

## **Role of Budgeting Management Skills on Performance of Women Development Groups in Kindi District**

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### **Abstract**

Women's development has been critical agenda in the world for several decades. Governments and Non-government organizations have made an effort to empower women in all areas of development. Financial management skills being an important area in development of the business, the current study sought to establish the role of budgeting management skills on the performance of women development groups in Kindi district. The study is anchored on theory of goal setting. The study adopted a cross-sectional design. All 73 women development groups in Kindi district constituted the study's target population. A census of all the groups was carried out. Primary was collected using structured questionnaires. Data were analyzed using descriptive and regression analysis. The findings indicated that budgeting management skills had a positive and significant relationship with performance of Women's development groups in Kindi district. The study concluded that budgeting management skills contribute positively and significantly to enhanced performance of Women's development groups in Kindi district. The study recommended that; Kindi district's development groups develop a precise financial risk management plan with its corresponding mitigation strategies detailing how exactly are they going to tackle all the identified risks if not mitigate them completely.

**Keywords:** *Budgeting Management Skills, Performance, Women Development Group*

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### **1.0 Introduction**

Globally, financial management skills have been an important debate, due to unpredictable macro environment where business and non-business organizations operate. To achieve better performance and competitiveness, various organizations, groups, and non-governmental organizations has established several strategies and financial management skills to be used as a main tool to enhance development and sustainability. That's why there is a need to develop strategies and skills in financial management (Narula & Duning, 2010). The role of financial management skills cannot be underestimated because they contribute to organizational success or failure depending on how they are implemented, thus the need for skills in financial management is needed not only in business organizations but even in self-help groups such as women's development groups in Tanzania and other parts of the world (Savan & Babu et al., 2009). Management of financial matters is a critical finance factor that can lead to financial distress, thus requiring necessary skills to execute it effectively (Memba & Nyanumba, 2013).

The goal of managing financial aspects is centered on achieving financial objectives of generating more income, debt reduction, and expansion, as being the desirable financial performance to any organization (Kegode, 2010).

Women's development has been critical agenda in Africa and the world, for instance, there was so called International Women's decade (1975-1985) which instigated the development of women's agenda and appeals to United Nations (UN), Non-Governmental Organizations (NGOs), governments across the world and other stakeholders to appreciate the role women play in development and poverty alleviation. Women were engaged in various group development projects as an important approach. WID were organizing women into groups and engage them in small income-generating activities such as weaving, basket making, small businesses, and agricultural activities (Kabeer, 2008).

The importance of women in development cannot be ignored as they play a key role in the private sector and MSMEs in Tanzania. The number of women in development is reported to have increased from 35 percent in the early 1990s to 55 percent in 2005. The current information from baseline survey (MIT, 2012) shows that it is at 54.3 percent, which suggests that, it is stabilized. High motivation for running a business, a decreasing purchasing power of wage earners, and increasing unemployment are some of the main reasons why many women engage in development and income-generating activities nowadays (MIT, 2012).

Despite the initiatives and efforts, most women development groups and entrepreneurs still do not have enough skills, education, and access to or use financial services. The IMED (2010) study found that 66 percent of women entrepreneurs financed their start-ups from their savings or family which is difficult to manage and grow their businesses. It has been reported, that only 5.5 percent to 11 percent of women obtained their working capital from MFIs and formal banks, respectively, while 40 percent had never borrowed from any source, this reveals a serious lack of financial management skills. It is against this background that, the researcher seeks to establish the role of financial management skills on the performance of women development groups. This is important as it will build capacity for women entrepreneurs and supports the women's initiatives and development campaigns from donor, NGOs, Governments, and individuals.

### ***Problem Statement***

Despite the efforts of starting businesses and small development projects, there has been a lack of growth and sustainability whereby 70% to 80% of those businesses fail (Goosain, 2004). Landzani and Van Vuuren (2004), revealed that failure normally occurs at the beginning, infant stage. According to the Global Entrepreneurship Monitor (GEM, 2004), the failure is attributable to a lack of business management skills, particularly a lack of financial management skills.

