Measuring Performance in Public Sector Organizations: Evidence from Local Government Authorities in Tanzania

Sarah I. Ngomuo[1] [*] Prof. Man Wang[2]

1. Ph.D. Scholar at Dongbei University of Finance and Economics- China and Assistant Lecturer at the Dodoma University of Tanzania. 217 Jianshan Street, Shahekou District, Dalian 116025, China.
2. School of Accounting, Dongbei University of Finance & Economics, 217 Jianshan Street, Shahekou District, Dalian 116025, China.

* E-mail of the corresponding author: sngomuo@yahoo.com

Abstract

The aim of study was to assess the performance of Local government authorities in Tanzania. The study used balanced scorecard model as proposed by Kaplan and Norton (1992 to integrate financial and nonfinancial performance measures. This study modified the Kaplan and Norton (1992) balanced scorecard model by adding another performance perspective which is the social perspective. The finding of the study shows that the overall performance of Tanzanian local governments is poor with a performance level of 39.43% which is much contributed by poor financial performance rather than nonfinancial performance. Results indicate that there is a room to Tanzanian Local government authorities to improve both financial and nonfinancial performance through improvement in individual performance metrics in the future which will in turn improve overall performance. Given the advantages of balanced scorecard, it is recommended that LGAs should adopt balanced scorecard from their strategic point of view which will enable them to improve both financial and nonfinancial performance.

Keywords: Local government authorities, social perspective, performance measurements, financial performance, non-financial performance, balance score card

1. Introduction

Performance measurement in the public sector organizations aims at ensuring three primary functions, accountability, allocation, and learning. According to Baird (1998); Hatry, (1999) performance measurement assists manager to evaluate the performance of individuals, activities, projects, and sectors and hence helped to make people and organization accountable for their performance. In addition, performance measurement is also helpful not only in the budget process and efficient allocation of public sectors' resources to those activities which contribute most to the accomplishment of strategic objectives but also in bringing early signal of the areas that need adjustment and improvement, thus allowing people to learn from their success and failure (Baird 1998). Through performance evaluation, people reduce arbitrary judgment and scrutinize performance that helped to improve the quality and reduce cost of government activities performed (Hatry, 1999).

In Tanzania, Local government authorities are among the public sector organizations which play an important role in the delivery of government services as they are assigned the responsibility to deliver key public services such as primary education, local health services and other typical local public services (URT, 1998). In the past three decades, worldwide. Local authorities have come under increasing pressure to modernize, to improve overall performance and service delivery, cost reduction, competition and to increase accountability to their stakeholders (Guthrie and English, 1997). As part of its wider public sector modernization and reform agenda, in 1999, the Tanzanian government introduced strategies such as Performance Management System (PMS) to public sectors including local governments for planning, implementation, monitoring, and evaluation and reporting in the public services of Tanzania. The system aimed to provide quality public service to the public, improve performance of public service institutions, improve accountability and responsiveness, ensure effective and efficient use of public resources and provide standards for providing comparisons and benchmarking within the public service institutions in Tanzania as well as other public service institutions across the world for continuous improvement. This has now resulted in a statutory duty of continuous performance improvement that has been placed on local authorities.

The ideas of Performance Management System (PMS) also strongly influence the activities of local governments as well as central governments (URT, 2004). In particular, financial constraint in local government requires continuous efforts for improving performance in producing public services and managing local government (Worthington and Dollery 2002). One of the most meaningful PMS movements or efforts for improving government performance is performance measurement. It has been used as a useful tool for restructuring local government organizations and improving their overall government performance (Poister and Streib 1999). In particular, a significant amount of research regarding the use of performance measurement in local governments has been expanded since the mid-1990s (Kopczynski and Lombardo 1999). Despite the remarkable development of performance measurement in local government since the 1990s (Hatry 1999), empirical evidence on the extent of the utility and practicability of performance measurement in local governments is still somewhat limited. Our paper contributes to the literature by supplying new evidence concerning the performance measurements of local government. Indeed, none of the studies of Tanzanian local government performance are available in the international economic literature. Most studies related to performance study of local governments come from European countries,

Australia, the United States and other African countries. Therefore, more empirical studies are needed to accurately measure the performance in local government.

Different performance frameworks were developed and used to measure performance of public and non-profit organization, some of them include performance measurement framework by Lynch and Cross, (1991), results and determinants on performance measurement model by Maskell, (1991), balanced scorecard by Kaplan and Norton, (1992), the Reference model of integrated performance measurement system designed by Bititci et al, (2000), Cambridge performance measurement design process by Neely et al (1996) and others. Among the performance measurement models above, balanced scorecard has emerged to be the best choice for both profit and non-profit organization as the practical performance measurement tool which seek to evaluate the current performance and the future perspectives of the public institutions. The emergence and increasing importance and usage of balanced scorecard in measuring performance in public sector including local authorities was motivated by several factors among them being the recently tremendous changes in local government authorities and other public organizations as the results of innovation, increased awareness among citizen and the need for improved efficiency, better allocation of resources and improved performance (Brignall and Modell, 2000).

In this study, we attempt to examine performance by applying the Balance Scorecard performance measurement technique to the measurement of local government performance in Tanzania. To be useful for policy intervention, the performance measurement in this study were disaggregated into financial and non-financial metrics. Balance Scorecard model was established by Kaplan and Norton (1992) as the performance measurement tool which enables the measurement of both financial and nonfinancial performance of the organization. The balanced scorecard model involves four perspectives including finance, customers, internal processes, employee learning and growth. (Kaplan and Norton, 1996). This study modified the Kaplan and Norton (1992) balanced scorecard model by adding another performance perspective which is the social performance. The additional of the social perspective was necessary for capturing the social aspect of local government authorities as they serve the community in their respective areas. Other studies which also added or proposed the additions of the social perspective in the balanced scorecard model include Kipesha (2013) and MFC (2007). The review of the literature did not find any empirical study which has used the balanced scorecard in the measurement of performance of local governments in Tanzania. This study is the first to use a balanced scorecard approach to measure performance especially for local government operating in Tanzania.

