Novelty Journals

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 1, pp: (72-84), Month: January - April 2018, Available at: www.noveltyjournals.com

EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE IN THE PUBLIC SECTOR: A CASE OF SOMALIA CIVIL AVIATION AND METEOROLOGY AUTHORITY

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Abstract: **The performance of any organization is very important to its stakeholders as success is measured by how well strategic goals are met. One of the important determinants of good financial performance is financial management where resource allocation and funding requirements both in the short run and long run are critical. The aim of the study was to determine the effects of financial management practices on the organizational performance of public sector organizations like Somalia Civil Aviation and Meteorology Authority (SCAMA) which was studied. Such financial management practices as were studied are annual budget process, financial reporting & tracking, and internal controls. The study was guided by the following objectives: to determine the effect of annual budgeting on financial performance of SCAMA; to establish the effect of financial reporting and tracking on financial performance of SCAMA; to evaluate the effect of internal controls on financial performance of SCAMA; and to evaluate the effect of governance on financial performance of SCAMA. The study employed a descriptive design and targeted all the 200 employees of SCAMA. A sample of 140 employees was taken through stratified sampling. Primary data was collected through the use of a self-administered questionnaire. Data was analysed through descriptive and inferential statistics, and presented using charts and tables. The study found that the four independents variables combined caused 53.45% of the changes in financial performance of SCAMA. The independent variables were all statistically significant. The study further rejected all the four research hypotheses. The study concluded that all the four independent variables individually affect financial performance at SCAMA to at least a large extent. The study recommends that SCAMA should adopt a more inclusive budgeting process. Further, financial reporting should be fully automated. Internal controls should be managed across all operations with the internal auditing function being outsourced. Finally, the corporate governance framework at SCAMA should be strengthened to achieve better financial performance outcomes.**

Keywords: **organization, stakeholders, strategic goals, financial management practices.**

1. INTRODUCTION

Background to the Study:

A lot of emphasis is paid on how institutions in the public sector perform, due to the importance the sector plays in the development of an economic, with a high intake of public debt notwithstanding. There is a long term implication of debt as it accumulates over time to cover deficits in budgets continuously. The performance of the public sector is critical in ensuring the proper utilization as debt as well as taxes, as well as in minimizing public sector wastage of resources. This is derived from the citizens need for value for money, in spite of limited budgets. It is also important to provide information to the general public on the public sector spending so that the public can gauge the government's performance. The scrutiny is aimed at reducing the tax burden on the citizenry while enhancing the confidence of the citizens in their government of the time.

Previous studies stress on the importance of the public sector performance definition and measurement by external stakeholders due to the obvious challenge in quantifying such performance given the goal of a government to optimize the welfare of its citizens. Profirou (2001) asserts that the conditions necessary for the measurement of performance in the public sector border on the alignment of objectives, means and outcomes that would lead to increased efficiency, effectiveness and of a proper budgeting.

Performance in the public sector describes the results of an activity in a specific area or aggregate results from several or all activity fields of a public body, being measured either in absolute terms (as an index) or in relation to the results achieved in the previous periods (Handler, Koebel, Reiss & Schratzenstaller, 2004). In theory, Profirou (2001) proposes several methods for measuring performance in the public sector, namely; a) measuring the economy of resources; b) measuring the costs (input); c) measuring outputs; d) measuring the effects (outcomes); e) measuring efficiency; f) measuring effectiveness; g) measuring the quality of services.

Practically, the measurement of performance in the public sector has challenges due to the wide variability of the objectives that are sought and the necessary information (Zhonghua & Ye, 2012). Neely, Adams and Kennerley (2002) define a performance measurement system as one that facilitates decision making and provides for the execution of limited fundamental actions due to its foundations on effectiveness and the efficiency of past actions (or transactions) using appropriate information infrastructure. The challenges in such systems arise due to the reliance on efficiency, effectiveness and economic indication (most financial objectives) sought by these systems. Measurement of environmental and social objectives is ignored. A solution lies in Chai's "5 E's" of Economy, effectiveness, efficiency, environmental and equity (Chai, 2009).

