

**AN ANALYSIS OF THE SOURCES AND USE OF FINANCIAL RESOURCES
OF LOCAL AUTHORITIES: THE CASE OF REHOBOTH TOWN COUNCIL**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
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ABSTRACT

This study assessed the factors affecting the financial performance of Rehoboth Town Council. Odero (2017) stated that financial performance in local government in the country remains poor and a radical approach to financial management was a necessity. The study assessed the factors affecting financial performance from institutional, human capital and external environment perspectives and its effects of financial performance of the town council. The study adopted a case study research design and data was collected through self-completing questionnaires. These were administered to 105 Rehoboth town council stakeholders. The findings were presented in graphs, charts and frequency tables. The study concluded that the main factors affecting Rehoboth Town Council's financial performance included unavailability of reliable sources of funds, liquidity management, inflation rates, employee capacity and management practices. Though there were other factors affecting financial performance, the participants highly rated unavailability of reliable sources of funds, liquidity management, inflation rates, employee capacity and management practices. They indicated that there is a combination of institutional, human capital and external environment factors. The study recommended a number of factors to cushion poor financial performance in local authority among the debt management techniques, management of the cash conversion cycle and engagements for creation of sustainable income, investments in modern accounting management systems, extensive budget consultations and training and development for all the staff members for understanding of the town council financial management approaches. However the study only focused on the assessing the factors from a holistic approach, leaving room for testing of the magnitude of the effects of individual factors.

TABLE OF CONTENTS

| | |
|---|------|
| ABSTRACT..... | i |
| LIST OF TABLES..... | vii |
| LIST OF FIGURES..... | viii |
| LIST OF ABBREVIATIONS..... | ix |
| ACKNOWLEDGEMENTS..... | x |
| DEDICATION..... | xi |
| DECLARATION..... | xii |
| CHAPTER ONE..... | 13 |
| INTRODUCTION..... | 13 |
| 1.1 Introduction..... | 13 |
| 1.2 Background of the Study..... | 13 |
| 1.3 Statement of the Problem..... | 14 |
| 1.4 Objectives of the Study..... | 15 |
| 1.4.1 Sub-Objectives..... | 15 |
| 1.5 The Significance of the Study..... | 15 |
| 1.6 Limitation of the Study..... | 16 |
| 1.7 Delimitation of the Study..... | 16 |
| 1.8 Chapter Summary..... | 16 |
| CHAPTER TWO..... | 18 |
| LITERATURE REVIEW..... | 18 |
| 2.1 Introduction..... | 18 |
| 2.2 The Concept of Financial Performance..... | 18 |
| 2.2.1 Pillars of Financial Performance..... | 19 |
| 2.2.1.1 Strategic and Financial Planning..... | 19 |

| | | |
|-----------------------------------|---|-----------|
| 2.2.1.2 | Income Diversification | 20 |
| 2.2.1.3 | Sound Administration and Finance | 20 |
| 2.2.1.4 | Own Income Generation | 21 |
| 2.2.2 | Financial Performance Measurement | 21 |
| 2.2.2.1 | Accounting Techniques in Measuring Financial Performance | 22 |
| 2.2.2.2 | Statistical Techniques for Measuring Financial Performance | 22 |
| 2.2.3 | Local Authorities | 23 |
| 2.2.4 | Measurement of Financial Performance in Local Authorities..... | 23 |
| 2.2.5 | Financial Performance in Local Authorities | 25 |
| 2.2.6 | Local Authorities in Namibia and their Financial Performance | 26 |
| 2.3 | Theoretical Framework of Financial Performance..... | 27 |
| 2.3.2 | Agency Theory | 29 |
| 2.3.3 | Pecking-order and Static Trade-off Theory of Capital Structure..... | 30 |
| 2.4 | Empirical Studies Review | 31 |
| 2.4.1 | Factors Affecting Financial Performance | 31 |
| 2.4.2 | How to Improve Financial Performance | 42 |
| 2.5 | Chapter Summary..... | 45 |
| CHAPTER THREE | | 46 |
| RESEARCH METHODOLOGY | | 46 |
| 3.1 | Introduction | 46 |
| 3.2 | Research Design..... | 46 |
| 3.3 | Target Population..... | 47 |
| 3.4 | Sampling Procedure and Sample Size..... | 48 |
| 3.5 | Data Collection Methods and Procedures..... | 48 |
| 3.6 | Data Analysis | 49 |

| | | |
|-------|---|----|
| 3.7 | Research Ethics | 49 |
| 3.8 | Chapter Summary..... | 50 |
| | CHAPTER 4 | 51 |
| | PRESENTATION OF FINDINGS | 51 |
| 4.1 | Introduction | 51 |
| 4.2 | Response Rate..... | 51 |
| 4.3 | Demographic Information..... | 51 |
| 4.3.1 | Employment Status | 51 |
| 4.3.2 | Gender | 52 |
| 4.3.3 | Age | 52 |
| 4.3.4 | Length of Service..... | 53 |
| 4.3.5 | Educational Level..... | 54 |
| 4.4 | Financial Knowledge and Information | 55 |
| 4.4.1 | Source of Funds and Revenue | 55 |
| 4.4.2 | Problems in Raising Funds..... | 55 |
| 4.4.3 | Government Funds Delays | 56 |
| 4.5 | Liquidity Management and Financial Performance..... | 56 |
| 4.5.1 | Payment of Creditors on Time..... | 56 |
| 4.5.2 | Maintenance of Cash Reserves and Debtor | 57 |
| 4.5.3 | Maintenance of Cash Reserves for Short-Term Loans/Creditors | 57 |
| 4.6 | Employee Capacity..... | 58 |
| 4.6.1 | Specialised Expertise in Finance | 58 |
| 4.6.2 | Staff Training..... | 59 |
| 4.6.3 | Remuneration of Employees | 59 |
| 4.7 | Inflation and Financial Performance | 60 |

| | | |
|--|--|-----------|
| 4.7.1 | Awareness of Inflationary Changes..... | 60 |
| 4.7.2 | Mitigation of Inflationary Changes | 60 |
| 4.7.3 | Timeous Adjustments of Prices to Inflation | 61 |
| 4.8 | Management Practice | 61 |
| 4.8.1 | Adherence to Financial Budgets | 61 |
| 4.8.2 | Debt Servicing..... | 62 |
| 4.8.3 | Adherence top Accounting Policies and Principles | 62 |
| 4.9 | Local Authority Funding..... | 63 |
| 4.9.1 | Reliable sources of Funding | 63 |
| 4.9.2 | Availability of Alternative Sources of Funds..... | 64 |
| 4.9.3 | Debt Collection Enforcement | 64 |
| 4.10 | Effects of Financial Matters | 65 |
| 4.11 | Preparation of Budgets | 65 |
| 4.12 | Challenges in the Preparation of Budgets..... | 66 |
| 4.13 | Challenges in the Management of Budgets | 67 |
| 4.13.1 | Financial Expenditure Control..... | 67 |
| 4.13.2 | Financial Auditing Intervals..... | 67 |
| 4.14 | Chapter Summary..... | 68 |
| CHAPTER FIVE | | 69 |
| CONCLUSION AND RECOMMENDATIONS..... | | 69 |
| 5.1 | Introduction | 69 |
| 5.2 | Summary of Findings..... | 69 |
| 5.2.1 | Sources of funds and their reliability | 69 |
| 5.2.2 | Liquidity Management and Financial Performance | 70 |
| 5.2.3 | Employee Capacity at the Rehoboth Town Council..... | 71 |

| | | |
|--|--|-----------|
| 5.2.4 | Inflation and its effects on financial performance | 71 |
| 5.2.5 | Management Practices and Financial Performance | 71 |
| 5.3 | Recommendations | 72 |
| 5.3.1 | Sustainable Income Generating Projects | 72 |
| 5.3.2 | Widening the Cash Conversion Cycle | 72 |
| 5.3.3 | Employee Training | 73 |
| 5.3.4 | Investment in Accounting Information Systems | 73 |
| 5.3.5 | Budget Consultations | 74 |
| 5.3.6 | Austerity Measures | 74 |
| 5.4 | Limitation and Areas for Future Research | 74 |
| REFERENCES..... | | 76 |
| APPENDICES..... | | 85 |
| APPENDIX 1: LETTER REQUESTING PERMISSION TO CONDUCT THE | | |
| STUDY..... | | 85 |
| APPENDIX 2: QUESTIONNAIRE..... | | 86 |

LIST OF FIGURES

| | |
|---|----|
| FIGURE 4.1: AGE DISTRIBUTION. | 53 |
| FIGURE 4.2: LEVEL OF EDUCATION. | 54 |
| FIGURE 4.3: PAYMENT OF DEBTORS | 56 |
| FIGURE 4.4: PAYMENT OF DEBTORS. SOURCE: PRIMARY DATA..... | 57 |
| FIGURE 4.5: EXPERTISE IN THE FINANCE DEPARTMENT. SOURCE: PRIMARY DATA | 58 |
| FIGURE 4.6: STAFF TRAINING. SOURCE: PRIMARY DATA..... | 59 |
| FIGURE 4.7: STAFF REMUNERATION. SOURCE: PRIMARY DATA..... | 60 |
| FIGURE 4.8: DEBT SERVICING. SOURCE: PRIMARY DATA | 62 |
| FIGURE 4.9: ADHERING TO ACCOUNTING POLICIES AND PRINCIPLES. SOURCE: PRIMARY DATA | 63 |
| FIGURE 4.10: RELIABILITY OF SOURCES OF FUNDS. SOURCE: PRIMARY DATA | 63 |
| FIGURE 4.11: AVAILABILITY OF ALTERNATIVE SOURCES OF FUNDS. SOURCE: PRIMARY DATA | 64 |
| FIGURE 4.12: DEBT COLLECTION ENFORCEMENT. SOURCE: PRIMARY DATA | 65 |
| FIGURE 4.13: BUDGETS PREPARATION. SOURCE: PRIMARY DATA | 66 |
| FIGURE 4.14: FINANCIAL EXPENDITURE CONTROL. SOURCE: PRIMARY DATA | 67 |
| FIGURE 4.15: AVAILABILITY OF ALTERNATIVE SOURCES OF FUNDS. SOURCE: PRIMARY DATA | 68 |

LIST OF ABBREVIATIONS

| | |
|------|---|
| CVP | Cost-Volume-Profit |
| I.T | Information Technology |
| LA | Local Authorities |
| ROA | Return on Assets |
| RTC | Rehoboth Town Council |
| UNAM | University of Namibia |
| SPSS | Statistical Package for Social Sciences |

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DEDICATION

I dedicate this study,

To my parents, Lovisa Haiyaka and Jerobeam Haiyaka, for giving me the best education to be who I am today. Thank you for your great support and continuous care.

To my aunt, Lucia Nelumbu, for the continuous support and encouragement, aiding me to complete these studies. I am really grateful to you.

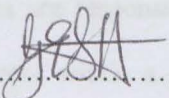
To my son and daughter, Andreas Nekongo and Ole kina Shikongo, for your unconditional love, support and care. You have been my inspirations and my soul-mates.

DECLARATION

I, Else Gudrun Salome Haiyaka, hereby declare that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

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ELSE GUDRUN SALOME HAIYAKA  17/12/2020

Name of Student

Signature

Date

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Local Authorities in Namibia suffer financially due to either poor performance in collection of revenue or limited in revenue streams (MURD, 2014). As a number of them keep on failing, various reasons have been suggested to their demise. The main purpose of the study was to analyse the factors that affect the financial performance of Local Authorities in Namibia. This chapter explores the background of the study, outlining the problem statement, research objectives as well as the significance of the study. The chapter ends the limitations and delimitations the researcher dealt with in conducting the research.

1.2 Background of the Study

The financial situation in the country has led to financial performance becoming a key concept in governmental entities and for financial performance to be even more critical in local authorities. Local authorities are responsible for the efficient and effective delivery of public services to citizens within a given locality. However, political interference, lack of community involvement, corruption among local authority officials and lack of accountability are among the factors that have contributed to a number of them not being able to offer those services hence poor financial performance by Local Authorities in Africa (Lwendo, 2014). Namibia has not been spared from the factors mentioned above culminating in poor service delivery, high debt levels, and budget deficits together with the detrimental effects on economic development which is the motivation of the study.

The Namibian law obliges local authorities to provide different services such as supply of water, sewage and drainage maintenance, managing cemeteries, streets and public places, the supply of electricity and gas, the establishment of public transport services and the establishment of house schemes among others. Local Authorities' revenues are generated through taxes as well as transfers received from national and regional authorities, rates, charges, fees, interest from investments, central government subsidies, fines on defaulting debtors and donations. Despite the various sources of finance, Local Authorities continue to fail in their constitutional mandate, raising questions as to whether the local authorities are practicing sustainable financial management for effective financial performance (Immanuel, 2015).

Rehoboth town council is faced with financial problems (MURD, 2015). This has led to industrial unrest, non-payment of creditors, lack of services rendered to its residents and poor infrastructure development (Lwendo, 2014). The primary objective of this research is to analyse the factors affecting financial performance with the intent to enable local authorities to better meet their fiscal obligations as well as the growing demands for infrastructure and service delivery.