2. 2. Balance Scorecard

Due to non-profit nature, diversity of services and products offered by public institutions and complexity of performance management and standards, the measurement of performance in public sector have focused much on the output and outcome of the programs and projects to the society. On the other hand Kaplan & Norton (1992) proposed a balanced scorecard performance measurement model which incorporates both financial and non-financial performance metrics in measuring the performance of organizations. The balanced scorecard involves four perspectives, the financial perspective which assess the financial performance of the institutions, the customer perspective assess the extent to which the organization satisfies its client need, learning and growth assess the organization performance towards its employees and internal business process assess the extent to which internal business process have improved in the organization.

2.1 Balanced Scorecard as a Performance Measurement Tool

The balanced scorecard is a valuable tool for organizations both the public and the private sectors which concentration on performance measurement that balances the financial and nonfinancial indicators of performance (MAB 1997). Garrison and Noreen (2000) defined a balance scorecard as a cohesive set of performance measures (quantifiable targets and outcome) that explains the strategic goals and objectives of an organization into a valuable set of performance measurements. The balance scorecard as proposed by Kaplan and Norton (1992) assimilates the following four areas of strategies of an organization (Drury, 2001 and Garrison & Noreen (2000): Financial: What are the financial objectives? The strategy for achieving financial objectives from the perspective of local government. Customer/stakeholder: What customers/stakeholders will be served and how are they going to be satisfied? The strategy for creating value and differentiation from the perspective of the customers or stakeholders. Internal business process: What internal business processes are critical to increase and provide value to the customers? The strategic priorities for various internal processes that facilitate stakeholder satisfaction. Learning and growth: What is done to retain the ability to change and improve? The main concern is to create a climate that enhance organizational change, improvement and growth. Drury (2001) suggested three or four objectives under each perspective. The strategic objectives, the performance measures to track these objectives, the targets for achievement against each objective and initiatives that are closely related and in coherence with the vision and strategies of the organization.

The four perspectives of the balance scorecard need to be balanced. The balance means the equability between the short-term and the long-term goals; required; internal and external performance factors; and financial and nonfinancial indicators (Striteska, 2010)

Garrison and Noreen (2000) sustained by saying that under the balanced scorecard approach, top management transforms its strategy into performance measures that employees can recognize and can do something about. Therefore, the balanced

scorecard technique should be used by provincial government departments especially Local Government Authorities to measure performance. This will create agreement between the strategy analysis and the actual outputs. The use of the balanced scorecard can improve managerial control and accountability in provincial government departments.

3. Methodology and Data

3.1 Study area and Data collection

The data used in this study were collected from 63 local governments selected from 10 regions in Tanzania mainland using purposive sampling. These include Dar es Salaam, Pwani, Tanga, Kilimanjaro, Arusha, Morogoro, Dodoma, Tabora, Mwanza and Mbeya. The study used purposive sampling to select regions to be included in the sample basing on the size of administrative unit, the size of the land covered, the status of region in the country and the population of the region. We used both primary and secondary data for analysing the performance of LGA in Tanzania. The primary data were collected with the aid of a structured questionnaire designed to collect information for assessing non-financial performance of LGAs in Tanzania. We use also purposive sampling in selecting the respondents to be included in the study especially for evaluating non-financial performance. The secondary data were collected from the Prime minister's office, regional administration and local government (PMORALG), the controller and auditor general (CAG) office, the ministry of finance and from individual LGAs. The financial data was obtained from CAG annual reports and other LGAs performance reports from the mentioned sources .The secondary data collected was used to assess the financial performance of LGAs in Tanzania. The period covered by the study spans from 2011 to 2013.

3.2 Performance measurement in Local Government

We measure the performance of Local government using the balance score card model proposed by Kaplan and Norton (1992). Balanced scorecard model have been used as the performance measurement model for public institutions in many previous studies such as Kloot and Martin, (2000), Moullin et al, (2007) and Askim (2004). In both of the above studies balanced scorecard model proved to be the best model for measuring performance in public institutions. The use balance scorecard enables the measurement of both financial and nonfinancial performance and allows the easy comparison of the final overall performance after incorporating all performance indicators into a single indicator value. The study modified the Kaplan and Norton (1992) balanced scorecard model by adding another performance perspective which is the social performance. The additional of the perspective was necessary for capturing the social aspect of local government authorities as they serve the community in their respective areas. Norreklit, (2000) indicated that balance score card can be customized for the specific elements of an organization or industry. The selection of the perspectives should be based on what are necessary to suit the priorities of each organization and also to create a competitive advantage for the organizations. Other studies which also added or proposed the additions of the social perspective in the balanced scorecard model include Kipesha (2013), MFC (2007). Each of the balanced scorecard perspectives has five performance metrics which were used to measure such dimensions as it is shown in table 3.

3.2.1 Measurements of Financial Metrics

In the existing literature, financial ratios or factors are the most frequently used predictors in the models that measures the financial performance using variables for firms from various sectors and/or from firms around the globe (Shah, 2014).The measurement of financial performance followed the financial ratios provided by Nollenberger, (2003), Chaney et al (2002), GFOA (2003), Crawford & Associates (2008) for analyzing the government financial conditions. According to Chaney et al (2002) the financial ratio can not only capture the government financial condition but can help to recognize signals of fiscal stress.

