

Examining the Effect of Financial Planning on the Financial Sustainability of Selected Local Government Authorities in Tanzania: The Moderating Effect of Good Governance

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Abstract

This study examines how financial planning affects the financial sustainability of local government authorities in Tanzania. It draws on Agency Theory and Institutional Theory to guide the research. Using an explanatory research design, the study employs quantitative data analysis methods, including descriptive and inferential analyses, facilitated by IBM SPSS and Amos SPSS tools. Data is collected through questionnaires and analyzed with descriptive and inferential statistics, including Structural Equation Modeling (SEM). The results show that financial planning positively influences the financial sustainability of local government authorities. The study finds a stronger correlation between financial planning and sustainability in authorities that do not adhere to good governance practices, compared to those that follow good governance. The conclusion highlights that many local government authorities face sustainability challenges, which can be addressed by improving financial planning and performance evaluation procedures. The study recommends that management focus on enhancing financial planning practices to boost financial sustainability.

Keywords: *Financial Planning, Financial Sustainability, Local Government Authorities in Tanzania*

1.0 Introduction

Financial sustainability for Local Government Authorities (LGAs) refers to their ability to consistently meet financial commitments and service delivery needs without resorting to increased debt or higher taxes, both in the short and long term (Akeel et al., 2019; Bolívar et al., 2016; Jaafar et al., 2016; Caruana et al., 2019; Hajilou et al., 2018; Wallstedt et al., 2014; Aneta et al., 2021). Achieving this requires strict accountability in fund allocation and service provision. Key factors influencing long-term viability include effective service delivery (Galera et al., 2016), a stable revenue structure (Hajilou et al., 2018), and prudent debt management (Galera et al., 2019). However, due to their limited autonomy and dependence on government funding, LGAs often face significant challenges in managing these factors effectively (Caruana et al., 2019). As a result, maintaining a balanced approach to revenue, expenditure, and debt remains a critical and complex issue, making financial sustainability a central concern for public sector management (Augustine, 2022).

Agency Theory postulates that the agent and principal are both expectation-focused, that the agent's actions have an external impact on the principal's welfare, and that the agent has discretionary freedom due to asymmetric information (Eisenhardt, 1989). A potential goal conflict arises from pursuing self-interests (Magasi, et al., 2020). Accordingly, suitable precautions must be taken to keep an eye out for any opportunistic actions by the agent (Jensen & Meckling 1976; Magasi, et al., 2020; Panda & Leepsa, 2017). By implementing the contracted agreement with its principal, the organization hopes to ensure that the agent is not acting in conflict with the terms of their agreement by putting in place financial planning as a mechanism of ensuring proper allocation of resources. However financial

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monitoring and financial controls area deployed to address agency problem but for this study have been used as the control variables.

This study builds on the Agency Theory and applies the Institutional Theory to moderate the relationships between financial planning (FP) and financial sustainability (FS) based on the fact that a good governance practice enables increase efficiency by lowering agency costs through facilitating access to valuable resources through resource supply (Aguilera & Cuervo Cazorra, 2004). The concept of good governance has been widely applied in the establishment of development programs at its valuable undertaking; a thorough analysis is necessary to understand its significance, as it arises from the historical context in which numerous governments faced crises related to development and legitimacy as a result of poor governance.

The need to analyze the impact of financial planning (FP) on financial sustainability (FS) for local government authorities (LGAs) in Tanzania arises from significant financial challenges. Despite having various internal financial sources, LGAs struggled to collect the targeted TZS 76.59 billion and failed to allocate the necessary TZS 22.37 billion to development projects. Additionally, issues such as theft, unnecessary expenditure on building materials (TZS 435.02 billion), waste (TZS 898.85 million), and overdue loans (TZS 3.5 billion) highlight severe financial mismanagement (URT, 2022). These problems persist despite the Tanzanian government's efforts to enhance LGA performance through decentralization reforms since the 1990s, aimed at transferring power and resources from the central government to LGAs (Harris et al., 2011; Hoffman & Gibson, 2006; Kessy & McCourt, 2010; Mdee & Thorley, 2016; Ndlovu & Ngenda, 2006).

Decentralization by devolution was initiated through the umbrella of reforms to make the LGAs more accountable for resource delivery in their areas of jurisdiction. The reforms were carried out in LGAs through the Local Government Reform Programme (LGRP) which was part of a broader programme among the four key public sector reform programmes in Tanzania. The other three reform programmes included the Public Service Reform Programme (PSRP), Legal Sector Reform (LSR) and Public Financial and Management Reform (PFMR). All four programmes were part of a broader policy and strategic framework aimed at enhancing accountability, citizen participation, transparency, and integrity in the use of public resources and to improve service delivery (Lamdany & Martinez-Diaz 2009). There to enable the achievement of these reforms, financial planning should be carried out to ensure proper management of the financial resources to enhance financial sustainability (Aneta, *et al.*, 2021).

Previous research on the impact of financial planning on financial sustainability has largely concentrated on sectors like banking, NGOs, and private enterprises in both developed and developing countries (Abdulkaddir, 2021; Mahmood et al., 2021; AlQersh, 2021; Abiodun et al., 2020; Adeki & Okoth, 2019), with limited attention given to Local Government Authorities (LGAs). While some studies have explored methods to enhance LGAs' financial sustainability (Ameer et al., 2019; Masenga, 2021; Mbogo, 2022; Ocholla et al., 2022; McQuestin, 2021; Kessy, 2020), they often neglect crucial managerial components, particularly the role of financial planning. Furthermore, there is a significant gap in research that examines the effect of financial planning on LGAs' financial sustainability using agency theory and the moderating role of institutional theory (Abiodun et al., 2020; Adeki & Okoth, 2019; Mahmood et al., 2021; AlQersh, 2021; Abdulkaddir, 2021). Addressing these practical, methodological, and disciplinary gaps justifies the need for further study in this area.