The majority of women groups and entrepreneurs who are about 55% of all SMEs, aged between 25 and 40 years, do not have enough education and skills to manage a business and financial matters regardless of being an important instrument in economic development in the country (Mori, 2012). Although women development (entrepreneurs) groups have greater growth potential, they are often characterized by a lack of the necessary capacities, resources, and skills to manage their finances hence difficult to achieve full growth. Despite the efforts of the government of Tanzania and other stakeholders in creating and implementing policies, laws, and projects to support women's development groups, still women are facing the problem of lack of adequate skills, that is, financial management skills which might have a negative influence on their financial performance (Mori, 2012). Empirical studies have revealed that

women development groups and entrepreneurs have a more difficult business environment than men, they are still marginalized (ILO, 2003; Stevenson & St-Onge, 2005; IMED, 2011). Business skills particularly financial management skills is a critical problem in supporting women's development. It has also been reported that most women entrepreneurs particularly in rural areas had a very low level of education with 68 percent of them attaining primary level education and only 0.1 percent a university education (Van der Poel, Gerwen & Olomi, 2005; MIT, 2012; UNIDO, 2013). This makes women development groups vulnerable in terms of business development skills and growth potential. That's why this study is important as it will provide a platform on the side of budgeting management skills on the performance of women development groups at large.

## **2.0 Literature Review**

The theory of goal setting was developed in industrial organization psychology using over 400 studies (Locke & Latham 1990, 2002). Goal setting is a very useful theory especially when someone wants to study performance. The theory suggests how to get a commitment, and a goal is important in getting commitment and participation in decision-making. Participation in the decision was a critical subject of discussion in World War II, the assumption is, it would lead to participation and commitment (Locke, 1968).

The theory is relevant to the study of budgeting skills, it is understood that budget planning, control, and evaluation need goal setting, and participation which in turn requires exchange of information and sharing to achieve a common goal. Thus, is essential in the performance of any organization as it enhances commitment (Locke, Alavi, and Wagner 1997). The theory suggests that goal commitment is the most important when goals are difficult. Commitment acts as a mediation when there is a range of goal difficulty, and as the main effect when the goal level is held constant at a high level. Relevance of the study is that budgeting skills possess an element of commitment to the goals of the groups, hence constant commitment is required as a planned budget (Hollenbeck, Williams and Klein, 1989).

Another essence of goal setting is to provide directives to efforts by showing when feedback is given for various performance dimensions, and how performance can be improved based on feedback (Locke and Bryan, 1969). Knowledge is another aspect of goal setting, Locke and Latham (1990) argue that effectiveness of goal setting requires human interaction, therefore, knowledge is critical, and this can enhance skills for implementing the goals set. However, the level of performance depends on the magnitude of the goals setting strategy and motivation toward the goals (Locke et al., 1989). The theory concluded that goal effects are mediated by task knowledge, motivation needs cognition and likewise, cognition without motivation is also useless because the fact is, people's desire is low to work on something well known.

Therefore, from financial management aspect, budgeting is a tool that requires skills in setting an organizational goal for a particular period. The key assumption of goal setting is to lead to higher organizational performance (Locke and Latham 1990). Therefore, in line with the goal-setting theory, budgeting skills should be able to provide a standard budget, with challenging goals to achieve higher performance and creates efficiency in the development and growth of the groups.

### ***Budgeting Management Skills and Performance***

Wijewardena and De Zoysa (2001) perceive that the impact of budget planning and budgetary control on performance may vary from different organization depending on the extent of its use. The greater extent of the formal budgeting process should have a positive impact on the performance of the organizations. In their study, performance is measured by two financial

indicators: sales growth and return on investment. However, data collected from manufacturing firms in Australia, may not be the case in women development groups. The results show a positive and significant relationship between budgeting planning and sales growth and between budgetary control and sales growth. However, no significant difference was found between budget planning and Return on Investment (ROI), nor between budgetary control and return on investment. To explain the insignificant relationships between budget planning and ROI, as well as budgetary control and ROI, they explain that, although firms with a greater extent of planning or control report higher rates of growth in sales, “these revenues are not bringing about higher profits because of internal inefficiencies.” Thus, financial management skills are among the areas for improvement.

