrance issues such as unexpected expenditures. 23(92.0%) of respondents agreed that old and outdated workshop and tools cause many jobs to be done outside the agency workshop, especially on the authorized private garage to repair and -maintenance of Government owned vehicles while 2(8.0%) had no opinions. 24(96.0%) respondents out of 25 they agreed that uncompleted projects in consultancy and technical advice department within the financial year and unpredictable price fluctuations and

currency inflations coped with old pantones which require rehabilitations frequently were among the challenges facing TEMESA in budget implementation. Finally apart from the above challenges low production were also another facing TEMESA in budget implementation which were uncouncted by 23(92.0%) of respondents who provided their views on this challenge while 2(8.0%) had no views.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Research Findings

According to the researcher study; the survival of effective budget will enable the achievement of organization goals. This can be done in the Agency through serious assessment and implementation of the budget so as to work in accordance to it.

From the findings the researcher realized that, majority of respondents know the procedures of budget preparation and it is true that budget preparation starts from the users of the budget who initiate the inputs which are necessary for budget, then they submit the inputs to the headquarters for initial review. There after the inputs are submitted to the Budgeting Team for consolidation to form one budget of the Agency and then submitted to the Management team for further review.

For the issue of budget preparation by TEMESA, among of 25 respondents 16(64.0%) agreed that both two types of budget is being prepared by TEMESA, while 5(20.0%) said, only operational budget is being prepared by TEMESA and 4(16.0%) agreed that only capital budget is mostly prepared by TEMESA. The implication of the above percentage distributions gave us the truth that both types of budgets are being prepared by the departments i.e. Operational Budgets and Capital Budgets; however it is not the case that all departments should prepare both the types of the budgets in every fiscal year. The budgets are prepared under the Zero Based Budgeting system, that is to say every year you have to start afresh preparing your budget.

The results shows that, it is statistically significance to say that budget has been helping TEMESA in achieving its goals since majority of respondents agreed on that budget contributes the success of TEMESA.

The challenges that facing TEMESA during budget preparation process, where the researcher results revealed that majority of respondents agreed that TEMESA is facing the problems of being not having computerized budgeting software in which their view were uncouncted by 18(72.0%) while 7(28.0%) of respondents had no views on this, 21(84.0%) and 19(76.0%) respondents had their view that inadequate financial resources and Database for improving revenue collections also facing TEMESA in budget preparation respectively, while 4(16.0%) and 6(24.0%) of respondents had no view, 13(52.0%) respondents said that, TEMESA is facing the lack of working capital (i.e. operating with inadequate working capital), while 12(48.0%) respondents had no view, finally another problem facing TEMESA is manpower i.e. knowledge and exposure which were uncouncted 24(96.0%) of respondents out of 25 respondents.

5.2 Conclusion

The role of budgeting that makes an organization attain its goal should be effective by having active support for budgeting process from the top management, clear stated budgeting and forecasting standards. But organization should be carefully in setting the goals for the financial year by making sure that those goals must be achievable in order to avoid wastage of resources. TEMESA have a good system of budgeting preparation, it involves persons at different levels. It

promotes common understanding concerning objectives and makes the acceptance of organizational goals by the individual much more likely. If individuals are involved they feel part of the team and become more highly motivated. The installation of computerized systems may be expensive and it requires the employment of specialized staff but it is essential for effective budgeting in achieving organization objectives.

5.3 Recommendations

Apart from the success of TEMESA there is still a room for improvement as suggested below.

5.3.1 Long Term Recommendations

(a) The use of computer programmes

Most of the financial work of the organization like preparing payment vouchers is normally done manually, this is really tiring and time consuming. The use of computerized systems will bring about effectiveness of an organization to achieve its objectives therefore:

It is recommended that most of the financial documentation should be done by using computer software. In this context most of the staff should be trained in the use of computers, Accounting software or packages like Tally, Quick Books, and others are mostly recommended.

The use of integrated financial Management system has advantages such as standardization, effective support of process, using resources optimally reducing sub-optimization and minimizing problems with communication between different areas.

Level of integrated towards better process control also has advantages in the organization aspiring for total quality and business excellence. It could be argued that the word integration means integration of all management systems but since it is not being used in this way we could instead define a fully integrated management system as one that includes management of all relevant stakeholder needs including all suppliers, customers and other interested parties in the supply network.

