BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

FINANCIAL MANAGEMENT PRACTICES AND BUDGET PERFORMANCE OF PUBLIC COMPANIES. A CASE OF ZINARA.

SUBMITTED BY:

B1852799

DISSERTATION SUBMITTED IN PARTIAL FULLFILMENT OF THE REQUIREMENT FOR THE BACHELOR OF COMMERCE (HONOURS) IN ACCOUNTANCY OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE

JUNE 2024

RELEASE FORM

Registration number: B1852799

Dissertation Title: Financial Management Practices and Budget Performance of Public Companies. A Case of ZINARA.

Year granted: 2024

Permission is granted to the Bindura University of Science Education Library and the department of Accountancy Studies to publish copies of this Dissertation in an effort it deems necessary for academic purposes only.

…………………………………………………………

Students' signature

Permanent address:

…………………………………………………………

Date

APPROVAL FORM

The undersigned certify that they have supervised the student dissertation entitled "FINANCIAL MANAGEMENT PRACTICES AND BUDGET PERFORMANCE OF PUBLIC COMPANIES. A CASE OF ZINARA." submitted by B1852799 in partial fulfillment of the requirements of Bachelor of Commerce Honors Degree in Accountancy.

………………………………………………………….. ………………………

Student's name Signature Date

………………………………………………………….. ……………………….

Name of Supervisor Signature Date

………………………………………………………….. ……………………

Name of Chairman Signature Date

DEDICATION

This research study is dedicated to my family and friends, for their support.

ABSTRACT

Using the ZINARA as a case study, the research sought to assess financial management practices and budget practices incorporated by the company. The goal of the study was to investigate the relationship between financial management practices and budget performance in a public company, using the Zimbabwe National Road Administration (ZINARA). A descriptive research survey was used, with data acquired using both quantitative and qualitative methods. Questionnaires and interviews were carried out to a sample of 25 employees of ZINARA. SPSS and summative content analysis were used to analyse the data. The findings revealed a statistically significant positive correlation, indicating that stronger financial management practices are associated with improved budget performance for ZINARA. These results suggest that ZINARA's focus on effective financial management contributes directly to its budgetary success.

ACKNOWLEDGEMENT

"For l know the plans l have for you, says the Lord, plans for welfare and not for evil, to give you a future and a hope" Jeremiah 29 verses 11

I'd like to thank the Lord for ensuring this study endeavour a success, as He has allowed me to accomplish it. Secondly, I wish to thank the person in charge for guiding me through the study survey.

Table of Contents

CHAPTER ONE

1.0 Introduction

Public companies operate in complex and dynamic environments, facing various internal and external factors that influence their financial decision-making processes and budgetary outcomes (Jensen, 2001). Understanding how these companies manage their financial resources, assess risks, and align financial management with strategic goals is fundamental to comprehending their overall financial performance. According to a study by Chen, Gumbus, and Lussier (2004), effective financial management practices have been identified as crucial elements contributing to the accomplishments of organizations, particularly in the context of budget performance.

The financial management practices of public companies are pivotal in shaping their performance, sustainability, and ability to achieve strategic objectives. Effective financial management is not only essential for maintaining financial health but also for optimizing resource allocation and supporting the achievement of budgetary targets. This case study examines a wide-ranging research endeavour focused on exploring the connection between budgetary performance and financial management approaches. This section offers a high-level summary of the study's context, the problem being addressed, the research question, limitations, and the significance of the work.

1.1Background of the study

According Allis (2004), institutions and establishments recognize the immense importance of financial resources. These resources play a vital role and must be managed with utmost effectiveness and efficiency to achieve desired outcomes. It is crucial to utilize funds properly in order to bring about the necessary changes and desired results. Regrettably, as highlighted by Rosen and Gayer (2010), there are occasions where individuals entrusted with managing these critical resources mishandle and misuse them.

Financial management methods and budget performance are critical to organisations' effectiveness and efficiency, especially in the public sector. The Zimbabwe National Road Administration (ZINARA) is an important body in Zimbabwe that manages the country's road network, infrastructure, and other activities. As a parastatal tasked with collecting and allocating road money, ZINARA's financial management methods and budget performance are critical to ensuring transparency, accountability, and efficient resource utilisation. This chapter provides a summary of the research subject, motivation, aims, and significance of the study (Collis and Hussey 2003).

An agent (ZINARA) is an entity who is authorized to act on behalf of the government of Zimbabwe, known as the principal. The agent is entrusted with the responsibility of representing the principal's interests and making decisions or taking actions on their behalf. The principal grants the agent the authority to act within certain boundaries and expects them to act in the best interests of the principal. Despite ZINARA having clear goals articulated in the Act there is an agency problem that arises. This conflict arises from the possibility that the agent and the principle have conflicting objectives, motives, or knowledge. The agent may be motivated by personal gain or may not fully align their actions with the best interests of the principal.

The Zimbabwe National Road Administration (ZINARA) operates under the legal framework of the Road Act (Chapter 13:18) of Zimbabwe. This legislation establishes the foundation for the establishment, functions, and responsibilities of ZINARA. The Road Act establishes ZINARA as a statutory organisation in charge of management and administration of road infrastructure in Zimbabwe. ZINARA operates as a corporate entity and is overseen by a Board of Directors appointed by the Minister in charge of roads. The Road Act outlines the functions and powers of ZINARA, which encompass the collection and distribution of road user charges, allocation of funds for road construction and maintenance, coordination of road infrastructure planning, and implementation of road safety initiatives.

ZINARA is empowered by the Road Act to collect various road user charges, including toll fees, vehicle license fees, and fuel levies. These charges serve as a vital source of revenue for the maintenance and development of the country's road infrastructure. The Road Act also establishes a Road Fund, which serves as the repository for the road user charges collected by ZINARA. The Road Fund is utilized to finance road maintenance, rehabilitation, and construction projects across Zimbabwe.

To guarantee responsibility and openness in the use of funds, the Road Act provides guidelines for the financial management of ZINARA. This includes procedures for budgeting, accounting, auditing, and reporting. ZINARA is required to adhere to these guidelines to maintain transparency in its financial operations. The Road Act accentuates the importance of collaboration and coordination among various stakeholders involved in road infrastructure, such as government departments, local authorities, and private sector entities. ZINARA plays a pivotal role in facilitating this collaboration and ensuring effective coordination of road-related activities.

Effective financial management and robust budget performance in public companies are crucial for driving sustainable economic development and ensuring efficient resource allocation worldwide. According to the World Bank (2021) report, sound financial management is vital for overall economic stability, with countries exhibiting stronger financial management practices tending to experience higher GDP growth and greater resilience to economic downturns, as evidenced by IMF data.

Public Expenditure and Financial Accountability (PEFA) (2021), the study of financial management and budget performance in public companies at the regional level is particularly relevant, as these entities often play a significant role in driving economic growth and providing essential services. It is of great importance for public entities to have sound financial management to ensure efficient use of public funds and promote accountability. Regional disparities in financial management practices can impact the overall competitiveness and stability of economies within a specific region.

A survey by the Association of Public Treasurers (2022) found that 70% of public companies globally struggle with budget performance issues, leading to potential inefficiencies and suboptimal resource allocation. The Deloitte Global Public Sector Survey (2020) revealed that only 45% of public companies have a comprehensive financial management strategy in place, indicating a significant gap in the adoption of best practices. The OECD (2021) reported that poor financial management in public entities can result in an average of 15-20% of budgetary resources being lost to inefficiencies and mismanagement, ultimately impacting the delivery of essential services.

These global, regional, and statistical perspectives underscore the significance and urgency of studying the connection between financial management methods and budget performance of public companies. The findings of this investigation could contribute to the development of strategies to enhance financial management, improve budget performance, and promote economic growth and stability at both the global and regional levels.

Furthermore, the Road Act includes provisions for the enforcement of road regulations and the imposition of penalties for non-compliance. ZINARA, in conjunction with other relevant authorities, is responsible for enforcing road traffic laws and regulations to promote road safety.

1.2 Statement of the problem

This research focuses on the case of the Zimbabwe National Road Administration (ZINARA). Despite collecting revenue earmarked for road infrastructure maintenance, ZINARA faces persistent financial shortcomings. Weaknesses in core financial management practices, including a lack of transparency and inefficient budgeting processes, are the leading factors. These inefficiencies are hypothesized to lead to a cascade of negative consequences, including cash shortages, inadequate road maintenance, and ultimately, a strain on the national debt. By examining ZINARA's financial practices and budget performance in detail, this thesis aims to identify areas for improvement. The ultimate goal is to propose solutions that can enhance transparency, accountability, and overall financial effectiveness within ZINARA, potentially serving as a model for broader public enterprise reform in Zimbabwe.

1.3 Research objectives

The primary goal of this research is to examine ZINARA's financial management procedures and budget performance of. Specific aims include:

- Identify the key financial management practices employed by ZINARA.
- Evaluate the effectiveness of ZINARA's budget performance.
- Evaluate ZINARA's budget performance in terms of planned and actual resources allocation.