In his study on “the participative budgeting process and its impact on employees’ performance”, Tromp (2009) stated in his conclusion that budgeting participation is a complex process, affected by many variables and conditions, therefore it is hard to measure the absolute effect of participative budgeting on performance. However, the study was not intended specifically for women's development groups, still the gap in budgeting skills need more empirical studies.

Qi (2010), also conducted an empirical study on the impact of the budgeting process on performance in SMEs in China and the main empirical question for the study was whether the budgeting process significantly and positively impacts the performance of Chinese SMEs but ignored the side of skills in development groups, particularly for women. There was a positive effect of the formal budgeting process on firm performance. First, the study revealed that more formalized budgeting planning leads to higher sales revenue. Secondly, budget goal characteristics strongly affect the budgetary performance of Chinese SMEs, thus clear budget goals lead to higher goal achievement, whereas, difficult (but attainable) budget goals increase the motivation of employees to achieve budget standards. Thirdly, the study discovered that more formalized budgetary control tends to lead to higher growth in the profit of a firm. Whether this can be the same for women groups in developing countries, is still an unanswered debate.

Faith (2013) conducted a study entitled “the effects of budgeting process on financial performance of commercial and manufacturing parastatals in Kenya”. The key findings were that; more formal budgeting planning promotes higher growth of sales revenues in the parastatals, formal budgetary control leads to higher growth of profit in parastatals and greater budgetary participation leads to better managerial performance. The study enhances the researcher's understanding of budgeting activities. These studies should be extended to cover other organizations such as women's development groups.

### **3.0 Methodology**

The study adopted a cross-sectional design. All 73 women development groups in Kindi district constituted the study's target population. A census of all the groups was carried out. Primary was collected using structured questionnaires. The questionnaire was distributed to the respondents who were the women development groups at Kindi District. Data were analysed using descriptive and regression analysis.

### **4.0 Results and Discussion**

#### ***Descriptive Statistics on Budgeting Management Skills***

This section of the questionnaire sought to get from the respondents the influence of budgeting management skills on performance of women development groups. According to the results

presented in Table 1, the respondents agreed that group members participate well in the budgeting management to ensure performance of the group with a mean score of (4.0) and standard deviation of (0.998) and respondents agreed that group members manage accounts receivable, compile financial statements and cash flow budget with a mean score of (3.84) and standard deviation of (1.175). These results are supported by Faith (2013), who concludes that more formal budgeting planning promotes higher growth of sales revenues in the parastatals, formal budgetary control leads to higher growth of profit in parastatals and greater budgetary participation leads to better managerial performance.

Results further indicated that respondents were neutral (3.4) with a standard deviation of (1.418) with respect to members being well-informed on budget control and monitoring for the group. It was also evident that respondents agreed (3.7) with respect to whether there was good budget planning in a group which influences the performance of the group. Furthermore, results indicated that respondents agreed (3.61) with a standard deviation of (1.386) with respect to whether the members of the women group had enough knowledge on effective management of group budget. Respondents were also reported to agree (3.5) with a standard deviation of (1.316) with respect to whether group members had enough skills in budget planning exercise.

Finally, result showed that respondents agreed (3.97) with a standard deviation of (1.154) as to whether budgeting, outcomes, goals, and objectives are linked to programs and group activities. These results support Locke and Latham (1990) assertion that the key assumption of goal setting is to lead to higher organizational performance, therefore, in line with the goal setting theory, budgeting skills should be able to provide a standard budget, with challenging goals to achieve higher performance and creates efficiency to the development and growth of the groups. Also, the results support Latham (1990) argument that effectiveness of goal setting requires human interaction; therefore, knowledge is critical, and this can enhance skills for implementing the goals set. Further, the findings concur with Locke et al. (1989) argument that the level of performance depends on the magnitude of the goals setting strategy and motivation toward the goals.