1.3 Statement of the Problem

In spite of the number and variety of studies that have been undertaken, there is lack of certainty on the factors that affect the financial performance of local authorities. Noteworthy, is the more complicated situation ushered in by the political and administrative differences, government contractionary monetary and fiscal policy, increased budget deficits, escalating debt and plummeting service standards in the

country. An array of these or one of those factors might be the cause of poor financial performance for Rehoboth Town Council. This study seek therefore to analyse the sources and use of financial resources by Rehoboth Town Council.

1.4 Objectives of the Study

The primary objective of the study was to analyse the sources and use of financial resources of local authorities

1.4.1 Sub-Objectives

The sub-objectives of the study were:

- To determine the sources and uses of financial resources of Rehoboth Town Council;
- To determine the factors that affect the financial performance of Rehoboth Town Council, and
- To establish what Rehoboth Town Council should do to improve its financial performance.

1.5 The Significance of the Study

The study will give the researcher in-depth knowledge about the operations of Local Authorities specifically Rehoboth Town Council and how to resuscitate dwindling levels of service. The results of this study will assist the researcher to offer recommendations for policies that will, in turn, assist government and local authority stakeholders in the effective management of the authority. The research findings will contribute to the academic debate that has gone unsettled for a long time on how to improve efficiency and effectiveness in Namibian Local Authorities. The study has the potential to inspire scholars to do further research in this area and create reference

material for other researchers regarding financial performance in Local Authorities. The study will create awareness among the stakeholders on the services provided and the best and efficient financial management practices making the local authorities more efficient and accountable to the people as it pertains to utilisation of public funds. It will develop teamwork and collective responsibility between the management, employees and the elected leaders, i.e. councilors.

1.6 Limitation of the Study

The study wasn't studying the performance of Rehoboth Town Council. A general observation on the availability of information about financial performance is that it is not readily available, and respondents might not be willing to disclose the information they regard as sensitive and confidential to the Local Authority. However, the researcher will adhere to ethical standards to get the needed information through simplified questionnaires that provide for anonymity (Omeri, 2015).

1.7 Delimitation of the Study

The researcher chose a sample of stakeholders of Rehoboth Town Council in Namibia. As much as the financial performance of Rehoboth was to be analysed especially the use and its sources the information was constrained by lack of financial data and auditors findings to quantify performance. The field of study zeroed in on financial performance of Rehoboth Town Council.

1.8 Chapter Summary

In this chapter, the background of the study was highlighted and the problems faced by the Local Authorities in Namibia, focussing on Rehoboth Town Council in

particular. Furthermore, the problem statement, objectives of the research that gave the scope of the analysis were discussed. The significance of the study was highlighted, indicating the importance of the results of the study to Namibian Local Authorities and scholars. Limitations and delimitations of the study were other issues that were covered in chapter one. Chapter two gives an overview of related theoretical and empirical literature.

2.1.1.1. The Concept of Financial Performance

Financial performance is a subjective measure of how well an organization is doing. It is a primary goal of most organizations and is often used to evaluate the success of an organization. Financial performance is a complex concept that can be measured in many different ways. The most common way to measure financial performance is by looking at the company's profit and loss statement. This is an approximation of the firm's financial performance and is often used to evaluate the success of an organization. Other ways to measure financial performance include looking at the company's return on equity, return on assets, and return on capital employed. These measures provide a more comprehensive view of the firm's financial performance and are often used to evaluate the success of an organization. The choice of which measure to use depends on the specific context and the goals of the organization.

Financial performance is also measured by the firm's ability to pay its bills and to meet its obligations to its creditors. This is a more objective measure of financial performance and is often used to evaluate the success of an organization.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Hart, (2011) defines literature review as a brief overview of what has been researched, argued and established relating to a topic which is usually presented in an orderly manner, reviewing journals, articles, textbooks and additional sources relevant to the study. In this chapter the researcher explores and discusses conceptual and empirical literature on financial performance in local authorities, other organisations or institutions.

2.2 The Concept of Financial Performance

Kenton (2018) defined financial performance as a subjective measure of how well an organisation uses its assets from its primary mode of business and generates revenues. It refers to the overall financial health of an organisation in a given period of time. Shandhganga (2015) described financial performance as the degree to which financial objectives are being or have been accomplished. It is an aggregate of the firm's policies, efforts and operations measured in monetary terms. It measures the rate at which an organisation collects sufficient revenue from products and services provided. Dahlby (2011) indicated that financial performance does not only cover whether or not the firm collected sufficient revenue from the services they provided but it rather also considers the ability of the firm to cover the full cost of providing the services.

Financial performance also measures the firms' ability to do long-term planning and budgeting, maintenance of available assets without any substantial inconvenient

disruptive events in the provision of services. It is basically related to the firm's performance appraisal in terms of financial goals. Ferrell (2011) posits that financial performance measurement is one of the widely used methods of assessing the overall performance of a firm. There are a number of non financial factors that can be used to measure the performance of an organisation such as employee turnover, customer satisfaction, market growth, company influence and value, competitiveness and level of innovation among other factors (Dahlby, 2011). However, this study will focus on the financial measurements of performance.

2.2.1 Pillars of Financial Performance

Leone (2001) identified four main pillars of financial performance as strategic. These included financial planning, income diversification, sound administration and own income generation. These four pillars are benchmarks in measuring and attaining the long-run financial sustainability of an organisation and should be managed efficiently and effectively for a firm to achieve its financial goals.

2.2.1.1 Strategic and Financial Planning

One of the key issues relating to sound financial performance as noted by Leone (2011) is a strategic and financial planning mechanism put in place by management. Strategic and financial planning clarifies an organisation's mission and objectives as well as prioritizes the actions needed to be accomplished. A financial plan of action fundamentally comprises of projected expenditures and the organisation's potential to generate the income to cover those expenditures. Chew (2001) distinguished between budgets and financial plans, with the latter representing a dynamic document that changes frequently. The ultimate purpose of the financial plan is to determine whether

or not sufficient resources will be available for the organisation in the medium and or long-term to meet the strategic goals of the organisation. These might include profit maximisation, sustainability, growth and or survival. The financial plan operates on the basis of scenarios.

2.2.1.4 Div Income Diversification

2.2.1.2 Income Diversification

Nyarangi (2012) stressed that sustainable organisational financial performance is achievable when the firm has diversified sources of income. Leone (2011) noted income diversification as the second pillar of financial sustainability. Income diversification is considered as an organisation's ability to raise financial resources from a number of sources for operational and capital expenditure. Income diversity minimises the vulnerability of the firm to credit, operational liquidity and market risks. Shahrani and Tu Zhengge (2016) postulated that for an organisation to have positive financial performance, at least 60% of its overall budget must come from five different sources.

2.2.1.3 Sound Administration and Finance

2.2.1.3 Sound Administration and Finance

Taylor (2005) stressed the importance of conceptualising and management of financial resources in a sustainable manner. Every successful organisation depends on the availability of efficient and effective procedures for administration. Also, finances are governed by a series of institutional policies. Robbins (2016), found that an organisation that designs transparency and fiscal measures can be able to anticipate its future financial standing and ultimately make appropriate decisions in a timely manner. Yasin (2012) indicated that an organisation without sound administration and finance is associated with financial misappropriation, embezzlement of funds and

diversion of funds to different projects. Ogbonya (2015) added that efficient procedures facilitate income generation through financial management of the available company assets.

2.2.1.4 Own Income Generation

Leone (2011) suggested that a firm should have various sources of income, however a lot of emphasis was placed on the external sources of finance. Nyarangi (2012) argued that a firm's ability to raise financial resources on its own is critical for sustainable positive financial performance. A number of ways for generating income internally were noted and included, contributions to a trust or endowment fund, fundraising for institution building or operations, income generation through public contributions, income generation through the sale of goods and or services, income generation through establishing businesses related to a specific mission, income generation through financial management and income generation through corporate alliances.

2.2.2 Financial Performance Measurement

According to Shandhganga (2015) a financial analyst measures the performance of a firm through assessment of the firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, funds flow performance and social performance. Bolivar, Navarro-Galera, Munoz and Subires (2016) identified that financial performance measurement has two primary focus areas which are infrastructure capital and financial capital. Infrastructure capital sustainability is arrived at by calculating asset sustainability ratio and interest cover ratio whereas financial capital sustainability is a product of calculating operating surplus ratio, working capital ratio, and net financial

liabilities ratio. However, Robbins (2016), categorised financial performance measurement techniques into two broad categories which are: accounting techniques and statistical analysis.

2.2.2.1 Accounting Techniques in Measuring Financial Performance

Literature identified a number of techniques that can be used from an accounting perspective in measuring financial performance and the list includes comparative financial analysis, common-size financial analysis, trend analysis, funds flow analysis, cash flow analysis, CVP analysis, ratio analysis. Ratio analysis is one of the widely used tools for measuring performance, it is the expression of a numerical relationship between two or more things. Common-size statement is also known as component percentage statement or vertical statement. The technique computes net revenue, total assets or total liabilities against individual items and it highlights the relative change in each group of expenses, assets and liabilities. Trend analysis indicates changes in an item or a group of items over a period of time. It is critical in drawing conclusions regarding changes in data. Accounting techniques are used to describe significant relationships, which exist between figures shown on a balance sheet, in a profit and loss account, in a budgetary control system or in any other part of the accounting system.

2.2.2.2 Statistical Techniques for Measuring Financial Performance

Statistical methods that are used for measuring and analysing the financial performance of a firm includes measures of central tendency, and measures of dispersion from the average expected optimal performance. Statistical tools such as correlation and regression analysis, time series analysis, index numbers, t- tests and

Chi-square are used to test the strength of a relationship between two or more factors of financial performance. The statistical analysis reveals whether the company's financial position has improved and is used to predict organisational financial performance.

2.2.3 Local Authorities

Haque (2012) defined local authorities as a form of decentralisation due to devolution of power by the government. Olowu (1988) stated that local authorities can be defined from a legality and a general perspective. According to Robson (1937), in broad categorisation, local government is a protective formation of institutions essential to protect non-sovereign and legal rights of a community through internal association. Local authorities have the jurisdiction to perform administrative duties for their communities without external involvement and control. Gomme (1987) suggested that local authorities are sub-parts of the entire government of a nation or state that is managed and administered by the system subordinate to the authority of state but independently elected of the state authority's control, by competent persons, local or containing properties in specific localities, which regions have been structured through common interests and common histories by the communities.

2.2.4 Measurement of Financial Performance in Local Authorities

According to Halim (2007) measuring financial performance in local authorities is significantly different from traditional methods used in private and profit-making organisations. Revenue and expenditure budgets are the main policy instruments for local governments. Revenue and expenditure budgets are used as instruments of policy and inhabit the central position for measuring the financial performance of the

local authority. Budgets are critical in the determination of revenue amounts and expenditure amounts, decision-making and development planning, expenditure authorisation, performance evaluation, motivation of employees and as a coordination tool for all the activities of the various work units in the local government.

According to Mahmudi (2010), financial performance measurement in local government involves calculation of effectiveness ratios, efficiency ratios, activity ratios and growth ratios. Effectiveness ratios measure the ability of local governments to realise planned local revenues compared to the target set by the real potential of the area. The greater the realisation of revenue from local revenues compared to the target from local revenues, it can be said to be more effective, and vice versa (Halim, 2007). The ratio is categorized effective if it is less than 1. Secondly, efficiency ratios are calculated to describe the quotient between costs incurred to earn income and the actual income received during the period. The ratio is considered efficient if it is small and if it is high, then there is a need for rectifying the inefficiencies in the local government.

Widodo (2000) emphasised the measurement of financial performance in local government through the use of activity ratios. These measures harmony between routine allocation of funds and optimal development expenditure. If the percentage of funds allocated for recurrent expenditure is higher, it signifies that the percentage of expenditure which is used for providing economic infrastructure of society tends to be smaller (Mahsun, 2006). Other critical ratios used to calculate the activity level within the organisation include: expenditure budget ratio and debt service coverage ratio.

Lastly Widodo (2000) suggested that measuring financial performance also requires measurement of growth prospects of a local authority. Stagnation remains one of the critical characteristics of most local governments in both developing and developed countries (Haque, 2012). Growth ratio illustrates the ability of the local government's ability in maintaining and improving the success that it achieves from one period to another. The ratio assesses the growth in local revenue, total revenues, recurrent and development expenditures.

2.2.5 Financial Performance in Local Authorities

Brewer (2005), Moynihan and Pandey (2005) posited that a number of studies have been conducted to explore the operation of local authorities the world over, however there is no certainty on the set of independent variables that affect municipal governments' financial performance. Hoene & Pagano (2008), argued that management of municipal governments differs from country to country. However, the situation is more complex in developing countries due to the political and administrative differences from developed countries. Moynihan and Pandey (2005) suggested that local governments have an entitlement to raise some taxes locally, specifically taxes on property and services provided to the local community.

Studies conducted by Nufus (2002), Supratikta (2009) and Muchtar Awaluddin (2015) indicated that most local authorities both in the developed and developing countries had poor financial performance. The studies attributed poor financial performance from the local authority to accumulated deficit over more than five years, exceptional vacancy of property and uncollectable rates, closure of some income generating local services, excessive gratuities and incentivised early

retirement. Robbins (2016) in a study on the financial performance of local authorities in Zambia, confirmed the findings by Nufus, Supratikta and Muchtar. However, the study added that local authorities were performing poorly because of hefty salary perks for senior management with rising demand for services, shortage of funds required to fund services, capital expenditure and co-funding implications. Robbins also noted the impact of local economic challenges on income as the biggest culprit in the poor financial performance in local governments (Sears, 2016).