Statement of the Problem:

Business concerns, according to Paramasivan and Subramanian (2015), need finance to meet their requirements in the economic world. Anykind of business activity depends on the finance. Hence, it is called as lifeblood of business organisation. Whether the business concerns are big or small, they need finance to fulfil their business activities. According to Khan and Jain as cited by Paramasivan and Subramanian (2015), "Finance is the art and science of managing money". And According to the Guthumann and Dougall (2012), business finance can broadly be defined as the activity concerned with planning, raising, controlling, administering of the funds used in the business.

A number of studies have been undertaken locally and internationally on the subject area of Public Finance. The World Bank Report on Public Financial Management Reforms (2012) stated that there was still a lot to be done to improve budgeting and public financial management (PFM) in Africa including Somalia; mainly emphasizing that critical challenges to good PFMR in Africa since most reforms implemented are clustered around the budget formulation stage, while reforms at the other stages of the budget process particularly budget execution and auditing lag behind. This is a common incidence for many Commercial State Owned Enterprises in Somalia during their budgeting process.

In Somalia, Public Finance Management (PFM) is not effective. In the absence of a central government apparatus and regulatory bodies, there is no formal tax policy. Businesses are not regulated or taxed, though an informal system of taxation has developed. Industries operate informally, even when they are highly profitable. Somalia has been characterized by high public expenditures by Governments, deficit financing through money printing, uncontrolled money supply and inflationary trends. The value of the Somali Shilling (SOS) is quite difficult to determine given the fluctuation of exchange rates from region to region within the Somali territory. The inflation rate is estimated to remain in the range of 300%.

At SCAMA, the Authority strives to reflect certain key values as the characteristics of the people who are the SCAMA team and equally for the organization as a whole by professionalism, accountability among others as per Mekhau (2012) study. The emphasis for this study being "accountability" looks so much at financial accountability which forms part of financial management. Despite the Authority's efforts to be financially accountable, there has been occassional delays in reports, insufficient funding of some projects and delays in spendings on necessity functions which may have been the causes of delayed deliveries of services and or poor services rendered to customers. If financial management problem is not tackled to the tune and depth it requires, there might be grave deterioration of the Authority's quality in servicing its customers, more delays in deliverables and customer satisfaction among other consequences. It is therefore at this point that, this study positions itself in enlightening the role of financial management in the performance of SCAMA.

Specific Objectives:

i. To determine the effect of budgeting on financial performance of SCAMA.

ii. To establish the effect of financial reporting on financial performance of SCAMA.

iii. To evaluate the effect of internal controls management on financial performance of SCAMA.

iv. To assess the effect of corporate governance on financial performance of SCAMA.

2. LITERATURE REVIEW

Annual Budget Process:

Budgets are the measurable functional plans in strategic plans to help guide resource allocation and monitor affairs in organizations (Burke & Modarresi, 2000). Budgeting originated from governments, but has been adapted universally to all other organizations as a tool for planning and control of the limited resources in pursuit of the organization's goals and objectives. Budgets play a critical role in policy planning and formulation, as well as monitoring the direction such policy implementation takes (Premchand, 2004). It stipulates which activities and programs should be actively pursued, emphasized or ignored in the period under scope, considering the limited financial resources available to the organization.

Best practices outline three important objectives that good budgets should attain: (a) instill financial discipline, (b) the achievement of allocative, and (c) the achievement of operational (technical) efficiency. According to Wagacha (2000), all the arms of the government participate in the budget process, together with various ministries and other agencies. New approaches to the budgetary process have seen an increased role in legislative budgeting, which encompasses new responsibilities to the longstanding appropriation processes, and to political relations with government. Historical evidence also indicates that legislatures had fiscal powers before the executive, and the result was that legislative action became an inadequate means of fiscal control. This means that the legislature's role must be defined more in terms of policy, accountability and performance, and less in terms of control and restriction (Wagacha, 2000).