Financial performance of LGAs was masured based on indicators proposed by Nollenberger, (2003), Chaney et al (2002), GFOA (2003) and Crawford & Associates (2008). These are as follows:

$$OPF_{it}\ 1 = IR_{it}\ /\ RE_{it} \text{-- - (1)}$$

$$OPF_{it}\ 2 = TR_{it} - RE_{it}\ /\ IR_{it} \text{-- (2)}$$

$$FMB_{it}\ 1 = IGF_{it}\ /\ TRG_{it} \text{--- (3)}$$

$$BUP_{it}\ 1 = BTR_{it} - ATR_{it}\ /\ BTR_{it} \text{--------------------------------------- (4)}$$

$$BUP_{it}\ 2 = BTE_{it} - ATE_{it}\ /\ BTE_{it} \text{--------------------------------------- (5)}$$

These indeed are financial ratios computed based on the local government financial statements and fund statements of the entity being studied in Tanzania. Financial ratios are valuable tools in understanding and monitoring an organization's financial position and performance (Erdogan, 2013). Erdogan adds that the detection of organization operating and financial difficulties is a subject which has been particularly amenable to analysis with financial ratios.

In interpreting ratios in equation (1) and (2) variables $OPF_{it}\ 1$ and $OPF_{it}\ 2$ represent LGAs operating performances ratios for LGA i at time t, IR_{it} is the total internal revenue collected by the LGA from different internal sources, RE_{it} is the total recurrent expenditure of the LGA at time t and TR_{it} total operating revenue excluding grants and contributions for the development by the LGA i at time t.

In equation (3)) variable $FMB_{it}\ 1$ represents fund mobilization performance ratio of LGA i at time t, IGF_{it} is the total

intergovernmental funds received by LGA i in time t, and TRG_{it} is the total revenue including grants and contribution for the development by the LGA i in time t.

In equation (4) and (5) represent BUP_{it} 1 and BUP_{it} 2, represent budget performance ratios for ith LGA in time t for model 1 to 2. ATR_{it} is the actual total revenue collected for each LGA i in time t, BTR_{it} is the budgeted total revenue collection for LGA i in time t, ATE_{it} is the actual total expenditure for LGA i in time t and BTE_{it} is the budgeted total expenditure of LGA i in time t.

In equation (1), OPF_{it} 1 measures the operational sustainability of LGA. It determines whether there are sufficient revenue to pay for the recurrent operational expenses (Nollenberger, (2003), Chaney et al (2002), GFOA (2003), Crawford & Associates (2008)). This is among the important measure of LGA financial performance since inability to cover operating expenditure using own source revenue indicates highly dependence of LGAs to intergovernmental transfer and local borrowings. LGAs which cannot generate enough revenue to cover operating expenses are not sustainable and are in danger of failure to operate in situation when the central government funds are unavailable or when the funds are delayed. Different standards have been established to recognize the varying revenue raising capacities across the sector. A Basic standard is achieved if the ratio is between 40% and 60% (or 0.4 and 0.6). An Intermediate standard is achieved if the ratio is between 60% and 90% (or 0.6 and 0.9). An Advanced standard is achieved if the ratio is greater than 90% (or > 0.9) (GFOA (2003)).

In equation (2), OPF_{it} 2 measures the ability of a local government to cover its operational costs and have revenues available for capital funding or other purposes. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community's service level needs, then it is considered financially sustainable. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result. (Nollenberger, (2003), Chaney et al (2002), GFOA (2003), Crawford & Associates (2008)). The basic Standard between 1% and 15% (0.01 and 0.15) while the advanced standard > 15% (>0.15) (GFOA (2003)).

In equation (3) FMB_{it} 1 measures the extent to which LGAs is reliant on other governments for resources. A high ratio may indicate that a local government is overly reliant on external resources, increasing risk as external providers may alter funding streams. (Nollenberger, (2003), Chaney et al (2002), GFOA (2003), Crawford & Associates (2008)).

In equation (4) and (5) represent BUP_{it} measure the ability of LGAs authorities to manage the budgets which they set in accounting period. (Nollenberger, (2003), Chaney et al (2002), GFOA (2003), Crawford & Associates (2008)). We use two ratios to assess budget performance, the first ratio addresses the ability of LGAs to meet the revenue budget in term of total revenue collecting from internal and governments' sources while the other ratio measures the ability of LGAs to minimize cost and attain the expenditure budget.

Overall LGA Financial Performance

In measuring financial performance, we used different ratios as described in the equation (1) to (5) above. The average overall financial performance results were obtained using the arithmetic mean for which the formula is as follows:

$FPi = W_{tef}TEFj + W_{opf}OPFj + W_{fmb}FMBj + W_{bup}BUPj /3$ ------------------------------ (6)

Where: FP_i financial performance index, W_{tef}, W_{opf}, W_{fmb} and W_{bup} are weights of performance metric as obtained from the balance scorecard, OPE_j is the operating costs performance, FMB_j is the fund mobilization performances and BUP_j is budgeted performance.

In calculating the financial performance index, it is assumed that the weight of each dimension is equal, although author believes that the weight of each dimension should be different. Ritonga et al. (2012) provide detail discussion about how to develop LGAs financial performance index.