2.2.6 Local Authorities in Namibia and their Financial Performance

In Namibia Local Authorities, play a critical role in improving quality of life and ensuring growth and development in their respective communities. The Local Authorities Act of Namibia, 1992 (Act No. 23 of 1992) identifies the duties of local authority as water supply for household, business or industrial purposes, provision and maintenance of sewerage and drainage systems, maintaining sanitation in the area, for the benefit of the residents in its area, establishment and maintenance of cemeteries, construct and maintain streets and public places, supply of electricity or gas to the residents in its area, establish and maintain a public transport service, markets, abattoirs, aerodromes, ambulance service, bands and orchestras, dipping tanks, fire brigade, museums and libraries, pounds and traffic services among other things.

The local authorities are mandated by the government to levy fees on all the services they provide in the locality. This Act states that governed by the Gazette the local authority is empowered to charge fees and other moneys payable in respect of any services, amenities or facility established. Such charges and fees levied are used for

financing capital and operational expenditures for the local authorities. Despite the availability of the above various services for local authorities to boost revenue and perform well financially, Odero (2017) states that financial performance of local authorities is very poor. Odero (2017) pointed out that the poor performance is a product of lack of people with requisite financial skills, inadequate funds for staff development and capital projects investments.

The Local Government Reform Position Paper (2013) prior to findings by Odero, identified key financial performance areas that needed to be reviewed as the institutional structures, administrative structures, local government financial management, developmental local governance, intergovernmental relations and social responsibility. According to Hailombe (2016), positive financial performance remains a perennial problem for the local authorities and robust and radical measures are essential.

2.3 Theoretical Framework of Financial Performance

A number of theories were developed after Modigliani and Miller (1958)'s theory. The findings were from the study they conducted and formed the basis of financial management debate. The study postulated that capital structure is irrelevant to determining a firm's value. As a response to this statement, the trade-off theory and pecking order theory were introduced to explain the financial management aspects and philosophies. Another theory, the Agency theory was born out of the debate and focused on ethics as a key facilitator of positive financial performance. The following section discusses the theories that outline capital structure choices and the responsibilities of managers towards the internal and external beneficiaries of a firm.

2.3.1 Modigliani and Miller's Theory

Modigliani and Miller (1958) concluded that capital structure is not relevant to determining an organisation's value (Chew, 2001). The theory states that the average cost of capital for any organisation is completely independent of its capital structure and is equal to the capitalisation rate of a pure equity stream of its class (Modigliani & Miller 1958). The theory states that the value of an organisation is determined by its real assets and not by the amount of debt and equity available as part of its capital structure. The theory's original assertion was built on the assumption that a perfect capital market in which there are no taxes, no bankruptcy costs, and disclosure of all information existed. In their second proposition they indicated that debt could improve financial performance of a firm by providing leverage for the organisation through evading hefty taxes.

Given that the local authorities do not trade on the Namibian market and do not pay taxes and are 100% owned by the government, it holds that the theory does not capture financial management in local authorities and thus cannot be dependable in measuring financial performance. However, it should be emphasised that the theory is useful for company valuations. This valuation role is not the only one qualified to accounting (Burchell *et al.*, 1980; Godfrey *et al.*, 2006). However, since the 1970s, it has received superiority by benchmark setters in their work in building up regulations for generally accepted financial reporting (Thornton, 1979; Young, 2006). It has been used as an introductory theory for a large portion of businesses based on research in accounting of the capital market (Beyer *et al.*, 2010).

2.3.2 Agency Theory

Jensen and Meckling (1976) defined agency theory as the agency relationship in which one party performs some services on behalf of another party. This theory restores the importance of incentives and self-interest in organisations' thinking (Perrow, 1986). Agency theory emphasises that much of the organisation's life is based on self-interest and not on the interests of the service receiver. Agency theory highlights a unique insight into the financial information systems, financial outcome uncertainty, incentives and financial risk (Eisenhardt, 1989). In addition, it is an experientially suitable perspective, particularly when paired with complementary perspectives. Eisenhardt (1989) further argued that the agency theory focussed on current economics, finance and law literature. It also focused on the deviated interests and goals of organisation's shareholders, and ways that financial performance might be employed to reconcile these goals and interests. Furthermore, management and ownership are not coupled in the modern organisations.

Given the fact that most stakeholders do not take part in the daily activities of the organisation, the costs that arise from the interests of the organisation and the clients not converging are created. The agency costs arise from the impossibility of perfectly contracting for every possible action an agent whose decisions affect the welfare of both the organisation and its clients (Brennan, 1995). The problem arising from this is how to encourage the organisation to act in the best interests of its clients. What needs to be done in this case is that situations that are best for the organisation may at times not be the best for its clients (Lambert & Larcker, 1989).

The organisation bears the entire cost of failing to pursue their own goals, but concentrating only on a part of the benefits. Jensen and Meckling (1976) argued that this inadequacy is reduced as managerial incentives to increase value maximising decisions. Financial information is assumed to resolve the irregularity that arises between management – that are more equipped with information about the expected return of the organisation's current and future investments – and investors such as shareholders active in capital markets (Beyer *et al.*, 2010). Goal setters have formalised this role to mean that financial information should assist investors and creditors to measure the prospects for future net cash inflows to an organisation. This, so that investors are able to make decision that are capital allocated based on a discounted cash flow methodology (Berk & DeMarzo, 2007).

2.3.3 Pecking-order and Static Trade-off Theory of Capital Structure

A current theory proposed by Myers and Majluf (1984) based on the theory that funding follows hierarchy, and that organisations prefer internal funding over external funding and debt over equity. Brounen *et al.*, (2004) studied organisations in parts of the globe to understand factors that determine their capital structure and the study revealed that financial flexibility mostly drove capital structure suggesting a pecking order model application. Trade off the costs and benefits of leverage associated with tax effects, agency costs and bankruptcy in order to generate a target capital structure (Brounen *et al.*, 2004).

Organisations that respond to the static trade-off theory have a management with an incentive to issue stock to keep the earnings per share dilution (Bancel & Mittoo, 2004). Some organisations considered bankruptcy costs more important after financial, credit ratings and earnings volatility. The static trade-off theory is proven to

reflect the behaviours of corporate management (Bancel & Mittoo, 2004; Brounen *et al.*, 2004).

2.4 Empirical Studies Review

2.4.1 Factors Affecting Financial Performance

The organisation's financial performance is the measurement of what has been achieved by an organisation which for the certain period of time shows good conditions. The purpose of measuring the achievement is to obtain useful information related to the flow of funds, the use of funds, effectiveness, and efficiency. Besides, the financial information can also motivate the management to make sound decisions (Amal, Sameer, & Yahya, 2012).

2.4.1.1 Local Authorities Funding

Local government finance in the larger continental countries appears to be getting into difficulties, arising from over reliance on a single source of local revenue. Alternative methods of financing local government are now being examined in these countries. The key to success of local government in these countries is a strong and reliable source of funding at local authority level, with most of this funding coming from income taxes and only a small share of local revenue being derived from property (Phillips, Simpson & Smith, 2018). This means that some local authorities are dependent to a large degree on the personal income levels within their localities.

Namibian local authorities face serious financial problems for a number of reasons: locally owned revenue sources are limited, local authorities fail to collect the revenue

due. In many cases, less than half of the potential revenue is collected and this may have a negative effect on the incentive to collect (Smit, 2012). Consumers are often unwilling to pay because the local authorities hardly provide any services, enforcement action against tax defaulters is difficult and expensive. Meanwhile, local authorities spend most of their money on personnel (partly due to over-staffing) and councillor allowances, with little left for operations, maintenance or capital investment, extensive corruption drains available resources, and many local authorities have huge debts (Institute of Economic Affairs, 2003).

As a result, many local authorities have substantial deficits - in reality, even if not shown in the approved budget. Expenditure management is often simply crisis management – staving off creditors. Many of these problems are caused by the structural imbalance between expenditure needs and resource availability at the local level, but other problems are attributable to the failings of local authorities themselves.

2.4.1.2 Management Practices

Given that the budget is rarely adhered to, a number of management issues exist. The budget indiscipline has also been evidenced by the selective award of tax exemption: and incentives and off-budget transactions, such as the huge increases in salaries and wages in the civil service (Institute of Economic Affairs, 2003). A study by the Institute of Economic Affairs, (2003) revealed that after budget approvals, policy makers do switch budgetary resources from one vote to another to finance extra recurrent expenditures. Thus, as long as the budget is not adhered to, efficiency and effectiveness in resource management will largely remain elusive in Namibian LAs.

According to Cole (2010), management is the process of working with others to effectively achieve an organisation's stated objectives by efficiently using resources in the ever-changing environment. Effective management of the resources of an organisation, or of a project or service within an organisation, involves a planning and monitoring cycle that ensures that expenditure is always within available funds and that the organisation is always aware of the effect on its overall financial position (Long, 2011). A record keeping system for financial transactions that meets accounting standards, and provides accurate and useful financial reports helps (Long, 2011). The record keeping system feeds directly into the planning and monitoring cycle, providing the information about the organisation's financial position at the beginning of each cycle and the information for monitoring and adjusting the budget during the year (Laxon, 2012).

Evidence, is a paper trail of data that shows the validity of transactions and the appropriate exercise of delegated authority (Long, 2011). Monitoring and auditing which involves monitoring and closer examination of the financial records through audits, checks that the evidence exists to show that transactions are occurring appropriately and that there is an efficiency review process that assesses the most resource efficient way to do things (Laxon, 2012).

2.4.1.3 Employee Capacity

Financial Management Systems include complex technical, procedural, institutional and adjustments that require specialised expertise. Finding expertise in key areas has been a problem and has caused difficulties in financial management. It is also

important to take into account that while some relevant expertise may be available 'in house', it may take time to ensure the external procurement of the necessary capacity. Management of public finance also poses a major challenge to the existing public sector environment. In most African countries, parts of the existing Financial Management Systems are based on outdated manual, labour- intensive processes (Heidenhof *et al.*, 2002).

The skills needed to operate that system are different from the demands of a new computerized system. Apart from IT-knowledge, a new accounting system requires professional accounting skills, which are scarce in African governments. To close the gap between available and necessary skills will not always be possible with the existing staff. It will in any case require long-term capacity building (Holzer & Chandler, 1981). Consequently, time should be allocated to build skills and capacity in the existing public sector environment. In this context, it is essential to strike a balance between the necessary training and the ability and capacity to absorb information at the level of individual staff. Training needs and capacity building assessments are key elements of financial management. While it may require a more in-depth analysis to make a final assessment, more comprehensive capacity building efforts are recommended to avoid skills/capacity constraints and the potential loss of qualified public sector employees to the private sector.

At least parallel action should be considered to improve the salaries for financial management and IT-staff. Experience in the five countries indicates that it is difficult to retain qualified staff on public sector wages (Aijala, 2001). As a consequence, in many cases (Ghana and Tanzania are examples) key staff are being paid outside the

public sector salary structure. A careful evaluation of the salaries and packages for the relevant staff in both public and private sector should be done including an assessment of the implications of improved salaries for the broader public sector environment (Vandenabeele, 2008). Such a strategy would aim at striking a balance between the need to attract/retain qualified staff and the financial and social implications of better wages for specific employees (Neumark, 2018).

2.4.1.4 Liquidity Management and Financial Performance

Bhunia and Khan (2011) studied liquidity management efficiency of Local authorities with a sample of 230 municipalities for 9 years period (2002-2010) and found a positive association between the indicators of liquidity and good performance. Bhunia, Khan and Mukhuti (2011) also found that working capital in terms of liquidity is accountable for poor capacity, underutilization and poor consumption and that there exists a high positive relationship between liquidity and profitability. More recent studies have also confirmed the existence of the trade-off between liquidity and profitability trade off. Şamiloğlu and Demirgüneş (2008) investigated the relationship among Istanbul firms and found that growth in sales affects firm profitability positively. This result invariably supports the view that liquidity and profitability are directly associated since liquidity is enhanced by sale's growth.

Lamberg and Valming, (2009) studied the impact of liquidity management on profitability during financial crises with a sample of companies listed on Stockholm Stock Exchange's small and mid-capitalist with some restrictions. Adopting a quantitative methodology and regression analysis, they found out that the adaptation of liquidity strategies does not have a significant impact on profitability measured by

ROA. However, that increased use of liquidity forecasting and short-term financing during the financial crisis had a positive impact on ROA. In other word frequent monitoring and forecasting on liquidity levels and making more short-term investments can provide gains in profitability. Manohar and Ashokkumar (2010) studied Cement Industry in Tamilnadu and found significant negative relation between the firm's profitability and its liquidity level.

More recent studies have also confirmed the existence of the trade-off between liquidity and profitability. For instance, Bhunia and Brahma (2011) studied the importance of liquidity management on profitability and found a significant negative relationship between the profitability. Elliott (1972) measured 88 companies in six categories, including liquidity, growth, owner earnings, management profit performance, leverage, and capital investment. He concluded that the growth variables did not have any significant influence on financial performance. More than any other accounting measure, profits demonstrate how well management is doing in investment and financing decisions. Profitability ratios measure how effectively a firm's management is generating profits on sales, total assets, and, most importantly, stockholders' investment. Therefore, anyone whose economic interests are tied to the long-run survival of a firm will be interested in profitability ratios (Moyer, McGuigan, & Kretlow, 2006).