An Effective management system should deal with all relevant aspects while an efficient management system does this with little use of resources by being integrated and focused on identified aspects including both risks and opportunities. A flexible management system should easily adapt to new requirements without losing effectiveness or efficient.

(b) Establishment of Debt Management Policy

TEMESA has no any Policy which is concerns with the management of Debts, therefore;It is recommended to establish the management Policy which will reduce the huge amount of Debts created during the year and hence increase collections.

(c) Capacity building for accounts personnel

Employees should be imparting budget education on the preparation of budget and analysis of budget data which will bring about effective budgeting through long and short term training.

(d) Introduction of Database

Database plays an important role in the organization. It facilitates proper record keeping of all important information of the organization. So the Agency should

introduce its own database so as to quicken many of the office works which are now performed manual e.g. Filling of data sheets for new employees and promotions is done manually, Payroll system of the Agency is manual which consume much of the time and it is very tiresome work to employees responsible for that work.

(e) Rehabilitation

The Agency should repair and improve its workshops and other working tools and machines so as to increase its productivity and increase revenue

(f) Monitoring and evaluation of outsourced maintenance and repair works in approved Private Workshops

One of the core activities of the TEMESA is to maintain and repair the Government Motor Vehicles, therefore in order to increase revenue and provide good services to the Government and other customers TEMESA must monitoring and evaluate the outsourced maintenance and repair works in those approved private Workshops.

(g) Improving Ferry operation and workshops infrastructure

Introduction of electronic ticketing in Ferries operations will enable The Agency to earn more revenue, TEMESA is still operating these activities of collecting ferries collections by local ticketing (books) which has many loopholes for cheatings.

5.3.2 Short term recommendation

(a) Forecasting of physical quantities

Forecasting is an essential part of the budgeting preparation process. Regardless of the techniques employed, it is very difficult to make accurate forecasts. I recommend that it has to be used in the budgeting process.

(b) Motivation

The Agency should motivate its employees to a particular preferred level, in order to benefit from the efficiency and the success of the organization. Motivation encourages employees to work hard in relation to the given budget, when employees work hard it means the organization can easily achieve its goals.

5.4 Limitation of the Study

The following are factors that hindered the researcher to get some important information to accomplish the study; Shortage of time and funds were the biggest limitations. Shortage of funds affected the researcher for failure to employ research assistants and therefore, consequently I had to spend more time in the field from early in the morning to late evening collecting data alone for the entire huge sample size. In the process of the collecting the data used in the study, three main problems were raised. These include lack of co-operation from some respondents, limited time for interviews.

Men were not active in responding as they thought it did not having an advantages and target them. To address this problem, more time was spent to motivate men to participate in the study. In addition, some few women seemed to be reluctant to participate in the study as they lacked confidence. The reason behind was that they are still bound to traditional beliefs, customs and norms that women cannot talk about economic resources and their development as they are regarded as intruders in their husbands` families. In such situations, such women were persuaded and motivated to participate in the study. After winning their confidence and consent, such women were guided on how to respond to various aspects included in the

questionnaire. The questions were written in Kiswahili and later were translated in English during the writing of this dissertation. Most respondents were fully occupied with their daily domestic activities. In view of this, most respondents were not willing to spare time from their busy schedules to respond to the research questions during working hours. To address this problem, most interviews were held in the evening after working hours.

REFERENCES

- ACCA (2006). *Financial Management and Control*, 2nd Edition, BPP Learning Media Ltd, London.
- Amey, L. (1979). *Budgeting Planning and Control System*, Pitman, London.
- APT Financial Consultants (2009). *Management Accounting and Control (CPA Reviews)*, Dar es salaam, Tanzania.
- Arora, M. N (2000). *Cost Accounting*, 7th Edition, Viscas Publishing House.
- Drury, C. (2004). *Management and Cost Accounting*, 6th edition, Thomson Learning, London.
- Gordon, P.N (1999). *Budgeting, Profit and Control*, Prentice Hall, New Delhi.
- Horngren C, et al, (1981). *Cost Accounting*, 3rd Edition, Practice Hall of India, New-Delhi.
- Horngren, C, et al, (1991). *Cost Accounting*, 7th Edition, Practice Hall of India, New-Delhi.
- Hornoren, C.T (1999). *Management Accounting*, 11th edition USA.
- Kothari, C.R (2004). *Research Methodology 'Methods and Techniques'*, 2nd Edition, New Age International (P) LTD New Delhi.
- Lucey T. (2003). *Management Accounting*, 4th edition, Great Britain Continuum, London.
- Lucey, T. (2002). *Costing*, 6th Edition, Great Britain Continuum, London.
- Pandey, I.M. (2002). *Financial Management*, 8th Edition, Vikas Publishing House Pvt. LTD, New Delhi.
- Saleemi, N. A (1990), *Cost Accounting*, 1st Edition, Nairobi, Kenya.
- Sharma, R. K and Gupta S.K (2003). *Management Accounting*, 9th Edition, Kalyani.

