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

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Abstract
The study examined how financial management practices affects the financial sustainability of Local Government Authorities (LGAs) in Tanzania, considering good governance as a moderating factor. Using an explanatory design and data from 330 respondents selected via simple random sampling, the research employed structural equation modeling to analyze the data collected through a structured questionnaire. The results revealed that financial planning; financial monitoring and financial control have positive and significant relationships with financial sustainability. Also, good governance fully moderating relationship between financial monitoring and financial sustainability. The study found out that effective financial planning, financial monitoring and robust financial control mechanisms are essential for sustaining financial health. The findings underscore the necessity for LGAs to adopt rigorous financial management practices and strengthen governance frameworks to enhance financial sustainability.

Keywords: *Financial Sustainability, Financial Monitoring, Good Governance, Local Government Authorities.*

INTRODUCTION

One of the most significant factors for Local government authorities (LGAs)to consider while fulfilling their functions is financial sustainability (Fellowset al.,2022) The use of agency and institutional theories in understanding the effect of financial monitoring (FM) on attaining financial sustainability (FS)was recognized in previous studies (Mbilla2020; Adegboyegun, et al., 2020), The relevance of these theories, especially the agency theory, can be attributed to the fact that FS has becomewidespread in FM studies(Makamache & Chikwature 2020)). This is because, as sustainability practices become predominant in institutions, stakeholders from the external environments ensure conformance (Baah et al., 2020).

The need to analyze the effect of FM on FS particularly for the selected local government authorities in Tanzania under moderating role of good governance (GG) was triggered by the fact that LGAs had numerous internal financial sources, however they were unable to collect the intended TZS 76.59 billion (URT, 2022). Seventy six (76) LGAs out of the 184 LGAs failed to allocate and contribute the necessary proportion of TZS 22.37 billion to development initiatives (URT, 2022) furthermore, there was a theft of funds in the LGAs, where TZS 435.O2 billion was spent to buy more building materials than were necessary, TZS 898.85 was wasted, and TZS 3.5 was borrowed but not paid back on time (URT 2022) these are challenges facing selected LGAs regardless the number of efforts established by the government of Tanzania on improving performance of LGA such as, the government of Tanzania embarked from the 1990s on major decentralization reforms under the motto of "decentralization by devolution" (popularly referred toas D by D). D-by-D refers to the transfer of power, authority, and resources from the centralgovernment to LGAs (Harris, Domingo, Sianga, Chengullah & Kavishe 2011; Hoffman & Gibson2006; Kessy & McCourt 2010; Mdee & Thorley 2016; Ndlovu & Ngenda 2006; Pallotti 2008). This 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 (Mdee & Thorley2016).

Furthermore several studies have been carried out in LGAs to identify the best methods for enhancing LGAs' financial sustainability (Ameer et al., 2019; Masenga, 2021; Mbogo, 2022; Ocholla, *et al.*, 2022; McQuestin, 2021; Kessy, 2020) crucial managerial components of analysis are either entirely absent or dispersed and understudied, specifically the determinants of financial sustainability such as, financial monitoring and its effects on financial sustainability of LGAs in Tanzania (McQuestin, 2021).However, to the best of the researcher's knowledge, little research has been conducted globally or specifically in Tanzania to look at the effect of financial monitoring on the financial sustainability of LGAs as variables of agency

theoryusing goodgovernance (Institutional theory) as a moderating variable in predicting financial sustainability.

LITERATURE REVIEW

Theoretical literature review

The effect of financial monitoring on financial sustainability of selected LGA in Tanzania under moderating role of Good Governance has been theorized by Agency and Institutional theories.

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). The agency theory also contends that in order to make sure that their agents behave in accordance with predetermined goals and expectations, principals must adopt a variety of policies, practices, systems, and strategies, most notably implementing internal control practices such as, financial monitoring (Abiodun. (2020). Monitoring, according to Mbilla et al. (2020), is the process of evaluating the effectiveness of internal control framework's performance over time, like self-evaluations, peer reviews, internal audits, financial reporting and monitoring of fund. In a similar vein, Adegboyegun (2020 studying this variable in the context of agency theory, researchers can gain insights into how financial monitoring affects the financial sustainability of selected LGAs in Tanzania. Agency theory focuses more on internal mechanisms to align interests and reduce agency costs (Jensen & Meckling, 1976). In contrast, institutional theory provides insights into how external institutional pressures shape governance practices (DiMaggio & Powell, 1983). In practice, researchers and practitioners often integrate elements from both theories to understand the complexities of governance. They examine how institutional pressures (institutional theory) interact with internal governance mechanisms (agency theory) to affect organizational outcomes such as financial performance, sustainability, and stakeholder trust (Scott, 2001; Tihanyi et al., 2003).

Institutional Theory

This study used neo-institutional theory (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 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 agency theory.

Empirical Evidence

The study by Chelangat, *et al.,* (2018) on the effect of financial monitoring on financial sustainability of NGOs, carried out in Kenya, using a multiple regression model showed a strong and positive relationship. A sample size of 550 people was chosen using an easy sampling procedure. Although the study's conclusions are restricted to NGOs, future research should take other sectors.