2.4.1.5 Inflation and Financial Performance

Awan, (2014) reviewed the Impact of liquidity, leverage, inflation on a firm profitability an empirical analysis of food sector of Pakistan and found out a significant positive relationship between leverage, liquidity and inflation on firm

profitability. According to Loto (2012) the inflation and lending rate are positively insignificant with performance of manufacturing performance. Chaudhry *et al.*, (2013) studied inflation and sectorial growth. They studied time series data from 1972 to 2010 of three major sectors; these sectors were agriculture, manufacturing and services. Their findings were that the inflation had negative relation for manufacturing sector but have positive relation with services and agriculture sectors.

Zulfiqar and Ud Din (2015) in their study on inflation, interest rates and firm's performance in Pakistan found that inflation was strongly positive related with both return on asset and return on equity while the interest is highly negative related with return on asset. In her study on effects of working capital management on performance of non- financial firms listed at the Nairobi Stock Exchange Mwangi, Makau and Kosimbei (2014) used financing policy and Investing policy as independent variables and ROA and ROE and the dependent variables. The influence of inflation on the relationship between the variables was not considered. Lakew and Rao (2012) also did not consider the influence of inflation on the relationship of the independent and dependent variables in their study on the effect of financial management practices and characteristics on profitability of firms in Ethiopia.

2.4.1.6 Capital Structure

Capital structure is also an important factor that determines the performance of an institution. Capital structure refers to the ratio of debt and equity financing (Mirza & Javed, 2013). There should be an appropriate capital structure that generates the maximum profit for the organisation, as too low equity financing increases the control of the owners to a large extent (Abbadi & Abu-Rub, 2012). Dasuki (2016) examined

the effect of capital structure on financial performance of 180 manufacturing companies listed on Borsa Stock Exchange Istanbul Turkey over the period of 2004 to 2013. He studied two dependent variables Return on Assets and Return on Equity, and concluded that the long-term debt and total debt have significant negative effects on the financial performance measures by Return on Assets, while those ratios were statistically insignificant on the financial performance measured by Return on Equity (Dasuki, 2016).

Adekunle and Kajola (2010) examined the impact of capital structure on firm's financial performance using a sample of thirty non-financial firms listed on the Nigerian Stock Exchange during the seven- year period, 2001- 2007. They found a result which showed a firm's capital structure surrogated by Debt Ratio. It had a significant negative impact on the firm's financial measures which were Return on Asset and Return on Equity (Adekunle & Kajola, 2010). Mirza and Javed (2013) examined determinants of financial performance by using corporate governance, ownership structure, capital structure, economic indicators and risk management as independent variables. They studied 60 Pakistani corporate firms listed in Karachi stock exchange for the period of 2007 to 2011 by fixed effects panel regression. The conclusion drawn from their study is that the debt to equity ratio has a positive impact on performance, while the long-term debt to total assets and short-term debt to total assets have a negative impact on firm performance.

The effective liquidity management – beyond securing their survival – helps companies to reach higher profitability by reducing their input needs. Furthermore, it grants strategic advantages in the economically difficult time periods (Fenyves,

Tarnóczy & Vörös, 2014). Both long-term and short-term creditors are concerned with the amount of leverage a company employs because it indicates the company's risk exposure in meeting debt service charges i.e. interest and principal repayment. A company that is heavily financed by debt gives creditors less protection in the event of bankruptcy (Moyer, McGuigan & Kretlow, 2006).

Liquidity ratios show the relationship of a firm's current assets to its current liabilities, and thus its ability to meet maturing debts. Two commonly used ratios are the current ratio and the quick ratio (Brigham & Ehrhardt, 2008), which are used as variables together with cash ratio in this research. Amal *et.al.*, (2012) examined the factors that mostly affect financial performance of Jordanian Insurance Companies, based on the data from Amman Stock Exchange during the period of 2002-2007 with the observation of 25 insurance companies. Their results showed that the following variables: leverage, liquidity, size and management competence index have positive statistical effects on the financial performance of Jordanian Insurance Companies (Amal, Sameer, & Yahya, 2012).

2.4.1.7 Revenue Collection

There are some factors when considered ensures efficiency in revenue collection. One of the areas in revenue collection is fees and fare collection in the councils. Ensuring good fare collection, it is commented that a relationship exists between the amount of government support provided for operating a public transit system and the amount of revenue collected from the users of the system. The relationship of subsidy versus user fee varies in each community and is based on policy decisions made by the local governing board. This relationship is measured by comparing the revenue collected

from the fare box relative to the operating expenditures of the system and is known as the fare recovery or fare return rate. Fare recovery is influenced by three main factors; fare levels, productivity and efficiency.

- **Fare levels**

The fare levels or structure influences the average fare collected per passenger and, in turn, the overall fare revenue collected. By increasing the fares (or reducing the discounts) set for each of the rider categories, fare revenue can be increased. Similarly, reductions in fares resulted in a net loss of revenues. Changes in the fare structure also impact riders, with increased fares reducing ridership and reduced fares increasing ridership. Given this, fare adjustments should be made with consideration to transit customers affected.

- **Productivity**

The productivity of transit service is typically measured in terms of ridership per mile or hour of service. Transit systems typically attempt to balance the obligation to maximize route productivity with service policies aimed at developing new markets, serving remote communities or accommodating disadvantaged populations. Decisions regarding route productivity should be made with consideration to social needs of the community and the transit customers affected.

- **Efficiency**

Operational costs (fuel, labor, scheduling) are partly within control of Votran and partly a result of prevailing economic conditions. Cost efficiencies are achieved

through careful budgeting, monitoring and controlling of expenditures. Cost efficiencies can be measured by operating cost per hour.

Following the analytical approach suggested by Levi (1988, 1997), the relationship between a Taxpayer and the Local Government includes at least three elements. First, there is an element of fiscal exchange, as payment of taxes and the provision of services may be interpreted as a contractual relationship between Taxpayers and the Local Government. A citizen's decision to pay derives from her perception that the Local Government is trustworthy. Second, there is an element of coercion, as represented by the enforcement activities of tax collectors and the penalties imposed on those detected for non-payment. The credibility or trustworthiness of the revenue administration's sanctions against defaulters is important in this context.

A third element is the impact of social influences and norms on the Taxpayer's compliance behaviors. For example, attitudes toward the government may affect the Taxpayer's normative commitment to comply with the laws. An individual's perceptions, in combination with her opportunities, may thus determine her current choice of whether or not to be a tax evader. The coercive element of the Taxpayer – Government relationship is the focus of the classical tax evasion model (Allingham & Sandmo, 1972), which assumes that the taxpayer's behavior is influenced by factors such as the tax rate determining the benefits of evasion, and the probability of detection and penalties for fraud which determine the costs. The problem is thus one of rational decision making under uncertainty whereby tax evasion either pays off in lower taxes or subject one to sanctions. This implies that if detection is likely and penalties are severe few people evade taxes.

The importance of social interactions in forming tastes and actions has long been stressed by sociologists and social psychologists (Hessing *et al.*, 1988). It is reasonable to assume that human behavior in the area of whether to pay taxes or not is influenced by social interactions much in the same way as other forms of behavior. Compliance behavior and attitudes towards the tax system may, thus, be affected by the behaviors of an individual's reference group such as relatives, neighbors, friends and political associates. Consequently, we may argue that if a taxpayer knows many people in groups important to her who do not pay taxes, her commitment to comply was weaker. Therefore, residents are morally bound to pay their revenues for the upkeep and growth of their town. In anticipation of more revenues the management can introduce some policies which can assist in undertaking and meeting the needs of customers, measuring their satisfactions, keeping customers informed, giving customer's confidence that their needs will be met and even exceeded.

2.4.2 How to Improve Financial Performance

Financial performance can be improved by generating high sales, profitability and wealth of an organisation for its shareholders through managing its assets, financing, equity, revenues and expenses (Naz, Ijaz & Naqvi, 2016). Managing risk and increasing profitability of an organisation by complying with corporate governance principles is an essence of improving financial performance (Naz, Ijaz & Naqvi, 2016). Financial performance can also be improved through realistic financial planning or budgeting, accurate financial reporting and well managed cash flow, just to mention a few. Financial planning is a part of financial management which deals with the organisation's funds management with a purpose of maximising profit and

value of the organisation for an improved financial performance (Mwaura, 2011). Mwaura (2011) argued that a percentage change in financial planning measures will have an effect on the financial performance of the organisation.

2.4.2.1 The Budget

A draft budget should be prepared by someone with expertise in budgeting, and a good knowledge of the organisation's activities. The following should be checked by whoever is approving the budget: Amounts allocated to different items should be realistic, and information about how the figures for both income and expenditure items were decided should be provided. The figures should take into account inflation and cost increases (particularly those for wage or rent increases). 'Accruals' must be included - these are amounts that are unspent from the previous year, but are still 'owed' (such as accrued long service leave) and amounts that will need to be set aside from this year's budget to pay for things in the future (such as relief staff to cover leave accrued during this year, funds to cover replacement of equipment). Income must cover expenditure, even if some of the income is being brought forward into the budget from previous year's surplus. All income should be allocated to something (this may include being set aside for future expenses) (Walther, 2018).

2.4.2.2 Financial Reports

Suh (2017) explained that financial reports are essential for monitoring the budget, and will provide the most accurate reflection of how the budget is going if year to date figures are shown in monthly or quarterly reports as well as the figures for that month or quarter. The figures for actual amounts are compared with the amounts budgeted for the period and year to date. The amounts budgeted are based on a cash flow chart

(that is, have been realistically estimated in terms of their timing over the year). Local authority financial reports have a key role to play in accountability to the stakeholders as to how public funds are managed (Chartered Institute of Public Finance and Accounting, 2016). The financial reporting by local authorities provides information on how they have accounted for public assets and funds entrusted to them, and the delivery of services to their stakeholders, compliance with legislation that governs the day to day activities and other operations (Ramkumar *et. al*, 2018).

2.4.2.3 Cash Flow Charts

These can be used to make sure that the organisation does not run out of money or into problems during the year. A simple cash flow chart shows the timing of receipts and payments over the year, and the impact of this on available funds (Chartered Institute of Public Finance and Accounting, 2016). Suh (2017) explained that an organisation that is running low on cash but have sufficient income and asset to fund its operations may have a problem paying its creditors or may need to refinance its debts. On the other hand, the organisation cash flow statement that show too much cash may indicate that little or rather not enough resources are put back into its operations (Suh, 2017). Declining cash flows may be due to poor awareness of the prevailing revenue collection laws with no evidence to clarify what revenues do. Without cash flow power, services cannot be provided and aids supported activities cannot become sustainable. Paying of revenues shapes the relationships between the management of these local authorities and its people.

2.5 Chapter Summary

The chapter discussed the concept of financial performance, its pillars and measurement in both private companies and local authorities. Financial performance theories that have been postulated over time were also discussed and their relationship to local government financial management. A number of studies with empirical evidence on the factors affecting financial performance in local government were also reviewed. The next chapter discusses the research methods used for the collection of data and how the data was analysed analysis.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

According to Kothari (2001) the research methodology is a systematic way of solving a research problem and also the science involved in the conduct of the research. It analyses the various steps that are generally adopted in studying the research problem. One also needs to understand the assumptions underlying various techniques and the criteria by which they can decide that certain techniques and procedures will be applicable to certain problems.

This chapter discusses the research methodology and design which embraces the methods and procedures (research design) that the researcher adopted and used during the study for the purpose of data collection and analysis. Research methodology not only deals with research methods but also considers the logic behind the methods we use in the context of the research study and explains why we are using a particular method or technique (Shemdoe, 2015).

3.2 Research Design

According to Kerlinger (1986) research design represents the overall strategy used in collecting and analysing data in order to answer the research questions. Cooper and Schindler(2014) summarizes the essentials of research design as an activity and time-based plan; always based on the research question; guides the selection of sources and types of information; a framework for specifying the relationship among the study variables and outlines the procedures for every research activity. In this study, the case study research design was applied to carry out an in-depth analysis of the factors

affecting financial performance. This design was best suited for the study because it enables exhaustive analysis of the situation as it attempts to determine, describe and report the way things are (Cooper & Schindler, 2014).

The research adopted mixed method approach which uses qualitative data collection, analysis and interpretation. Empirical evidence from the secondary data about revenue collection and use of financial resources were also analysed to derive the results. According to Creswell & Clark (2011) a mixed method approach implement the quantitative and qualitative strands during the same phase of the research process, prioritizing the methods equally and keep the strand independent during analysis and then mixes the results during the overall interpretation. The quantitative approach was used to answer the questions of numerical values or measurable data, whereas the qualitative method answered the questions of why, how and what research questions.

3.3 Target Population

According to Ahrens and Chapman, (2006), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. Mugenda and Mugenda, (2003), explained that the target population should have some observable characteristics, to which the researcher intends to generalise the results of the study. The target population of this study therefore, comprised of different stakeholders of the Rehoboth Town Council. The population size of Rehoboth is estimated to be 7605 including 7500 service users (customers) and 105 employees of Rehoboth Town Council.