3.2.2 Measurement of Non-financial performance

Nonfinancial performance was measured using the balance score card model by aggregating the performance metrics in the model. Data used for measuring non-financial performance was obtained through the questionnaires which were administered to staff, managers and customers of the local governments surveyed. The measurements of metrics used a Likert scale with 1 to 5 scales in which a scale of 1 represents the low importance or low performance of the metrics which increases as the number of the scale to 5 which represents high performance or high importance of the indicator evaluated. The rated questionnaires from each LGAs were grouped and analyzed in order to obtain the average performance indicator value for the LGAs from each of the performance metrics. In order to measure the performance indicator or performance metric for each LGA as an average of the respondents' results the following arithmetic mean formula was used

$$Y_i = \sum_{n=1}^{n} w_{ij} / n - - - - - - - - - - - - - (7)$$

Where: Y_i is the average weighted value of an indicator i, w_{ij} is the rating value of jth respondents in the indicator i and n is the total number of respondents on each of the performance indicator category respectively.

Overall LGA Non-financial Performance

Following the formula in equation (7) the performance of the four dimensions making up the non-financial performance of

local government authorities was measured using the composite non-financial performance indicators indices.

To obtain the overall LGA non-financial Performance results, a following composite non-financial performance index was used;

$$NFP_i = \sum_{n=1}^{n} W_{sp} SP_j + W_{cp} CP_j + W_{lg\,p} LGP_j + W_{ibp} IBP_j / n --(8)$$

Where: NFP_i is nonfinancial performance index, SP_j social performance for LGA j, CP_j is Customer Perspective performance, LGP j is learning and growth performance, IBP_j is internal business processes performance, W_{sp}, W_{cp}, W_{lgp} and W_{ibp} are weights of each performance metric in each performance dimension and n is the number of performance dimensions

3.2.3 Measurement of overall LGAs performance

Overall local government performance score was measured as the weighted average of financial and nonfinancial performance obtained from the balance score card model. The overall performance of Local government authorities was obtained using the following composite performance index;

$$PI_i = W_{FP}FP_j + W_{NFP}NFP_j ------------------------------------(9)$$

Where: TP_i is the overall performance index for i^{th} LGA, and W_{FP} and W_{NFP} are the corresponding overall weights of financial performance and nonfinancial performance respectively.

4. Findings and Analysis

4.1 Financial Performance

Financial performance are summarized in table 1, we observed that the mean value of own source revenue coverage over the entire period of three years is 0.1050. This indicates that LGAs reviewed were operationally poor performing as they are capable of funding their recurrent operations without depending on central governments and donors by only 10.5%. The results also indicates that local government authorities in Tanzania are highly dependent to central government, donors and other development partners in financing their operations. This is a constraint to most of LGAs performance since central government does not provide them enough funds to meet all their need and in most cases funds do not come on time. GFOA (2003) pointed that, an operation ratio achieves a basic standard if the ratio is between 40% and 60% (or 0.4 and 0.6).

Table 1. Average mean and standard deviation during the year of 2011 – 2013

Performance dimensions		2011	2012	2013	Average
Operational Performance (OPF 1)	Mean	0.1011	0.1029	0.1109	0.1050
	Standard deviation	0.1074	0.0840	0.1015	0.0976
Operational Performance (OPF2)	Mean	-12.7376	-8.18875	-7.887	-7.6540
	Standard deviation	0.0674	0.1872	0.15049	0.1350
Fund mobilization (FMB1)	Mean	0.8184	0.8197	0.8325	0.8236
	Standard deviation	0.2804	0.1935	0.1919	0.2219
Budget performance (BUP 1)	Mean	0.1610	0.2271	0.1919	0.1933
	Standard deviation	0.1535	0.0735	0.1817	0.1362
Budget performance (BUP 2)	Mean	0.2268	0.2650	0.2929	0.2616
	Standard deviation	0.1668	0.0796	0.0583	0.1016

Moreover, we also measured the ability of a local government to cover its operational costs and have revenues available for capital funding or other purposes. The results in Table 1 shows the mean value of operating surplus performance over the entire period of three years is -7.6540. This indicates that the LGAs are financially unsustainable. The results also indicated that about 7.65% increase in total own source revenue (principally rates) would have been required to achieve a break-even operating result. The results also shows that local government consistently achieves a negative operating surplus ratio for the three years reviewed although this negative trend show a sign of improvement as it decrease year after year.

Furthermore, we also measured the ability of LGAs to depend on other governments for resources. This was measured by fund mobilization performance 2(FMB 2). The results shows the mean value of intergovernmental ratio of 0.8236. This indicates that the LGAs are financially reliant on external sources by 82.36%.This indicates that to large extent LGAs in Tanzania cannot meet their financing needs using internally generated funds. This level of dependency affects the service delivery and overall performance of the LGAs. Most grants from the central government are conditional and therefore earmarked for specific services. Only a slight degree of flexibility is permissible, but even so with restrictions. Nollenberger, (2003) and Chaney et al (2002) suggested that a high ratio may indicate that a local government is overly reliant on external resources, increasing risk as external providers may alter funding streams.

We also measured the ability of local governments to utilize the resources received from both internal and external sources in implementing the LGAs' day to day activities as per approved budget. This was measured by budget performance 1 (BUP 1). The results shows the mean value of 0.1933. This indicates that about 19.3% of the total revenue received by the LGAs have not being utilized. This implies that, the planned activities were not fully implemented. This may be due to the fact that either the Central Government has not been so efficient in releasing such grants timely or there is bureaucracy in LGAs in spending received grants. In this respect, efficient operation of the day to day activities in LGAs is affected and this will hinder the realization of earmarked services and benefits to the public. This may also lead to budget revision to accommodate possible

price fluctuations due to the effect of inflation.

