



## **The Role of Public Financial Management Reforms Challenges and Opportunities in Service Delivery: The Case Study of Blantyre City Council.**

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### **ABSTRACT**

The main purpose of the study is to investigate the role of financial management reforms challenges and opportunities in service delivery at Blantyre City Council. The main objectives of this study was to evaluate Public financial management reforms used by the City Council. In the recent past there have attempts by the public sector to improve its financial approaches through public participation in budget making, establishment of various financial officers such as the Budget director, the Auditor General, the National treasury, the Ant Corrupt Bureau and the system called Integrated Financial Management Reforms Systems. This study used both quantitative and qualitative methods. The questionnaires were used to gather data. The data was limited to 100 respondent due to financial constraints and time availability. However the sample still represents credible representation and thus validates the findings

Keywords: *Financial public reforms, service delivery, Budget director, Ant corruption bureau, financial constraints*

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### **Introduction**

Financial Management reform in the Public sector is an essential part of the development process of any given country (Sida country economic report, 2005). Financial Management Reforms are developments and changes overtime in the field of finance. Financial management reforms are important in that they lead to prudent allocation of financial capital for the purchase of real capital. It further enables reorganization of financially troubled organizations. The reforms lead to optimal management of cash, inventory and development of appropriate dividends policies (Block et al. 1978). These forms assist in dealing with fiscal crises, public pressure, donor pressure and political change. Strong public financial reforms are essential to improved service delivery and poverty reduction. Effective PFM systems maximize financial efficiency improve transparency and accountability and in theory will contribute to long-term economic success (Pretorius & Pretorius, 2008). Financial reforms in the USA were necessitated by the failures that led to crises and required bold action. The reforms were needed to create a sound foundation to grow the economy and create jobs. The reforms were on improving the banking regulations, creating transparency and accountability for derivatives, under hedging funds and on insurance (Dodd, 2010). Rostow's stage theory (1960) argued that economic performance is affected by fiscal European discipline and institutional reforms. The progressive state theory, Smith (1776) noted that prudent management of public finance is a progressive state of maintaining high standard of living for people and thus their economic conditions. Nwezeaku (2010) argued that the persistent underdevelopment of the economies of sub-Saharan Africa can be explained by financial management failure. Various studies have depicted both positive and negative relationships between financial management reforms and economic performance. McKinnon (1973), Chaudhry (2006), Mohsin & Semlali (2000) concluded in their studies that there is a significant positive relationship between financial management and economic performance. Bash and Taylor (1999) noted that a negative relationship between financial development and macro-economic fluctuations exists only in developed countries. Fitzgerald (2006) concluded that potential contribution of financial development to economic growth is considerable but cannot be taken for granted and it depends on the construction of appropriate institutional structures. The Malawi public sector is made up of various economic sectors. These includes agriculture, tourism, health, education, infrastructure, communication, water and sanitation, energy, among others. The overall performance of Malawi's economy since independence has remained mixed.

The country has a market-based economy with a liberalized foreign trade policy. Over reliance on agricultural production and tobacco as its main cash crop makes the economy vulnerable to international market highs and lows due to ant smoke lobby and low prices. Malawi's GDP has been inconsistent since its independence in 1964. This research project highlighted the role of public financial reforms challenges and opportunities for service delivery.

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### **Review of Literature**

Public financial management is the most important component in managing the internal components function of the new public management (Adamolekun 1999; Hughes, 2003; Greener, 2013). This theory states that it is possible to classify societies into five categories based on their level of economic development namely, the traditional society, the preconditions for take-off, the take-off into self-sustaining growth, the drive to maturity and

the age of high mass consumption. Here economic growth and development is assumed to be affected by policy formulation, policy planning, budgeting, fiscal discipline and institutional reforms all of which must be an integral part of public sector financial management (Rostow, 1960).

Abdul and Ying (2002) while undertaking a study on financial reforms and economic growth; comparison of china and Pakistan, held that literature suggests ambiguous linkage between financial development and macroeconomic volatility .A major chunk of literature suggests that a negative relationship between financial development and macro – economic fluctuations exists only in development countries (Bash& Taylor, 1999). Mohsin and Semlali (2000) while doing a study on relationship between financial development and economic growth and development in sub- Saharan Africa indicated a positive link between financial development and growth. They further concluded that financial development has a predictive power for future growth and interpret this finding as evidence for a causal relationship that runs from financial development to growth.

McKinnon (1973) further did a study on financial depth – growth on country case studies. The study looked at the financial system and economic development in Argentina, Brazil, Chile, Germany, Indonesia, Korea and Taiwan in the post – World War II period. He concluded that better functioning financial system supports faster growth.

Ngugi and Kabubo (1998) undertook a study on challenges facing Kenyan financial sector. The study involved banking and non- banking institutions, the government and its entities. The study noted that as the Kenya’s general economic condition deteriorated in the early 1980s, the financial sector performance also went down.