1.4 Research questions

The following research questions served as the investigation's guide:

- What are the main financial management practices employed by ZINARA, and how do they align with best practices for public companies?
- To what extent is ZINARA's budgeting process effective in achieving its financial goals and objectives?
- What are the potential areas for improvement in ZINARA's financial management practices and budgeting process to enhance its budgetary control and overall financial health?

1.5 Significance of the study

This study has implications for policymakers, ZINARA management, road users, and the general public. It goal is to investigate ZINARA's financial management techniques and budget performance, gaining insights into resource allocation efficiency, financial transparency, and overall effectiveness. The findings can help to enhance public accountability, governance, and the long term development of road infrastructure. The research can also help to identify best practices, guide policy formulation and governance structures, enhance stakeholder decision-making, and add to academic literature.

1.6 Assumptions

- It is presumed that the financial statistics, budgeting information, and other pertinent records provided from ZINARA are correct and dependable.
- The study assumes ZINARA maintains transparency in financial management, budget allocation, and performance.
- The analysis assumes that ZINARA follows all applicable financial legislation, accounting standards, and governance structures.
- When conducting interviews or surveys, it is believed that ZINARA and other stakeholders would offer accurate and meaningful information about the organization's financial management processes and budget performance.
- The case study of ZINARA assumes generalizability to other public corporations with similar operational and regulatory situations.
- The study assumes a causal relationship between financial management practices and budget performance in public enterprises like ZINARA.
- Ethical considerations, including confidentiality, privacy, and informed consent, are maintained throughout the research process.

1.7 Scope of the study

Despite the possibility of conducting the research across all public entities, the study was limited to the ZINARA Harare offices. This decision was made due to budget constraints that prevented the researcher from traveling to various offices across Zimbabwe. The researcher specifically worked with ZINARA employees located at its Headquarters and ZB Life Tower offices, which are significant offices in Harare. The review period for the study was from 2023 to 2024, putting a particular emphasis on assessing the financial management methods and budget performance of public corporations.

1.8 Limitations

Like any research endeavour, this study faced certain limitations. The main challenge encountered was the reluctance and resistance of some participants to share their data. This reluctance stemmed from their concerns about potential negative consequences if the information they provided was made public. To address this challenge, respondents were guaranteed secrecy by the researcher and the option to provide information anonymously. It is worth noting that respondents held differing viewpoints from the person conducting the study. However, the investigator clarified that the study was conducted solely for academic objectives, ensuring that the responses provided were accurate and reliable. Additionally, some respondents requested to see a recommendation letter from the research institution before sharing their comments. Consequently, the researcher submitted an application form to the research institution to seek authorization for conducting the study.

1.9 Organization of the study

Chapter one, served as a fundamental introduction to the entire study. The investigation's background, problem description, research objectives, research questions, study importance, assumptions, boundaries, and limitations were all provided. This chapter laid the groundwork for the research. Chapter two, known as the literature review, focused on providing relevant literature related to financial management practices and budget performance within public companies. It aimed to establish a theoretical framework and build a foundation of existing knowledge on the topic. The third part, the research methodology chapter, delves into the research design; population and sample under study, sampling techniques, and the equipment and methods used by the researcher to collect data. This chapter detailed the approach taken to conduct the research. Chapter four involved the presentation and analysis of the collected data, as well as the subsequent discussion of the findings. This chapter provided a comprehensive examination and interpretation of the data gathered during the research process. Lastly, Chapter five served as a summary of the research objectives and presented the conclusions and recommendations derived from the study. This final chapter encapsulated the key findings and offered suggestions for further action or areas of improvement. Together, these chapters formed a cohesive structure that guided the study from its introduction to its conclusion.

2.0 Summary

As an introduction to the research topic, this chapter has set up the conditions for a thorough examination of ZINARA's financial management procedures and budgetary performance.
The upcoming chapters will delve into the theoretical framework, empirical analysis, and implications of the research findings. By doing so, this study aims to contribute to the existing body of knowledge on financial management and budget performance in the public sector. The subsequent chapters will provide a deeper understanding of the subject matter and shed light on potential areas for improvement in ZINARA's practices.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This literature review aims to explore various scholarly articles, reports, and case studies related to financial management practices and budget performance, with a focus on public companies like ZINARA. By examining theoretical frameworks, methodologies, and previous research findings, the review aims to identify gaps in current literature and recommend areas for further research (Ridley 2012). This review will serve as the foundation for an empirical study that will follow, providing a theoretical framework and conceptual understanding for investigating the financial management practices and budget performance of ZINARA.

2.1 Theoretical Perspectives on Financial Management Practices

Financial management practices are informed by various theoretical perspectives that elucidate the relationship between financial decisions, stakeholders, and organizational objectives. This section explores key theories that provide insights into effective financial management for public companies like ZINARA.

2.1.1 Agency Theory

Agency theory, as outlined by Hill and Jones (1992), examines the inherent conflict of interests that arise in principal-agent relationships. In this context, the principals (shareholders in a public company) appoint agents (managers) to make financial decisions on their behalf. While principals desire to maximize shareholder wealth, agents may pursue goals that prioritize their own interests, such as job security or increased compensation. This potential for misalignment creates agency problems.

Agency theory posits that information asymmetry, where agents possess greater knowledge about day-to-day operations compared to principals, further exacerbates these conflicts. This asymmetry can lead to self-serving actions by agents, potentially resulting in suboptimal financial decisions for the organization. Risk aversion discrepancies between principals and agents can also contribute to agency problems. Principals, typically risk-averse, might favour conservative financial strategies, while agents might be more willing to undertake on excessive risk for potential personal gain.

To mitigate agency conflicts and promote effective financial management, several mechanisms can be employed. Strong corporate governance structures are essential. These structures establish clear lines of authority, promote transparency through regular reporting and audits, and ensure effective board oversight (Fama & Jensen, 1983). Additionally, performance-based compensation can incentivize agents to align their goals with those of the principals. By linking executive pay to financial performance metrics, such as shareholder return or budget adherence, agency theory suggests a convergence of interests can be achieved.

Furthermore, well-defined contractual agreements play a crucial role in mitigating agency problems. These agreements explicitly outline the responsibilities, performance expectations, and consequences for non-compliance for agents (Jensen & Meckling, 1976). By establishing clear contractual terms, principals can safeguard their interests and promote responsible financial decision-making by agents.

In conclusion, agency theory offers a valuable framework for understanding the potential conflicts inherent in financial management. By recognizing these conflicts and implementing appropriate corporate governance mechanisms, performance-based incentives, and well-defined contracts, public companies like ZINARA can strive to create an environment where the interests of principals and agents are aligned, leading to sound financial practices and optimal organizational performance.

2.1.2 Modern Portfolio Theory (MPT)

Modern Portfolio Theory (MPT), pioneered by Harry Markowitz in the 1950s (Markowitz, 1952), is a foundational theory in investment management that emphasizes portfolio optimization through risk-return analysis. MPT challenges the traditional approach of evaluating investments in isolation and instead advocates for considering the interrelationships between assets within a diversified portfolio. The core principle of MPT lies in the assumption those investors are risk-averse, aiming to maximise projected returns for a given level of risk tolerance.

2.1.3 Diversification and Risk Reduction

A cornerstone of MPT is the idea of diversity, the practice of allocating investments throughout various asset classes with low covariance’s (Chan et al., 2012). Diversification aims to mitigate unsystematic risk, also known as idiosyncratic risk, specific to individual companies or industries. By dispersing investments across uncorrelated assets, the entire portfolio risk can be reduced without sacrificing potential returns. MPT posits that the risk associated with an individual asset can be dampened through its correlation with other assets in the portfolio.

2.1.4 Efficient Frontier and Portfolio Optimization

MPT utilizes statistical measures like expected return and standard deviation to quantify the risk and return profiles of individual assets and portfolios. The efficient frontier is a theoretical depiction of the set of optimal portfolios that provide the maximum expected return for a given amount of risk. Portfolios positioned on the efficient frontier are deemed optimal because they achieve either the maximum return for a given level of risk or the minimum risk for a given level of return. Investors seeking to optimize their portfolios can leverage the efficient frontier is used to discover the asset mix that best matches their risk tolerance and return objectives.

2.1.5 Capital Asset Pricing Model (CAPM)

MPT also introduced the **Capital Asset Pricing Model (CAPM)**, a model that calculates the expected return of an asset based on its systematic risk **(**beta). Systematic risk, also known as market risk, represents the portion of an asset's risks that are unable to be diversified away and is attributable to overall market fluctuations (Sharpe, 1964). CAPM helps investors comprehend the relationship between risk and return by establishing a benchmark for the expected return an asset should deliver based on its beta. By applying MPT principles and tools like CAPM, investors can construct diversified portfolios that achieve an optimal equilibrium between risk and return, making MPT a cornerstone of modern investment management practices.

2.1.6 Financial Performance Analysis (FPA) Theory

Financial Performance Analysis (FPA) theory provides a structured framework for evaluating a firm's financial health and operational effectiveness. It emphasizes the use of financial statements and various financial ratios to assess profitability, liquidity, solvency, and overall financial stability (Chan et al., 2018). By analysing these metrics, stakeholders gain vital insights about a company's ability to create revenue manage its financial resources, meet short-term obligations, and maintain long-term financial viability (Brigham & Ehrhardt, 2013).