Similarly, we measure ability of the LGAs in implementing development and recurrent activities within the limit of the approved budget. This was measured by budget performance model 2 (BUP2). The results in table 1 shows the mean value of 0.2616. This indicates that about 26.16 % of the development activities have not being implemented. This implies that, there are budgeted development activities not implemented. This might be due to non-release of grant that made local governments to implement those activities as planned.

Table2: Overall Financial Performance Results

Performance dimensions	Average Results	Average weight % of score from BSC	Average Weight score from BSC (x of 5)	Weighted average financial performance score	Weighted average financial performance level
Operating Performance	0.1049	40%	1.98	0.2077	0.04196
Fund Mobilization Performance	0.8236	40%	1.98	1.630	0.3294
Budget performance	0.2275	40%	1.98	0.4504	0.091
Average Financial Performance	0.3853	40%	1.98	0.763	0.1541

We also measured the overall financial performance of LGAs in Tanzania using the weighted average of different performance indicators under the balanced scorecard. The performance indicators which were included for financial performance were operating performance, budget performance and fund mobilization performance. In table 2, the results shows that on average, financial performance of LGAs was poor at the average rate of 15.41%. The poor average performance was much contributed by poor operating performance results and poor fund mobilization performance among the LGAs reviewed.

Table 3: Weight of Non-Financial Performance Metrics

Performance Dimensions	Metrics	Average score	Weight %
Social Performance	Education sector performance (ESP)	2.82	19.06
	Health Sector Performance (HSP)	3.32	22.41
	Infrastructure Performance (IP)	3.12	21.09
	Value for money (VFM)	2.66	17.93
	Corporate social responsibility(CSR)	2.89	19.51
Total		**14.82**	**100**
Customer Perspective	Customer Satisfaction (CSF)	2.96	19.10
	Level of customer care (CC)	2.99	19.31
	Information accuracy (IA)	3.55	22.95
	Complaints (CCP)	3.14	20.28
	Service delivery time (SDT)	2.84	18.37
Total		**15.48**	**100**
Learning and Growth	Employee satisfaction (ESF)	3.13	20.49
	Employees Training (LET)	2.75	18.02
	IT knowledge (ITK)	3.49	22.88
	Performance Feedback (LPF)	3.15	20.65
	IT infrastructure (LII)	2.74	17.96
Total		**15.26**	**100**
Internal business Processes	Level of service innovation (LSI)	2.67	18.56
	Reduction in Time taken to make decision (RTD)	2.89	20.06
	Reduction in Complaints (RC)	3.02	21.00
	Procurement Efficiency (PEF)	3.10	21.50
	Service delivery time (SDT)	2.72	18.88
Total		**14.41**	**100**

Table 4: Weights on Balance Score card Metrics

	Total score	Weights %
Social Performance	14.82	24.71%
Customer Perspective	15.48	25.82%
Learning and Growth	15.26	25.45%
Internal business Processes	14.41	24.02%
Total	59.96	100%

4.2 Non-Financial Performance

Basing on the literature reviewed, we established five indicators for each balanced scorecard metrics and we asked the respondents to indicate the weights in each of the indicator when evaluating the performance of the LGAs. Table 3 and 4 shows the results on weights of non-financial indicators in the balanced scorecard. Generally, looking at the results LGAs were found to weight almost equal in all nonfinancial performance dimensions since the difference in weight among them was less than 2%. The analysis of weights of the individual nonfinancial perspectives in Table 4 show that, customer perspective takes 25.82% importance, followed by learning and growth which takes 25.45, social performance with 24.71% importance and internal business process which occupy 24.02% importance. This implies that LGAs focus much on making sure that customers are satisfied by the services offered since this services provisions is the key objective of all LGAs.

Table 5: Non-Financial Performance average results

Social Perspective						
	ESP	*HSP*	*IP*	*VFM*	*CSR*	*ASP*
Mean	3.19	3.25	3.15	3.14	2.30	3.01
Standard deviation	0.83	0.65	0.70	0.57	0.67	0.68
Performance Level	63.88%	65.02%	62.92%	62.89	46.07%	60.15%
Customer Perspective						
	CSF	*CC*	*IA*	*CCP*	*SDT*	*ACP*
Mean	2.92	2.95	3.26	2.87	3.07	3.01
Standard deviation	0.55	0.61	0.63	0.47	0.59	0.57
Performance Level	58.44%	58.91%	65.15%	57.35%	61.47%	60.26%
Learning and growth						
	ESF	*LET*	*ITK*	*LPF*	*LII*	*ALG*
Mean	3.38	3.26	2.96	3.20	2.95	3.15
Standard deviation	0.80	0.61	0.59	0.57	0.57	0.63
Performance Level	67.59%	65.15%	59.26%	63.91%	58.95%	62.97%
Internal business process						
	LSI	*RTD*	*RC*	*PEF*	*SDT*	*AIBP*
Mean	2.97	3.18	3.08	3.50	3.07	3.16
Standard deviation	0.78	0.63	0.70	0.55	0.68	0.67
Performance Level	59.36%	63.62%	61.64%	70.03%	61.42%	63.22%
Count	1320	1320	1320	1320	1320	1320

We also assessed the performance of individual perspectives together with their performance indicators used in LGAs. The results are shown in table 5. The first perspective was social perspective which measures the extent to which LGAs meet their key objectives of providing social services to the citizens. Social performance of LGAs was measured using five indicators which are education sector performance (ESP), health sector performance (HSP), infrastructure performance (IP), value for money performance (VFM) and corporate social responsibility performance (CSR). The results show that on average the respondents ranked the performance metrics between 2.3 to 3.25 scores out of 5 scores of the Likert scale used. The standard deviation of the results was small in all five performance metrics of customer perspectives. This indicates that there is little deviation between the responses which also indicates the reliability of the results obtained. The results shows an average performance among LGAs in social perspectives. This result is in line with the previous finding in the literature (Donath and Milos (2008) who reported high public sector performance especially on health and education sector). Among the metrics which LGAs did not perform well under social perspective performance include corporate social responsibility with a performance level below half i.e. 46.05%. Thus, more than 50% inefficiency in LGAs involvement in community

development activities. This implies that LGAs in average terms are less involved in community development activities apart from the key services which are supposed to be offered as per laws and regulations. Corporate social responsibility in LGAs shows the extent to which LGAs are involved in community development activities apart from the mandatory services offered to the community.