APPENDICES

Appendix 1: Questionnaires

EFFECTIVENESS OF BUDGETING PROCESS IN ACHIEVING ORGANIZATIONAL GOALS

SECTION ONE: INTRODUCTION

Dear sir/ Madam,

I am DOREEN DONASIAN ASSEY, a student from Open University of Tanzania conducting a research for fulfillment of the requirement for Master in Business Administration in Finance. I am currently conducting a study on: "Effectiveness of Budgeting Process in achieving Organizational goal. The purpose of this questionnaire is to ask for your views. Information to be obtained herein shall be used for academic purposes only. I kindly request you to carefully respond to the questions to enable the researcher to obtain as much relevant data as possible. The data will assist the researcher to fulfill the intended objective.

I appreciate your cordinal cooperation.

The aim of this research is to achieve the following specific objectives:

- (i) To evaluate how budget is prepared.
- (ii) To evaluate how budget contribute to the success of the organization and organizational goals achievement.
- (iii) To point out the challenges that the organization faces in the budgeting.

(iv) To recommend measures for improving planning and control within the organization.

SECTION TWO: RESPONDENTS' GENERAL INFORMATION (PROFILE)

Instructions: Just tick where appropriate.

1. Gender Male [] Female []

2. How many years have you been working with your Agency?.....

3. What is your professional education? Engineer [] Technician [] Accountant []
Human resources [] Supplies office [] Administration [] Economic []
Others(Specify).....

4. In which department in your agency are you working with?
Production and Maintenance [] Technical Advice and Consultant Service []
Business Support Service (BSS) [] Ferries and Hiring Services []
Others

5. Age of respondents
A) Above 30 yrs
B) Below 30 yrs

SECTION THREE: QUESTIONAIRES FOR TEMESA STAFF

Instructions:

- (a) Kindly tick the appropriate place for the answer you consider to be reasonable.
- (b) When requested to comment, please do it in the space provided.

6. Are you normally involved in the preparation of budget?

(a) Yes ()

(b) No ()

If Yes, what is your responsibility?.....

If No, who prepares it?.....

7. Do you know anything concerning budget process?.....

.....

.....

8. What are procedures followed by TEMESA in preparing a budget?

.....

.....

9. What are the sources of funds so as to attain targeted budget?.....

.....

.....

10. To what extent are you involved in implementing the budget of TEMESA?.....

.....

.....

11. Did your last year's budget reach the intended goals of the agency

(a) Yes ()

(b) No ()

If Yes, to what percentage?

If No, what are the causes?.....
.....

12. Do you know the goals to be achieved in the current budget?

(a) Yes ()

(b) No ()

If Yes, mention at least five of them.....
.....
.....
.....

13. What specific role does a budget play in achieving organizational goals?

(a) Allocate Role

(b) Set parameter for accountability

(c) Enhance transparency through wide stockholder participation

(d) Provides feedback mechanisms for better planning. Any other please specify

14. What kind of budget do you prepare in your organization?

(a) Operation budget ()

(b) Capital budget ()

(e) Both a and b ()

15. What are the measures taken to ensure that the budget prepared is adhered to by the organization?.....
.....

16. How do you measure organization performance against budget?
.....

17. From your experience how does a budget facilitate organization planning and control?
.....
.....

18. What may be the factors that affect budget preparation and its effective use in attaining organizational goals?
i.....
ii.....
iii.....

19. Do you think there is any impact on the development of information technology in budgeting process in your organization?
(a)Yes ()
(b)No ()

If positive.....
.....
.....

If negative.....

20. For your opinion what actions if put into practice may lead to effective use of budget in reaching organizational goals?

(i)

(ii)

(iii)