Mbilla *et al* (2020) did a further study in Ghana looking at the effect of financial monitoring on financial sustainability of listed bank. The study employed a purposive sampling strategy to obtain a sample size of 300 bank employees. The outcomes of multiple regressions revealed a positive but

insignificant relationship. Unfortunately, the use of the purposive sample technique limits the generalizability of results due to bias. Similar to this, Odek, & Okoth (2019) from Kenya did a study in distribution enterprises to examine, the effect of financial monitoring on financial sustainability. The author collected a sample of 38 employees from the companies using a census survey technique. Multiple regression analysis was used and results indicated positive and significant correlations. This study is restricted to distribution corporations in Kenya, other businesses, particularly those in the public sector (local government authorities), are not considered.

Another study, conducted by Sri Lankan researchers Kumari *et al*. (2019), looked at the effect of financial monitoring on the financial sustainability of banking organizations. A sample of 70 bank employees using a stratified sampling technique was used and multiple regression was used to analyze the data. The results showed a substantial positive association. The results are restricted to banking institutions, and the sample size is modest, which is the study's main drawback. On other hand Adegboyegun, *et al.*, (2020) conducted study from Nigeria examining the effect of financial monitoring on financial sustainability in the SMEs. The study used purposive sampling technique to attain a sample size of 120 employees of SMEs. The analysis of data done logistic regression estimate revealed positive and insignificant relationship However, this study was limited to only one state which limit the generalization of findings.

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 study from Kenya by Dagane, & Kihara, (2021), assessed the effect of financial controls on the financial sustainability of NGOs. Multiple regression was utilized and results show positive and significant relationship. However, it was limited to NGOs, the other research should consider other areas including local government Authorities. The study by Kenyan researchers Ochola, *et al.*, (2022) looked at the effect of financial controls on financial sustainability of the public sector. The outcomes of the multiple regressions a positive and significant relationship. Unfortunately, the public sector analysis did not consider the municipal governments. Hamed (2023) Saudi Arabian studied the effect of financial control on the financial sustainability of banks. There is a strong and positive correlation, according to the results of the multiple regression analysis that was done. However, it was limited to banks, and further study should consider local government agencies and other industries.

Mpora (2023) looked into how the internal control framework of financial institutions in Uganda affected their performance. There exists a significant positive correlation between the efficacy of the internal control system and the performance of the firm. However, the financial sustainability of the local government authority was not considered by the study

This study integrates Agency Theory and Institutional Theory to analyze how governance practices influence the relationship between financial monitoring and financial sustainability. The theoretical framework posits that effective governance reduces agency costs by optimizing resource allocation and enhancing access to valuable resources (Aguilera & Cuervo-Cazurra, 2004). Motubatse, Ngwakwe, and Sebola (2017) argue that robust public sector governance supports sound decision-making and efficient resource utilization while ensuring accountability. Similarly, Lamdany and Martinez-Diaz (2009) underscore the role of multinational organizations, like the IMF,

in promoting governance solutions and transparency. Ojok and Basheka (2016) identify key governance components: accountability, transparency, participation, and predictability. While the reviewed literature provides a solid foundation, it largely reflects existing viewpoints without delving into critical analysis. To enhance the discourse, it is essential to evaluate the limitations and contextual variations in these theories and their application. For instance, the theoretical emphasis on resource allocation may overlook the complexities of implementing governance reforms in diverse institutional settings. Furthermore, while accountability and transparency are critical, their practical effectiveness can be hindered by political and cultural factors that are not always addressed in the literature. The study addressed these gaps by offering a more nuanced understanding of how governance practices interact with financial planning and sustainability, incorporating both theoretical insights and empirical observations to challenge and expand upon the existing discourse. Therefore, it was hypothesized that:

H_1: Financial monitoring has positive effect on financial sustainability of selected LGAs in Tanzania
H_2: Good governance positively moderates the effect of the financial monitoring on financial sustainability of selected LGAs in Tanzania
H_3: Financial planning has positive effect on financial sustainability of LGAs in Tanzania
H_4: Financial controls have positive effect on financial sustainability of LGAs in Tanzania