Steven and Freinkman (2008) undertook a study with the objective of stocktaking the reforms in public financial management. The authors employed the global standards and the public expenditure and financial accountability (PEFA) framework to assess public sector financial management performance in Nigeria from 1999 to 2007. The study found that the PEFA diagnostics revealed a trend towards a system-wide upgrade in Nigeria’s Public Sector Financial Management (PFM) system.

Fitzgerald (2006) did a study whose objective was to determine the linkage between financial development and economic growth. He involved regress growth in 1960-89 for seventy Organization Economic Co-operation Developments and developing countries as a cross-section on previous financial depth in order to avoid endogeneity of the contemporary variable. The study concluded that the potential contribution of financial development to economic growth is considerable, but cannot be taken for granted and it depends on the construction of appropriate institution structure.

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## Research Objectives

- To assess public financial management reforms used by the public institutions.
- To establish how the public financial management reforms benefited local masses.
- To identify possible opportunities related to public financial management reforms.
- To list challenges faced in implementation of public financial management reforms
- To state possible solutions to challenges faced by public financial management reforms

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## RESEARCH METHODOLOGIES

Methods refer to the methods and techniques that are used by researcher for conduction of a research, they provide you with ways to collect, sort and analyze information so that you can come to some conclusions. Ghauri and Gronhaug (2005) argued that research methods are all those methods which are used by the researcher during the course of studying his research problem, for example all those methods which are needed and used for collecting data, all those statistical techniques which are used for establishing relationships between the data and the unknowns and also those methods which are used to evaluate the accuracy of the results obtained. Research methods which were applied in this research are both quantitative and qualitative methods.

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## FINDINGS AND DISCUSSIONS

Findings were gathered from the accounting department, planning and other participants who are the city residence. The following were gathered.

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## THE ACCOUNTS

The accounts department stated that they were not responsible to respond on issues of public financial management reforms as it is not their concern. In additional public financial management is done at Capital hill not at city assembly. This made them not to fill the questionnaires which were distributed to them. AD 1 recommended that “I have been hearing about the reforms from the presentations in the media by leaders yes but not here I have never put it in practice since 2011 I joined BCC.” Interviewed in February,2023. The second person interviewed by the researcher did not respond instead told the researcher that She knew nothing on the ground since she joined BCC in 2013.

**THE PLANNING DEPARTMENT**

The researcher visited the city assembly to submit questionnaires after received the permission from Blantyre city assembly authorities but it is where the researcher was told that planning department does not exist in the city assembly instead was told of the monitoring and evaluation. The monitoring and evaluation department also referred the researcher back to accounts department after reading questionnaire that their job has nothing to do with finances but monitoring the completion of projects. The researcher wanted to know the line between finance and project implementation as the department suggested but were quick to respond that public financial management issues is out of their core business.

Blantyre city residents' responses

Do you think there are public financial management reforms practiced by Blantyre city Council?

The question tries to establish the understanding of city residence if the PFMR are put into practice by the BCC

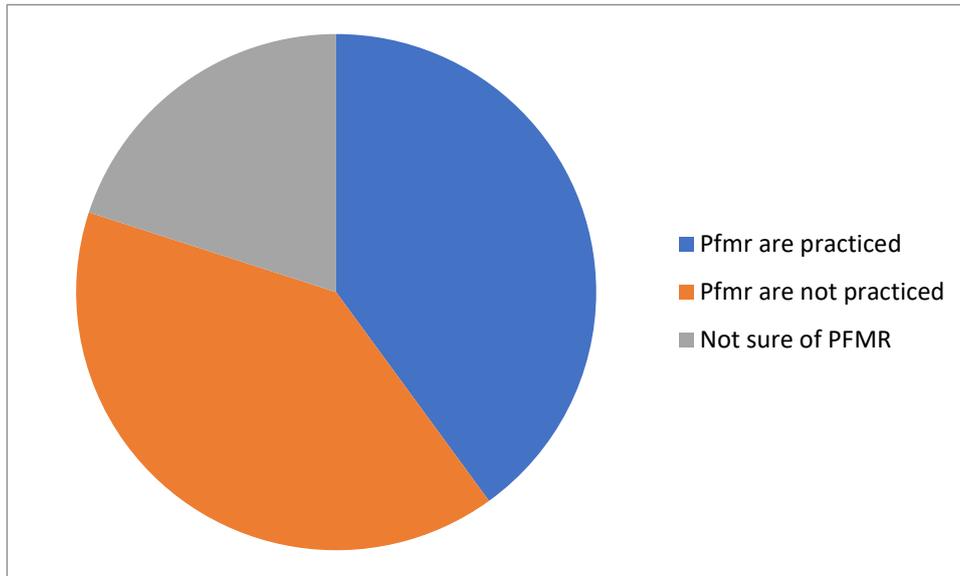


Figure 4.5: A pie chart showing responses on whether public financial management reforms are put into practice by the BCC.

From the pie chart 40 percent of respondents agreed that there are some sort of financial reforms practiced in the city and the other 40 percent did not agreed whereby the 20 percent were not even sure about them.

To what extent does the financial management reforms benefited the city residents ?