3.4 Sampling Procedure and Sample Size

Sekaran and Bougie (2009) referred to sampling as the process of selecting the right individuals, objects or events as representatives of the entire population. Sampling is a procedure involving a small number of items or a representative selection of the population to make a conclusion regarding the whole population (Zikmund, 2003). Ahrens and Chapman, (2006), (Saunders, 2007), (Polkinghorne, 1988) underscored the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms were selected in order to make a sample. The simple random sampling technique was used to select the sample. The sample size was computed using Slovin's formula: $n = \frac{N}{1+N(e)^2}$, where n is the sample size; N is the population size and, e is the desired level of precision. A 90% confidence level ($e = 0.10$) was used (Creswell, 2013). The sample size was calculated as follows: $n = \frac{7605}{1+7605(0.10)^2} = 98.702$. The sample size for employees was calculated as follows $n = \frac{105}{1+105(0.10)^2} = 51.21$. Accordingly, a total of 150 Rehoboth Town council service users and employees were interviewed in the study.

3.5 Data Collection Methods and Procedures

The researcher used questionnaires and interview guides for primary data collection. The questionnaires were used because they are a very straight forward means of collecting data and they are less time consuming for both the researcher and the participants (Owens, 2002). Kothari (2001) explains the main aspects of the questionnaire as being the general form, question sequence and question formulation and the wording. Both structured and non-structured questions were employed to

collect quantitative and qualitative data respectively. Interviews were employed to gather data from individuals or groups of individuals. Secondary data collection methods were used on Rehoboth Town Council's narrative and financial records to establish financial performance issues over the last ten years.

3.6 Data Analysis

Mellenbergh (2008) indicated that data analysis is an examination of data and also a critical step of the scrutiny of data in order to determine the key areas to take note of so as to develop suggestions and/or recommendations for further action. The collected data was analysed using both quantitative and qualitative data analysis methods. Descriptive analysis such as frequency tables, graphs and percentages were used to present quantitative data. Data from the questionnaire was coded using Statistical Package for Social Science (SPSS V 23.0) before it was used for analysis purposes. This involved coding structured items to do descriptive and inferential analysis (Hill and Lewicki, 2007). Since there were a few structured questions, similar responses were grouped together and then analysed using frequency distributions. Qualitative data analysis began with identification of the themes emerging from the raw data, a process sometimes referred to as open coding (Strauss and Corbin, 1990). During open coding; words, phrases or events that appear to be similar were grouped manually into the same category. The categories were then gradually modified or replaced during the subsequent stages of analysis.

3.7 Research Ethics

Saunders, Lewis and Thornhill (2012) pointed out that researchers should maintain research ethics when conducting research work. An ethical consideration in any

research applies to the researcher, the participants and sponsoring organisations (Kumar, 2011). The researcher obtained approval from Rehoboth Town Council and the Ministry of Urban and Rural Development (MURD) to carry out the study. The respondents were informed that their identities and information would be kept private and confidential and that their participation in the study would be voluntary. The researcher obtained ethical clearance from the University of Namibia's Research and Ethics Committee. Furthermore, data collected is being kept in a lockable safe in the researcher's office, accessible only to her for five years and will be destroyed by shredding and burning thereafter. Information collected from the respondents is kept anonymous and its source cannot be identified (Kumar, 2011). Voluntary participation of respondents in the research is essential and was respected. Moreover, participants were informed that they have rights to withdraw from the study at any stage if they wished to do so. In other words informed consent was sought from the respondents.

3.8 Chapter Summary

An overview of the methodology used in the study was provided in this chapter. The research design employed in the study, target population, sample and sampling procedures, data collection procedures, data analysis and research ethics are other important aspects that were discussed in chapter three. The next chapter presents and analyses the results of the study to come up with the findings.

4.3 Demographic Information

4.3.1 Employment Status

A total of 51 of the employees who participated in the study were permanently employed at Rehoboth Town Council and it is expected they will be head

CHAPTER 4

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter is devoted to the presentation and interpretation of the data that was gathered for the study. The previous chapter gave an insight into the research methodology and design used by the researcher to collect data. The Statistical Package for Social Sciences (SPSS) was used for coding and analysis of the data. According to Saunders, Lewis and Thornhill (2012), a researcher can utilise a statistical programme to analyse data. In this chapter data was presented in various formats including tables, graphs and descriptive narrations. The results are linked to or compared with theories discussed in chapter two of the study to come up with the findings.

4.2 Response Rate

A total of 150 questionnaires were distributed to various Rehoboth Town Council (RTC) stakeholders, however, only 114 were collected and analysed. This gave a response rate of 76% which is generally acceptable for a research of this magnitude given that Babbie (2002) suggested that a response rate above 50%, can effectively represent the characteristics of the total population.

4.3 Demographic Information

4.3.1 Employment Status

A total of 51 of the employees who participated in the study were permanently employed at Rehoboth Town Council and it is expected they gave first-hand

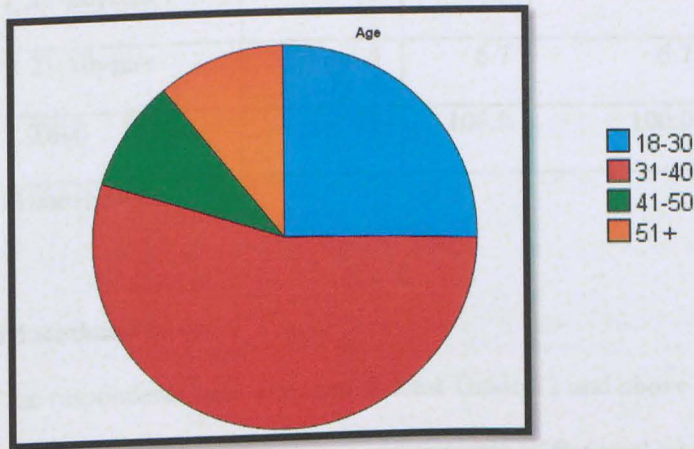


Figure 4.1: Age Distribution
Source: Primary Data

4.3.4 Length of Service

It was critical for the study to gather information from people who were familiar with the organisation and have rendered services with Rehoboth Town Council over a considerable time to understand financial knowledge and management with the institution. 37.3% of the participants have been with Rehoboth Town Council between 1-5 years, 33.3% between 6-10 years, 6.7% between 21-30 years and 5.3% for less than 1 year. The above indicates the possibility of gathering information from a well-informed group of people.

Table 4.2: Length of Service

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------------|-----------|---------|---------------|--------------------|
| Valid | Less than 1 year | 4 | 5.3 | 5.3 | 5.3 |
| | 1-5years | 28 | 37.3 | 37.3 | 42.7 |
| | 6-10years | 25 | 33.3 | 33.3 | 76.0 |

| | | | | |
|------------|----|-------|-------|-------|
| 11-20years | 13 | 17.3 | 17.3 | 93.3 |
| 21-30years | 5 | 6.7 | 6.7 | 100.0 |
| Total | 75 | 100.0 | 100.0 | |

Source: Primary Data

4.3.5 Educational Level

Most of the respondents have acquired at least Grade 12 and above and are expected to have an understanding of key terms and concepts of financial management. Figure 2 below shows that 18.7% have been through Grade 12, 13.3% have a National Certificate Vocational (3rd Year), 32% have a Higher Certificate (1st Year), 18.7% have Diploma (NQF Level 6), 6.7% have Bachelor Degree (NQF) and 10.7% have Bachelor Degrees (Honours).

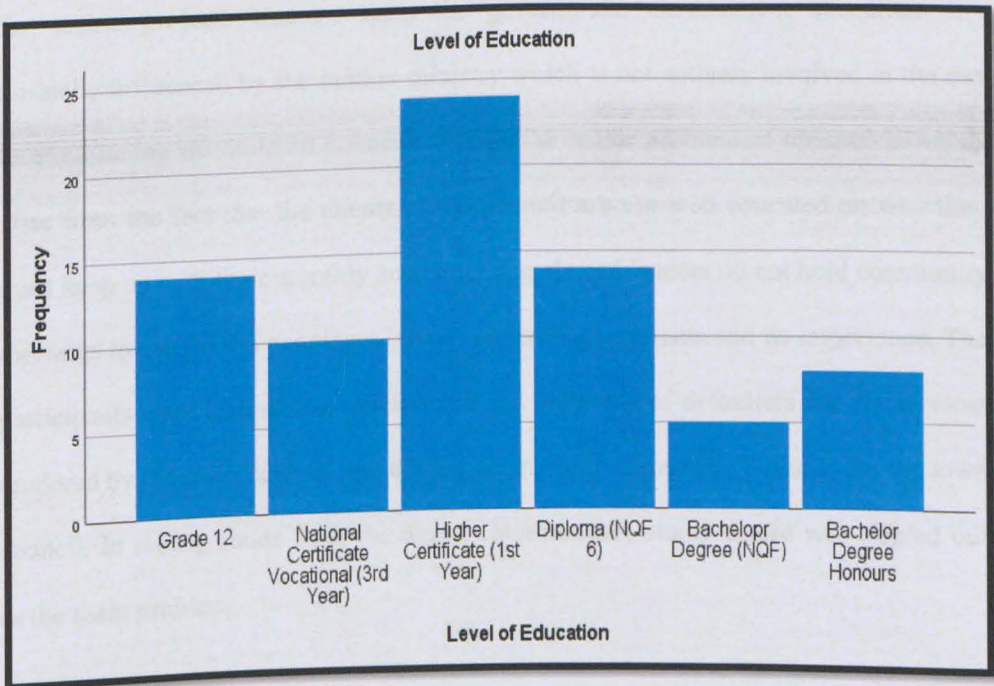


Figure 4.2: Level of Education
Source: Primary Data

4.4 Financial Knowledge and Information

4.4.1 Source of Funds and Revenue

The major identified source of income for Rehoboth Town Council is from government allocation for the councils. However, other participants highlighted revenue collection for services rendered in the community as a reliable source of funding for the town council. Though unreliable, international and local donor funds were also noted as a critical source of funds especially for specific major projects in the region for instance sustainable income generating projects such as dams and road constructions.

4.4.2 Problems in Raising Funds

Most of the participants were of the opinion that the major problem in raising funds for capital projects emanate from the government. Government allocations are normally influenced by the mother ministry which is not actively involved in the day to day running of the town councils. Whilst the major problem in operational funds arise from the fact that the clients of the council are not well educated on why they must keep up with their monthly accounts. The elected leaders do not hold community meetings to inform the people on issues concerning payments and its importance. The participants were also of the opinion that the high rate of defaulters for the services rendered by the town council was the major problem in ensuring liquidity for the town council. In raising funds from the donor communities, moral hazard was singled out as the main problem.

4.4.3 Government Funds Delays

60% of the respondents indicated that should there be delays in government disbursement of financial resources, the town council operates in the means of the available resources and intensifies revenue collection from the residents especially those in arrears. However, 40% suggested that the local authorities lobby the business community for hand-outs.

4.5 Liquidity Management and Financial Performance

4.5.1 Payment of Creditors on Time

The variable of respondents who indicated the town council pays creditors on time has a significant level of .000 where $P < .05$ and is relevant to this study. Figure 8 below illustrates that 64 % of the respondents believe that Rehoboth Town Council does not pay its creditors in time while 18.7% agree and 17.3% were not decided. This meant that the majority of respondents do not think Rehoboth Town Council pays its debtors on time. Delaying of payment is sometimes used for widening the cash conversion cycle and stays liquid (MURD, 2013).

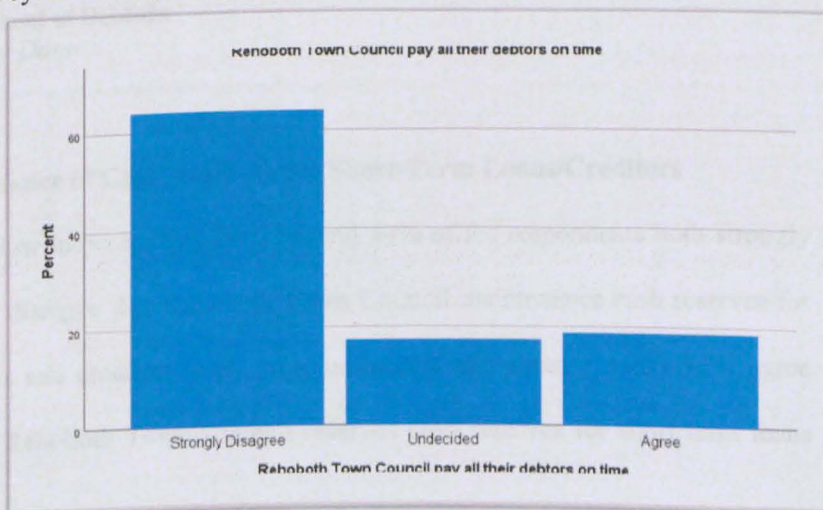


Figure 4.3: Payment of Debtors
Source: Primary Data

4.5.2 Maintenance of Cash Reserves and Debtor

As shown by Fig. 4, the largest portion (50.67%) of the participants in the study disagreed that Rehoboth Town Council maintains enough cash reserves and debtors to pay creditors on time. Given the financial problems the council is always faced with, only 17.3% agreed that Rehoboth Town Council keeps cash reserves and debtors enough to for their creditors; however, 32% were not sure.