The annual budgetary process culminates in the betterment of the social welfare through the provision of public goods. Annual budgets therefore are intended for authorizing actions and providing ceilings for management actions (Allison & Kaye, 2005). This is unlike in for-profit organisations (private firms) whose main goal is shareholder wealth maximisation. Budgeting in the private sector is thus geared towards the conscious effort to achieve desired results, and puts limitations to maximize such chances.

According to Lewis (2005) the basic reason for requiring estimates from subordinate officials is that higher officials do not have enough detailed information, time or specialized skills to prepare the plans themselves. It is the decision maker at the subunit level who has the relevant facts to effectively classify activities into various categories according to their importance. It is also at this level, that projects and activities requiring attention and hence financial support can be identified and prioritized.

Financial Reporting and Tracking:

Based on financial accounting, financial reporting refers to the best of analyzing past historical financial transactions, analyzing them and availing them to the diverse users of such economic information in various forms. This information is presented in financial reports (Flint, 2000) and consists of statements such as the statement of earnings for a period of time, the statement of financial position as at a given date, the statement of cash flows between two distinct dates, and a statement of shareholders' equity for a given period. There are notes and supplementary schedules that support such financial reports (IASC, 1989). Although a published annual report may include information about plans, new products, projected capital expenditures, and the like, this is generally presented in such a way that it is definitely separated from the ordinary financial statements. Financial statement preparation has to conform to stringent standards set under the International Accounting Standards (IAS) and reported under the International Financial Reporting Standards (IFRS).

According to Zadek (2004), financial statements show an overview of an organisation's past performance, as well as the short and long-term financial condition of such an organisation. For public institutions like parastatals (SCAMA), these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements (Zadek, 2004).

There are several users of financial statements and they include owners and managers who use the statements to assess the performance of their organisation that help them in making future business decisions. There is extra financial analysis that is conducted to provide more specific and detailed understanding of the figures in the financial statements. Employees through trade unions use financial reports in making collective bargaining agreements (CBA) with the management. Government entities (tax authorities) need financial statements to ascertain the propriety and accuracy of taxes and other duties declared and paid by a company. Vendors who extend credit to a business require financial statements to assess the creditworthiness of the business. Media and the general public are also interested in financial statements for a variety of reasons (Mautz & Sharaf, 1961).

Internal Controls Management:

According to Cook and Wincle (1976), the Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. In this concept, by measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, is an important managerial control device, which is directly linked to the organizational structure and the general rules of the business (Cai, 1997). In today's business environment internal auditors are now providing management with a far broader range of information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities.

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to management and the audit committee that internal controls are effective and working as intended. The internal audit activity is led by the CAE. The CAE delineates the scope of activities, authority, and independence for internal auditing in a written charter that is approved by the audit committee. An effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organization and its culture, operations and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. Similarly an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance, and shareholders (Amit, 2003).

Internal control was under assessment, partially because of well-publicized corporate failures and partially as a result of moves towards professionalization of the internal audit function. Express changes in IT and decision-making practices in many organizations were motivating moves away from strict, recognized control to situations where liability for control was being pushed down the organization hierarchy and where mistake by management could not be attained through conventional, fulfillment based internal audit.

The study had been able to show an observation that within the corporate governance policy, risk management has become closely aligned with internal control which proposes the amount to which risks are administered has now been captured as a form of accountability, rather than its focus – considered as an index against which a measurement of performance is being calculated. Thus, the redefinition enables to offer a new vision of risk management as part of the accountability process, which involves an alteration which shadows the difference between responses to risk, through risk management systems and accountability of risk (Spira & Page, 2003).

Corporate Governance:

According to Tricker (1994), there are two aspects of corporate governance: conformance and performance. Conformance consists of two elements: monitoring and supervising executive performance; and maintaining accountability. Performance, on the other hand, consists of strategy formulation and policy making.