2.0 Literature review

2.1 Theoretical reviews

Agency theory is essential for examining the effect of financial planning on the financial sustainability
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of Local Government Authorities (LGAs) in Tanzania because it highlights the relationship between principals (e.g., central government) and agents (e.g., LGA officials) and the issues of information asymmetry and misaligned incentives. This theory helps to identify how financial planning can be managed to align the interests of LGAs with those of their stakeholders, ensuring effective use of resources. Institutional theory, when used as a moderating variable, provides a framework to evaluate how good governance practices influence this relationship. It sheds light on how institutional norms, rules, and governance structures impact the effectiveness of financial planning and sustainability efforts, thus enhancing the understanding of how governance can support or hinder the application of agency theory in achieving financial sustainability. Combining these theories allows for a comprehensive analysis of both the managerial dynamics and the governance context affecting financial sustainability in Tanzanian LGAs.

Agency theory

Jensen and Meckling expanded on this idea in 1976 after it was first put forth by Alchian & Demsetz in 1972. The relationship between the principals—such as shareholders and agents like company executives and managers—is explained by the theory. Principal Agency Theory postulates that the agent and principal are both expectation-focused, that the agent's actions have an external impact on the principal's welfare, and that the agent has discretionary freedom due to asymmetric information (Eisenhardt, 1989). A potential goal conflict arises from pursuing self-interests (Magasi et al., 2020). Accordingly, suitable precautions must be taken to keep an eye out for any opportunistic actions by the agent (Jensen & Meckling, 1976; Magasi, et al., 2020; Panda & Leepsa, 2017). By implementing the contracted agreement with its principal, the organization hopes to ensure that the agent is not acting in conflict with the terms of their agreement by putting in place financial planning as a means of ensuring proper allocation of resources.

By studying this variable in the context of agency theory, researchers can gain insights into how financial planning affects the financial sustainability of selected LGAs in Tanzania. Therefore, the recognition of financial planning in resolving the agent problem require more than agency theory can explain in the establishment and operation of various settings (Abdullllah 2014). In order to increase the ability of Agency theory to explain its underlying effects on the financial sustainability of LGAs in Tanzania, it is necessary to include Institutional theory because through established principles, the government requires good corporate or good governance. "If the principles of Good Government Governance are applied to the government, a government's performance will be better," stated Beshi and Kaur (2020). Thus, achieving sustainable development within a government is essentially the indirect goal of good government governance.

Institutional Theory

This study used neo-institutional theory (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott W R, 1995) it is further argued that the set of good governance practices that the OECD (2019) considered as being universally accepted is the result of a rationalized norm. Along with increased globalization and digitalization, other factors also played a role in the institutionalization of the global good governance norm.

First, the introduction of good corporate governance codes and other regulatory changes subject firms to work under a great deal of legitimacy pressure (Galaskiewicz & Wasserman, 1989) to embrace a set of globally approved board practices presuming good governance (Zattoni & Cuomo, 2008) as a result of the presence of various forces pressuring them to comply to the globally legitimate good

governance norm. Efficiency and legitimacy, which are not necessarily mutually exclusive but may coexist and complement one another (Ntim & Soobaroyen, 2013; Tolbe, are the two main reasons why neo-institutional theory contends that coercive, normative pressures can compel firms to adhere to the good governance norm.

According to academics, companies that adhere to the good governance norm can increase efficiency by lowering agency costs through improved monitoring and facilitating access to valuable resources (Aguilera & CuervoCazurra, 2004). The Local Government system is a recognized organization with laws and bye-laws. When the theory is applied effectively, performance will increase, and local governments will be better able to deliver services in an efficient and effective manner. Because of this, institutional theory is important to inform effective governance in LGAs in Tanzania, working in conjunction with financial planning in order to strengthen the agency theory in explaining its effects on financial sustainability of the selected LGAs in Tanzania.

2.2 Empirical review

The research by Abdulkadir (2021) investigates how financial sustainability of regional NGOs based in Addis Ababa is affected by financial planning. The 936 regional NGOs present in Addis Ababa were the study's intended audience. 215 neighborhood NGOs were chosen at random to participate in the study and multiple regression was used to analyze the data. The findings indicate positive and significant relationships. Nevertheless, because only local NGOs working in Ethiopia were included in the study, findings are only applicable to specific organizations, making it unable to generalize the findings.

Another study by Mahmood, *et al.*, (2021) from Pakistan on the effect of strategic planning on the financial sustainability of small and medium-sized firms (SMEs) with sample size of 384 SMEs using the stratified probability sampling and the SEM for data analysis. discovered positive and significant relationships. Future studies may recommend this paradigm for use in other organizational contexts. The study by Abiodun *et al.* (2020), which examined the effect of financial planning on financial sustainability using a purposive sample of 50 employees from firms listed on Nigeria's capital market, presents several gaps. The primary limitation is the use of purposive sampling, which may introduce bias by selectively targeting a specific group of employees rather than a representative sample, potentially affecting the generalizability of the findings. Additionally, the study's focus on capital market firms does not account for the unique financial and governance challenges faced by public sector entities such as Local Government Authorities (LGAs), limiting the applicability of its results to other contexts. Furthermore, the small sample size may not provide a comprehensive view of the broader organizational impact of financial planning on sustainability.

The results from multiple regressions reveal that financial planning has negative and significant relationship. Another study by AlQersh, *et al.*, (2021) from Yemen, which used a sample of 397 managers and a random sampling technique to examine the effects of financial planning on the financial sustainability of SMEs manufacturing firms, using structural equation model revealed a positive and significant relationship. The sample was restricted to manufacturing SMEs, which constrained the generalizability of the results to other industries. Future researchers may focus on different fields. Similar research was conducted by Kenyan researchers. Odek & Okoth (2019) on the effect of financial planning on the financial sustainability of distribution companies. 38 employees made up the study's sample size for the census survey. Multiple regression analysis indicates a negative and significant relationship. The study, however, was limited to distribution companies.

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is examined in the study by Indonesian researcher Mujannah, *et al.*, (2019). 39 employees were randomly chosen as the sample using the purposive sampling method. Multiple regression analysis reveals a positive but insignificant relationship. However, because purposive sampling was used in the study, results cannot be generalized.

Therefore, this study builds on the Agency Theory and applies the Institutional Theory to moderate the relationships between financial planning and financial sustainability based on the fact that a good governance practice increase efficiency by lowering agency costs through improving allocation of resources and facilitating access to valuable resources through resource supply (Aguilera & CuervoCazurra, 2004). The concept of good governance has been widely applied in the establishment of development programs at its valuable undertaking; a thorough analysis is necessary to understand its significance, as it arises from the historical context in which numerous governments faced crises related to development and legitimacy as a result of poor governance. According to Motubatse, Ngwakwe, and Sebola (2017), good public sector governance promotes wise decision-making, efficient use of resources, and holds the management of those holdings accountable multinational organizations like the IMF have studied the solution for sound governance and assessed the issue of transparency, claim Lamdany & Martinez-Diaz (2009). In order to elucidate the concept of governance, Ojok and Basheka (2016) list four components: accountability, transparency, participation, and predictability. On the basis of the same observations, Abd-Aziz, Rahman, Alam, and Said (2015) contend that the following elements—strategic vision, involvement, effectiveness and efficiency, consensus orientation, transparency, responsiveness, equity building, accountability, and rule of law—are necessary for good governance in the public sector. Therefore, it was hypothesized that:

H₁: Financial planning has positive effect on financial sustainability.

H₂: Good governance positively moderates the effect of the financial planning on financial sustainability.

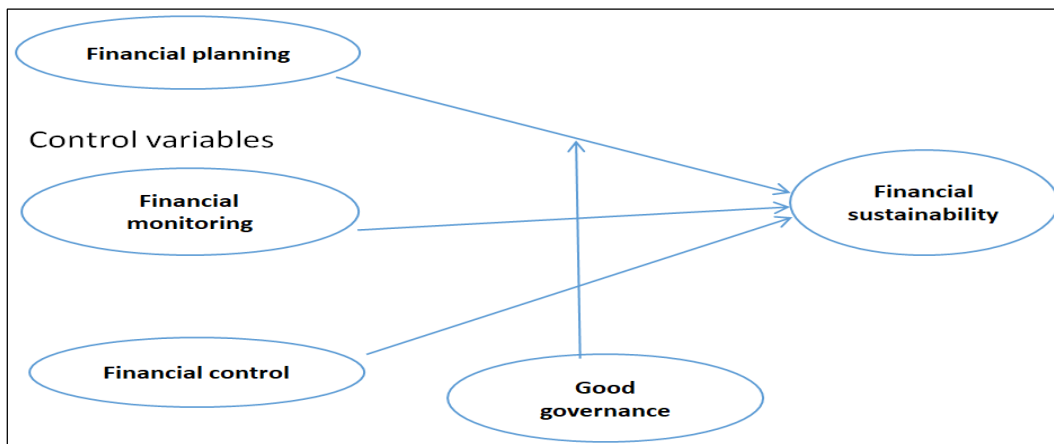


Figure 1: Conceptual Framework

3.0 Methodology

This study used positivism, which makes use of empirical data, and a deductive approach (Scotland, 2012). Saunders *et al.* (2009) used an explanatory design in conjunction with a survey mechanism. 800 accountants and auditors from Tanzania's six regions of Dar es Salaam, Tanga, Arusha, Mwanza, Mbeya, and Dodoma, precisely city councils and municipals, were the population of interest. Tanzania is divided into numerous LGAs, such as the Lake Zone, Coastal Zone, Central Zone, Northern Zone, Cite paper: Mlay, E., Kapaya, S., Hamis, S. Examining the effect of financial planning on the financial sustainability of selected local government authorities in Tanzania: The moderating effect of good governance. *Business Education Journal*, 10(1): 47 – 67.

and Southern Highlands, whose urban environments were intentionally chosen to balance each area.

They also act as the primary public administrative authorities for a particular region or geographic area within a nation, providing local political representation and fostering the advancement of the region's social, economic, and cultural spheres (Thapa, 2020; Shah and Shah, 2006). A simple random technique was employed to select 330 respondents, constituting the sample size. Jackson (2003) suggests that an optimal sample size to a parameter is 15:1 or at least 10:1, and suggests that $N:q$ be used as a general guideline when using Structural Equation Modelling (SEM). N and q represent the number of respondents for each parameter and the study's parameter, respectively. In all, eighteen (30) parameters were used. Thus, the sample size was 300 accountants and auditors according to the 10:1 rule. However, normally researchers increase the sample size by 10% to cover for lost questionnaires, uncooperative and untraced respondents especially when participation is voluntary and anonymous, and also data collection is done by a way of self-administered survey questionnaire (Kish 1965). In that regard, addition of 10% of the calculated sample size of 300 sums up to an absolute sample of 330 individuals. Therefore, 330 individuals sampled from the target population was the sample size for the study. Kothari and Gard (2014) claim that proportional allocation makes it possible to maintain the sample's proportionality to the defined research area.

3.1 Variables

The dependent variable in this study was Financial sustainability (FS) which was measured by six items as adapted from Ejoh et al., (2014). FP was the independent variable which was measured using six items as adapted from Masiega, et al., (2021) Chelangat, *et al.*, (2018 and Good Governance (GG) was a moderating variable measured using six items Amalia et al (2018) Eckersley et., al (2023) Sudaryati, et.,al., (2023). All these items were measured using a five-point Likert-like scale with items to each of which the respondents replied Strongly disagree (1 point), Disagree (2 points), neutral (3 points), Agree (4 points) or Strongly agree (5 points). The unit of analysis was an individual accountants and auditors.

According to earlier studies, financial sustainability may be impacted by other determinants. In order to control the relationship between the dependent and independent variables, certain control variables were used in this study, financial monitoring and financial control.