Apart from social performance, we measure nonfinancial performance basing on customer perspectives. We used five metrics in measuring customer performance which includes customer satisfaction (CSF), customer care (CC), information accuracy (IA), customer complaints (CCP) and service delivery time (SDT). The results in table 5 show that the mean scores of the customer perspective metrics was between 2.92 to 3.26 for the five metrics. The results were evenly distributed with low standard deviation which indicates low differences in the respondents viewed on the performance of each to the metric assessed. The performance results show that on average all metrics were above half of the total expected performance with performance value of above 50%. Among the metrics on customer perspectives, LGAs were found to perform better on information accuracy with a score of 65.15%.This implies that more than 30% inefficiency in information accuracy which require LGAs to continue with improvements.

Another nonfinancial performance perspective included in the balanced scorecard model to measure the performance of LGAs in Tanzania is the learning and growth. Learning and growth was used to measure the extent to which employees is considered to perform for the future growth and development of LGAs. The learning and growth perspective was measured using five performance dimensions which are employee satisfaction (ESF), employee's trainings (LET), IT knowledge (ITK), performance feedback (LPF) and IT infrastructure (LII). The average scores of the LGAs in for the five performance metrics were between 2.95 to 3.38 scores. This indicates that all the metrics were ranked above the half in average for the LGAs reviewed. The standard deviations of the results were also low indicating little deviation among the responses of the respondents included in the study. Although the performance level was above 50% in all the five metrics under learning and growth perspectives, but it indicates that LGAs are not much investing in IT related investment as well as in IT training for their employees. With this global movement where technology becomes an important tool for cost reduction and performance enhancement, LGAs are required to improve their investment in IT as well as IT trainings to their employees.

Internal business processes on the other hand was also measured using five performance metrics which include level of service innovation (LSI), reduction in time take to make decision (RTD), reduction in complaints (RC), procurement efficiency (PEF) and service time delivery (SDT). The results in Table 5 show the averages scores were between 2.97 to 3.5 between the five indicators of internal business processes. The standard deviation was below 0.8 indicating low dispersion among the responses of the respondents on the metrics of internal business process. The performance results show that LGAs were performing well in terms of procurement efficiency with 70.03% score which is less than 30% diversion from expected performance of 100% efficiency. On the other hand the remaining four metrics appeared to have more than 35% average inefficiency among the LGAs reviewed in ensuring improvement in internal business processes.
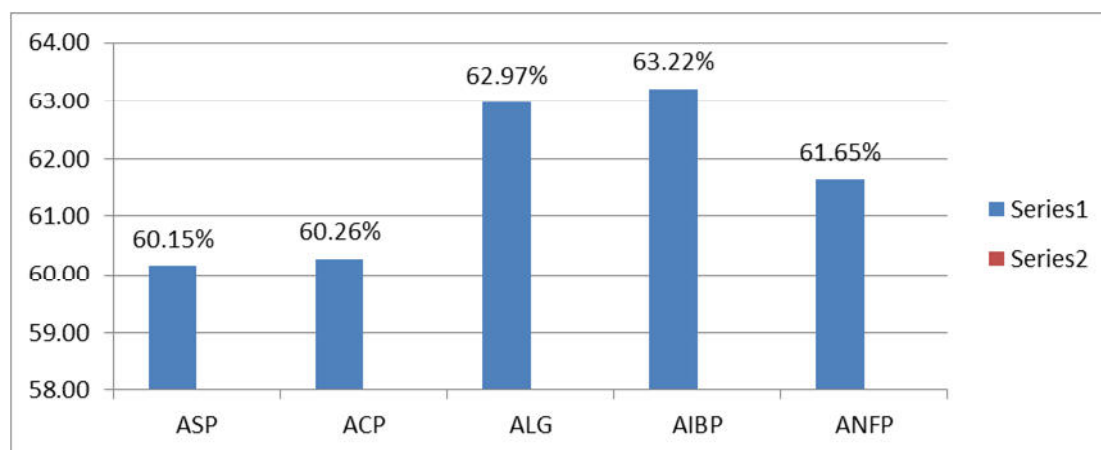

Figure 1: Comparison of Nonfinancial Performance Dimensions

Moreover, we also compared the nonfinancial performance metric to find which one perform better than the other in Local government authorities, the results are shown in the figure 1. The results show that learning and growth perspective (ALG) and internal business process perspective (AIBP) were the best performers among the perspectives with performance levels of 62.97% and 63.22% respectively. This implied that LGAs are much involved in learning and growth through improvement in the employees, innovations in their process and making sure that service delivery processes are innovated. Apart from that, social performance and customer perspectives were found to have moderate performance which was 60.15% and 60.26% respectively.