Conceptual framework

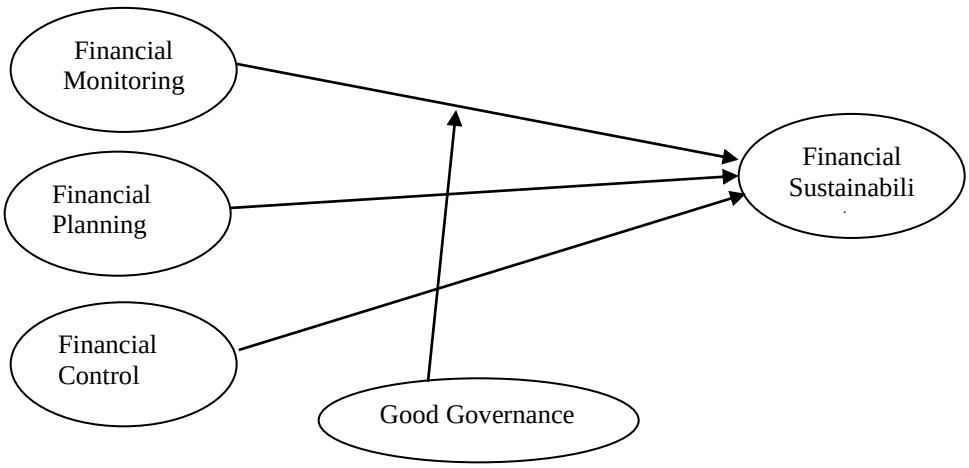


Figure 1: Conceptual framework

1.0 METHODOLOGY

This study utilized a deductive approach and a positivist philosophy, relying on empirical data as outlined by Scotland (2012). An explanatory design and survey strategy were employed (Saunders et al., 2009), focusing on a population of 800 accountants and auditors from selected Local Government Authorities (LGAs) in Tanzanian city councils and municipalities across six regions: Dar es Salaam, Tanga, Arusha, Mwanza, Mbeya, and Dodoma. These regions were purposefully chosen to represent various zones of Tanzania—urban, coastal, central, northern, and southern highlands—ensuring a comprehensive coverage of the country's administrative and socio-economic landscape (Thapa, 2020; Shah & Shah, 2006). The sample size was determined based on guidelines from Field (2009), recommending at least 10-15 participants per variable for the 30 indicator variables used in the research instrument. Following Kass & Tinsley (1979) and Tabachnick & Fidell (2007), a sample size of 300 was considered adequate for factor analysis. To account for potential issues such as responses and non-cooperation, 10% was added to the base sample size, resulting in a final sample of 330 respondents. This sample size meets the 10:1 ratio suggested by Jackson (2003) for Structural Equation Modeling (SEM), ensuring robustness in the analysis and maintaining proportionality to the research area (Kothari & Gard, 2014).

Therefore, 330 individuals sampled from the target population was the sample size for the study as shown in Table 1.

Table 1: Sample Distribution by Stratum and Systematic Sampling Interval

SN	Region	Stratum	Sampling unit	Percentage	Sample size (330X Ratio)	Sampling interval K/n
1	Dar es salaam	Kinondoni Municipal council	60	7.5	25	60/25=2nd
		Temeke Municipal council	70	8.75	29	70/29 =2nd
		Ilala city council	100	12.5	41	100/41 =2nd
		Kigamboni Municipal council	30	3.75	13	30/13 = 2nd
		Ubungo Municipal council	40	5	17	40/17 =2 nd
2	Mwanza	Ilemela Municipal Council	50	6.25	21	50/21 =2nd
		Mwanza City Council	110	13.75	45.375	110/45 =2nd
3	Dodoma	Dodoma city council	160	20	66	160/66= 2nd
4	Arusha	Arusha City Council	60	7.5	24	60/24 = 2nd
5	Mbeya	Mbeya City council	70	8.75	27	70/27= 2nd
6	Tanga	Tanga City Council	50	6.25	18	50/18=2nd
	Total		**800**	**100**	**330**	

Table 2: 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	Five-point Laker scale =Strongly disagree = Disagree = Neutral =Agree = Strongly agree	Masiega et al., (2021) Chelingat *et al*., (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 *et al*., (2018), Mujennah et al., (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, *et al* (2020), Hussein Umar et al (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	Ejohb et al., (2014) Ejoh,N & Ejom P (2014)
Good	6	GG	GG1=available website	Five-point Likert scale.	Amalia et al (2018)

Variable	No of items	Code	Measurement items	Measurement	Sources
governance			GG2= ethical compliance GG3= regular audit GG4= independent decision making GG5= compliance with laws and regulations GG6= participation	1 =Strongly disagree 2 = Disagree 3 = Neutral 4 =Agree 5 =Strongly agree	Eckersley et., al (2018) Sudaryati, et.,al., (2018)

Data Analysis

Statistical Package for Social Sciences (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 ????? test. Goodness of fit indices with their acceptable threshold level was adapted from Hooper et al. (2008), Gupta (2015),Hair et al. (2006) and Malhotra et al. (2017) as follows: CMIN/DF (X2/df) ≤ 3, RMR ≤ 0.08, GFI ≥ 0.90, CFI ≥ 0.90, NFI ≥ 0.90, TLI ≥ 0.90, RFI ≥ 0.90, PCFI ≥ 0.50, and RMSEA ≤ 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. There two groups including the group that comply with good governance and another one which do not comply with good governance practices as a result, this study examined H2 obtained from the using a step-by-step Multi-Group CFA approach.

FINDINGS AND DISCUSSION

Demographic profile of respondents

The study used 318 respondents to determine the influence of financial monitoring on financial sustainability via good governance. To answer this objective, results for both descriptive and inferential analysis were reported. Descriptively, we revealed that of 318 participants, the majority were; 210 (66%) males, 161 (51%) having bachelor education level, and 124 (39%) aged between 31 – 40 years. Table 3.

Table 3: Description of participant demographic characteristics

Variable	Frequency	Percent
Age Group		
50 +	32	10.1
41 – 50	99	31.1
31 – 40	124	39
20 – 30	63	19.8
Gender		
Male	210	66
Female	108	34
Level of education		
Diploma	59	18.6
Bachelor	161	50.6
Masters	77	24.2
Post graduate diploma	21	6.6
Region of residence		
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

Source: Field Data, (2023).

Factor Correlation Analysis

Comparing the square root of AVE (table 5) and the bivariate correlation between constructs (Table 6); we revealed that all constructs attained the divergent validity. For instance, the minimum value for the square root of AVE was 0.64 while the minimum value for Pearson correlation was 0.527. Hence implies the attainment of divergent validity as the square root of AVE was as greater as compared to the Pearson correlation coefficient between constructs.

Table 4: Bivariate correlation between studies constructs.

		FS	FC	FM	FP
FS_score	Pearson Correlation	1			
FC_score	Pearson Correlation	.622**	1		
FM_score	Pearson Correlation	.659**	.527**	1	
FP_score	Pearson Correlation	.634**	.607**	.591**	1

Key: ** correlation was statistically significant at p<0.001
Source: Field Data, (2023).