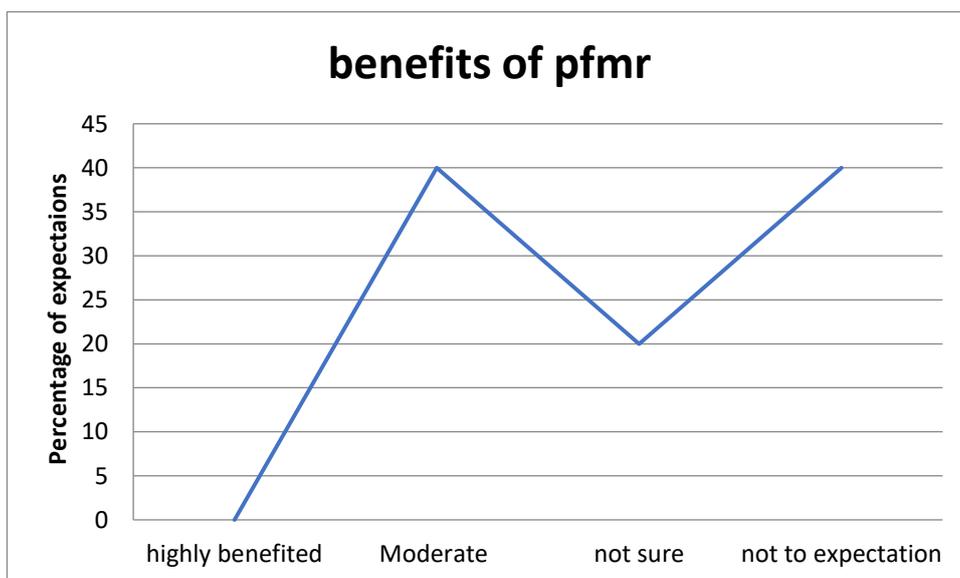
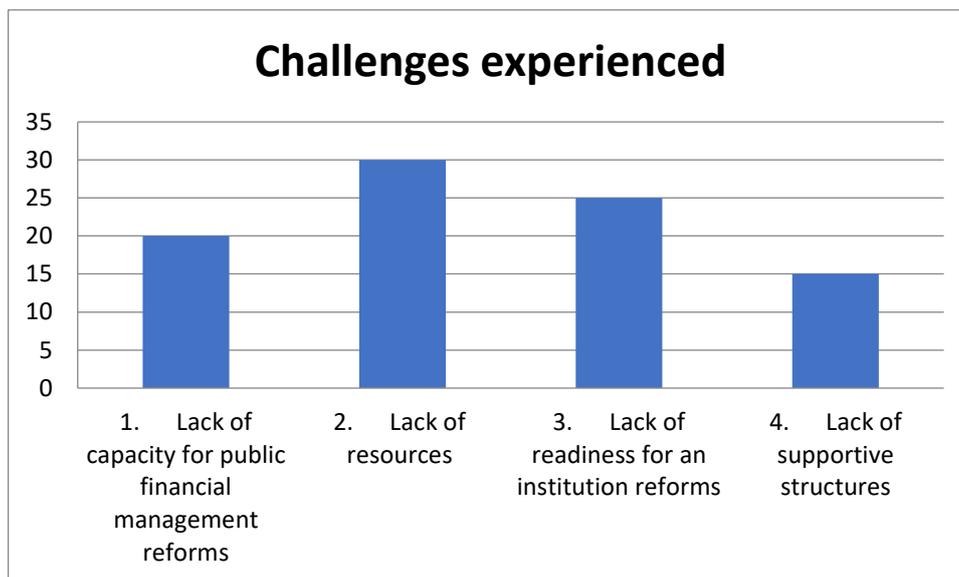


Figure 5: The extent on benefits of financial management reforms

What do you think are possible challenges and opportunities faced by public financial management reforms in the BCC?

(a) Challenges

The graph below shows findings on the challenges.



The above bar graph is showing that 30 percent of respondents agreed on lack of resources is affecting service delivery. 25 percent agreed on lack of readiness for an institution reform while 20 percent stated that lack of public financial management reforms is affecting service delivery and 15 percent agreed on lack of supportive structures.

(b) Opportunities

On opportunities the responded recommended the following opportunities that are available for the City Council to use in attempt to improve its financial management reforms to improve its service delivery.

1. Evolution of governments and governance which provides checks and balances
2. Widespread of dissemination of information through online and social media
3. Interdependency of production and delivery systems which promotes teamwork
4. Desire by residence to demand service delivery systems

What do you think are possible solutions to challenges experienced when implementing public service delivery?

The researcher in this question was interested to find out what solutions can be applied to challenges which are there in service delivery which among others the city residence were enthusiasm to provide the following as the most top solutions among others that were discovered in the data collection process.

1. Develop supporting systems that are automated to track non-functional activities
2. Recruiting the well qualified individuals and provide career development
3. Revise the salary structure to match the current market demand for better output
4. Citizens sensitization on the need to demand the service delivery from the city council
5. De politicize the developmental activities that are done by city council
6. Train the residents to own the city by protecting the developments already existing from theft and vandalism.

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