Table 6. Average Overall Nonfinancial Performance

Non-Financial Performance	Score
Mean Score	3.10
Performance score	59.03%
Standard deviation	0.54

Additionally, the study also assessed the overall nonfinancial performance of the LGAs together with their performance level. Performance level in average was moderate, the results in Table 6 show the average weighted score of 3.1 with an average of 59.03% performance from the best expected performance of 100%. The standard deviation values was low indicating that there is little deviation between the responses among the 1320 respondents who were involved in the rankings of the nonfinancial performance metrics and their indicators. The results indicates that LGAs have a room to improve their services and improve nonfinancial performance to attain the best expected performance of 100%.

Table 7: Overall BSC Weights

	Total score	Weights %
Financial Performance	1.98	40
Nonfinancial Performance	3.02	60
Total	5	100

4.3 Overall Performance Results

The results on overall performance weights between financial and nonfinancial performance are summarized in table 7. From the results, it is observed that financial performance in Local government authorities takes about 40% weights while nonfinancial performance takes 60% of the total weights. This implies that LGAs uses more of nonfinancial performance metrics when measuring performance than financial metrics due to the fact that they are service providers to the community and does not seek more profit to financial metrics important when measuring their performance.

Table 8. Overall Performance Results

Performance Results	Score
Average Score	1.995
Performance level	39.43%

Moreover, overall local government performance score was measured as the weighted average of both financial and nonfinancial performance dimensions. The results in Table 8 show the average weighted score of 2% with an average of 39.4% performance level. This implies that about 60.6% of the performance level among the Local government reviewed was poor. The results indicates that the overall performance of Local governments was generally poor due to combination of both financial and non-financial performance results. About 60.6% performance level is poor. Some factors may be responsible for this poor performance in LGAs. For example, as we have seen that LGA are highly dependent on central governments transfers. This dependent may affect the service delivery and the overall performance. Moreover, poor performance might be due to the absence of long term strategic development plans that will design and supervise the collection of revenues from various sources. This denies the LGAs the opportunity to operate in a more strategic manner and to measure their own performance on the basis of clearly defined development and service delivery benchmarks. In addition, poor performance in Tanzanian LGA might be due to weakness in revenue management. CAG (2012) report there is laxity by Councils Management in soliciting other avenues of collecting revenue and even maximizing on the existing identified sources. Likewise, poor performance in Tanzanian LGA might be due to shortage in human resources. CAG (2012) notes that there is a shortage of about 20% of the staff in the Tanzanian LGAs. Such deficiency will have an impact on the overall performance of the councils including inadequate service delivery, overloading and demotivating the present civil servant in different sectors. CAG (2012) Some of the Council does not have a comprehensive set of by-laws for all revenue sources as there is no legal backing for collection and follow up on compliance and defaulters. (CAG, 2012). Likewise poor performance in LGAs might be due to the absence of effective revenue collection strategies which contribute to low revenue potential from Councils and hence poor performance (CAG, 2012).

5. Conclusion

This paper evaluates the performance of Local government authorities in Tanzania. The evaluation relies on a sample of 10

regions with a total of 63 local government authorities belonging to Tanzania mainland. We exploit both financial ratios used in analyzing the government financial conditions and balance score card approach to study the performance in local governments. Our results show that the overall performance of Tanzanian local governments is poor with a performance level of 39.43% which is contributed with poor financial performance rather than nonfinancial performance. This poor performance might be due to some weakness in local governments in Tanzania which include weakness in revenue management and shortage in human resources. Concluding, our analysis shows that LGAs in Tanzania have chance to improve both financial and nonfinancial performance through improvement in individual performance metrics in the future which will in turn improve overall performance.

Based on findings of this study, the central government, local governments' executives and legislators could utilize the evidence to make effective policy pertaining to the performance of LG. As a result, the quality of decision-making regarding LG performance management would be improved in the future. For Tanzanian scholars, this study will represent the first attempt to measure the performance of local governments in Tanzania using balance scorecard model.

6. Suggestion for future study

We measure the performance of Local governments in Tanzania by incorporating financial and non-financial performance dimensions. There may be other financial dimensions that measure the financial performance, but are not addressed in this study. In this sense, further study is needed to incorporate all financial dimensions of local governments' financial conditions. Moreover, there may be some factors that influence the performance of Local governments, but factors are not included in this study, therefore further study is needed to investigate factors affecting the performance of local governments in Tanzania.

References

[1] Askim, J. (2004). Performance management and organizational intelligence: adapting the balanced scorecard in larvik municipality. *International Public Management Journal*, 7(3), 415-438.

[2] Baird, M., (1998). *The role of evaluation*. In: Mackay, K. (Ed.), Public Sector Performance—the Critical Role of Evaluation, Selected Proceedings from a World Bank Seminar. World Bank Operations Evaluation Department, Evaluation Capacity Development, Washington DC, April, pp. 7–12.

[3] Brignall, S. & Modell, S. (2000). An institutional perspective on performance measurement and management in the 'new public sector', *Management Accounting Research*, 11(3), pp. 281-306.

[4] Chaney B. A., Mead, D. M. and Schermann, K. R. (2002) "The New Governmental Financial Reporting Model," *Journal of Government Financial Management*, Spring 2002, pp. 27–31

[5] Controller and Auditor General (2012). *Annual General Report of the Controller and Auditor General on the audit of Local Government Authorities (LGAs) for the financial statements of the year ended 30ᵗʰ June 2012*. Available at http://nao.go.tz/?wpfb_dl=93 ·

[6] Crawford & Associates, P.C (2008). *The Performeter®* (Oklahoma City, OK, 2008). See www.crawfordcpas.com

[7] Donath, L. and Milos, M.M. (2008). *Public sector efficiency according to COFOG classification in the European Union*. West University from Timisoara (Romania), Faculty of Economics and Business Administration, Finance Department. Available at http://mpra.ub.uni-muenchen.de/12927/

[8] Drury, C. (2001). *Management accounting for business decisions*, Second Edition, London, Thompson Learning.