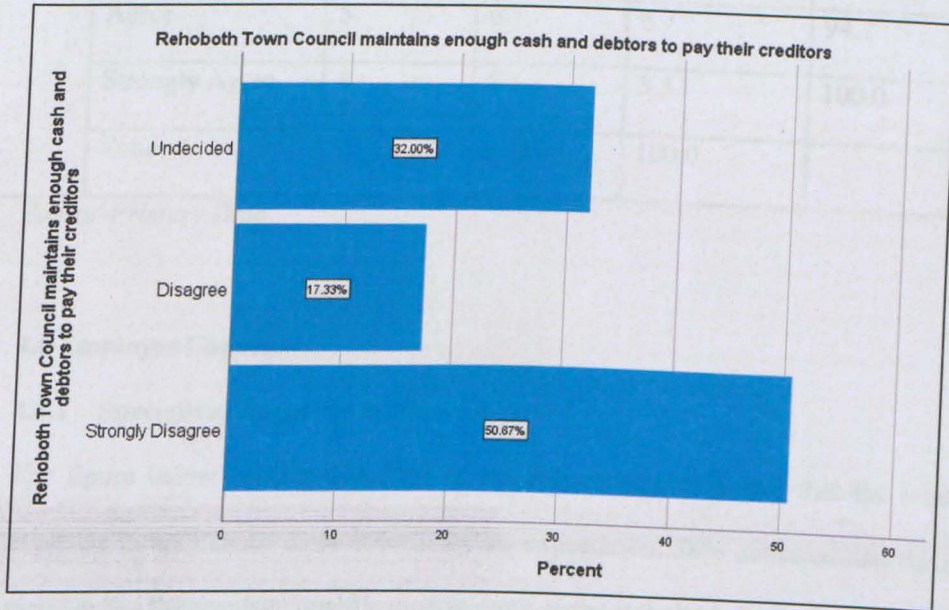


Figure 4.4: Payment of Debtors

Source: Primary Data

4.5.3 Maintenance of Cash Reserves for Short-Term Loans/Creditors

The Table 2 below indicates that the 33% and 44% of the respondents both strongly disagree and or disagree that Rehoboth Town Council maintenance cash reserves for short term loans and creditors. 10% were undecided and when a paltry 12% agree maintained the Rehoboth Town Council reserves cash reserves for short term loans and creditors.

Table 4.3: Keeping Short Term and Long-term Cash Reserves

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|---------|---------------|--------------------|
| Valid | Strongly Disagree | 25 | 33.3 | 33.3 | 33.3 |
| | Disagree | 33 | 44.0 | 44.0 | 77.3 |
| | Undecided | 8 | 10.7 | 10.7 | 88.0 |
| | Agree | 5 | 6.7 | 6.7 | 94.7 |
| | Strongly Agree | 4 | 5.3 | 5.3 | 100.0 |
| | Total | 75 | 100.0 | 100.0 | |

Source-Primary Data

4.6 Employee Capacity

4.6.1 Specialised Expertise in Finance

The figure below reveals that 56% of the respondents indicated that the level of expertise in the finance department is below expectation. 38% indicated that the staff member has the requisite qualification to work in the Rehoboth Town Council finance department whilst 6% were undecided.

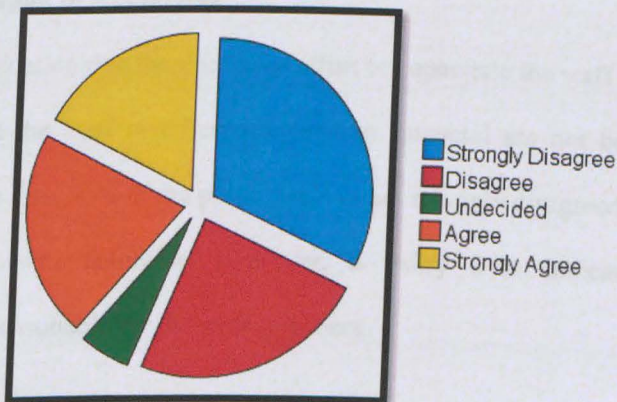


Figure 4.5: Expertise in the Finance Department

Source: Primary Data

4.6.2 Staff Training

The Figure 6 below show there has been reasonable effort by the Rehoboth Town Council to ensure staff members are equipped with the requisite knowledge for execution of their duties. 60% confirmed the efforts by the management to have the staff trained. Only 17% felt the management was not doing enough to equip the staff with knowledge needed by the finance department and all other relevant departments.

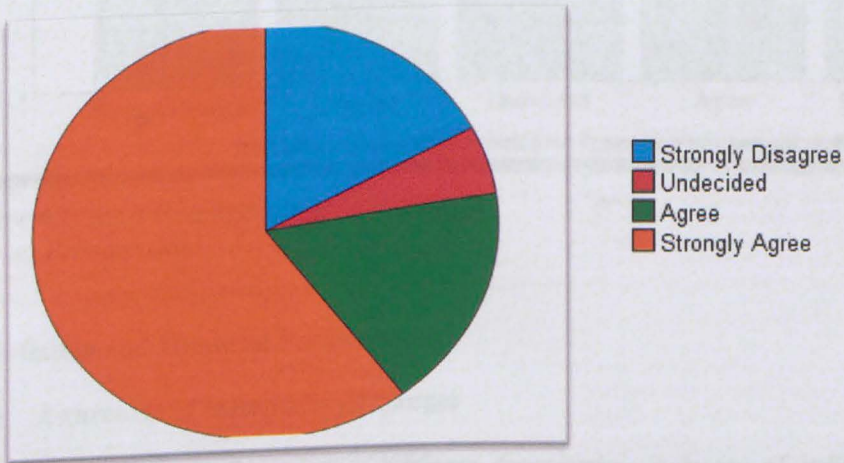


Figure 4.6: Staff Training
Source: Primary Data

4.6.3 Remuneration of Employees

Despite earlier indication that there is lot of effort to capacitate the staff members, the study showed that the staff members involved in financial are not being properly remunerated. More than 50% of the participants either strongly disagreed or disagreed that remuneration was favorable. However, a paltry 27% indicated that the remuneration was reasonable for the staff members.

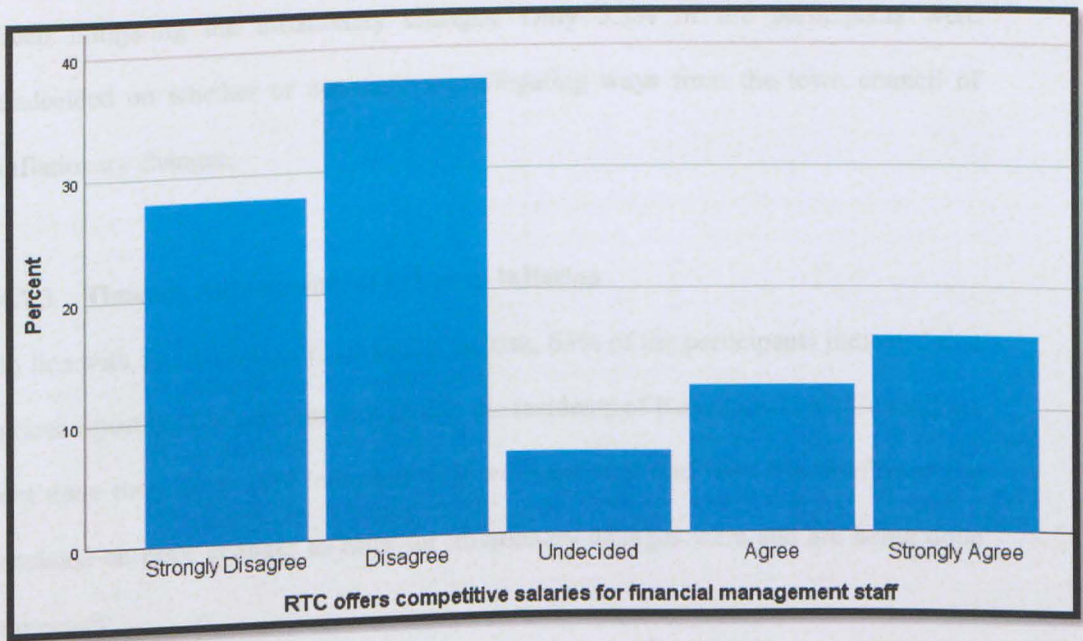


Figure 4.7: Staff Remuneration
Source: Primary Data

4.7 Inflation and Financial Performance

4.7.1 Awareness of Inflationary Changes

Rehoboth Town Council any other business organisation is aware of inflationary changes that have rocked the market in recent years. 65% of the participants strongly agreed that there Rehoboth Town Council management and staff are well aware of these changes. However, 25% indicated that some of the management decisions did not reflect awareness to inflation and 5% were not sure of their position towards the position of the organisation.

4.7.2 Mitigation of Inflationary Changes

Despite the indication by most of the respondents (65%), that the Rehoboth Town Council is aware of the inflationary changes in recent years, a staggering 72% strongly believes Rehoboth Town Council does not have ways to mitigate the inflationary changes whereas 17.3% indicated there are way the town council have

been mitigating the inflationary changes. Only 5.3% of the participants were undecided on whether or not there are mitigating ways from the town council of inflationary changes.

4.7.3 Timeous Adjustments of Prices to Inflation

In line with limited ways of mitigating the risk, 66% of the participants indicated that prices adjustment of services provided to the residents of Rehoboth Town Council are not done timeously. 28% indicated they were not sure and only 5% confirmed the decision on price changes to cater for inflationary changes were and are being done timeously.

4.8 Management Practice

4.8.1 Adherence to Financial Budgets

Adherence to International standards in financial management is the key to business success. However, 82.7% of the participants do not think Rehoboth town council adheres to pre-planned budgets. Therefore, only 5% indicated that the council adopted and implemented its budgets in the course of operations.

Table 4.4: Adherence to Financial Reporting

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|---------|---------------|--------------------|
| Valid | Strongly Disagree | 62 | 82.7 | 82.7 | 82.7 |
| | Undecided | 9 | 12.0 | 12.0 | 94.7 |
| | Strongly Agree | 4 | 5.3 | 5.3 | 100.0 |
| | Total | 75 | 100.0 | 100.0 | |

Source Primary Data

4.8.2 Debt Servicing

The participants were not sure about whether Rehoboth Town Council services its debts probably because they might not be privy to such information. 56% of the participants could neither confirm nor reject that RTC services its debts on time.

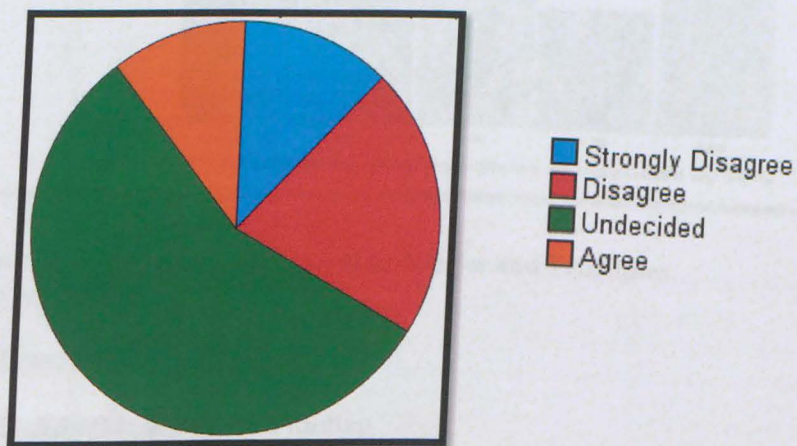


Figure 4.8: Debt Servicing
Source: Primary Data

4.8.3 Adherence to Accounting Policies and Principles

Adherence to International standards in financial management is key to business success. However, 32% of the participants strongly agreed that Rehoboth Town Council adheres to the International Financial Reporting Standards. However, 29% strongly argued that the town council has adopted International Financial Reporting Standards, in the reporting systems.

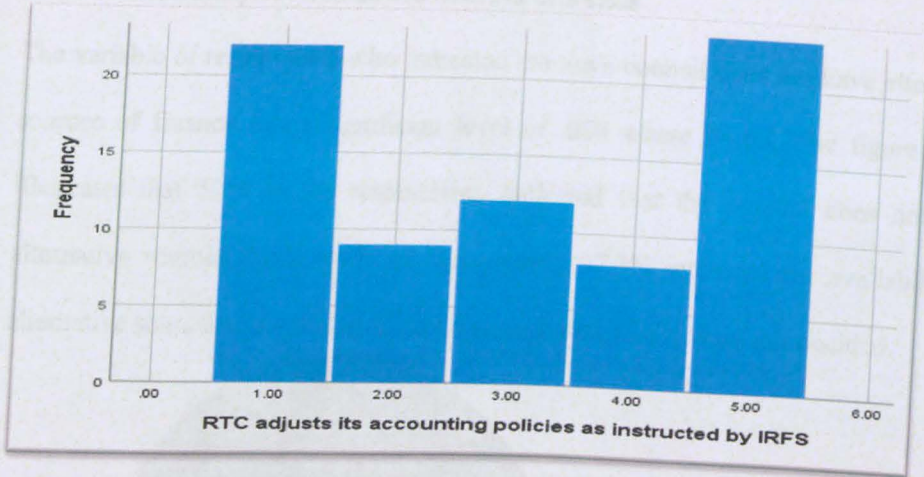


Figure 4.9: Adhering to Accounting Policies and Principles
Source: Primary Data

4.9 Local Authority Funding

4.9.1 Reliable sources of Funding

Rehoboth Town Council, like any other business organisation is supposed to have reliable sources of income. 46% of the participants indicated that the town council do not have a reliable source of funding. However, 42% indicated that their town council has a reliable source of income in the form governments and its customers and 10% were not sure of whether there is a reliable source of funds for the town council.