Public sector must adhere to six main elements to apply effective public sector corporate governance. These six main elements could be divided by two, related to personal quality and non-personal quality. The first three main elements which are related to personal quality of those in the organization are: leadership, integrity and commitment. And the other three elements are product of strategies, systems, policies and processes which are: accountability, integration and transparency (Barrett, 2002).

To reach effective public sector corporate governance, each public entity must ensure these six main elements. From these six elements, it is understandable that to reach an effective public sector corporate governance and even better practice will need collaboration from both sides: improvement of personal quality and also improvement of the strategies, systems, policies and processes. Without improvement from both sides, there won't be effective public governance.

The aim of Good Governance in the Public Sector (International Framework) is to encourage better service delivery and improved accountability by establishing a benchmark for good governance in the public sector. The International Framework is not intended to replace national and sectoral governance codes. Instead, it is anticipated that those who develop and set national governance codes for the public sector will refer to the International Framework in updating and reviewing their own codes. Where codes and guidance do not exist, the International Framework will provide both a shared understanding of what constitutes good governance in the public sector and a powerful stimulus for positive action (IFAC, 2001).

Financial Performance:

The objectives of effective PFMA include proper planning and budgeting for public income and expenditure, effective and efficient administration of government revenues, proper use of budget resources, effective control of public expenditure, accounting and reporting on public finance and full accountability for all public spending (Kiragu, 2009). These objectives have to be contextualized specifically to a democratic society. Gildenhuys (2007) highlights critical democratic principles that should guide any effective PFMA in a democracy.

While Folscher and Cole (2006) later maintained that fiscal discipline had been achieved and allocative efficiency improved through some reforms, they equally admitted that efficiency concerns at the operational level remained problematic. Wildeman and Jogo (2015) have recently reported that the success of governments in achieving fiscal discipline varied in a number of aspects. These aspects include the development of three-year rolling budgets, the synchronization of fiscal and monetary policy, and the establishment of intergovernmental fora where political and administrative consensus was sought on key financing issues. However, Schiavo-Campo (2008) remains less convinced of the success of other financial reforms like the Medium-Term Expenditure Framework (MTEF) implementations. Further, 'the lesson from the discouraging MTEF experience so far is certainly not to forget the need for a medium-term perspective for the annual budget, but to re-size, redefine and reformulate the MTEF approach in a manner suitable to the possibilities and constraints of the different countries'.

Hughes (2014), in his extensive analysis of the subject, demonstrates that reform in PFMA has been one of the keys to overall public management reform. In countries that implemented this well, the financial reforms have worked best. This implies that countries that did not implement them well did not see any benefits. The African countries seem to have got the implementation of the reforms wrong. It is in this context that Peterson (2011), for example, doubts any successful reform in an African context.

3. RESEARCH METHODOLOGY

Research Design:

The study employed a descriptive research design and aimed to establish the relationships between the independent variable (financial management) and the dependent variable (organizational performance) in the Somali Public Sector.

Target Population:

The study targeted all the employees drawn from the Somali Civil Aviation and Meteorology Authority (SCAMA). SCAMA currently has 200 employees.

Sampling Frame:

The sampling frame was made up the 200 employees of Somalia Civil Aviation and Meteorology Authority. The figure of 200 is arrived at from the organisation's five departments distributed as shown in Table 3.1.

Table 3.1: Sampling Frame

Department	Frequency	Percentage
Air navigation	131	65.5%
Finance and Accounting	6	3%
Flight safety	6	3%
Human Resource Management & Public Relations	20	10%
CNS	37	18.5%
Total	**200**	**100%**

Source: SCAMA Human Resource Records (2017)

Sampling Size and Sampling Technique:

Stratified sampling was applied where stratum from each organization's department formed categories. Stratified random sampling was preferred because it is accurate, easily accessible and divisible (Saunders, Lewis & Thornhill, 2007). A sampling ratio of 70% from each stratum was preferred forming a sample of 140 subjects as shown in Table 3.2.