[9] Erdogan, A. (2013). Applying Factor Analysis on the Financial Ratios of Turkey's Top 500 Industrial Enterprises. *International Journal of Business and Management*, 8(9), 134–139.

[10] Garrison, R. H. & Noreen, E. W. (2000). *Managerial Accounting*: International Edition, Ninth edition, USA, McGraw-Hill.

[11] Government Finance Officers' Association, (2003). *Recommended Practice: The Use of Trend Data and Comparative Data for Financial Analysis (2003)*. Available at www.gfoa.org.

[12] Guthrie, J. and English, L. (1997), "Performance information and programme evaluation in the Australian public sector", *International Journal of Public Sector Management*, 10 (3), pp. 154-64.;

[13] Hatry, H. P. (1999). *Performance Measurement: Getting Results*. Washington, D.C.: The Urban Institution Press.

[14] Kaplan, R.S. and Norton, D.P (1992) "The Balanced Scorecard - Measures that Drive Performance", *Harvard Business Review*. Jan–Feb, 71–79.

[15] Kaplan, R. S. and Norton, D. P., (1996). Using the balanced scorecard as a strategic management system, *Harvard Business Review*, Jan–Feb, 75–85.

[16] Kipesha, E.F. (2013). *Efficiency, Sustainability and Performance of Microfinance Institutions in Tanzania.*, Ph. D Thesis in partial fulfillment of the requirements for the degree of Doctor of Philosophy (PhD) in Financial Management of the Dongbei University of Finance and Economics, Dalian, China. Unpublished thesis.

[17] Kloot, L. & Martin, J. (2000). "Strategic Performance Management: A Balanced Approach to Performance Management Issues in Local Government," in *Management Accounting Research*, 11, Pp. 231–251.

[18]   Kopczynski, M., & Lombardo, M. (1999). Comparative Performance Measurement: Insights and Lessons Learned from a Consortium Effort. *Public Administration Review*, 59(2), 124-134.

[19]   Kothari, C. (1992*). Research Methodology, Methods and Techniques*, 2nd ed, Wishwa Prakashan, New Delhi.

[20]   Management Advisory Board, (1997). *Beyond bean counting: Effective Financial Management* in the APS- 1998 & beyond, December 1997.

[21]   Maskell, B.H. (1991). *Performance Measurement for World Class Manufacturing: A Model for American Companies,* Productivity Press, Cambridge, MA.

[22]   MFC. (2007). *From Mission to Action. The Strategic Management Toolkit Handbook*: Management Series for Microfinance Institutions Microfinance Center (MFC). Retrieved from the World Wide Web on 12/05/2012 http://inthiseconomy.org/SPTF/docs/MFCsHandbookonBalancedScorecardandStrategicMgtofMission.pdf.

[23]   Moullin, M., Soady, J., Skinner, J., Price, C., Cullen, J., & Gilligan, C. (2007). Using the public sector scorecard in public health. *International Journal of Health Care Quality Assurance*, 20(4), 281-289.

[24]   Neely, A.D., Mills, J.F., Gregory, M.J., Richards, A.H., Platts, K.W., and Bourne, M.C.S. (1996). *Getting the measure of your Business*, Findlay Publications, Horton Kirby, London.

[25]   Nollenberger, K (2003). Evaluating Financial Condition: A Handbook for Local Government, Fourth ed. Washington, DC: International City/County Management Association; a revision of the original 1980 text by Sanford M. Groves and Maureen G. Valente.

[26]   Norreklit, H. (2000); The balance on the balanced scorecard a critical analysis of some of its assumptions, Management Accounting Research, 11(1), March, 65-88

[27]   Poister, T. and Streib, G. (1999), "Performance measurement in municipal government", Public Administration Review, 59(4), pp. 325-35.

[28]   Ritonga, I., Clark, C. & Wickremasinghe, G. (2012). Developing a Measure of Local Government Financial Condition. The 13th International Annual Conference Asian Academic Accounting Association. Kyoto, Japan, 9-12th, November 2012.

[1]   Shah, N. (2014). Developing Financial Distress Prediction Models Using Cutting Edge Recursive Partitioning Techniques: A Study of Australian Mining Performance. *Review of Integrative Business and Economics Research*, 3(2), 103–143.

[29]   Stříteská, M. (2010). 'Role Nefinančních Měřítek Ve Strategickém Řízení,' In Manažerská Etika. Díl 8, Inspirace Pro 21.Století. 1.Vyd. Zlín: Univerzita Tomáše Bati Ve Zlíně, 5 S. Isbn 978-80-7318-941-9.

[30]   United Republic of Tanzania, Ministry of Regional Administration and Local Government, Local Government Reform Programme (URT) 1998: Policy Paper on Local Government Reform. A 1998. Available at http://www.mwanza.go.tz/kurasa/nyaraka_mbalimbali/policy_pape_lgrp-r1998.pdf

[31]   URT (2004). *Installation of Performance Management Systems in Ministries and Independent Departments*, President's Office, Public Service Management, Tanzania. Unpublished paper

[32]   Worthington, A. C. and Dollery, B. E. (2002). Incorporating contextual information in public sector efficiency analyses: A comparative study of NSW local government. *Applied Economics*, 34(4):453–464.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
http://www.iiste.org

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: http://www.iiste.org/journals/ All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: http://www.iiste.org/book/

Academic conference: http://www.iiste.org/conference/upcoming-conferences-call-for-paper/

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar