ANALYSIS OF VILLAGE FINANCIAL MANAGEMENT CHALLENGES IN
ARUMERU DISTRICT IN TANZANIA

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ABSTRACT

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 facing villages for their development. This study aimed to analyze challenges facing village financial management in Arumeru District, Arusha region. Findings from the study show that financial management system exists for village associations’ management. The management had skills to handle financial matters in the village but never been applied for village financial management, frequently village financial reports have been produced and distributed to the members, but never show the reality of activity implemented. It was also observed that policies have been established but never been implemented as it could be done for the financial management in the village. The study concludes that village financial management system is the result of community initiatives according to its development plans settings; that Government and other organs have little implication in the village financial management system development for the villages of the Arumeru District. The study recommends that Government authorities, Non-Government Organizations and other organs involved for village development should take steps for training and initiating meaningful strategies to strengthen the village financial management systems in Arumeru District, and 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.

Keywords: Financial challenges, Village financial management and Financial policy and accountability.

INTRODUCTION

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 village associations’ development. [8] 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 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.

Objectives Of The Study

The study analyzes challenges for village financial management in Arumeru District, Arusha region.

LITTERATURE REVIEW

Financial management Systems and accountability

Village’s financial management challenges have been regularly cited as a major harmful factor to substantial socio-economic development
fulfillment in the villages [13]. For instance, in the United States of America, the village financial management systems are applied as strategies for socio-economic development [2]. African countries will need further foreign cooperation, not only in the marketing but also in financing and management training [11]. 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 [10].

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 [17]. 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 [4].

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 [3].

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 [9]. 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 [13].

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. [17]. 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 [18].

Finally financial accountability results from holding an individual accountable for effectively performing a financial activity, such as a key control procedure within a financial transaction process. A well-defined financial accountability structure serves as the foundation for establishing effective financial processes. Transparency and accountability in the financial sector are vital to prevent corruption and ensure a country’s finances are used for the broader public interest.

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 [14].

The worldwide reconsideration of financial strategies has accompanied financial globalization and led globally to the homogenization and stratification of financial management practices and skills [8] [19]. The lack of Village’s financial system generate non accurate balance sheet and trial balance reports for financial report and the general ledgers were not in balance because they included fund balances that were not correct [3]. NGOs,
commercial banks and the Post Bank do not provide training to improve financial services in villages. [4] The 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 [5].

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 [4].

The 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. In countries that still have a strong influence of traditional leadership structures in urban management it has been difficult to introduce statutory planning processes [6].

METHODOLOGY

Research Design and Participants

The study used descriptive research design to analyze the findings. 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 select respondents. Discussion and analysis were based on Village financial challenges that involved village financial management system and accountability. 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 certain factors to overcome the challenges for village financial management.

Data Analysis

Frequency and percentages were the descriptive analysis for data that were performed in this study. Responses of respondents were coded and computed electronically using Statistical Package for Social Sciences (SPSS) 16.

RESULTS

Table 1.

<table>
<thead>
<tr>
<th>Village Financial System And Accountability</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the village financial management System practiced?</td>
<td>n=329</td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td>92</td>
<td>27.0</td>
</tr>
<tr>
<td>Sometimes</td>
<td>39</td>
<td>11.8</td>
</tr>
</tbody>
</table>
Village Financial System and accountability

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. The Country Poverty Reduction Report supports the findings by stating that village’s financial management challenges have been regularly a major harmful factor to substantial socio-economic development fulfillment in the villages [13]. African countries will need further foreign cooperation, not only in the marketing but also in financing and management training in order to use limited resources effectively and efficiently for assistance to local people [11].

It was observed from the findings 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. [17] Supporting these findings 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. Campbell [4] supports the results from his study stating that 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 for no accountability.
The findings show that 117 (35.5%) of the respondents never observed any report from village financial account in the village, 114 (34.6%) of the respondents confirmed 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 findings are supported by 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 [14]. Researchers agree with these findings that lack of Village’s financial system generated no accurate balance sheet and trial balance reports for financial reports [8] [19] [3] and training should be provided to improve financial services in villages [5]. The lack of significant high value human resources is the cause to prevent achievement of community-based management and provide financial reports [4].

Financial policies and Planning Strategies

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. Campbell (2001) supports the findings stating that most of entrepreneurs tend to ignore local regulations and controls, undermining the authority of community organizations and appropriating the resource base.

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. [6] Some studies negatively agreed that the lack of government support to local resident associations and plans seriously impacts on resource management where community structures are generally unable to enforce regulations.

Conclusions

Findings from the study show that financial management system exists for village associations' management. The management had skills to handler financial matters in the village but never been applied for village financial management, frequently village financial reports have been produced and distributed to the members, but never show the reality of activity implemented. It was also observed that policies have been established but never been implemented as it could be done for the financial management in the village. The study concludes that village financial management system is the result of community initiatives according to its development plans settings; that Government and other organs have little implication in the village financial management system development for the villages of the Arumeru District. The study recommends that Government authorities, Non-Government Organizations and other organs involved for village development should take steps for training and initiating meaningful strategies to strengthen the village financial management systems in Arumeru District, and 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, and that a survey should be conducted in the villages of Arumeru District to find out the level on self-reliance for financial management of village associations.

REFERENCES