Table 3.2: Sample Size

Department	Frequency	Sampling ratio	Sample Size
Air navigation	131	0.7	92
Finance and Accounting	6	0.7	4
Flight safety	6	0.7	4
HRM & PR	20	0.7	14
CNS	37	0.7	26
Total	**200**		**140**

Source: Research Data (2017)

Data Collection Instruments:

Both primary and secondary data were used in the study. Primary data from the field was collected through the use of questionnaires. Secondary data from company publications, financial reports, industry publications as well as SCAMA reports were also used.

Pilot Study:

To validate the questionnaire, a pilot test was carried out with the help of the 15 employees of the Ministry of Transport from all the departments as they were deemed to have similar qualifications as those intended for the study. This process helped the researcher in ensuring reliability of the data that was intended for the study.

Data Analysis and Presentation:

After the data is collected it was edited and checked for accuracy, consistency and correctness. The data was then coded and entered for analysis on SPSS software. The regression model used is:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where

Y is financial performance

α is the constant

βs are the coefficients

X_1 is budgeting;

X_2 is financial reporting;

X_3 is internal controls management;

X_4 is corporate governance;

ε is the error term

4. DATA ANALYSIS, FINDINGS AND INTERPRETATION

Reliability Test:

A pilot study using 15 volunteers from the Ministry of Transport in Somalia who were not sampled was undertaken. Cronbach coefficient which was used to assess the internal consistency or average correlation of items within the test was used.

This study adopts the alpha lowest value of 0.5 and more. Table 4.1 represents the alpha values of the questionnaire items.

Table 4.1: Reliability Test

Variables	Number of items	Cronbach Alpha	Interpretation
Financial performance	14	0.709	Reliable
Budgeting	18	0.824	Reliable
Financial reporting	15	0.776	Reliable
Internal controls management	13	0.670	Reliable
Corporate governance	20	0.865	Reliable

Source: Research Data (2018)

Correlation Analysis

The researcher conducted a Pearson Correlations analysis for all the study variables and noted that all the four independent variables had positive average significant associations with financial performance. There was a positive average correlation between budgeting and financial performance with a correlation coefficient of 0.412 and a P-Value that was less than 0.05. This means that in ideal conditions, a change in budgeting by one unit would result in a movement in the same direction in financial performance by 0.412 units. There was a significant average positive correlation between financial reporting and financial performance with a correlation coefficient of 0.409. Moreover, there was a significant positive correlation between internal controls management and financial performance with a coefficient of 0.476. Finally, there was an average significant positive correlation between corporate governance and financial performance with a correlation coefficient of 0.542 as shown in Table 4.2.

Table 4.2: Correlation of the Study Variables

Correlations

		X_1	X_2	X_3	X_4	Y
Budgeting	Pearson Correlation	1				
	Sig. (2-tailed)					
Financial reporting	Pearson Correlation	.657(**)	1			
	Sig. (2-tailed)	.001				
Internal controls management	Pearson Correlation	.604(**)	.441(**)	1		

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 1, pp: (72-84), Month: January - April 2018, Available at: www.noveltyjournals.com

	Sig. (2-tailed)	.000	.003			
Corporate governance	Pearson Correlation	.530(**)	.489(**)	.506(**)	1	
	Sig. (2-tailed)	.000	.000	.000		
Financial performance	Pearson Correlation	.412(**)	.409(**)	.476(*)	.542(**)	1
	Sig. (2-tailed)	.002	.000	.040	.001	

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

* Correlation is significant at the 0.05 level (2-tailed).

N = 127

4.4 Regression Analysis:

A multivariate regression model was applied to determine the relative importance of each of the four predictor variables with respect to the effects of financial management practices on the financial performance of Somalia Civil Aviation and Meteorology Authority (SCAMA).