Table 1: Measurement Variables

Variable	No of items	Code	Measurement items	Measurement	Sources
Financial planning	6	FP	FP 1=Annual budget FP2=Expenditure outside budget FP3=Compare actual expenditure FP4= Maximum expenditure FP5=Accurate financial report FP6=Discussion for financial proposal	Ordinal scale =Strongly disagree = Disagree = Neutral =Agree = Strongly agree	Abdulkaddir, (2021) Chelingat <i>et al.</i> , (2018)
Financial monitoring	6	FM	FM1 =Strict supervision FM2=Audit of internal control FM3= External audit FM4= Discuss audit report FM5=Understanding of internal control FM6= Coordination of activities	Five-point Likert scale. 1 =Strongly disagree 2 = Disagree 3 = Neutral 4 =Agree 5 = Strongly agree	Chelingat <i>et al.</i> , (2018), Mujennah <i>et al.</i> , (2019)
Financial control	6	FC	FC1=Segregation of duties FC2 =Review transactions FC3 =Supervision FC 4=Training FC5= Adhere to provision FC6 = Follow up actions	Five-point Likert scale. 1 =Strongly disagree 2 = Disagree 3 = Neutral 4 =Agree 5= Strongly agree	Mbilla, <i>et al</i> (2020), Hussein Umar <i>et al</i> (2018)
Financial sustainability	6	FS	FS1=Surplus FS2=Positive operating margin FS3=Funding diversified FS4=Less fixed cost FS5=adequate resources allocation FS6= money for contingencies	Five-point Likert scale. 1 =Strongly disagree 2 = Disagree 3 = Neutral 4 =Agree 5=Strongly agree	Ejoh <i>et al.</i> , (2014) Ejoh,N & Ejom P (2014)
Good governance	6	GG	GG1=available website GG2= ethical compliance GG3= regular audit GG4= independent decision making GG5= compliance with laws and regulations GG6= participation	Five-point Likert scale. 1 =Strongly disagree 2 = Disagree 3 = Neutral 4 =Agree 5 =Strongly agree	Amalia <i>et al</i> (2018) Eckersley <i>et.</i> , al (2023) Sudaryati, <i>et.</i> ,al., (2018)

3.2 Data analysis

SPSS software version 25 was used in performing descriptive analysis and evaluating exploratory factor analysis (EFA) so as to determine the validity and reliability of constructs as well as evaluating the assumptions of a structural equation model. IBM AMOS software version 23 was used during the construction of measurement and structural models through Confirmatory Factor Analysis (CFA). The relationship between independent and dependent variables was determined to be significant at the 5% level of significance whereby moderation effect was determined using Cronbach Alpha. Goodness of fit indices with their acceptable threshold level was adapted from Hooper *et al.* (2008), Gupta (2015),

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Hair et al. (2006) and Malhotra et al. (2017) as follows: $CMIN/DF (X^2/df) \leq 3$, $RMR \leq 0.08$, $GFI \geq 0.90$, $CFI \geq 0.90$, $NFI \geq 0.90$, $TLI \geq 0.90$, $RFI \geq 0.90$, $PCFI \geq 0.50$, and $RMSEA \leq 0.08$. The study employed a variety of indicators statements to quantify good governance, making it a latent construct. In light of this, the study by Awang (2011) issues a warning that the moderation analysis for a model with a latent component is extremely challenging. Additionally, because it may result in issues with model convergence and standard error, the conventional modeling technique employing interaction terms is not applicable to latent constructs. Instead, Multi-Group CFA was used in the study to examine the influence of the moderator variable's latent nature. As a result, this study examined H2 obtained from the using a step-by-step Multi-Group CFA approach.

4.0 Findings and discussion

4.1 Demographic profile of respondents

The researcher explored respondents' demographic characteristics in order to gain understanding of the respondent's profile as to impose the validity of the data. The study used 318 respondents to assess the effect of internal determinants on financial sustainability. The respondents' profile includes gender, age, education level and geographical regions as indicated by in the tables below:

Table 2: Gender composition of Respondents

Gender	Frequency	percent
Male	210	66
Female	108	34
Total	318	100

Table 4.2 showed that 19.8% were aged below 30 years, 39% between 31-40 years old; the active young group in the society, and 31.1% were between 41-50 years old. While 10.1% were above 50 years old. It showed that majority were 124 (39%) individuals between 31 and 40 years old, therefore the respondents were matured enough to provide a credible assessment of the financial sustainability of LGAs.

Table 3: Age composition of respondents

Age Group	Frequency	Percent
50 +	32	10.1
41 – 50	99	31.1
31 – 40	124	39
20 – 30	63	19.8
Total	318	100

Regarding education level, Table 4 showed that only 18.6 % had diploma, 50.6 % had bachelor degree 24.2 % had master's while 6.6 had postgraduate diploma. In general, majority of the respondents 50.6 %, had at least bachelor degree therefore been knowledgeable enough to understand the questionnaires and provide valuable information.

Table 4: Education composition of respondents

Education	Frequency	Percent
Diploma	59	18.6
Bachelor	161	50.6
Masters	77	24.2
Post graduate diploma	21	6.6
Total	318	100

Regarding regions where respondents come from table 4.4 showed that 38% were from Dar es salaam, 12.9 % were from Dodoma, 7.9 were from Tanga, 13.2% were from Arusha, 10.4 were from Mbeya while 17.6% were from Mwanza.

Table 5: Geographical composition of respondents

Region	Frequency	Percent
Dar es Salaam	121	38
Dodoma	41	12.9
Tanga	25	7.9
Arusha	42	13.2
Mbeya	33	10.4
Mwanza	56	17.6
Total	318	100

4.2 Data analysis and results

Testing assumptions for SEM

Before concluding on the relationship between variables, the model assumptions underlining with SEM were assessed. The study revealed that the SEM assumptions including linearity using scatter plots, multicollinearity using VIF and levels of tolerance, homoscedasticity using the plots of regression standardized residuals versus the regression standardized predicted residuals as well as the normality of residuals using normal probability plots were revealed. On top of these assumptions, the multivariate normality was evidenced by the skewness and kurtosis being within the recommended threshold of ± 2 and ± 3 respectively as pointed out by (Cangur & Ercan, 2015).