Model Formulation and Validation

Results from exploratory factor analysis

Based on the exploratory factor analysis (EFA), we revealed the determinant and KMO values at 2.569E-10 and 0.940 respectively. Additionally, theBartlett's Test was statistically significant at $p < 0.001$ hence implies that sampling adequacy was attained and the study observable variables were correlated enough to form different constructs. Table 5.

Table 5: 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

Source: Field Data, (2023).

Then, using principal component analysis we revealed that the 30 observed variables formulated 5 constructs. The first and fifth constructs had Eigenvalue of 12.2 (financial sustainability) and 1.13 (FC) respectively. The cumulative percentage dur to the rotation sum of squared loadings was 68.5. Table 6.

Table 6: Description on the extracted constructs under PCA

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
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.

Source: Field Data, (2023)

The formulated principal components were rotated to determine the items underlined to each construct. As expected, we revealed that each construct had 6 observable items and no overlapping was observed. Each of the items had factor loading above 0.5 which is the best cut-off for SEM (Hair et al., 2014; Yong & Pearce, 2013) as shown in Table 7.

Table 7: Rotation component matrix

	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.

Source: Field Data, (2023).

Confirmatory factor analysis

The confirmatory factor analysis (CFA) involved the use of both measurement and structural models to assess the data fit-ability into the model as well as the effect of independent variables on the dependent variable. Based on the measurement model for each study construct, we revealed that the data fitted well the model as evidenced by the model fit indices which were revealed to be within the prescribed cut-off points. In each of the figures 1 to 5, we revealed that the CFI, TLI, RFI and NFI were above the recommended cut-off of 0.9 while the RMSEA was below 0.08.

similarly, the overall measurement model as presented in figure 6 was revealed to meet the prescribed criteria for SEM as determined by the model fit indices.

Measurement models for study constructs

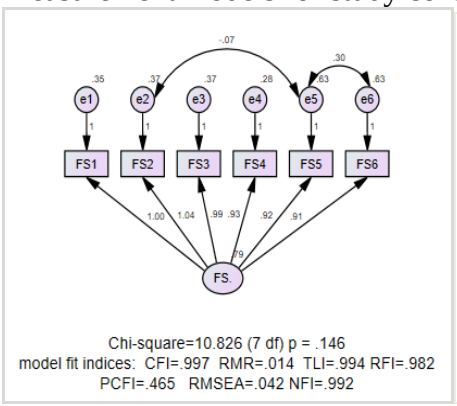


Figure 2: FS model

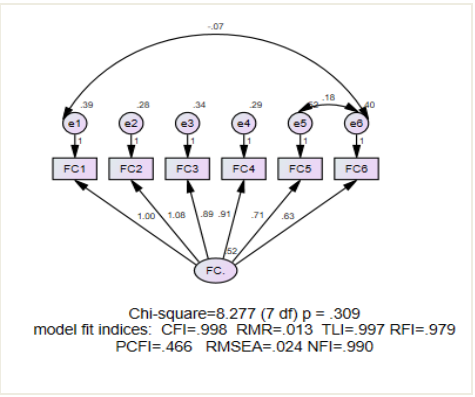


Figure 2: FC model

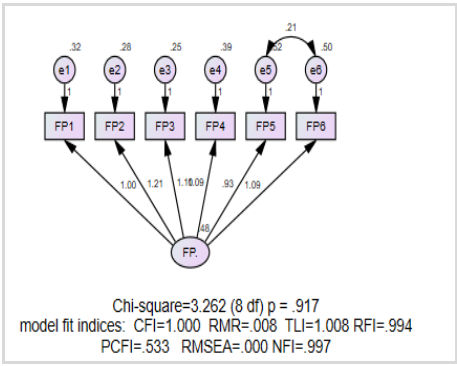


Figure 4: FP model

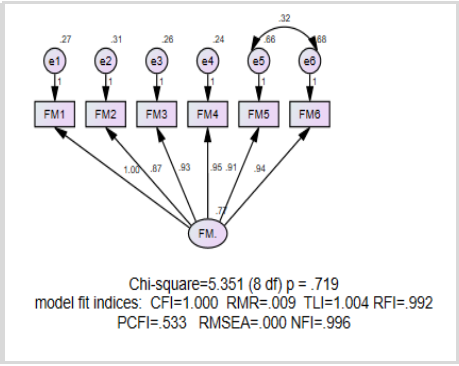
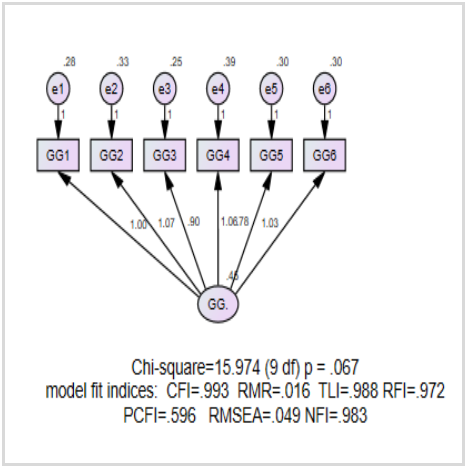


Figure 5: FM model



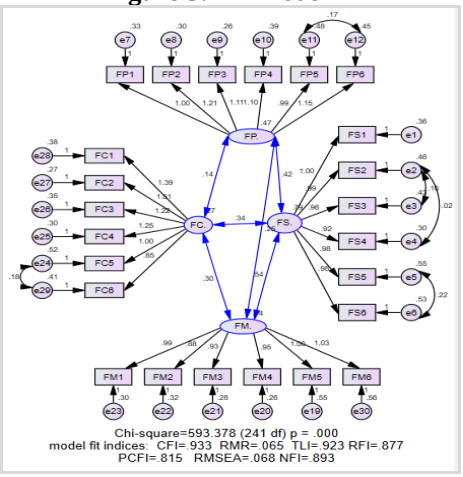


Figure 6: GG model **Figure 7:** Overall model

Evaluation of structural model

The structural model showing the relationship between independent and dependent variable was presented in figure 9. W revealed that the model fit indices met the required cut-offs hence implies that the data fitted well the model. For instance, the CFI, TLI and CFI were above 0.9 while the RMSEA was below 0.08.