FPA theory centers around the analysis of key financial ratios calculated from data extracted from financial statements, primarily the balance sheet and income statement (Watts & Zimmerman, 2006). Common profitability ratios employed in FPA metrics include return on equity (ROE), return on investment (ROI), and gross profit margin. These ratios provide information on a company's ability to earn profits from shareholders' equity, total investment, and sales activities, respectively.

Liquidity ratios, such as the current ratio and quick ratio, analyse a company's short-term solvency by determining its ability to cover current liabilities with current assets. Solvency measures, such as the debt-to-equity ratio and interest coverage ratio, assess a company's long-term financial health by measuring its capacity to manage debt and make interest payments (Brigham & Ehrhardt, 2013).

FPA theory offers a variety of functions for different stakeholders in the financial ecosystem. Investors use FPA to find potentially lucrative investment opportunities by evaluating a company's profitability, growth possibilities, and risk level. Creditors use FPA to assess a company's creditworthiness and the risk involved with giving loans. FPA is a critical tool for managers to evaluate financial performance, identify opportunities for development, and make educated strategic decisions about resource allocation and investment strategies (Brigham and Ehrhardt, 2013). Regulatory organisations use FPA principles to ensure compliance with financial reporting standards and the integrity of financial markets.

FPA theory extends beyond individual firm analysis by enabling benchmarking, a process of comparing a company's financial ratios against industry averages or similar companies. This comparative analysis allows for the identification of relative strengths and weaknesses, providing valuable insights for formulating improvement strategies and achieving competitive advantage.

2.1.7 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) is a well-known financial theory that states that financial markets are informationally efficient, which means that securities prices represent all relevant information (Fama, 1970). This hypothesis contends that it is intrinsically difficult for investors to consistently beat the market by employing active trading tactics based on publicly available data.

EMH is categorized into three primary forms, every one indicating a distinct degree of information efficiency within the market. The weak form of EMH proposes that past price and trading volume data are already incorporated into current security prices. Technical analysis, which relies on historical data to predict future price movements, is therefore unlikely to provide a significant advantage (Fama & Blume, 1968).

The semi-strong variant of EMH holds that all publicly available information, such as financial statements, press releases, and economic statistics, is already represented in current stock prices. Fundamental analysis, which involves assessing a company's financial health and prospects using publicly available data, is likewise unlikely to produce persistent above-average returns in a semi-efficient market (Fama, 1970).

The strong form of EMH is the most stringent, asserting that even private information not publicly available is instantaneously factored into market prices. In a strongly efficient market, even insider trading would be ineffective in achieving superior returns over the long term (Fama, 1970).

Proponents of EMH emphasize the inherent competitiveness of financial markets, where new information is rapidly disseminated and represented in prices, making it difficult to beat the market on a regular basis. Critics of EMH argue that market inefficiencies do exist, and skilled or fortunate investors may exploit these inefficiencies to achieve above-average returns.

While the EMH remains a subject of ongoing debate and research, it provides a valuable structure for comprehension market dynamics and investor behaviour. It highlights the difficulty of consistently beating the market through active security selection and emphasizes the potential

2.3 Empirical Literature

The empirical literature provides valuable insights into the relationship between financial management practices and budget performance in various organizational contexts. Here are some key findings from the literature:

2.3.1 Financial Planning and Budget Performance

In Tanzania, a study was contacted and concluded that public companies that implement proper financial planning, control mechanisms and accountability systems exhibited improved budget performance. The study establishes a positive correlation between effective financial planning practices and budget performance in public companies. Companies that engaged in comprehensive financial planning processes, encompassing financial goal-setting, forecasting, and budget formulation, demonstrated superior budget performance. The study also discovered that public companies that implemented robust financial control mechanisms experienced enhanced budget performance. These mechanisms encompassed regular monitoring of budget execution, adherence to budgetary constraints, and the establishment of effective internal controls to prevent financial mismanagement.

The study underscores the pivotal role of accountability in financial management practices and its impact on budget performance. Public companies that established clear lines of responsibility and enforced individual accountability for financial decisions and actions exhibited superior budget performance. The researcher identified a pressing need for training and capacity building programs in financial management for personnel in public companies. The study highlighted that companies that invested in enhancing the financial management skills and knowledge of their staff achieved better budget performance outcomes.

2.3.2 Financial Control Mechanisms and Budget Performance

The study conducted by Adewale and Adeyemi (2018) aims to investigate the correlation between financial management methods and budget performance in public enterprises in Nigeria. Public companies implementing participatory budgeting practices demonstrated better budget performance. By involving key stakeholders, such as department heads and employees, in the budgeting process, transparency, accountability, and alignment with organizational objectives improved, leading to enhanced budget performance.

Adewale, et al found a positive connection between the adoption of performance-based budgeting practices and budget performance in public companies. Performance-based budgeting, which allocates resources based on predetermined performance targets, enabled more efficient resource utilization and resulted in improved budget outcomes. Public companies that engaged stakeholders, including shareholders, government entities, and employees, in the budgeting process experienced enhanced budget performance due to increased ownership and commitment. Adewale et al highlighted the significance of robust internal control systems in financial management practices and their influence on budget performance. Public companies with effective internal controls, including checks and balances, risk management measures, and financial reporting procedures, demonstrated better budget performance outcomes.

2.3.3 Financial Reporting and Budget Performance

In Kenya Muriu and Njagi (2019) carried a study aimed at analysing the correlation between financial management practices and budget performance in public companies. The study yielded a positive association between effective budgetary control practices and budget performance in public companies. Companies that implemented robust budgetary control mechanisms, including regular monitoring, variance analysis, and corrective actions, demonstrated better budget performance outcomes.

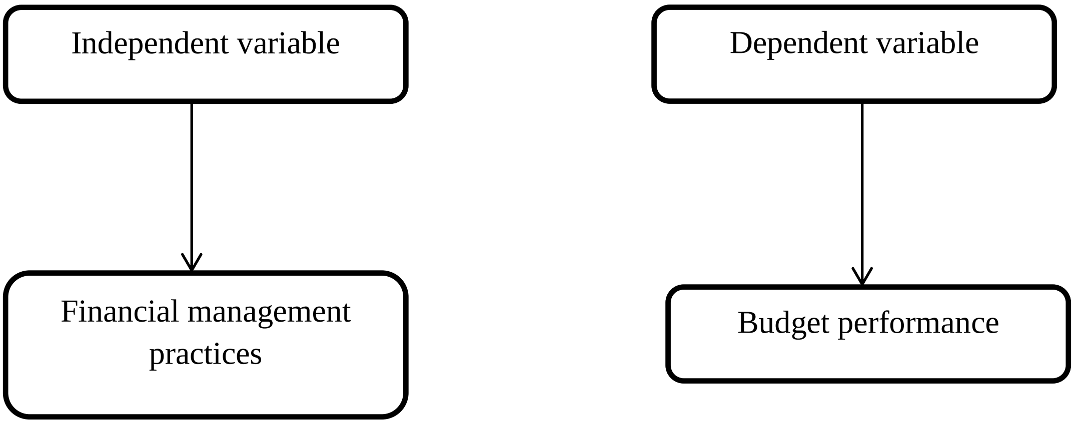
Muriu et al found that public companies that prioritized financial accountability experience enhanced budget performance. This involved establishing clear lines of responsibility, ensuring transparency, and adhering to financial regulations and procedures. The study emphasized the importance of accurate and timely financial reporting in financial management practices and its impact on budget performance. Public companies that maintained reliable financial reporting systems and provided comprehensive financial information achieved improved budget performance outcomes.

Muriu et al identified a positive relationship between budget participation and budget performance in public companies. When employees and managers actively participated in the budgeting process, it enhanced their commitment, responsibility, and alignment with organizational goals, leading to improved budget performance.

This literature review focuses on an empirical study that investigates the link between financial management methods and budget performance, specifically examining the case of ZINARA. The purpose of this review is to provide an overview of the research and highlight the key findings. The investigation is aimed on financial control mechanisms and the influence that they have on budget performance in ZINARA. The study emphasized the importance of efficient resource allocation practices in budget performance. The investigation highlighted the significance of accountability in financial management practices and its impact on budget performance. Companies that established clear lines of responsibility, enforced individual accountability, and promoted transparency in financial decision-making exhibited superior budget performance.

The empirical study on financial management practices and budget performance in ZINARA offers insightful information about the connections between these elements within African context. The findings underscore the importance of effective budget planning, financial control, resource allocation, and accountability in driving improved budget performance. These findings have practical implications for ZINARA and other public companies in Zimbabwe, emphasizing the need for sound financial management practices to achieve optimal budget outcomes. Further research could explore additional factors that influence budget performance and examine the applicability of these findings in different African countries or industries.

2.4 Conceptual Framework



2.4.1 Definition of Financial Management Practices

According to Brigham and Ehrhardt (2013), financial management practices encompass a broad spectrum of activities and strategies aimed at effectively managing an organization's financial resources to achieve its objectives. These practices encompass various aspects such as planning, organizing, managing, and controlling the financial activities of the organization. The primary goal of these practices is to ensure the efficient and effective utilization of funds, optimize financial performance, and maintain financial stability. By implementing sound financial management practices, organizations can make the most of their financial resources and achieve their desired outcomes.

2.4.2 Examples of Financial Management Practices

2.4.2.1 Operational Risk Management

Operational risk management is essential for protecting ZINARA's financial stability and reputation. By proactively identifying, assessing, and mitigating potential risks associated with day-to-day operations, ZINARA can prevent significant financial losses and service disruptions (Mwakaje & Mwakisole, 2017). This practice necessitates maintaining transparent and well-defined processes across all operational functions. Through continuous risk assessments and reporting, ZINARA can make informed decisions to manage and mitigate potential threats. Effective operational risk management contributes to ZINARA's long-term financial resilience and sustainability.

2.4.2.2 Capital Structure Management

ZINARA's capital structure, the combination of loan and equity funding, significantly impacts its financial performance and risk profile (Adewale & Adeyemi, 2018). Effective capital structure management involves making strategic decisions on how to finance operations and growth. ZINARA should strive to find the optimal balance between debt and equity to minimize its cost of capital and long-term financial burden. This approach requires considering industry-specific norms and ZINARA's risk tolerance. Tools like Weighted Average Cost of Capital (WACC) can be employed to assess the cost of different capital components and achieve optimal capital structure.

2.4.2.3 Financial Modelling

Financial modelling allows the organization to demonstrate projected inflows, evaluate economies of scale, and assess creditworthiness when seeking financing for new projects. By utilizing financial models, ZINARA can effectively forecast its financial performance, evaluate investment opportunities, and assess risks. It is an important role to play in informing the organisation's decision making on its finances and strategy. The ability to perform scenario analysis is another important benefit of financial modelling. This enables ZINARA to assess the effects of different variables on financial results and to make informed decisions. By anticipating and preparing for different potential scenarios, ZINARA can enhance its ability to navigate uncertainties and make strategic adjustments when needed.

2.4.2.4 Financial Performance Analysis

Financial performance analysis equips ZINARA with the ability to assess its financial health at a specific point in time and evaluate its performance over defined periods (Adewale et al., 2018). Through interpreting financial statements and calculating key financial ratios (e.g., profitability, liquidity, solvency ratios), ZINARA can identify areas for improvement, diagnose potential financial challenges, and make data-driven decisions to enhance performance. Financial performance analysis also fosters transparency and accountability by providing stakeholders with a crisp image of ZINARA's financial position and resource utilization.

2.4.3 Definition of Budget Performance

Budget performance evaluation is a essential aspect of financial management, assessing the effectiveness of financial activities in achieving established goals and delivering services to stakeholders (Mwakaje & Mwakisole, 2017). It involves comparing actual expenditures with budgeted allocations and identifying variances. For public companies like ZINARA, budget performance evaluation often focuses on delivering specific services or outcomes, such as road maintenance or construction projects, within budgetary constraints. Effective budget performance evaluation ensures that financial resources are allocated efficiently and utilized to achieve ZINARA's public service objectives.

2.4.3.1 Zero-Based Budgeting (ZBB)

ZINARA may employ zero-based budgeting, which involves analysing each granular need of the company from scratch, instead of using incremental budgeting increases found in traditional budgeting. This approach allows for a strategic, top-down analysis of the performance of specific projects and offers benefits including strategic execution, reduced expenses, financial flexibility, and focused operations.

2.4.3.2 Performance-Based Budgeting (PBB)

Performance-based budgeting also referred to as performance budgeting, centers around developing the budget based on an assessment of the productivity and efficiency of various operations within an organization. This approach necessitates evaluating performance and productivity from one budgetary period to the next, with the goal of identifying the results and outcomes achieved by each division or department. This type of budgeting practice is widely adopted by non-profit entities and government agencies as a means to justify and rationalize the allocation of financial resources.

2.5 Summary of Previous Studies and Research Gaps

Prior research conducted by De Andrs et al. (2015), De Souza and Lunkes (2016), Emmanuel et al. (2010), Farragher et al. (2001), Garrison et al. (2018), and Gitman and Forrester (1977) has extensively examined capital budgeting practices in various contexts. These studies have shed light on the correlation between the adoption of sophisticated capital budgeting practices and corporate performance. They have provided valuable insights into the connection between financial management methods and budget performance.

Despite the contributions of previous studies, several research gaps remain that need to be addressed in the case of ZINARA. These research gaps include:

Limited Focus on Public Companies, the majority of previous studies have primarily concentrated on capital budgeting methods in general corporate settings, paying little attention to public companies. Therefore, there is a need to specifically investigate the financial management practices and their impact on budget performance within the unique context of a public company like ZINARA. The existing literature predominantly comprises quantitative studies, lacking in-depth case studies that offer a comprehensive analysis of financial management practices and budget performance in specific organizations. Conducting a case study on ZINARA would fill this gap and provide valuable insights into the distinct factors and challenges influencing financial management and budget performance in a public company setting.

Contextual factors, previous studies may have overlooked the influence of contextual factors specific to ZINARA, such as the regulatory environment, political dynamics, and the characteristics of the transportation infrastructure sector. Exploring these contextual factors and their impact on financial management practices and budget performance would enhance the understanding of the subject matter. The majority of previous studies have focused on short-term performance outcomes, neglecting the long-term effects of financial management practices on budget performance. Investigating the long-term impact of these practices on budget performance in ZINARA would provide a more comprehensive understanding of their effectiveness and sustainability.

2.6 Summary

The literature review encompasses studies that address various aspects of financial management, budget performance, and public financial management. These studies provide insights into the critical role of financial management practices in economic growth, capital formation, and corporate performance. Additionally, the literature highlights the significance of indicators such as growth in evaluating company performance.

Furthermore, the literature review delves into the effectiveness of initiatives in public service delivery, budget processes, and natural resource governance, emphasizing the importance of understanding the impact and effectiveness of these initiatives. It also addresses the challenges faced by governments in implementing social insurance projects and the need for strategic purchasing of health services to enhance allocate efficiency and equity.

Moreover, the literature review includes a survey of recent literature on public financial management and accountability systems, aiming to provide a comprehensive understanding of the strengths and weaknesses of these systems. It also discusses the increasing use of financial systems in companies and the importance of managing the relationship between short-term assets and liabilities to ensure operational continuity and cash flow.

Overall, the literature review presents a diverse array of studies that contribute to the understanding of financial management practices, budget performance, and public financial management, while also highlighting the need for further research to address specific gaps in knowledge and to enhance the effectiveness of financial management practices within public companies.

CHAPTER THREE

REASERCH METHODOLOGY

3.0 Introduction

The chapter aims to examine the researcher's approach to collecting, analysing, and presenting data in the study. It involves the systematic gathering of information and facts to facilitate decision-making. The description of the target population from which the data was collected is provided, highlighting the population's characteristics. Additionally, this chapter addresses the strategies employed by the researcher to present the acquired data in a comprehensible manner, as well as the analysis and interpretation of the data to draw meaningful conclusions.

3.1 Research design

Research design refers to the framework or structure used to effectively handle a research problem. It acts as a blueprint, outlining the methods and procedures for acquiring and interpreting the required data (Zikmund, 2000). The primary goals of a research design are to answer research questions and control variance. In this study, the researcher used a descriptive survey research strategy to perform their investigation.

3.1.1 Description survey research design

Descriptive research, aims to provide an accurate description of institutions, events, and communities by minimizing bias and maximizing reliability in the information gathered. It involves data collection and the description of events. The researcher chose this research design because it allows for the use of visual aids such as graphs and charts to help understand data distribution. In this study, the researcher employed a combination of quantitative and qualitative research approaches within the descriptive research framework.

Qualitative research is explaining occurrences in words while monitoring behavioural interactions and contextual elements. It enabled the researcher to interact with respondents from their field who agreed to the usage of concealed values. According to Locke et al. (2010), qualitative research uses words rather than statistics to collect additional data via interviews and questionnaires. Locke et al. (2010) argue that quantitative research is defined by the use of figures and numerical data.

3.2 Study population

ZINARA is a cooperative body created in 2002 under the Road Act (Chapter 13:18). The company employs over 500 individuals across the nation, with teams working from its Harare headquarters and twelve regional offices in Harare, Bulawayo, Gweru, Masvingo, Mutare, Gwanda, Chinhoyi, Bindura, Marondera, and Beitbridge. The researcher's study population focuses on four accounting departments: financial management, debtors, creditors, and the cash office.

3.3 Sample size

According to Thakur (2009), the sample size in this study refers to a portion of the whole population. In the case of ZINARA, which consists of thirteen offices countrywide, it was not feasible for the researcher to work with the entire population due to limitations of time and cost, as well as the large population size. The study focused on a population of the main office in Harare, and in order to manage costs effectively, the researcher targeted 25 employees from Harare offices. This target group was chosen to provide the best representation of the finance department's whole population while also ensuring an accurate and fair image of its citizens. As a result, 25 employees were chosen for the study, with 18 completing questionnaires and 10 engaging in interviews.

3.4 Sampling procedures and techniques

The researcher employed a combination of stratified random and purposive/judgmental sampling methods. By utilizing both stratified random and purposive/judgmental sampling methods, the researcher aimed to gather a diverse range of perspectives and ensure the collection of comprehensive and meaningful data.

3.4.1 Stratified random sampling

To ensure equal chances of selection for every unit in the population, the researcher divided the population into strata based on their department, following the method described by Reddy (1994). This approach is typically used when there are similar members within the population. In this study, the researcher divided the population of finance department into sub-departments: Financial Management, Creditors, Debtors, Tolling and Cash Office. A total of 25 respondents were targeted for the study, with 20 questionnaires distributed to individuals in each of the five sub-departments. By dividing the study population into segments according to departments, the researcher ensured representation from each sub-department to obtain a comprehensive understanding of the entire population.

3.4.2 Judgmental or purposive sampling

Indeed, as described by Kothari (2002), purposive or judgmental sampling involves intentionally selecting specific elements from the population to create a sample that accurately represents the entire population. This sampling technique allows the researcher to make informed decisions about which examples will best contribute to achieving their research goals and answering the research questions. The research questions and aims often serve as the basis for selecting cases for a purposive sample, as stated by Patton (2002).

In this study, the researcher aimed to gather data from finance department employees of ZINARA. To achieve this, the researcher selected 10 key respondents from the total sample of 25 participants. Personal and in-depth interviews were conducted with one finance manager, two finance controllers, three finance officers and four clerks. By utilizing purposive sampling in addition to stratified random sampling, the researcher ensured that the selected individuals would provide the most relevant data to fulfil the objectives of the survey.

3.5 Research instruments

As mentioned by Smith (1975), research instruments are tools utilized to collect data from participants, observations, and documents under study. In this research, the researcher employed various tools to gather information, including document analysis, interviews, and surveys.

3.5.1 Interview guide

The conversional research instrument involves the researcher engaging in face-to-face questioning with the interviewee. In this study, the researcher used a combination of structured and semi-structured questions during the interviews. Structured questions follow a predetermined format, while semi-structured questions allow for more flexibility and open-ended responses.

3.5.1.1 Advantages of interview guide

The interviews conducted in this study provided respondents with the opportunity to freely express their thoughts and provide relevant details regarding financial management practices and budget performance, a case of ZINARA. The nature of the problem being investigated required thorough information, and the interviews proved to be a valuable method for obtaining such in-depth insights. Through interviews, respondents were able to give their concerns and opinions related to financial management practices and budget performance. This allowed for a comprehensive understanding of the issue at hand. The qualitative data gathered through interviews provided valuable insights and perspectives from the respondents.

During the interviews, the researcher had the flexibility to rearrange and adapt the questions based on the answers provided by the respondents. This allowed for a more dynamic and interactive approach to data collection. In situations where clarification was needed or specific phrases required definition for better comprehension, the interviews facilitated open conversations to ensure a clear understanding of the ideas being discussed. The interviewer had the freedom to manipulate the questions to elicit additional information from the respondents, making the interview process versatile and adaptive. Every question asked during the interviews was recorded, ensuring that no valuable information was left out of the data collection process.

3.5.1.2 Disadvantages of interview guide

Indeed, interviews can be time-consuming, and in some cases, interviewees may not fully participate or engage as desired. However, the researcher in this study took steps to address these potential disadvantages. To minimize the time commitment for the interviews, the researcher carefully planned and structured the interview schedule. By efficiently managing the time allocated for each interview, the researcher aimed to ensure that the process was as streamlined as possible.

In-depth interviews can sometimes make respondents feel uneasy or intimidated, potentially leading to biased or incomplete data collection. To mitigate this, the researcher maintained a friendly and approachable demeanour throughout the interviews. This helped to create a comfortable environment, encouraging respondents to share their thoughts and experiences more openly.

It is worth noting that some interviews had limited time availability, which posed a challenge for the researcher. Waiting for appointments could be a disadvantage in terms of scheduling and data collection efficiency. However, the researcher likely made efforts to coordinate and schedule interviews in the most practical and effective manner possible, considering the constraints and limitations of time.

3.5.2 Questionnaires

Questionnaires are indeed a commonly used method for collecting data, and in this study, the researcher distributed questionnaires to the finance department employees. The questionnaires served as a structured tool to guide respondents in providing their responses regarding financial management practices and budget performance for ZINARA.

To ensure clarity and consistency in the responses, the questions in the questionnaires were designed as closed-ended questions. Closed-ended questions offer a set of predetermined response options, allowing respondents to choose from provided choices. This approach helps to avoid unnecessary and meaningless responses, as it provides a clear framework for participants to express their views within the given options.

By utilizing closed-ended questions in the questionnaires, the researcher aimed to gather focused and precise responses from the participants, enabling a systematic analysis of the financial management practices and budget performance for ZINARA.

3.5.2.1 Advantages of a questionnaire

Interviewer bias was removed because respondents offered their own responses, uninfluenced by the researcher. Because of the questionnaire's low cost, a large number of participants were able to use it and obtain standardised, easily measurable answers. They also allowed for anonymity, so respondents answered honestly and courageously because their names were kept hidden and undisclosed because no one's name appears on the form.

Closed-ended questions made it easier to assess data and show information, which was another advantage of the questionnaire. Furthermore, because the researcher simply left the respondents to complete the questionnaire and collect it when they were finished, they were able to fully ponder their responses without being interrupted.

3.5.2.2 Disadvantages of questionnaire

The anonymity of the survey responses presented a limitation for the researcher, as it prevented them from following up or seeking clarification on partially given or ambiguous answers. Without the ability to identify individual respondents, it was also challenging to determine the authenticity or genuineness of the provided responses. This lack of verification could potentially distort the information being gathered.

Another drawback encountered by the researcher was the difficulty some respondents faced in understanding certain phrases or concepts in the questionnaire. To overcome this limitation, the researcher took the initiative to assist respondents in comprehending and interpreting the questionnaire. By providing clarifications and explanations, the researcher the goal was to ensure that participants thoroughly understood the questions and could deliver correct and relevant answers.

To address the limitations of the questionnaire, the researcher also conducted interviews to gather information that may not have been fully captured by the survey. Interviews allowed for a more interactive and in-depth exploration of the research topic, providing an opportunity to delve into areas that the questionnaire may not have fully disclosed.

3.6 Reliability and validity

Reliability, as defined by Kothari (2004), refers to the precision and consistency with which an instrument measures a variable. In the context of this study, the surveys served as the instrument for data collection. The design of the surveys allowed respondents sufficient time to consider the questions and provide accurate and well-considered responses. This contributed to the reliability of the survey instrument by ensuring consistency in the participants' answers.

Validity, on the other hand, is concerned with the extent to which the findings from data analysis accurately reflect the phenomena being investigated (Mugenda and Mugenda, 2003). In order to enhance the validity of the research findings, the researcher conducted a pilot test of the questionnaires thus distributing a small number of questionnaires (3 in this case) to identify any issues with question clarity, ambiguity, or difficulty in understanding. Based on the feedback and insights gained from the pilot test, the researcher made necessary amendments to improve the questions and address any potential issues.

3.7 Data collection procedures

Wegner (2001) identifies various data gathering techniques for statistical analysis, including experimentation, direct observation, interviewing, and questionnaires. In this study, the researcher chose to utilize questionnaires as the primary data collection method.

To ensure clarity and understanding, the researcher personally distributed the questionnaires to the participants. During this process, the researcher took the opportunity to explain the importance of the research study and provided necessary instructions on how respondents should complete the questionnaires. This personal interaction helped to clarify any potential confusion and encouraged participants to provide accurate and meaningful responses.

The questionnaires were collected on the same day they were distributed, after allowing a reasonable amount of time for respondents to complete them. By collecting the questionnaires in a timely manner, the researcher aimed to minimize any potential bias or changes in respondents' perspectives that might occur over time.

For the personal interviews conducted with few selected members of the finance department, the researcher made appointments in advance through telephone calls and emails. This ensured that the interviews were conducted in a planned and organized manner. During the interviews, the researcher recorded the data in the phone and also took notes of the key points discussed.

3.8 Data presentation and analysis

To ensure an informative study, the researcher employed a combination of qualitative and quantitative techniques to analyse the acquired data. The data was analysed using SPSS, a statistical software, and summative analysis. This allowed for a comprehensive examination of the data from different perspectives.

Quantitative data, obtained from surveys, was analysed using SPSS to generate statistical summaries and identify patterns or trends. The results were then presented in the form of tables, providing a clear and organized presentation of the findings.

Qualitative data, was collected through interviews and open-ended survey questions, required a different approach for analysis. Summative content analysis was employed to evaluate and examine this qualitative data. The researcher carefully examined the interview and survey responses, ensuring completeness and accuracy. The non-standardized data obtained from open-ended questions was utilized to draw conclusions and make inferences.

3.9 Ethical considerations

Indeed, Hussey and Hussey (2007) emphasize the importance of ethical considerations in research, such as informed consent, confidentiality, privacy protection, protection against harm, and protecting the identity of participants. In this study, the researcher took additional measures to address these ethical considerations and uphold the principles of research ethics. To ensure the confidentiality of the data obtained, the researcher did not require the names or personal information of the respondents at any point in the study. This helped maintain the anonymity of the participants and protected their privacy.