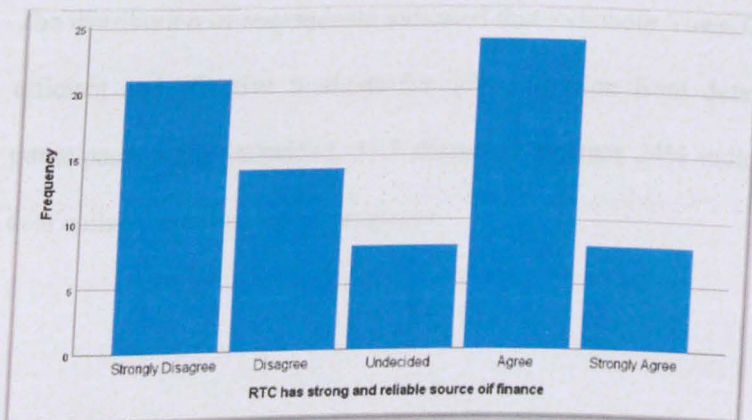


Figure 4.10: Reliability of Sources of Funds
Source: Primary Data

4.9.2 Availability of Alternative Sources of Funds

The variable of respondents who indicated the town council does not have alternative sources of finance has a significant level of .000 where $P < .05$. The figure below illustrates that 52% of the respondents indicated that the council does not have alternative sources funds while on the contrary 37.3% indicated the availability of alternative sources of funds for the town council and 10.7% were nor decided.

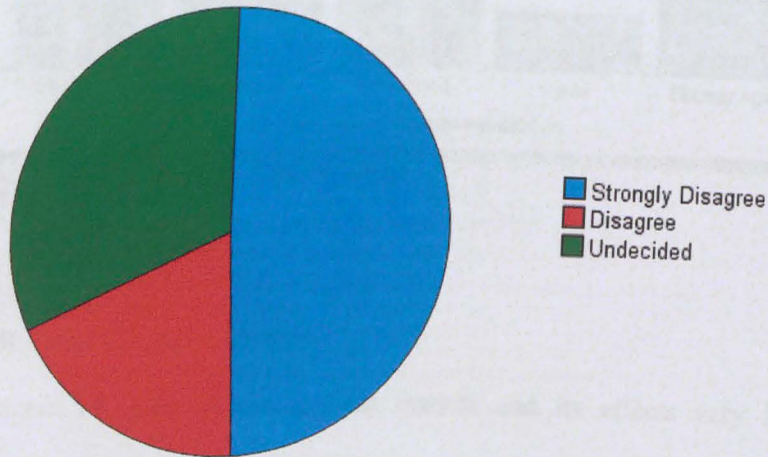


Figure 4.11: Availability of Alternative Sources of Funds
Source: Primary Data

4.9.3 Debt Collection Enforcement

The distribution of respondents indicated that Rehoboth Town Council does not have efficient and effective methods for debt collection from defaulters. 38.7% of the participants were undecided, 37.3 disagreed whereas 24% indicated the council has debt collection enforcement programs.

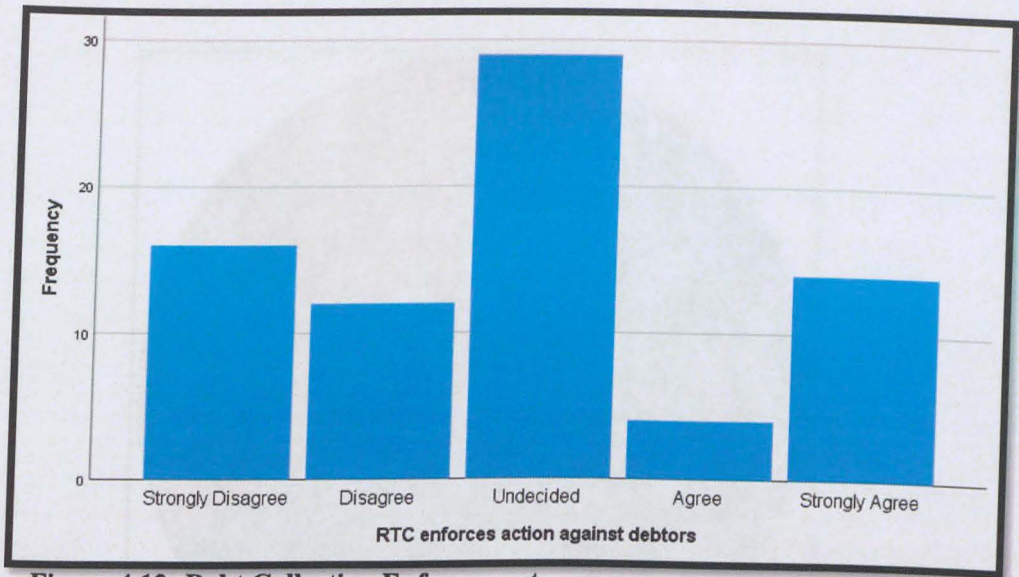


Figure 4.12: Debt Collection Enforcement

Source: Primary Data

4.10 Effects of Financial Matters

The treatment of financial management matters and its effects vary from one organisation to the other. However, studies have indicated that financial management issues if improperly handled can consume time, through planning process and implementation and monitoring process. 52% of the participants, in the study indicated that financial matters consumed a lot of time at the council as such, 33.7% showed that a lot of time is spend in planning rather implementation of budgets and plans. However, 49.3% indicated that there is less time for implementation of controls since most of the budgets are often behind schedule.

4.11 Preparation of Budgets

The figure below indicates that most of the participants are aware that the Rehoboth Town Council prepares budgets as required by the constitution, State Finance Act and Treasury Instructions. This is mainly because the budgets are required for annual operational and developmental financial allocation purposes.

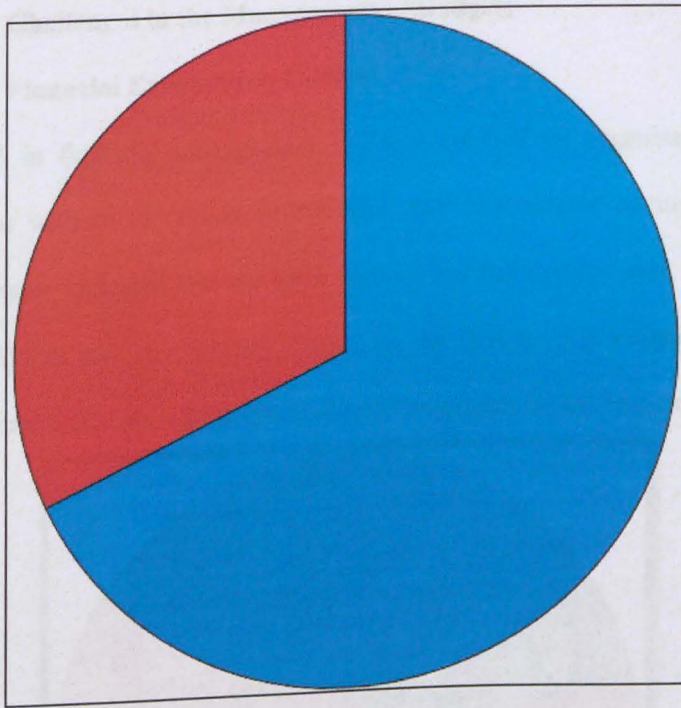


Figure 4.13: Budget Preparation
Source: Primary Data

4.12 Challenges in the Preparation of Budgets

Admittedly, there are challenges in the preparation of budgets emanating from lack of staff support, minimal time allocated to the budgeting processes, the technicalities involved in the process, improper market scanning and the workload employees have. 40% of the participants ranked minimal time allocation and technicalities in estimation as the main challenges in the preparation and management of budgets. 38.8% pointed out that market scanning is the main challenge in trying to establish the future market prices factoring inflation. 21.2% considered that the workload is the main challenge since the same people who participate in the budget preparation process have also departmental roles and responsibilities that are recurrent.

4.13 Challenges in the Management of Budgets

4.13.1 Financial Expenditure Control

Critical in financial management is the ability of an organisation to control its finances without too much interference from the outside community. 54% of the participants indicated that the town council has full control over its finances despite only 18% indicate the contrary. However, the 18% level is insignificant to the study.

The figure below shows the distribution of responses by the respondents.

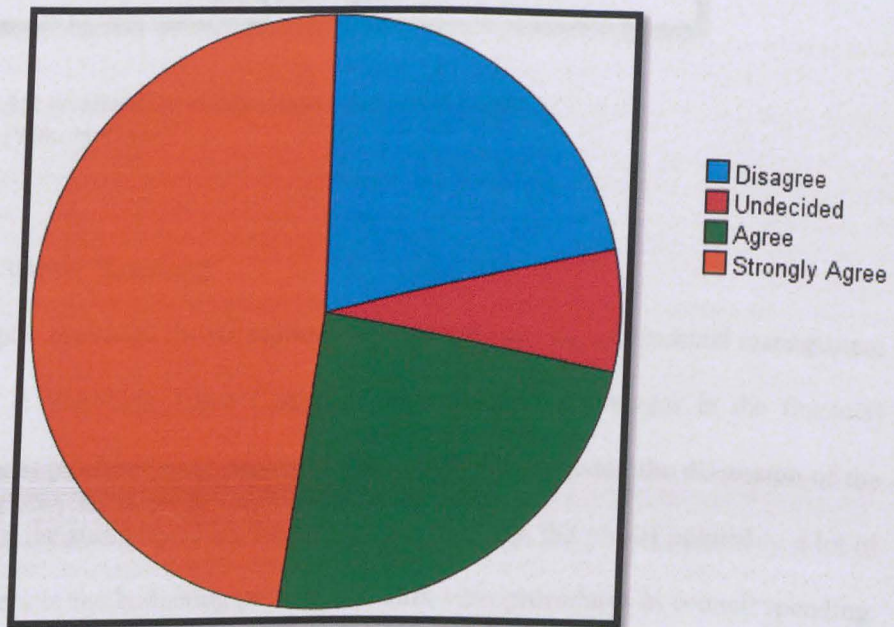


Figure 4.14: Financial Expenditure Control

Source: Primary Data

4.13.2 Financial Auditing Intervals

Financial expenditure controls have been necessitated by the recurrent auditing measures and processes through the Ministry of Urban and Rural development. 50.7% of the participants indicated that, there is regular auditing of the town council, 26.7 were undecided whether or not auditing took place persistently and 22.6% indicated auditing did not happen recurrently. The figure below is a graphical representation of the responses with regard to financial auditing intervals.

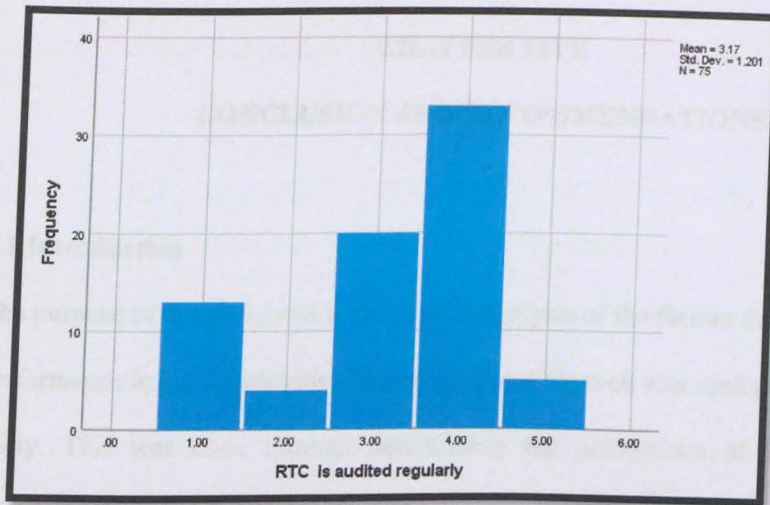


Figure 4.15: Availability of Alternative Source of Funds
Source: Primary Data

4.14 Chapter Summary

This chapter evaluated the perceptions of the employees on the financial management practices at Rehoboth Town Council. Challenges and advantages in the financial management practices were explored. The researcher presented the discussion of the findings of the study based on the results. Accordingly, the results pointed to a lot of malpractices in the budgeting process and ultra vires procedures in council spending. Based on the literature review and findings presented in this study, the next chapter will highlight the conclusions and recommendations. The researcher analysed the literature in relation to the results in this research to suggest pragmatic recommendations that would positively enhance financial management practices at the Rehoboth Town Council.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to provide an analysis of the factors that affect financial performance in local authorities. Rehoboth Town Council was used as the focus of the study. This was done through determining the perceptions of Rehoboth Town Council's stakeholders towards financial management practices and challenges. Furthermore, the research explored various solutions available to the current challenges the town council was facing in sustaining a stable financial management system. The study concluded that the main factors affecting Rehoboth Town Council's financial performance included unavailability of reliable sources of funds, liquidity management, inflation rates, employee capacity and management practices.