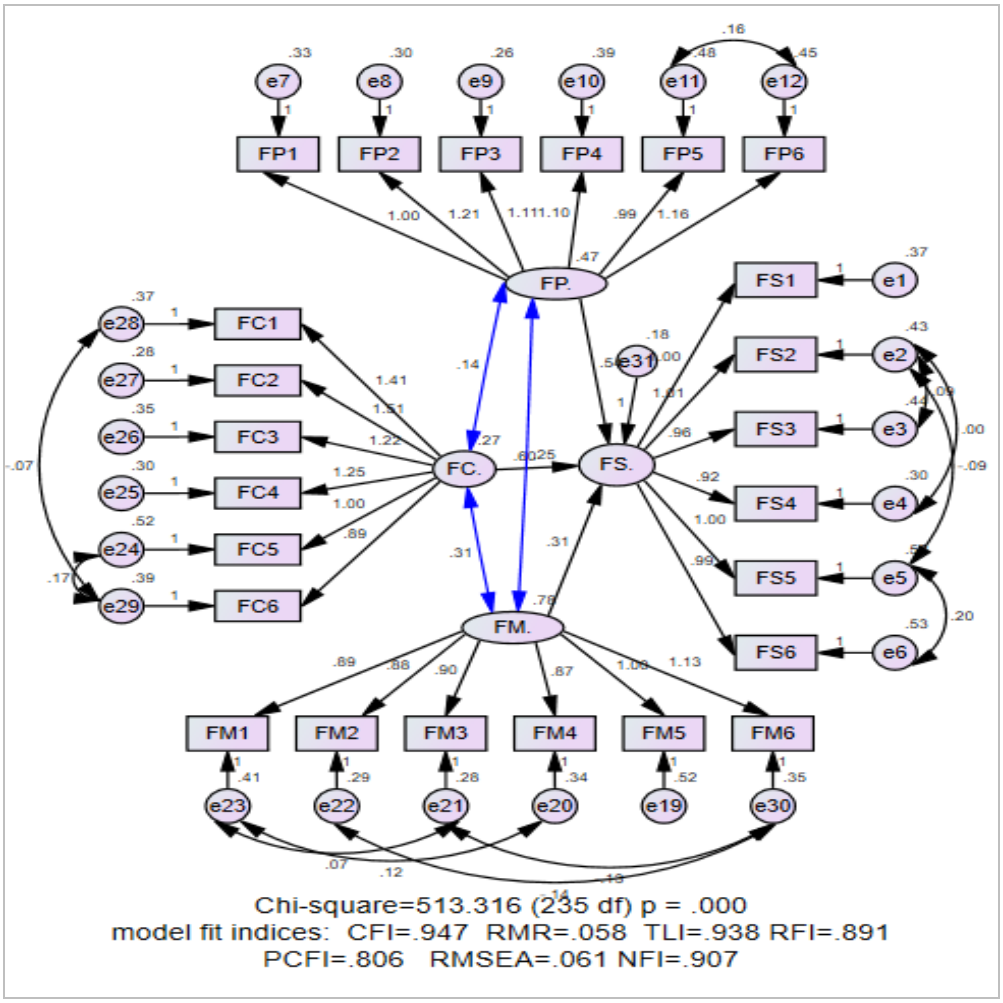


Figure 8: Structural model

After revealing that the structural model fitted well the data, other SEM assumptions were assessed. We revealed that the linearity, multicollinearity, homoscedasticity, and normality of residuals were met. On top of these assumptions, the multivariate normality was attained as the levels of

skewness and kurtosis were revealed to be within the stipulated cut-offs of ±2 and ±3 respectively. Table 8.

Table 8: Assessment of the multivariate normality assumption

Variable	min	max	skew	c.r.	kurtosis	c.r.
FM6	1.000	5.000	-.476	-3.466	-.750	-2.731
FC6	1.000	5.000	-.648	-4.716	.267	.971
FC1	1.000	5.000	-.604	-4.401	.193	.704
FC2	1.000	5.000	-.411	-2.990	-.281	-1.021
FC3	1.000	5.000	-.347	-2.528	-.228	-.831
FC4	1.000	5.000	-.141	-1.029	-.293	-1.068
FC5	1.000	5.000	-.597	-4.343	.436	1.586
FM1	1.000	5.000	-.626	-4.556	-.095	-.346
FM2	1.000	5.000	-.665	-4.845	.093	.338
FM3	1.000	5.000	-.740	-5.391	.216	.787
FM4	1.000	5.000	-.653	-4.753	.033	.119
FM5	1.000	5.000	-.440	-3.202	-.746	-2.717
FP6	1.000	5.000	-.342	-2.489	-.435	-1.583
FP5	1.000	5.000	-.444	-3.235	-.287	-1.044
FP4	1.000	5.000	-.444	-3.230	-.237	-.864
FP3	1.000	5.000	-.455	-3.310	-.216	-.785
FP2	1.000	5.000	-.665	-4.844	.215	.783
FP1	1.000	5.000	-.589	-4.288	.301	1.094
FS6	1.000	5.000	-.687	-4.998	-.375	-1.366
FS5	1.000	5.000	-.661	-4.815	-.432	-1.572
FS4	1.000	5.000	-.620	-4.517	-.166	-.605
FS3	1.000	5.000	-.847	-6.164	.170	.620
FS2	1.000	5.000	-.852	-6.204	.125	.456
FS1	1.000	5.000	-.654	-4.758	-.170	-.620
Multivariate					26.977	6.809

Source: Field Data, (2023).