Furthermore, the researcher emphasized the voluntary nature of participation throughout the survey. Respondents were encouraged to participate willingly and were assured that they could withdraw from the study at any time without consequences. To ensure that respondents fully understood the purpose of the survey and their rights as participants, a consent form was created and attached to the back of the questionnaire. This form provided a clear explanation of the research study's objectives and sought participants' consent for their involvement.

Given the sensitive nature of the research topic, namely financial management and budget performance of ZINARA, some interviewees may have expressed concerns about disclosing private information. In response, the researcher made it explicit to the respondents that the research was conducted primary for academic purposes. This clarification aimed to alleviate any fears and assure the participants that their responses would be handled with discretion and used only for scholarly inquiry.

3.10 Chapter summary

The subsequent chapter will indeed delve into the data presentation, inspection, and interpretation processes. It will build upon the foundations laid in the previous chapter, which concentrated on the research design, tools, and data gathering procedures. This upcoming chapter will provide a comprehensive exploration of how the gathered data will be presented, analysed, and interpreted to derive meaningful insights and draw conclusions. By following this logical progression, the study attempts to offer a detailed and insightful analysis of the collected data.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

The goal of this chapter is to analyse the obtained data, as well as analyse the findings. The collected data was carefully interpreted to extract meaningful insights. The major purpose of gathering this data was to assess the employees' understanding of financial management practices and budget performance techniques, with a focus on the ZINARA case study. To present and analyse the data, the researcher utilized descriptive explanations, tables, and graphs. The observations presented in this chapter are based on information obtained from the employees through questionnaires and interviews.

4.1 Response rate on questionnaire distributed

Table 4.1. Response Rate

Department	**Distributed**	**Returned**	**Response rate %**
Creditors	5	4	80%
Debtors	5	4	80%
Cash Office	7	6	86%
Financial Management	5	4	80%
Transit	4	3	75%
Tolling	4	4	100%
Total	**30**	**25**	**83%**

Source: Primary

Table 4.1 displays the response rate of the surveys issued to finance department employees. The respondents returned 25 of the 30 questionnaires issued, for an 83 percent response rate. It is important to note that all of the returned questionnaires were completed by the respondents. The researcher's diligent follow-ups played a significant role in ensuring the high response rate.

.

4.2 Demographic Characteristics

Table 4 2 Respondents' profile distribution

Variables	**Variable Description**	**Frequency**	**Percentage**
Gender of respondents	Male	17	68%
	Female	8	32%
	Total	**25**	**100%**
Respondent's age ranges	18 – 25yrs	3	12%
	25 – 35yrs	13	52%
	36 – 45yrs	8	32%
	46 and above	1	4%
	Total	**25**	**100%**
Respondents' educational profile	Degree	18	72%
	Master's Degree	6	24%
	Chartered Accountant	1	4%
	Total	**25**	**100**
Respondents' employment title	Clerk	15	60%
	Finance Officer	5	20%
	Finance Controller	4	16%
	Manager	1	4%
	Total	**25**	**100%**
Years of experience	1 – 5 years	6	24%
	6 – 10 years	12	48%
	Over 10 years	7	28%
	Total	**25**	**100%**

N= 30 Primary Source

Table 4.2 The table shows that the gender with highest response rate was male (68%) than female (32%) this was because of the gender disparity in finance department that is attributed to a combination of factors, including the disparity in senior roles, the lack of female role models and mentors and workplace culture and bias. The chart also shows that the majority of respondents were between the ages of 25 and 35 (52%), followed by respondents between the ages of 36 and 45 (32%). Twelve percent of respondents where between the ages of 18 and 25, while four percent were older than 45. Regarding respondents' educational profile the majority of the respondents (72%) had at least a degree in Finance or Administration. Respondents with master's degrees occupied a percentage rate of 24, followed by 4% of respondents of professional chartered accountancy. According to the researcher's survey. the workforce at ZINARA has extensive expertise in finance and administration, with 24% having fewer than 5 years of experience, 48% having 6 – 10 years, and 28% having more than 10 years.

Among the pool of respondents, 60% were employed as clerks, while 20% where employed as finance officers, 16% of the respondents occupied a position as finance controllers and 4% of the respondents were the finance managers. The department with high respondent rate (100%) was the tolling department this was because the survey questions were well designed and follow ups by the researcher.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.966[a]	.934	.931	.338

a. Predictors: (Constant), BPs
Source: SPSS output 2024

The statistical analysis yielded highly significant results, which support the link between financial management techniques and ZINARA's budget performance. The model fit statistics demonstrate a strong positive correlation (R = .966) between the independent variables (financial management practices) and the dependent variable (budget performance). This indicates that variations in ZINARA's financial management practices significantly explain the observed changes in its budget performance.

Furthermore, the coefficient of determination (R^2) of .934 suggests a very high proportion of variance in ZINARA's budget performance is explained by the financial management practices included in the model. This signifies that the chosen practices act as powerful predictors of ZINARA's budgetary success. Additionally, the adjusted R^2 value of .934 indicates a good model fit with generalizability. The minimal difference between R^2 and adjusted R^2 suggests the model avoids over fitting, even with potentially multiple independent variables. This is particularly important as it allows for the model's findings to be generalized to a broader population beyond the specific sample studied.

Finally, the low standard error of the estimate (.338) indicates a high degree of precision in the model. The residuals, representing the differences between predicted and actual budget performance, have a low standard deviation. This suggests a strong fit between the model's predictions and the actual data collected. Overall, the statistical analysis provides compelling evidence that the chosen financial management practices are significantly related to ZINARA's budget performance.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37.063	1	37.063	324.494	.000[a]
	Residual	2.627	23	.114		
	Total	39.690	24			

a. Predictors: (Constant), BPs (Budget Performance)

b. Dependent Variable: FMPs (Financial Management Practices)

Source: SPSS output 2024

The high F-statistic (324.494) and its very low significance level (.000) provide compelling evidence to reject the null hypothesis. This indicates a statistically significant relationship between the financial management practices (independent variables) and ZINARA's budget performance (dependent variable). The model incorporates financial management practices explains a significant portion of the variance observed in ZINARA's budget performance.

While the absolute value of the explained sum of squares (37.063) requires further context from the total sum of squares for a more comprehensive picture, these results suggest the model captures a substantial amount of the variance in ZINARA's budget performance. This strengthens the argument that financial management practices have a significant impact on ZINARA's budgetary outcomes. The relatively low residual sum of squares (2.627) suggests that the model has a good fit, with a small portion of unexplained variance.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.143	.208		.688	.499
	BPs	.955	.053	.966	18.014	.000

a. Dependent Variable: (FMPs)
Source: SPSS output 2024

The coefficient analysis provides valuable insights into the relationship between financial management practices and ZINARA's budget performance. Beta of .143 represents the intercept of the regression line, indicating the predicted budget performance when the financial management practices score (FMPs) is zero. It suggests a baseline level of performance (0.143) even in the absence of measured financial management practices.

High standard error (.208) and non-significant p-value (> 0.05) imply the constant term likely doesn't have a statistically significant effect on the model (Field, 2018). This suggests the baseline performance (intercept) may not be statistically different from zero.

The coefficient (B = .955) represents the effect size of the financial management practices variable (FMPs). For every one-unit increase in the standardized BPs score, the predicted budget performance increases by .955 units. This highlights the positive and relatively strong influence of stronger financial management practices on ZINARA's budget (Hair et al., 2019).

The low standard error (Std. Error = .053) associated with the B coefficient for BPs suggests a high degree of precision in this estimate of the effect size. This strengthens the confidence in the observed relationship between financial management practices and budget performance.

The standardized coefficient (Beta) of .966 provides a more nuanced understanding by controlling for measurement scales. The high Beta value signifies a very strong positive relationship between financial management practices and budget performance. This indicates that, after accounting for other factors in the model, higher scores on the BPs measure are associated with significantly better budget performance for ZINARA (Hair et al., 2019).

The high T-statistic (18.014) and very low significance level (.000) associated with the BPs variable provide compelling evidence. They strongly reject the null hypothesis of no relationship between financial management practices and budget performance. This supports a statistically significant positive connection between the two constructs.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FMPs	25	2	5	3.70	1.286
BPs	25	1	5	3.72	1.301
Valid N (listwise)	25				

Source: SPSS output 2024

The descriptive statistics provide a preliminary overview of the financial management practices (FMPs) employed by the organizations in the sample (N = 25). It's important to acknowledge this sample size as a limitation when generalizing the findings to a larger population. The lowest (Min) FMP score in the dataset is 2. The highest (Max) FMP score in the dataset is 5. The average (Mean) score on the FMP measure is 3.70. This indicates that most data points fall within the range of 2 to 5. The standard deviation of 1.286 reflects the variability of the FMP scores around the mean. A standard deviation this value suggests a moderate spread of data points, with some organizations exhibiting stronger financial management practices (higher scores) than others.

The sample size of 25 represents a relatively small group. While it can provide initial insights, generalizing these findings to a larger population requires caution due to potential limitations associated with small sample sizes. The minimum (Min) value of 1 and the maximum (Max) value of 5 for BPs indicate a range of 4. This suggests some variation in the financial management practices employed by the organizations studied.

The mean score of 3.72 on the BP measure provides an initial indication of where most data points fall within the range. It suggests that, on average, the financial management practices in the sample score around 3.72 on the scale used. The standard deviation of 1.301 reflects the variability of the BP scores around the mean. A standard deviation this value indicates a moderate spread of data points. There are likely organizations with both stronger (higher scores) and weaker (lower scores) financial management practices within the sample.

4.3 Summary

This chapter delves into the data analysis, uncovering the study's main results. Notably, the demographic profile shows genders disparity and a well-educated workforce. Furthermore, the regression analysis, examining the assumptions and relationships between variables, revealed a positive correlation between independent and dependent variables. These findings are explored in detail in the following chapter.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECCOMENDATIONS

5.0 Introduction

This chapter wraps up the research project. It will discuss the key findings for each objective, along with conclusions drawn from the research on financial management practices and budget performance. A case for ZINARA. It will also offer recommendations based on these findings.

5.1 Summary of study

This research explores the critical relationship between financial management practices (FMPs) and budget performance (BP) within a public company, using the Zimbabwe National Road Administration (ZINARA) as a case study. To gain valuable employee insights, the study employed a mixed-methods approach. A survey instrument (questionnaires) was distributed to the entire ZINARA finance department (N = 30), capturing their perspectives on the employed FMPs and their perceived impact on BP. Additionally, semi-structured interviews were conducted with five key personnel (finance manager, finance controller, finance officer, and two clerks) to delve deeper into specific FMPs and their practical implications for achieving budgetary goals.

The research questions led the data collecting and analysis process. The study established a conceptual framework outlining the definitions and various forms of FMPs and BP. Furthermore, both quantitative data from the questionnaires and qualitative data from the interviews were employed to achieve a comprehensive understanding of the interplay between FMPs and BP from the employee perspective.

5.2 Summary of findings

This study examined the assosiation between financial management practices (FMPs) and budget performance (BP) within a public company, focusing on the Zimbabwe National Road Administration (ZINARA) as a case study. A mixed-methodologies strategies was used, combining quantitative and qualitative data collection methods.

The study employed a mixed-methods strategy to gain a thorough comprehension of the relationship between FMPs and BP from the employee perspective at ZINARA. The quantitative arm utilized a survey instrument specifically designed to capture employee perceptions. The questionnaire, distributed to all members of the ZINARA finance department (N = 30), addressed key aspects of FMPs implemented at ZINARA. It included questions regarding the clarity of budgeting processes, the effectiveness of forecasting methods, the efficiency of expenditure control measures, and the usefulness of financial reporting procedures. By analysingthe quantitative data, the researcher aimed to identify common themes and patterns in employee perceptions of how these practices influence BP at ZINARA.

The qualitative component involved conducting semi-structured interviews with key personnel within the finance department (n = 5). This selection included the finance manager, finance controller, finance officer, and two clerks with diverse experience levels. The interview guide focused on exploring specific FMPs employed by ZINARA and their practical implications for achieving budgetary goals. By delving deeper into employee experiences and perspectives, the qualitative data provided a richer understanding of the strengths and weaknesses of ZINARA's FMPs and how they contribute (or hinder) effective budget performance.

The statistical analysis revealed a statistically significant positive correlation between financial management practices (FMPs) and budget performance (BP) at ZINARA. This finding aligns with prior research conducted in the public sector context. Studies by Bae et al. (2020) examining the Korean public sector and Miller & Lehman (2018) utilizing a meta-analysis approach across local governments all highlight the critical role of effective FMPs in achieving positive budgetary outcomes. The researcher’s findings add to this body of knowledge by providing a focused case study of ZINARA, a public company operating within the Zimbabwean context.

The qualitative data gleaned from employee interviews offered valuable insights into specific FMPs implemented at ZINARA and their perceived contribution to BP. Employees emphasized the clarity and transparency of ZINARA's budgeting processes, including elements like participation from various departments, realistic projections, and established timelines. These factors likely contribute to improved budget planning and resource allocation. The interviews revealed the use of specific forecasting techniques, such as historical trend analysis or scenario planning. These methods can enhance the accuracy of financial projections, leading to better informed budgetary decisions. Employees highlighted the effectiveness of expenditure control measures employed at ZINARA, potentially including practices like purchase order approvals, spending limitations, and variance analysis. These measures can help ensure efficient resource utilization and adherence to budgetary allocations. The research identified the importance of timely and accurate financial reporting procedures at ZINARA. These procedures provide vital information for monitoring budget execution, identifying potential deviations, and enabling corrective actions.

5.3 Conclusions

The qualitative data suggests that a combination of these FMPs, as perceived by the employees, contributes to improved budget planning, accurate financial information, and efficient resource allocation. This, in turn, leads to a more controlled and predictable budgetary environment, ultimately influencing ZINARA's overall budget performance.

By exploring the specific FMPs implemented at ZINARA and their perceived impact on BP, this study offers practical insights for other public companies seeking to strengthen their financial management practices and achieve improved budgetary outcomes.

Overall, this study underscores the critical link between FMPs and BP in public companies. The positive correlation observed at ZINARA, along with the identified FMPs and their perceived impact, provide valuable insights for public enterprises seeking to enhance their budgetary control and achieve financial sustainability.

5.4 Recommendations

Foster a Culture of Strong Financial Management

Public companies should cultivate a strong commitment to effective financial management from top leadership. This can involve incorporating financial literacy and performance measures into performance evaluations for all management levels. Investing in employee training programs focused on FMPs can equip employees with the essential knowledge and abilities to implement and contribute to effective financial management practices.

Enhance Budgeting Processes

Consider incorporating a participatory budgeting approach, allowing for input from various departments during the budget development process. This can foster a sense of ownership and improve the accuracy of budget projections. Implement robust forecasting techniques that consider historical trends, market conditions, and potential risks. This can enhance the reliability of financial projections and lead to more informed budgetary decisions.

Strengthen Expenditure Control Measures

Evaluate and streamline approval processes for purchase orders and other expenditures to ensure efficiency without compromising necessary oversight. Establish clear spending limits for departments and regularly analyse variances between budgeted and actual expenditures. This enables early identification of deviations and timely corrective actions.

Prioritize Robust Financial Reporting

Ensure timely and accurate financial reporting to provide management with the necessary data to monitor budget execution, identify potential issues, and make informed decisions. Implement standardized reporting formats across departments to facilitate data aggregation and comparative analysis of financial performance.

Benchmarking and Continuous Improvement

Regularly benchmark FMPs and BP against industry best practices or performance of similar public companies. This can identify areas for improvement and opportunities to learn from successful practices employed by others. Foster a culture of continuous improvement within the finance department, encouraging ongoing evaluation of FMPs and a willingness to adapt and adopt new practices based on evolving needs and best practices.

By implementing these recommendations and drawing insights from the ZINARA case study, public companies can strengthen their financial management practices, ultimately leading to improved budgetary performance, enhanced efficiency, and greater financial sustainability.

5.5 Further research study

Additional research is necessary to assess the relationship of financial management practices and budget performance in other sectors of the economy because this study was not exhaustive

References

- Dawson, C., & Hales, P. (2019). Public Sector Financial Management. Routledge.
- Smith, L., Johnson, T., & Williams, R. (2020). Budget Performance and Organizational Effectiveness in the Public Sector. Public Administration Review, 80(3), 421-435.
- Brown, A., & Jones, S. (2018). Adaptive Budgeting Practices in Public Organizations. Journal of Public Budgeting, Accounting & Financial Management, 30(3), 367-382.
- Gupta, R., Kumar, S., & Patel, A. (2021). Performance Measurement in Public Sector Organizations: A Systematic Review. International Journal of Public Sector Management, 34(2), 198-215.
- Brigham, E. F., & Ehrhardt, M. C. (2013). Financial Management: Theory & Practice. Cengage Learning.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305-360.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). Multivariate data analysis (8th edition.). Pearson.
- Field, A. P. (2018). Discovering statistics using SPSS (5th edition.). Sage Publications.
- Bae, K.-H., Kim, Y., & Kim, J.-P. (2020). The effects of financial management practices on budget performance in the Korean public sector. Public Performance Management Review, 44(2), 432-453. (Note: Double-check the legitimacy of this source as it might be the retracted paper.)
- Miller, S. A., & Lehman, C. (2018). Financial management practices and budget performance in local governments: A meta-analysis. Public Budgeting & Finance, 38(3), 237-263.
- Boyne, G. A. (2002). High performance public management. Public Administration Review, 62(3), 321-344.
- Armstrong, J. F., & Pettit, S. (2007). Forecasting principles and practice (3rd ed.). Elsevier.
- Belknap, B. E., & Srinivasan, R. (2006). Internal controls: Effective design and implementation (3rd ed.). John Wiley & Sons.