4.3 Validity and reliability testing

The validity and reliability of study constructs were assessed. The study revealed that all study constructs were reliable as the Cronbach's Alpha values were above the recommended threshold of 0.7 as stipulated by Palos-Sanchez & Saura (2018 and Vaske et al. (2017). This was also in support with the composite reliability as well as the average variance extracted needed for assessing validity. Based on the validity, the study revealed that the convergent, discriminant as well as construct validity were attained as evidenced by the Average Variance Extracted (AVE) values of above 0.5, and square root of AVE being above the correlation between constructs as well as the measurement models as proposed by (Fornell & Larker, 1981). Furthermore, the construct validity was attained as the model fit indices in prescribed measurement models for each construct was revealed to underlying within the stipulated cut-off points. The researcher was confident with internal reliability as its composite reliability (CR) was above the recommended cut-off point of 0.6 (Lam, 2012). Table 6.

Table 6: Construct validity and reliability

Construct	No. items	CA	CR	AVE	\sqrt{AVE}
FS	6	0.914	0.809	0.415	0.64
FP	6	0.902	0.894	0.586	0.77
FC	6	0.863	0.839	0.467	0.68
FM	6	0.915	0.854	0.502	0.71
GG	6	0.870	0.877	0.548	0.74

4.4 Factor correlation analysis

In support to the discriminant validity, the bivariate correlation coefficient was computed to assess the

strength of relationship between study constructs. A moderate Pearson correlation of 0.59 for FM and FP as well as 0.66 for FS and FM was revealed. Table 7.

Table 7: Bivariate Pearson correlation between constructs

Variables	Variables			
	FS	FC	FM	FP
FS	1			
FC	.622**	1		
FM	.659**	.527**	1	
FP	.634**	.607**	.591**	1

Key: ** correlation was statistically significant at $p < 0.001$

4.5 Model formulation and validation

Exploratory factor analysis

Evaluation of the number and set of items forming a particular construct was performed using exploratory factor analysis. The exploratory factor analysis (EFA) was conducted in order to assess the total number constructs, the perceived items formed the particular construct and the extent of correlations between study items. The study was revealed to attain the sampling adequacy as the Kaiser-Meiyer-Olkin Measure (KMO) was 0.9 being above 0.7 and still the Bartlett's Test of Sphericity was statistically significant at $p < 0.001$. Table 7

Table 8: KMO and Bartlett's Test results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.940
Bartlett's Test of Sphericity	Approx. Chi-Square	6760.876
	df	435
	Sig.	.000

After realizing that the study items were correlated enough and sampling was adequate, then the principal component analysis (PCA) was undertaken to as to determine the number of components formed using the study observable items. Using 30 observable items, it was revealed that 5 constructs with Eigenvalues above 1 were formed as expected. The first principal component had Eigenvalue of 12.2 while the fifth component had Eigenvalue of 1.1. The cumulative percentage of rotation sum of squared loadings was 68.5. Table 9

Table 9: Description on principal components formed by study variables

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of	Cumulative	Total	% of	Cumulative	Total	% of	Cumulative
		Variance	%		Variance	%		Variance	%
1	12.238	40.793	40.793	12.238	40.793	40.793	4.548	15.161	15.161
2	3.696	12.320	53.113	3.696	12.320	53.113	4.353	14.509	29.670
3	1.905	6.350	59.462	1.905	6.350	59.462	4.017	13.390	43.060
4	1.591	5.304	64.767	1.591	5.304	64.767	3.913	13.043	56.103
5	1.130	3.766	68.533	1.130	3.766	68.533	3.729	12.430	68.533

Extraction Method: Principal Component Analysis.

After determining the number of principal components, the rotation matrix was used to determine if the perceived observable variables actually form the particular construct. As expected, each of the observed variables was found within the perceived construct, no overlapping of items was observed. Additionally, the factor loadings per observable variable underlined with the requirement of being at least 0.5 for

structural equation modelling (Hair et al., 2014; Yong & Pearce, 2013) as shown in Table 10.

Table 10: Rotated component matrix for study items

	Component				
	1	2	3	4	5
FP2	.835				
FP1	.823				
FP3	.800				
FP4	.787				
FP6	.692				
FP5	.633				
GG2		.852			
GG3		.847			
GG1		.794			
GG4		.725			
GG5		.617			
GG6		.554			
FM1			.800		
FM4			.799		
FM3			.791		
FM2			.756		
FM5			.522		
FM6			.514		
FS3				0.689	
FS2				0.675	
FS4				0.663	
FS1				0.629	
FS6				0.654	
FS5				0.545	
FC4					.733
FC2					.721
FC3					.719
FC1					.650
FC5					.641
FC6					.625