Validity and Reliability Testing

Furthermore, the study revealed that each study construct's Cronbach's alpha (CA) was at least 0.7 as stipulated by Palos-Sanchez & Saura (2018 and Vaske et al. (2017). hence implying that all constructs were reliable. Similarly, all constructs were revealed to attain the convergent validity as the Average Variance Extracted (AVE) was at least 0.5 as the measurement models as proposed by (Fornell & Larker, 1981). 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 9

Table 9: Assessment of validity and reliability of study constructs

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

Source: Field Data (2023)

Hypothesis Testing

After revealing that the SEM assumptions were met, then the relationship between independent and dependent variables were assessed and results are presented in table 8. We revealed that controlling for FP and FC, for each unit increase in FM the FS increased by 0.31. This association was strongly statistically significant at $p<0.001$.

Table 10: Effect of financial monitoring financial planning and financial control on LGA's financial sustainability

			Unstandardized Estimate	Standardized estimate	S.E.	C.R.	P	Label
FS.	<---	FM.	.312	.312	.055	5.689	***	par_30
FS.	<---	FP.	.537	.415	.064	8.402	***	par_28
FS.	<---	FC.	.604	.354	.109	5.562	***	par_29

Source: Field Data, (2023).

Moderation Analysis

The final stage was to assess the moderating effect of good governance on the relationship between FM and FS. To concur to the requirements of multigroup analysis, we constructed three groups of GG. These groups are; the non- compliance (average point score was below 3), moderate compliance (the average score was 3)and the compliance group (average score was above 3). Based on these three groups, the majority were 193 (60.7%) in compliance groups and minority were 17 (5.3%) in moderate compliance group while 108 (34%) were in the noncompliance group.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 Table 9.

Table 9: Descriptive Analysis of the GG

	Frequency	Percent	Valid Percent	Cumulative Percent
Non compliance	108	34.0	34.0	34.0
Moderate	17	5.3	5.3	39.3
Compliance	193	60.7	60.7	100.0
Total	318	100.0	100.0	

Source: Field Data, (2023)

However, according to Kline (2011), the multigroup analysis requires at least 100 respondents in each group for attaining accurate and reliable conclusion. Thus, the moderate compliant group was discarded for further analysis hence the two-group analysis was considered.

Measurement invariance Testing

The main objective of the measurement invariance test, according to Hair et al. (2010), is to verify that measure models run under different conditions yield a comparable representation of the same construct. In accordance with Xu et al. (2017), both the configural metric and scalar invariance were used to determine whether the measurement of a latent construct varied across groups.

Configural invariance Testing

This involved the test for the configural invariance in each measurement model of FS and FM to confirm that each group achieved the same overall factor structure and same number of constructs (Byrne, 2010).

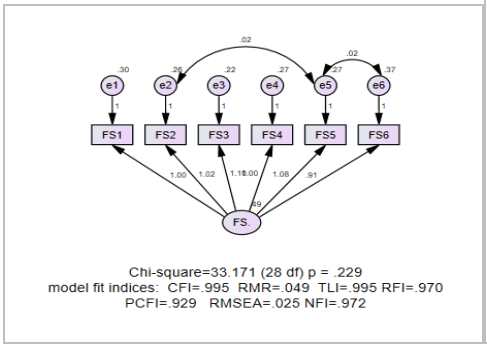


Figure 9: FS model

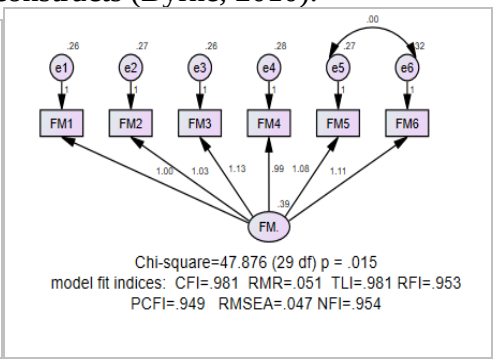


Figure 10: FM model

From the Figure 10 ad 11 above, the study revealed that the two models attained the configural non-invariance as evidenced by the model fit indices were within the recommended threshold. For instance, the TLI, CFI and RFI were above 0.9 while the RMSEA was below 0.08. Similar observation was observed for the overall measurement model as presented in figure 12 below.

Furthermore, using the Chi-square test for configural model, we revealed that the unconstrained model was not statistically significant (p = 0.094) hence implying that there were no differences in the structural models for the noncompliance and compliance groups. Table 11.

Table 11: 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
Structural covariances	82	489.637	424	.015	1.155
Structural residuals	81	491.313	425	.014	1.156
Measurement residuals	59	524.285	447	.007	1.173

Source: Field Data, (2023)

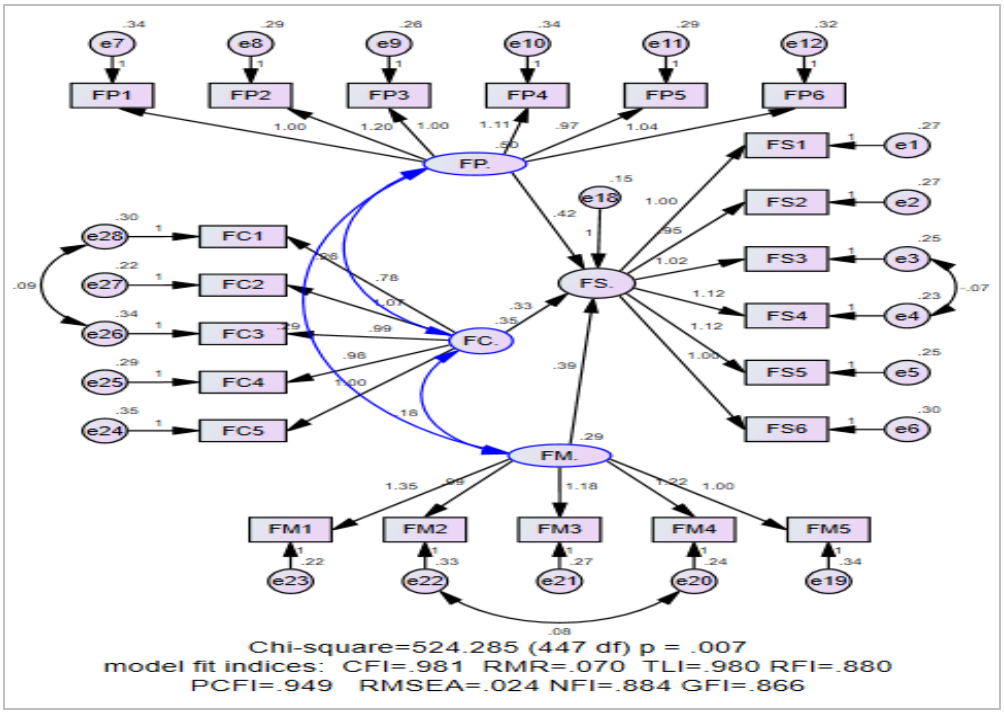


Figure 11: Configural model

Chi –square Difference Tests

Furthermore, the Chi-square difference for moderation test was undertaken to evaluate the presence of non-invariance between 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 = 0.003) hence implying the presence of non-invariance between the two models. Table 12.

Table 12: Chi-square difference test for configural 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

Source: Field Data, (2023)

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.

Table 4.1:Stats Tool Package for Chi-square Outputs

	Chi-square	df	p-value	Invariant?
Overall model				
Unconstrained	478.223	421		
Fully constrained	536.495	446		
Number of groups		2		
Difference	58.272	23	< 0.001	No
Constrained path				
FS <--- FM	701.174	513	0.000	
Chi-square critical values				
90% confidence	553.41	513	0.1	
95% confidence	565.74	513	0.05	
99% confidence	589.37	513	0.01	

Source: Field Data (2023)

Path by path Moderation Analysis

The 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 analysis was conducted by constraining the FS <--- FM path and we revealed that the Computed Chi-squared values were larger (701.174) as compared to the critical values (589.37) at 99% level, then the presence of statistically significant moderation effect of GG on the relationship between FM and FS.

Moderation Hypothesis Testing

The last step was to assess the GG group with higher effect of FM on FS. We revealed that, in the group of not complying with governance, each unit increase in FM the FS increased by 0.476. The observed increase was statistically significant at p<0.001. Table 13.

Table 13: Effect of FM on FS for the Group complying with GG

Variables	Unstandardized Estimate	Standardized estimates	S.E.	C.R.	P	Label
For thegroup not complying with GG						
FS. <--- FM.	.476	.311	.110	4.327	***	b2_2
For thegroup complying with GG						
FS. <--- FM.	-.106	-.099	.101	-1.046	.296	b2_1

Source: Field Data, (2023).

Furthermore, based on the group complying with GG, we revealed that for each unit increase in FM, FS decreased by 0.106. However, the observed decline was not statistically significant at a 5% level (P = 0.296). The observed declining effect of FM on GG was evidenced by both standardized and unstandardized estimates. Table 13 In such instances, we had enough statistical evidence of rejecting the null hypothesis hence concluding that the GG significantly moderates the association between FM and FS.

Discussion of the Findings

The results maintained H1 *of the study, in which FM* was assumed to have positive and statistically significant effect on FS *as proved by the effect of 0.31* ($p < 0.001$) of FM on FS. This study result is consistent with previous studies such as Odek, & Okoth (2019) from Kenya did a study in distribution enterprises to examine, the effect of financial monitoring on financial sustainability which reported positive and significant correlations. Another study, conducted by Sri Lankan researchers Kumari, *et al.*, (2019), looked at the effect of financial monitoring on the financial sustainability of banking organizations the results showed a substantial positive association. However, the results of this study contradict to the findings reported in financial sustainability most notably that of Mbilla, *et al.*, (2020) did a study in Ghana looking at the effect of financial monitoring on financial sustainability of listed bank which revealed a positive but insignificant relationship. On other hand Adegboyegun *et al* (2020) conducted study from Nigeria examining the effect of financial monitoring on financial sustainability in the SMEs the study revealed positive and insignificant relationship. These contradictory findings could be caused either by the studies being conducted in a different

country with diversity in social, political, and economic factors as well as sectorial differences. Therefore, financial monitoring is important to the selected LGAs in Tanzania since it improves financial sustainability and enables the LGAs being able to provide services to the citizens effectively and efficiently.