**Table 1: Budgeting Management Skills**

Statements	Mean	Std. Deviation	Interpretation
When budgeting, outcomes, goals, and objectives are linked to programs and group activities	3.97	1.154	Agree
There is good budget planning in our group which influences the performance of the group	3.7	1.208	Agree
Members have enough skills in a budget planning exercise	3.5	1.316	Agree
There is enough knowledge for the members on effective management of group budget	3.61	1.386	Agree
Members are well informed on budget control and monitoring for the group	3.4	1.418	Neutral
Group members manage accounts receivable, compile financial statements and cash flow budget	3.84	1.175	Agree
Group members participate well in budgeting management to ensure performance of the group	4.3	0.998	Agree



### ***Descriptive Statistics on Performance of Women Development Groups***

On women's development group performance, the findings in the Table 2 indicated that most of the respondents strongly agreed that financial management skills directly influence performance of women development groups with a mean score of (4.54) and a standard deviation of (.846). Results also showed that respondents also agreed that financial management skills have adequately provided sustainability to our women development groups with a mean score of (3.89) and standard deviation of (1.174) and that the rate of income generation for the group has been accelerated due to financial management skills with a mean score of (3.60) and standard deviation of (1.197).

The findings indicated that respondents were not sure with a mean score of (2.97) and a standard deviation of (1.523) that women groups are familiar with financial management skills. These findings are consistent with Dayson et al. (2006), who state that microfinance has been attractive to lending agencies because of demonstrated sustainability and low cost of operations. Liquidity (cash capacity) measures the ability of the business to meet financial obligations as they come due, without disrupting the normal, ongoing operations of the business, this has a great influence on financial management skills.

**Table 2: Performance of Women Development Groups**

Statements	Mean	Std. Deviation	Interpretation
Women groups are familiar with the financial management skills	2.97	1.523	Neutral
Rate of income generation for the group has been accelerated due to financial management skills	3.6	1.197	Agree
Financial management skills have adequately provided sustainability to our women's development groups	3.89	1.174	Agree
Financial management skills directly influence performance of women's development groups	4.54	0.846	Strongly Agree

### ***Correlation Analysis***

The findings of the correlation between the independent and dependent variables are presented in this section. The study aimed at assessing the role of budgeting management skills on the performance of Women's development groups in Kindi district. Table 3 reveals that budgeting management skills ( $r = .664^{**}$ ,  $P = .000$ ), had a strong positive and significant correlation with performance of Women's development groups. This implied that improvement in budgeting management skills is significantly correlated with the performance of Women's development groups. The finding concurs with Locke et al. (1989) argument that the level of performance depends on the magnitude of the goals setting strategy and motivation toward the goals.

**Table 3: Correlation between budgeting management skills and performance of Women development groups**

		Performance	Budgeting Management Skills
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Budgeting Management Skills	Pearson Correlation	.664**	1
	Sig. (2-tailed)	0.000	

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

### 5.0 Conclusion

The study concluded that budgeting management skills positively and significantly contribute to enhanced performance of women development groups in Kindi district. Given the high percentage of respondents affirming that budget management skills are the most variable with a higher correlation with the performance of women development groups, as the group goal setting is to lead to higher organizational performance, therefore budgeting management skills should be able to provide a standard budget, with challenging goals to achieve higher performance and creates efficiency to the development and growth of the development groups. Further, in terms of budgeting management skills, the study concludes that formal budgeting planning promotes higher growth of sales revenues in the women development groups, formal budgetary control leads to higher growth of profit in groups and greater budgetary participation leads to better managerial performance.

### 6.0 Recommendations

The study established that financial management skills influence performance of women development groups in Kindi district; therefore, there is a need for the development groups to develop a precise financial risk management plan with its corresponding mitigation strategies detailing how exactly are they going to tackle all the identified risks if not mitigate them completely.

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