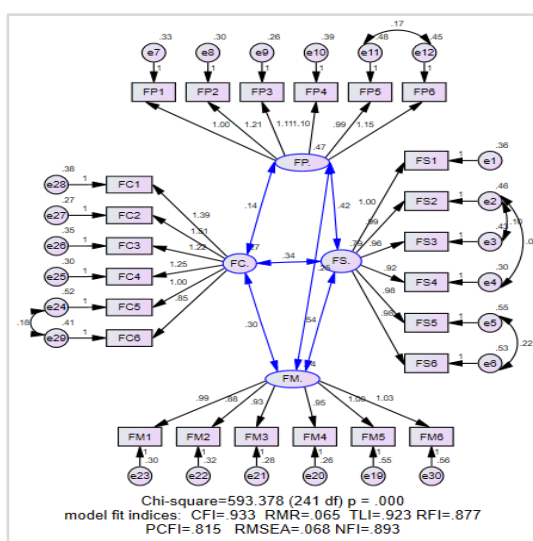
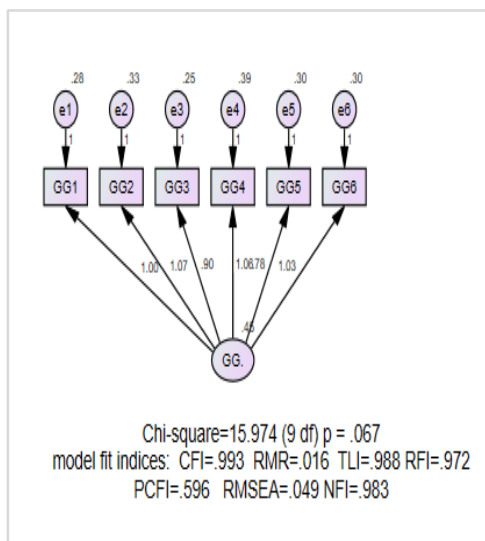
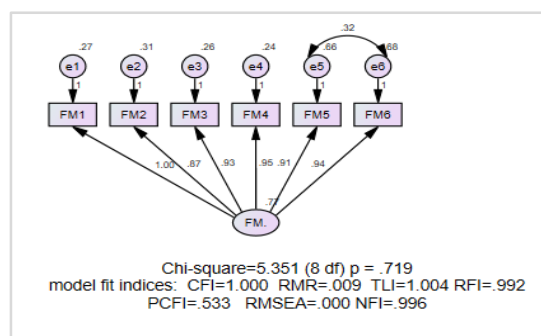
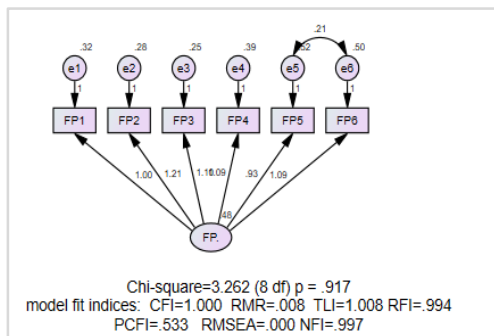
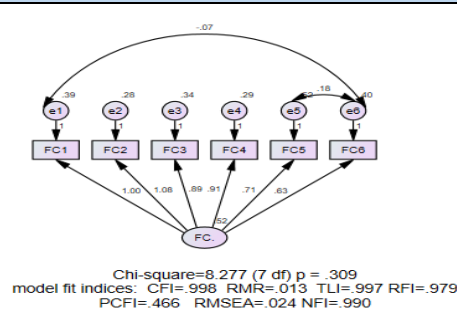
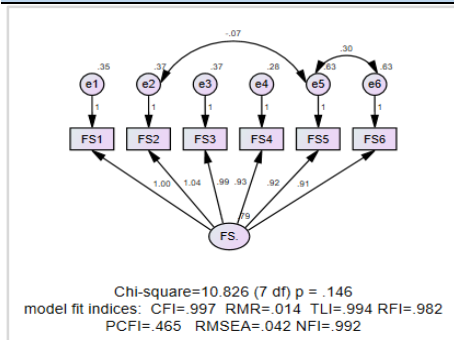
Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Confirmatory factor analysis

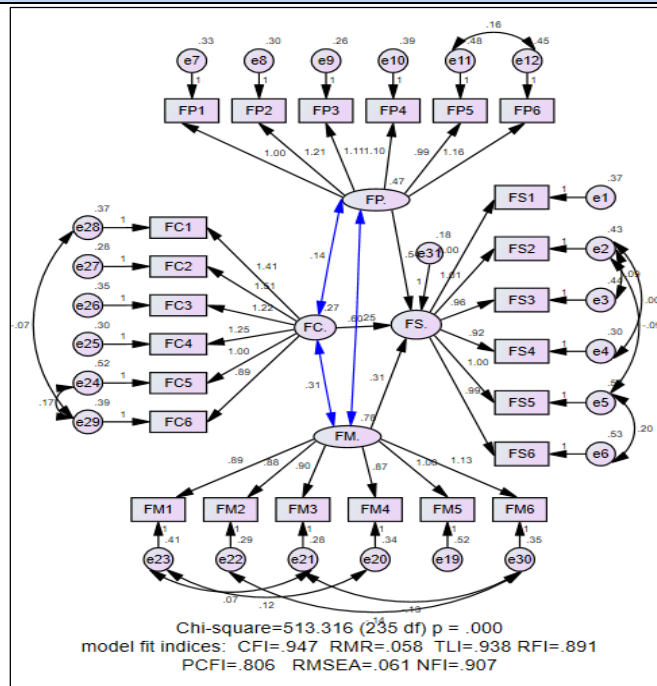
Beneath to EFA, the confirmatory factor analysis (CFA) was conducted so as to assess the study hypotheses. The CFA involved the construction of both the measurement and structural models. The following fit indices; with their cut-off points $CMIN/DF (X^2/df) \leq 3$, $RMR \leq 0.08$, $GFI \geq 0.90$, $CFI \geq 0.90$, $NFI \geq 0.90$, $TLI \geq 0.90$, $RFI \geq 0.90$, $PCFI \geq 0.50$, $RMSEA \leq 0.08$ were utilized to approve the models. Based on the measurement models, we revealed that all study constructs attained the required model fit indices as prescribed from figure 1 to 5. For instance, the FS as measured by 6 observable items was revealed to have CFI, TLI and RFI above 0.9 while the RAMSEA was below 0.08.



Additionally, the overall measurement model as presented in figure 6 was also revealed to conform with the stipulated model fit indices and hence implying that the data fitted well the specified model.

Evaluation of Structural Model

Furthermore, the structural model needed for establishing the relationship between study constructs was also assessed. The results of the structural model concurred with the results from the overall measurement models as the model fit indices were attained. Similarly, the CFI, TLI and RFI above 0.9 while the RAMSEA was below 0.08.



4.6 Hypothesis testing

After realizing that the SEM assumptions were met, then the regression estimated as obtained from the structural model were compared. We revealed that, controlling for FM and FC, each unit increase in FP the FS increases by 0.54. The observed increase was statistically significant at $p < 0.001$. Based on these results, we had enough evidence of rejecting the null hypothesis thereby concluding that financial planning (FP) had a positive and statistically significant effect on financial sustainability (FS).