The regression model was as follows:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + ẹ$

Where:

Y = Financial Performance of SCAMA

α = Constant Term

β = Beta coefficients

X_1 = Budgeting

X_2 = Financial Reporting

X_3 = Internal Controls Management

X_4= Corporate Governance

ẹ = Error Term

The study revealed that there indeed was a relationship between the predictor variables and the respondent variable with a magnitude of 0.449 as indicated by R on Table 4.3. The independent variables have a significant influence on the dependent variable, causing 17.5% of the changes in the dependent variable as depicted by the R2. This implies that the explanatory variables explain more than half of the changes in the explained variable. in the current study, was equal to 0.175. The error term represents the margin of error within the statistical model, referring to the sum of the deviations within the regression line that provides an explanation for the difference between the results of the model and actually observed results. The error term essentially means that the model is not completely accurate and results in differing results during real-world applications. On the other factor not studied explain about 82.5% in the population.

In the sample, the model was able to predict 20.1% changes in the financial performance since R^2= 0.201.

The standard error of the estimate was 0.40836%, therefore could be other factor.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.449(a)	.201	.175	.40836

a. Predictors: (Constant): budgeting, financial reporting, internal controls management and corporate governance

As shown on the ANOVA table (Table 4.4), the model the study developed is reliable up to 97.9% as indicated by the significance F, enough to explain the study observations. The F-ratio of 7.68898 is thus statistically significant and indicates a good fit for the data into the model.

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From the model summary it clear the value of R was 0.449, while the value of R^2 was 0.201 than can be expressed as a percentage 20.1% which means that the model including only the four financial management practices (X_1, X_2, X_3, X_4) can be able to explain 87.3% of the variance in financial performance this means that 79.9% of the variation in the financial performance cannot be explained by financial management practices also adjusted R^2 was 0.175 that can be expressed as a percentage 17.5%.

Table 4.4: ANOVA

ANOVA (b)

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	492.707	4	123.17675	7.68898	.0372(a)
	Residual	1954.428	122	16.01990164		
	Total	2447.135	126			

a. Predictors: (Constant), budgeting, financial reporting, internal controls management and corporate governance

b. Dependent Variable: Financial Performance

The resulting model is as follows:

$$Y = 1.376 + 0.142\, X_1 + 0.129\, X_2 + 0.165\, X_3 + 0.121\, X_4$$

If one study predictor variable was to be used to predict the financial performance of SCAMA basing the choice on the standard error, that variable would have to be corporate governance as it has the least value for error. Other than the intercept that had a value that was less than |1.96|, all the other variables were individually statistically significant based on the t-stat. Finally, as indicated by the p-value, all the four independent variables were statistically significant at 95% confidence level since their P-values were all less than 0.05. However, the intercept was not statistically significant as the P-value was more than 0.05 at 95% confidence level.

These results are as shown in Table 4.5. Positive coefficients show a direct relationship between two variables, that is, a change in one variable results in a change in the other variable in the same direction, while a negative coefficient depicts a change in the dependent variable caused by a change in the independent variable but in opposite direction. This implies that, from the model above, all the three independent variables positively affect the dependent variable.

Table 4.5: Coefficients

Coefficients (a)

Model		Non-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.376	1.068	1.0085	1.2884	.101
	X_1	.142	.0519	.0511	2.7360	.006
	X_2	.129	.0512	.0498	2.5195	.029
	X_3	.165	.0718	.0641	2.2981	.005
	X_4	.121	.0499	.0447	2.4248	.001

a. Dependent Variable: Financial Performance

4.5.1 Analysis of the effects of Financial Management Practices on the Financial Performance of SCAMA

This was done using regression analysis in respect of each research objective and hypothesis. Table 4. 6 shows the results for the simple regression analysis carried out.

Table 4.6: Regression Analysis

Model	R^2	DF	F	P-Value
$H_0$1: Budgeting	0.124	27	3.714	0.003
$H_0$2: Financial Reporting	0.148	24	4.204	0.007
$H_0$3: Internal Controls Management	0.143	28	3.789	0.000
$H_0$4: Corporate Governance	0.152	31	4.520	0.001

$H_0$1: There is no significant influence of budgeting on the financial performance in the public sector.