5.2 Summary of Findings

5.2.1 Sources of funds and their reliability

According to Amal, Sameer, & Yahya (2012), local government finance has an overreliance on a single or two sources of income which are taxes and rates collected from the local citizens. Rehoboth Town Council, It was found out that there is overreliance on income taxes and only a small share of local revenue is being derived from property. However, government delays in allocation and inability to collect maximum revenue is negatively affecting the full capacity utilisation at the town council. The study also confirmed that the sources are not reliable as previously pointed out in a number of studies. Raising funds remains one of the greatest

challenges of the local authority and alternative ways of raising finance have to be exploited for sustenance of operations.

5.2.2 Liquidity Management and Financial Performance

The study also confirmed that some of the financial challenges facing the local authority emanated from government delays in disbursing allocations, limited revenue sources and failure to collect revenue from the citizens. The highlighted reasons have seen most organisations facing liquidity challenges. The Institute of Economic Affairs (2003) pointed out that local authorities in Namibia in many cases, collected less than half of the potential revenue because taxpayers were often unwilling to pay. This was mainly because the local authorities hardly provide any services and enforcement action against tax defaulters is difficult and expensive. Culminating from the above, the cash conversion cycle, for the Rehoboth Town Council therefore widened because of gradually increasing defaulters whilst at the same time the council did not have an incentive to pay their creditors.

Coupled with high personnel expenses, council allowances and extensive corruption (MURD,2013) the council was unable to keep cash reserves enough for meeting both short-term and long-term financial obligations (Bhunia and Khan, 2011). The study confirmed that local authorities, particularly Rehoboth Town Council faces challenges in servicing their debts as caused by a structural imbalance between expenditure needs and resource availability at the local level.

5.2.3 Employee Capacity at the Rehoboth Town Council

According to Murphy & Peter (2000), Financial Management Systems include complex technical, procedural, institutional and adjustments that require specialised expertise. The study found that there is a mismatch of expertise in key areas at the town council because most of the staff members were not hired on merit but rather on political affiliation and or participation in the liberation struggle (Rehoboth, 2013). In other instances, the study found out that the systems that were currently in place were obsolete and labour-intensive. The study also concluded that apart from a mismatch of expertise, the remuneration of the employees at the council was a demotivating factor that resulted in poor financial performance in council.

5.2.4 Inflation and its effects on financial performance

The study found out that inflation affects Rehoboth Town Council's financial performance. In the budgeting process, there is need for adjustment of financial projections to expected inflation rates. The increase in the standard cost of living affects the disposable income available to consumers to pay for the town council services, thus affecting the sources and availability of operational funds. This is in line with the findings by Awan (2014), Loto (2012) and Chaudry *et al.*, (2013), that inflation was strongly positively related to both return on assets and return on equity while the interest rate is highly negatively related to return on assets.

5.2.5 Management Practices and Financial Performance

One of the major findings of the research was that management practices had a more significant bearing on the financial performance of an organisation. This comes in the form of budget indiscipline, decision making, lack of proper financial management

and control procedures. Budget indiscipline was once identified a critical element that results in poor financial performance since it includes allocation of hefty allowances for leaders, lack of prioritisation of critical organisational activities and off-budget transactions. The findings add to the already existing paper trail by Cole (2010), Long (2011) and Laxon (2012), whose research concluded the existence of a linear relationship between management practices and financial performance.

5.3 Recommendations

5.3.1 Sustainable Income Generating Projects

It is important for a local authority to have alternative and reliable sources of finance. The research concludes that Rehoboth Town Council does not have reliable alternative sources of funds and therefore recommends for the council to establish sustainable income generating projects. Gage and Dunn (2009), proposed a number of income-generating projects ranging from renting out office space, housing, artisan hives, recreational activities and running of own private businesses (i.e. beer halls, meat and vegetable markets. Income generating projects can help cushion the organisation from financial challenges they might face due to delays in disbursing funds allocated by the government and high default rates for services provided by the citizens.

5.3.2 Widening the Cash Conversion Cycle

Managing and maintaining the required cash reserves enables organisations to meet their short- and long-term obligations. Based on the findings of the research, it is recommended that the organisation improves its debt collection methods. Proposed debt collection methods include: bulk messaging, introduction of hefty penalties for

defaulters, payment plans for defaulters, engaging with professional debt collectors, withdrawal of services, litigation and employing mobile debt collection clerks. Secondly, the council should engage its creditors into extended payment periods such 60-day payment terms after delivery to widen the cash conversion cycle. This would help the local authority maintain enough cash reserves at all times.

5.3.3 Employee Training

Financial management mentorship programmes can be designed in order to provide professional support to the Accounting and Information Technology departments. Through mentorship programmes, employees will be able to grow, learn, transform and accomplish departmental goals. In addition, workshops can be organised on and off the job to help employees in understanding and sharing tips on trending financial management practices. Ozbilgin (2014) suggested that, not only do training programmes help employees improve their work, but they also have a motivational effect on the employees. To achieve this successfully, every employee needs to get training on financial management and goals within the organisation.

5.3.4 Investment in Accounting Information Systems

This study concluded that Rehoboth Town Council has obsolete infrastructure and accounting information systems that need to be replaced with modern robust systems. Efficiency and effectiveness of the Rehoboth Town Council is dependent on investment in accounting information systems such as the Sage Accounting Package, Pastel Evolution and Municipal Billing Software. These systems would assist the town council to issues statements on time and also aging of defaulters for litigation purposes.

5.3.5 Budget Consultations

For the budgeting process to be effective, it is required that Rehoboth Town Council does budget consultations with the local business and citizens within their jurisdiction. The budget consultation helps an organisation in the estimation of inflationary changes since some of the participants in the locality would be business people who are well versed with the industry's ups and downs. The council would be able to recognise the inflationary rate, leverage and locate real value for items they might consider to purchase in the future.

5.3.6 Austerity Measures

Management appetite for spending was also found as a problem at the Rehoboth Town Council. This comes in the form of budget indiscipline, hefty allowances and off-budget transactions. There is a need for implementation of cost-cutting measures pronounced through the mother ministry and the Ministry of Finance. Furthermore, the auditing period should be minimised to ensure budgetary implementation and control before off- budget transactions are committed.

5.4 Limitation and Areas for Future Research

This research mainly focused on the factors affecting financial performance at Rehoboth Town Council. This means that there was a narrow possibility of the research results being used as a conclusive guide when dealing with other attributes that are different from the aforementioned one. This paves way for further studies on the magnitude of the relationship between organisational financial performance and the factors aforementioned. Based on the findings, this research concludes that there

is a significant need for Rehoboth Town Council to apply a multifaceted approach that involves resolute efforts which are pursued constantly and consistently in order to improve financial performance of the organisation.

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APPENDICES QUESTIONNAIRE

APPENDIX 1: LETTER REQUESTING PERMISSION TO CONDUCT THE STUDY

University of Namibia

Private Bag 13301

Windhoek, Namibia

Dear Respondent,

I am a Master's in Business Administration student registered at the Department of Economics and Management Science at University of Namibia. I am currently carrying out a research on the topic:

"AN ANALYSIS OF THE FACTORS THAT AFFECT FINANCIAL PERFORMANCE IN LOCAL AUTHORITIES: THE CASE OF REHOBOTH TOWN COUNCIL".

Since you are directly involved in the subject of the study, your completion of the attached questionnaire is important. All responses will be treated confidential. All responses will be reported only in terms of the entire population. Therefore, do not write your name.

Thank: you in advance for your anticipated cooperation.

Yours faithfully,

Salome

APPENDIX 2: QUESTIONNAIRE

AN ANALYSIS OF THE FACTORS THAT AFFECT FINANCIAL PERFORMANCE IN LOCAL AUTHORITIES: THE CASE OF REHOBOTH TOWN COUNCIL

Please feel free and respond to all questions. Responses will be treated confidentially and for the purposes of this study only. The questions below are designed to gather information about your organisation.

PART 1: Demographic Information

The information in this section will be used for statistical purposes only.

Please mark a cross (X) in the applicable box.

| | | | | | |
|---|-------------------|---|----------------------------|--|--|
| 1 | Employment status | 1 | Permanent | | |
| | | 2 | Fixed-term contract | | |
| | | 3 | Part-time contract | | |
| | | 4 | Any other (please specify) | | |

| | | | | | |
|---|--------|---|--------|--|--|
| 2 | Gender | 1 | Female | | |
| | | 2 | Male | | |

| | | | | | | | |
|---|----------------------|---|------------------|---|---------------|--|--|
| 3 | Age | 1 | 18 – 30 | 3 | 41 – 50 | | |
| | | 2 | 31 – 40 | 4 | 51 - and more | | |
| | Length of service at | 1 | Less than 1 year | 4 | 11-20 years | | |

| | | | | | |
|---------------------|------|---|------------|---|----------------------|
| Rehoboth Council | Town | 2 | 1-5 years | 5 | 21-30 years |
| | | 3 | 6-10 years | 6 | 31 and more years |

| | | | | | |
|---|--|---|---|---|----------------------------|
| 4 | What is your highest educational attainment? | 1 | Grade 12 | 6 | Bachelor Degree (NQF &) |
| | | 2 | National Certificate Vocational (3 rd Year) | 7 | Bachelor Degree Honours |
| | | 3 | Higher Certificate (1 st Year) | 8 | Master |
| | | 4 | Diploma (NQF 6) | 9 | Other (Please specify) |

PART TWO: FINANCIAL INFORMATION

1. Indicate the sources of funds/income for your organisation

| | |
|---|--|
| A | |
| B | |
| C | |
| D | |

2. State any problems you face in raising money from the sources mentioned.

| | |
|---|--|
| A | |
| B | |
| C | |
| D | |

3. What does the town council do when the government funds delay?

| | |
|---|--|
| A | |
| B | |
| C | |
| D | |

4. Liquidity Management and Financial Performance

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|---|----|---|-----------|---|----|
| Rehoboth town council pay all their creditors on time | | | | | |
| Rehoboth town council maintains enough cash and debtors to pay their creditors | | | | | |
| Rehoboth town council maintains enough cash to pay its short-term liabilities (creditors, short term loans) | | | | | |

5. Employee Capacity

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|--|----|---|-----------|---|----|
| Rehoboth town council has specialized expertise in finance | | | | | |
| Rehoboth town council provides necessary training for staff involved in financial management | | | | | |
| Rehoboth town council offers competitive salaries for financial management and IT-staff | | | | | |

6. Inflation and financial performance

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|--|----|---|-----------|---|----|
| Rehoboth town council is always aware of inflation changes | | | | | |
| Rehoboth town council has ways to mitigate against inflation changes | | | | | |
| Rehoboth town council timeously adjust its prices to inflation changes | | | | | |

7. Management practices

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|--|----|---|-----------|---|----|
| Rehoboth town council adheres to its financial budget | | | | | |
| Rehoboth town council always service its debts (loans) | | | | | |
| Rehoboth town council adjusts its accounting policies | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| as instructed by international accounting standards | | | | | |
|---|--|--|--|--|--|

8. Local Authorities Funding

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|--|-----------|----------|------------------|----------|-----------|
| Rehoboth town council has strong and reliable sources of finance | | | | | |
| Rehoboth town council has alternative methods of financing | | | | | |
| Rehoboth town council enforces action against debtors | | | | | |

9. Indicate how financial matters affect your work.

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|--|-----------|----------|------------------|----------|-----------|
| Consumes time for my work | | | | | |
| There is no time for planning | | | | | |
| There is less time for financial control | | | | | |

10. Does Rehoboth Town Council prepare budget for all its activities? Yes [] No []

11. Rehoboth Town Council Finance department experience problems in preparing and managing the budget coming from:

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|-------------------------------------|----|---|-----------|---|----|
| Lack of support staff | | | | | |
| Lack of time | | | | | |
| Estimates being too technical a job | | | | | |
| Too much work load | | | | | |
| Being unaware of market prices | | | | | |

12. Financial controls

SD – Strongly Disagree, D – Disagree, U – Undecided, A – Agree, SA – Strongly Agree

| | SD | D | Undecided | A | SA |
|---|----|---|-----------|---|----|
| Rehoboth Town council have control over financial expenditures | | | | | |
| The Rehoboth Town Council spend its finances well | | | | | |
| Rehoboth Town council have good relationship with its suppliers | | | | | |
| Rehoboth Town council accounts are audited regularly | | | | | |

11. In what financial areas do you need guidance?

| | |
|---|--|
| A | |
| B | |

| | |
|---|--|
| C | |
| D | |

12. What are the possible solutions to Rehoboth Town Council towards financial management problems?

| | |
|---|--|
| A | |
| B | |
| C | |
| D | |

13. What measures that can be taken to improve the financial performance by Rehoboth Town Council management?

| | |
|---|--|
| A | |
| B | |
| C | |
| D | |

THANK YOU!!!!!!!!!!!!!!

CONTACT

PO Box 40529,
Ausspannplatz,
Windhoek,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

21st February 2019

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF ELSE GUDRUN SALOME HAIYAKA'S THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

This certificate serves to confirm that I copyedited and proofread ELSE GUDRUN SALOME HAIYAKA's Thesis for the **MASTER OF BUSINESS ADMINISTRATION DEGREE** entitled: **AN ANALYSIS OF THE FACTORS THAT AFFECT THE FINANCIAL PERFORMANCE OF LOCAL AUTHORITIES: THE CASE OF REHOBOTH TOWN COUNCIL**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, eSwatini, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,



The Rev. Dr. Greenfield Mwakipesile



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