4.7 Moderation analysis

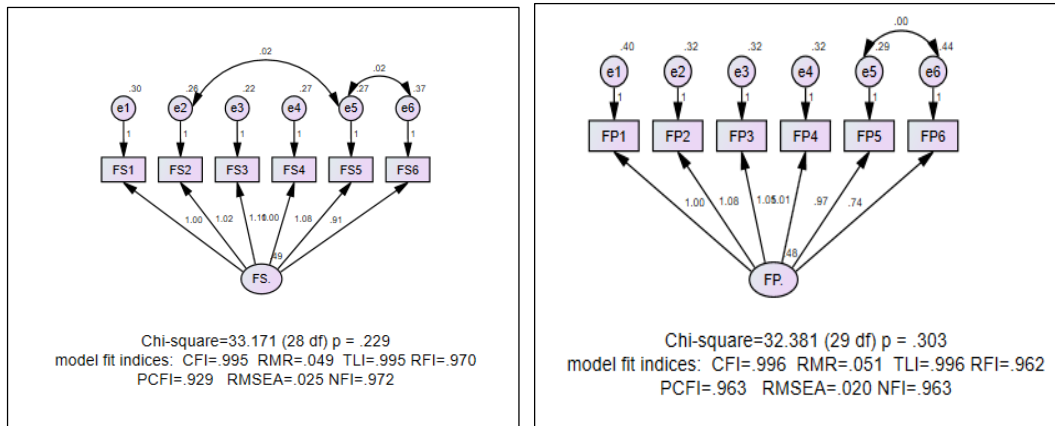
In order to assess if the effect of FP on FS varied based on the levels of good governance, the moderation analysis was conducted. The moderating variable (good governance) was categorized into three basic groups namely; non-compliance, moderate and compliance. The non-compliance was when the average point score for GG was below 3, the moderate compliance was when the average score for GG was 3 while the compliance was when the average GG score was above 3. Following this classification, the study revealed that majority were 193 (60.7%) compliance groups with GG while minority was 17 (5.3%) moderate compliance group while 108 (34%) was non-compliance. For multigroup analysis, Kline (2011) asserts that each group should have at least 100 cases in order to be considered for multi-group analysis. Thus, the moderate group with 17 (5.3%) of cases was eliminated for further analysis and hence two group moderation analysis was considered.

Measurement invariance testing

Before undertaking further investigation on two group moderation analysis, the measurement invariance to determine whether measures of the same underlying construct are being made of in two different groups was undertaken. According to Hair et al. (2010), the primary goal of the measurement invariance test is to confirm that measure models run under various circumstances produce a comparable representation of the same construct. Both the configural metric and scalar invariance to assess if the measurement of a latent construct varied across groups as undertaken according to Xu et al. (2017).

Configural invariance testing

When testing for the configural invariance, we fitted the freely unconstrained model for both the compliance and non-compliance groups of GG for both FS and FP constructs.



As expected, the Chi-square test for configural models in case of FS and FP as presented in tables 7 and 8 respectively were revealed to be invariant as evidenced by the non-statistically significant p-values.

Table 11: Composite Chi-square test for the configural model of FS

Model	NPAR	CMIN	DF	P	CMIN/DF
Unconstrained	28	23.418	14	.054	1.673
Measurement weights	23	29.896	19	.053	1.573
Structural covariances	22	30.156	20	.067	1.508
Measurement residuals	14	33.171	28	.229	1.185

Table 12: Composite Chi-square test for the configural model of FS

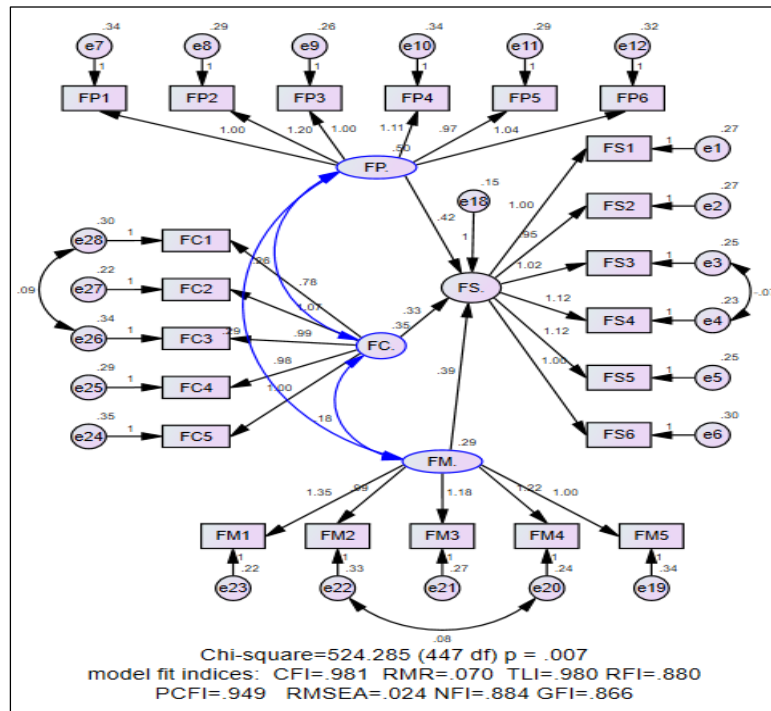
Model	NPAR	CMIN	DF	P	CMIN/DF
Unconstrained	26	14.660	16	.550	.916
Measurement weights	21	21.013	21	.458	1.001
Structural covariances	20	21.049	22	.518	.957
Measurement residuals	13	32.381	29	.303	1.117

Furthermore, the overall model including all predictors on the dependent variable FS was set and the output is as presented in figure below. The corresponding model fit indices including the TLI, CFI and PCFI were above the recommended cut-offs of 0.9 while the RFI was at least 0.9. All required model fit indices were met, hence providing an opportunity for assessing the configural invariance. Using the multi-group analysis approach, the study revealed that the two models attained the configural non-invariance as evidenced by the model fit indices and corresponding CMIN values of 478.223 which was statistically significant at a less than 5% level ($p = 0.028$). Table 11 provide composite chi –square summary for configure models.

Table 13: Composite Chi-square Test for the configural model

Model	NPAR	CMIN	DF	P	CMIN/DF
Unconstrained	106	437.692	400	.094	1.094
Measurement weights	88	476.814	418	.024	1.141
Structural weights	85	478.223	421	.028	1.136

Model	NPAR	CMIN	DF	P	CMIN/DF
Structural covariances	82	489.637	424	.015	1.155



Chi-square difference tests

Additionally, the Chi-square Difference Tests for Moderation analysis was undertaken to evaluate the presence of non-invariance between the GG groups. The rule of thumb is that the Chi-square test statistic should be statistically significance so as to conclude the presence of non-invariance between the restricted and the unrestricted models. The study revealed a strongly statistically significant Chi-square value at a 5% level ($p = 0.006$) hence implying the presence of non-invariance between the two models as presented in table 12.