The findings indicated that, as shown in table 13, there iwas a stronger correlation between financial sustainability and financial monitoring in the group that do not adheres to good governance ($y = 0.47$ and $p < 0.001$), which was statistically significant while group that adhere to good governance ($y = -.106$), which was statistically insignificant at $p < 0.05$ ($p = 0.296$). This showed that the group that practices good governance experiences a decrease in FS of-.106, compared to a 0.47 increase in the group that does not practice good governance for every unit increase in FM. The results verified that the relationship between FM and FS was fully moderated by good governance. The results indicated that the two groups' approaches to financial monitoring are comparable. This demonstrated that the groups that influence FM on FS and those that do not comply with GG do differ significantly. Research revealed that groups adhering to GG face compliance costs, which in turn raise expenses and weaken the organization's financial viability (Boivie. et al., 2016; Dalton & Dalton, 2011; Johnson et al., 2013). Regarding the theoretical contribution, the group that does not adhere to GG in terms of financial sustainability and monitoring has had an impact because the two groups' significance levels are not the same.

The findings upheld the study's hypothesis H3, according to which FP had a positive and statistically significant impact on FS, as evidenced by the effect of FP on FS of 0.54 ($p < 0.001$). The results of this study support those of Abdulkaddir, 2021; Mahmood et al., 2021; AlQersh, 2021; Abiodun et al., 2020; however, they contradict those of Abiodam et al., 2020, Odek, & Okoth 2019). Financial sustainability and financial planning have a negative relationship, as demonstrated by Mujennah et al.'s 2019 study. It was limited to manufacturing SMEs, though, so more research should look into other sectors, like local government authorities.

The results maintained H4 of the study, in which FC was assumed to have positive and statistically significant effect on FS as proved by the effect of 0.60 ($p < 0.001$) of FC on FS. This result is consistent with previous studies such as Dagane & Kihara (2021) that assessed the effect of financial controls on the financial sustainability of NGOs and the results show positive and significant relationship. The study by Kenyan researchers Ochola, et al.

(2022) looked at the effect of financial controls on financial sustainability of the public sector which revealed a positive and significant relationship. On the other hand, Ahmed & Ng'anga, (2019) conducted research in Kenya to examine the effect of financial controls on financial sustainability; the results demonstrated a positive and significant relationship. The effect of financial controls on the financial sustainability of the North Gorontalo Regency Government was examined in the study carried out in Indonesia by Aneta et al. (2021) which revealed a positive and significant relationship between financial control and financial sustainability. Bashaija, et al. (2020) conducted a study to examine the effects of MFI financial control in Rwanda and the study's findings show a positive and significant relationship. However, other previous studies show contradictory findings such as Abiodun (2020) from Nigeria conducted a study on the enterprises listed in the capital market to assess the effect of financial controls on financial sustainability whose findings show a negative and substantial association. Kumari et al. (2019) did another study from Sri Lanka to investigate the effect of financial controls on the financial sustainability which revealed insignificant but favorable correlation between financial control and financial sustainability. These contradictory findings could be caused either by the studies being conducted in a different country with diversity in social, political, and economic factors as well as sectorial differences.

CONCLUSIONS AND RECOMMENDATIONS

The study analyzed the effect of FP, FC and FM on Financial sustainability and also the FM on FS of selected LGAs in Tanzania with the moderation role of GG. The findings revealed that FM has positive and significant effect on FS. Thus, it is concluded that FM is predictor of FS of selected LGAs in Tanzania. The findings demonstrated that there was effect of good governance in moderating the relationship between financial monitoring and financial sustainability. With respect to moderation effect on the relationship between financial monitoring and financial sustainability, the results provide evidence that Good Governance moderated fully their relationship. This is due to the fact that it displayed strong, positive and significant effect on the relationship between financial monitoring and financial sustainability of LGAs in Tanzania in the group that did not comply with Good Governance but weak, positive and insignificant relationship in the group that comply with Good Governance. In this view the study has drawn up the conclusion that financial monitoring towards financial sustainability plays more significant effect in the group that did not comply with Good Governance compared to another group that complies with Good Governance.

The study recommends that, in order to track outcomes, boost credibility, and foster accountability, the LGAs should create appropriate and trustworthy accountability mechanisms in monitoring of its financial resources like internal and external audits. The study also suggests that LGAs should be accountable by putting in place efficient financial monitoring, financial planning and financial control mechanisms collaborating with already-existing private investors, or securing funding from reputable development partners in order to maintain financial sustainability. 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. Following their discovery that the financial sustainability of the chosen LGAs depends on financial control, LGAs should prioritize the elements of financial control by making sure that their institutions have financial control policies and procedures in place, including authorization limits, job separation, and physical and financial resource custodianship.

AREA FOR FUTURE RESEARCH

The purpose of this study was to examine the effects of internal determinants on the financial sustainability of the chosen LGAs, specifically all major cities in Tanzania, without considering LGAs in rural areas. As a result, the study's findings are only applicable to LGAs operating in Tanzania's major cities, and the researcher recommends that more research be done on the relationship between financial accountability and financial sustainability for LGAs in Tanzania's rural areas.

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