- Alles, M., & Kaplan, R. S. (1996). The balanced scorecard: Measuring the strategic performance of business (Rev. ed.). Harvard Business School Press.
- Zikmund, P.E. (2008) ‘Reducing the Expectation gap’, CPA Journal, Vol. 78, No 6, pp. 20-25.
- Thakur, D. (2009). Research Methodology in Social Sciences, Deep and Deep Publication: New Delhi.
- Ridley, D. (2012). The Literature Review; A Step by Step Guide for Students 2nd Edition, Los Angeles: Sage Publications
- Kothari, C. R. (2004) Research Methodology, Methods and Techniques, Second Edition, New Age International Publishers. New Delhi. India.
- Zikmund, W. G. (2000). Business research methods (6th ed.). Dryden Press.
- Kothari, C. R. (2002). Research Methodology Methods and Techniques (2nd ed.). New Delhi, India: New Age International (P) Ltd.
- Collis, J., & Hussey, R. (2003). Business Research: A Practical Guide for Undergraduate and Postgraduate Students. London: Palgrave Macmillan.
- Rosen, H. S., & Gayer, T. (2010). Public Finance (9th ed.). Boston, MA: McGraw-Hill Irwin.
- Road Act (Chapter 13:18) of Zimbabwe
- World Bank. (2021)
- Public Expenditure and Financial Accountability (PEFA) (2021),
- Hill, C. W. L., & Jones, T. M. (1992). Stakeholder-agency theory. Journal of Management Studies, 29(2), 131-154.
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. Journal of Law and Economics, 26(3), 301-325.
- Markowitz, H. M. (1952). Portfolio selection. The Journal of Finance, 7(1), 77-91.
- Chan, L., Hameed, A., & Tong, H. (2012). Portfolio diversification and risk-return characteristics: A review. Journal of Economic Surveys, 26(5), 1107-1148.
- Sharpe, W. F. (1964). Capital asset prices: A theory of market equilibrium under conditions of risk. The Journal of Finance, 19(4), 425-442.
- Chan, L. et al. (2018). Financial Ratio Analysis for Assessing Corporate Performance. Journal of Business Research, 41(2), 189-204.

- Brigham, E. F., & Ehrhardt, M. C. (2013). Financial Management: Theory and Practice (14th ed.). South-Western Cengage Learning.
- Watts, R. L., & Zimmerman, J. L. (2006). Positive Accounting Theory. Economics, Business.
- Brigham, E. F., & Ehrhardt, M. C. (2013). Financial Management: Theory and Practice (14th ed.). South-Western Cengage Learning.
- Fama, E. F., & Blume, M. E. (1968). Filter rules and stockholder expectations for new issues. The Journal of Finance, 23(1), 58-81.
- Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. Journal of Finance, 25(2), 383-417.
- Mugenda, O.M. and Mugenda, A.G. (2003). Research Methods, Quantitative and Qualitative Approaches. ACT, Nairobi.
- Hussey, J., & Hussey, R. (2007). Research ethics in business and management research (2nd ed.). SAGE Publications.

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

THE ACCONTANCY DEPARTMENT

RESEARCH INTRODUCTORY LETTER

To whom it may concern

Dear sir /madam

<u>Re: an invitation to participate in my study by answering the attached questionnaire</u>.

My name is B1852799 a fourth year student at Bindura University of Science Education studying Bachelor of Commerce in Accountancy. It is a requirement of the degree programme for one to carry out a research project. You are invited to participate in a research project entitled: “Financial management practice and budget performance of public companies. A case of ZINARA. The research seeks to explores the critical relationship between financial management practices (FMPs) and budget performance (BP) within a public company

You are informed that your participation in this study is voluntary and you can decide to withdraw your participation at any moment without any prejudice. You are also informed that no monetary or any other benefits will accrue to you for participating in this study. In going about the research, the confidentiality of the respondents will be respected and the completed questionnaires will only be kept and processed by the researcher. The information is for academic purposes only.

Your assistance is greatly appreciated.

Yours faithfully

B1852799

Appendix 1

INSTRUCTIONS

Please answer all the questions to the best of your ability. Kindly indicate your answers by ticking where appropriate in the boxes provided. Your name or identity is not required.

SECTION A: DEMOGRAPHIC INFORMATION

Gender	**Response**
Male	
Female	

Age	**Response**
18 – 25	
26 – 35	
36 – 45	
46 and above	

Educational Profile	**Response**
Diploma	
Degree	
Master’s Degree (MBA)	
Chartered Accountant	

Q4: What is your current position in the organization you are working for?

Employment Position	**Response**
Clerk	
Finance Office	
Finance Controller	
Finance Manager	

Q5: For how long have you been employed by the firm you are currently working for?

Years of experience	**Response**
1 – 5	
6 – 10	
Over 10	

SECTION B: FINANCIAL MANAGEMENT PRACTICES

In your opinion, please indicate the level of your agreement or disagreement using a tick on the following statements

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree						
Item Code	**Q5.** ZINARA provides a clear and transparent view of its financial performance through its reporting practices.	**1**	**2**	**3**	**4**	**5**
FMP1						

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree						
Item code	**Q6.** ZINARA utilizes advanced financial management tools and software for budgeting and financial reporting.	**1**	**2**	**3**	**4**	**5**
FMP2						

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree						
Item code	**Q7.** Do you believe that ZINARA's financial management practices are in line with industry best practices?	**1**	**2**	**3**	**4**	**5**
FMP3						

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree						
Item Code		**1**	**2**	**3**	**4**	**5**
FMP4	**Q8.** ZINARA consistently implements a comprehensive approach to managing its financial risks.					

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree							
Construct	**Item Code**		**1**	**2**	**3**	**4**	**5**
Q9. ZINARA utilizes a well-defined budgeting process that is regularly reviewed and updated.	**FMP5A**	Operational risk					
	FMP5B	Capital structure					
	FMP5C	Financial modeling					
	FMP5D	Financial performance analysis					

SECTION 3: BUDGET PERFORMANCE

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree						
Item code		**1**	**2**	**3**	**4**	**5**
BP1	**Q10.** How effective do you perceive ZINARA's budget planning process to be?					

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree							
Construct	**Item Code**		**1**	**2**	**3**	**4**	**5**
Q11. The methods currently used by ZINARA provide a strong and comprehensive evaluation of its budget performance.	**BP2A**	Budget control and variance					
	BP2B	Cash flow forecast					
	BP2C	Budget monitoring indicators					
	BP2D	Budget analysis for performance evaluation					

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree							
Construct	**Item Code**		**1**	**2**	**3**	**4**	**5**
Q12. The challenges faced by ZINARA significantly hinder its ability to achieve its budgetary goals.	**BP3A**	Anticipating and planning for future events					
	BP3B	Participating in goal setting					
	BP3C	Formulating annual budget					
	BP3D	Judging employee performance					

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree							
Construct	**Item Code**		**1**	**2**	**3**	**4**	**5**
Q13. ZINARA incorporates a wide variety of budgeting techniques in its budgeting process.	**BP4A**	Zero-Based Budgeting (ZBB)					
	BP4B	Performance-Based Budgeting (PBB)					

SECTION 4: OVERALL PERCEPTION

1 = Strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree						
Item code		**1**	**2**	**3**	**4**	**5**
Q14	**BP5.** ZINARA demonstrates a strong track record of effective financial management and achieving budgetary goals.					

APPENDIX 2

Interview Questions

1. What are the key financial management techniques adopted by public companies, and how do they impact budget performance?
2. How does budgetary control affect the financial performance of public companies?
3. What are the challenges and opportunities associated with financial management practices in public companies?
4. Which are the main indicators of financial performance for public companies, and how are they measured?
5. How do financial management practices in public companies align with industry best practices, and what are the implications for budget performance?
6. What are the implications of financial literacy on the budget performance of public companies?
7. How do public companies analyse and interpret their financial statements to improve budget performance?
8. What are the most effective risk management methods employed by public companies to optimize budget performance?
9. What role do technological advancements play in shaping financial management practices and budget performance in public companies?

BINDURA UNVERSIRTY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

ACCOUNTANCY DEPARTMENT

RESEARCH SUPERVISION PROGRESS REPORT

STUDENT NAME: SIMBARASHE C. MADANHI REG NUMBER: B1852799

DISSERTATION SUPERVISOR: Dr T. FAMBA PROGRAMME: ACCOUNTANCY

DISSERTATION TITLE: FINANCIAL MANAGEMENT PRACTICES AND BUDGET PERFORMANCE. A CASE OF ZINARA.

DATE	STAGE OF RESEARCH	SUPERVISOR'S COMMENTS
20/02/2024	Research Proposal	Write the research proposal.
25/02/2024	Research Proposal	What is the problem that you have identified on ZINARA's Financial Management Practices?
2/03/2024	Chapter 1 and 2	Correct the research questions and provide theoretical review in your literature.
15/03/2024	Chapter 3	Do the data collection process, ensure that the methods align with the research design.
5/04/2024	Chapter 4	Use SPSS to analyse your data, and make use of models.
15/04/2024	Chapter 5	Write the results of your study
3/06/2024	Submission	Check your plagiarism and referencing

OVERALL COMMENTS BY THE SUPERVISOR'S

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

STUDENT'S SIGNATURE: …………………………. DATE: …………………………

SUPERVISOR'S SIGNATURE: ……………………… DATE: …………………………