Table 14: Chi-square difference tests output (In Unconstrained model)

Model	DF	CMIN	P	NFI Delta-1	IFI Delta-2	RFI rho-1	TLI rho2
Measurement weights	18	39.122	.003	.009	.009	.005	.005
Structural weights	21	40.531	.006	.009	.010	.004	.005
Structural covariances	24	51.945	.001	.011	.013	.006	.007
Structural residuals	25	53.621	.001	.012	.013	.006	.007
Measurement residuals	47	86.593	.000	.019	.021	.008	.009

Furthermore, the invariant test was evaluated using the Chi-square differences between the unconstrained and constrained models. The study revealed the Chi-square difference of 58.27 which was statistically significant at $p < 0.001$. These findings imply the presence of moderation effect; however, the path-by-path analysis is needed so as to establish the path with the moderating effect as shown in Table 13.

Table 14: Stats tool package for Chi-square outputs

	Chi-square	df	p-value	Invariant?
<i>Overall model</i>				
Unconstrained	478.223	421		
Fully constrained	536.495	446		
Number of groups		2		
Difference	58.272	23	< 0.001	No
<i>Constrained path</i>				
FS <--- FP	664.385	513	0.000	
<i>Chi-square critical values</i>				
90% confidence	553.41	513	0.1	
95% confidence	565.74	513	0.05	
99% confidence	589.37	513	0.01	

Path by path moderation analysis

However, presence of non-invariance further suggests that the effect of independent variables on the dependent variable might be different hence necessitating for the further moderation analysis called path by path analysis. The path-by-path moderation analysis was done by comparing the Chi-square values based on the constrained and unconstrained models. The path analysis was conducted by restricting the path from FP to FS then the comparisons of the computed Chi-squared values to the critical values were made. The Computed Chi-squared values (664.385) were larger as compared to the critical values (589.37 at 99%), then the statistically significant moderation effect was reported. The observed model fit indices together with the non-invariance evidences, the researcher had enough evidence of concluding that the configural invariance was achieved hence necessitating for conducting the moderation analysis.

Moderation hypothesis testing

Moderating effect of GG on the relationship between FP and FS

The moderating effect of FP on FS was assessed based on the two groups of GG. Based on the group of non-compliance with GG, the study revealed that for each unit increase in FP, the FS increased by 0.433. The observed increase was statistically significant at $p < 0.001$ ($p = 0.000$). Similarly, using the standardized estimates the study revealed that for each unit score increase in FP, the FS increased by 0.44. Based on the group of complying with GG, the study revealed that for each unit score increase in FP, the FS increased by 0.47 and this increase was strongly statistically significant at $p < 0.001$. Using the standardized estimates, the study revealed that for each unit score increase in FP, the FS increased by 0.432 as shown in Table 14.

Table 15: Effect of FP on FS for the Group complying and not complying with GG

Variables	Unstandardized Estimate	Standardized estimates	S.E.	C.R.	P	Label
<i>For the group not complying with GG</i>						
FS. <--- FP.	.433	.440	.102	4.247	***	b1_1
<i>For the group complying with GG</i>						
FS. <--- FP.	.472	.432	.076	6.239	***	b1_2

5.0 Discussion of findings

The results maintained H1 of the study, in which FP was assumed to have positive and statistically significant effect on FS as proved by the effect of 0.54 ($p < 0.001$) of FP on FS. This finding is consistent

with findings by Abdulkaddir, 2021; Mahmood et al., 2021; AlQersh, 2021; Abiodun et al., 2020 but are contrary to findings by Abiodam et al., 2020, Odek, & Okoth 2019). Mujennah et al., 2019 which showed that financial planning is negatively related to financial sustainability. However, it was restricted to manufacturing SMEs; further research ought to consider other domains, such as local government authorities.

The findings indicate that, as indicated by table 14 there is a stronger correlation between financial sustainability and financial planning in the group that adheres to good governance ($y = 0.47$ and $p < 0.001$), which is statistically significant, than in the group that do not adhere to good governance ($y = 0.432$, which is statistically significant at $p < 0.001$ ($p = 0.000$)). This shows that the group that practices good governance experiences an increase in FS of 0.47, compared to a 0.43 increase in the group that does not practice good governance for every unit increase in FP. The results verified that the relationship between FP and FS was not moderated by good governance. The results indicated that the two groups' approaches to financial planning are comparable. This demonstrated that the groups that influence FP on FS and those that do not comply with GG do not differ significantly. Research revealed that groups adhering to GG face compliance costs, which in turn raise expenses but improves the organization's financial viability (Bolivar et al., 2016). Regarding the theoretical contribution, the group that does not adhere to GG in terms of financial sustainability and planning has not had an impact because the two groups' significance levels are the same. Consequently, the strength of the relationship between FP and FS in FP remained constant for both groups. This is due to the fact that neither group appears to view FP differently.

6.0 Conclusions and implications

The paper analyzed the effect of FP on FS of selected LGAs in Tanzania with the moderation role of GG. The findings revealed that FP has positive and significant effect on FS. Thus, it is concluded that FP is predictor of FS of selected LGAs in Tanzania. The findings demonstrated that there was no effect of good governance in moderating the relationship between financial planning and financial sustainability. This suggested that the two groups' perspectives on financial planning are similar.

The study's conclusions led to the formulation of the following recommendations. After learning that financial planning is a prerequisite for the financial sustainability of the chosen LGAs, LGAs should give priority to the components of financial planning, such as having a documented mission statement, a future vision for the LGAs, and the establishment of core values, or the organization's rules of conduct. They should also set realistic goals, establish long-term objectives—which must be measurable and specific—and develop action (strategic) plans, as well as implement and appropriately monitor them.

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