The results reveal that 12.4% of the variations in the financial performance at SCAMA are explained by budgeting, with a confidence level of 95%. Nearly 87.6% are explained by other factors. It was found that the effect of budgeting is significant, with an above average explanatory power on financial performance as supported by the F-ratio of 3.714 which is well above the threshold of 2.50. This means that hypothesis one did not accurately predict the outcome of the study, leading to the rejection of null hypothesis one.

$H_0$2: Financial reporting does not affect the financial performance in the public sector.

The results indicated that 14.8% of the variations in the financial performance of SCAMA are explained by financial reporting at 95% confidence level. Nearly 85.2% is explained by other factors. In view of this variable, the effect of financial reporting is significant and has a good explanatory power on the financial performance of SCAMA, with an F-ratio of 4.204, which implies that hypothesis two did not accurately predicted the outcome of the study, leading to rejection of null hypothesis two.

$H_0$3: There is no significant relationship between internal controls management and financial performance in the public sector.

According to the analysis, there is indication that 14.3% of the variations in the financial performance of SCAMA are explained by internal controls management, with accuracy level of 95%. Nearly 85.7% is explained by other factors. The effect of internal controls management on SCAMA's financial performance is significant with an F-value of 3.789, which implies that hypothesis three did not accurately predict the outcome of the study, leading to rejection of null hypothesis three.

$H_0$4: Corporate governance does not significantly affect financial performance in the public sector.

The results indicated that 15.2% of the variations in the financial performance of SCAMA are explained by corporate governance at 95% confidence level. Nearly 84.8% is explained by other factors. In view of this variable, the effect of corporate governance is significant and has a moderate explanatory power on the financial performance of SCAMA, with an F-ratio of 4.520, which implies that hypothesis four did not accurately predicted the outcome of the study, leading to rejection of null hypothesis four.

5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings:

Generally, financial performance at Somalia Civil Aviation and Meteorology was rated as below average. SCAMA's ability to generate sufficient revenue to meet their obligations has greatly improved in the past five years, as has the level of financial accountability. Forecasting of revenues and expenditures, budgetary transparency and budgetary accuracy affect financial performance to a very large extent. The presence of internal audit experts and record keeping both affect financial performance at SCAMA to a very large extent. Data management as well as financial information communication affects financial performance at SCAMA to a large extent, while the use of cash accounting affects it only to a little extent. Control information within the organization, managerial controls, accounting information and communication, and methodical examination of business processes and connected controls all affect the financial performance at SCAMA to a very large extent. Transparency, fairness, ethical behavior and code of ethics all affect financial performance to a very large extent. On the other hand, accountability, responsibility and social responsibility affect financial performance at SCAMA to a large extent.

Conclusions:

Based on the study findings, the study concluded that all the four independent variables – budgeting, financial reporting, internal controls management and corporate governance – have a positive effect on the financial performance of Somalia Civil Aviation and Meteorology Authority. With the independent variables combined explaining an undisputed 53.45% of the changes in financial performance management, it can be concluded that the financial management practices as spelled out in the public financial management are very important in achieving financial and economic goals of public sector institutions.

Recommendations:

The study recommended that in order for the Somalia Civil Aviation and Meteorology Authority to be effective in its operations and service delivery they should recognize and appreciate the contributions of the budget process. The study also recommends that SCAMA should improve their financial reporting and tracking by automating their record keeping. On internal controls management, the study recommended that SCAMA should apply internal controls in its operation to ensure effective operations and a better service quality all geared towards the overall improvements in financial performance. SCAMA, as in all the government institutions in Somalia, should strengthen its corporate governance practices to achieve better operational outcomes in its activities.

Suggestions for Further study:

The study suggests that further research should be carried out to establish all the factors that influence the financial performance in the public sector as the study only explained 53.45% of the factors. Additionally, a similar study can be conducted on the effects of financial management practices on the financial performance in other public institutions such as government ministries, parastatals and government agencies in order to give both negative and positive sides that can be reliable.

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