

BUDGETING AND PERFORMANCE OF FINANCIAL INSTITUTIONS: A CASE  
STUDY OF LYAMUJUNGU SACCO IN KABALE MUNICIPALITY

BY

ARINAITWE YOSAM

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A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF BUSINESS  
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### **Declaration**

I, Arinaitwe Y osam declare to the best of my knowledge that, the information in this piece of work is original and a result of my effort. The research work has not been published or rendered to any University or institution of higher learning for award of a degree.

Signature.~ .....

**ARINAITWE YOSAM**

Date...14/12/2022...

### **Approval**

This is to certify that, this research report titled "Budgeting and performance of Financial Institutions. A case study of Lyamujungu Sacco in Kabale Municipality" has been my supervision and is now ready for submission to the faculty of Economics and management science with my approval.

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.....

**MR. FAUSTINO BYANYIMA**

**SUPERVISOR**

### **Dedication**

I wish to dedicate this research report to my parents Mr. Rudakubana John and Mrs. Owimana Robinah who have been a great source of inspiration for their great contribution in times of financial crisis.

### **Acknowledgement**

It's been a too longer journey, which because of perseverance I have managed to afloat. I pray to the almighty to bless abundantly all those that were on my side during the peripheral moments of financial impediments when life almost became hard especially during compilation of this research.

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More thanks go to all my lecturers who have helped build my professional career since I joined this Kabale University.

May God bless them abundantly!.

### **List of Acronyms**

FP	Financial Performance
ROA	Return On Asset
ROE	Return On Equity

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## **Abstract**

The study aimed at the relationship budgeting and performance of financial institutions. A case study of Lyamujungu Sacco in Kabale Municipality. Objectives guided the study, namely: to assess the effect of budgeting on resource allocation in micro finance institutions, to examine the effect of budgeting on profitability of micro finance institutions, and to assess the effect of budgeting on planning and control in micro finance institutions in Uganda. The researcher adopted a descriptive status research design to collect qualitative and quantitative data from 30 respondents. Data collection was done using questionnaires, and documentary checklist and analysis was done. Results indicate that budgeting estimates, as realistical as possible, the cost of completing the objectives of the organisation. Some respondents showed that budgeting helps in the expression of organisations policies especially on how to acquire assests for the success of organisations, budgeting provides a means to monitor the project's financial activities over the life of the organisation in that the budgeting process the sacco has failed to monitor the performance of their clients hence affecting the performance of the financial institution. Budget in terms of revenues gives a bottom line for revenues to be met. Some respondents showed that the budgeting enable project to acquire extra money, respondents gave their opinions that all budgetary control is a proven management tool. Some respondents showed that budgeting in business organization is formally associated with the advent of industrial capitalism. The study concludes that there is a role played by budgeting in the performance of Lyamujungu Sacco where by the findings showed that Lyamujungu Sacco practiced budgeting on whatever transaction they were making, it was therefore concluded that improved communication, budgeting, financial control of inputs, planning and coordination were the roles played by budgeting, increased profits, reduces wastage of resources, were the other roles played by budgeting in MFis. The study recommends that the employees should be encouraged to participate in the formulation of the budget so as to ensure a participatory management that reduces resistance from employees. All the employees should be sensitized on the importance of budget in the organization so as to reduce the conflict between the organizations interest and stake holders.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

A budget is a financial and or quantitative statement prepared and approved prior to a defined period of time for attaining a given organizational objectives (Kariuki, 2010). These goals include control and evaluation, planning, communication, and motivation (Lucey, 2010). The Tennessee board of Regents (2006) defines budgeting as the process whereby the plans of an institutions are translated into an itemized, authorized and systematic plan of operation, expressed in dollars for a given period.

Business budgeting is an essential process that allows individuals to meet their business goals. These goals are communication, evaluation, planning, and motivation (Lucey, 2004). (Kariuki, 2010), suggests that budgeting is a process of planning the financial operations of a business. Budgeting as a management tool helps to ensure that there is proper organization of activities within the company (Onduso, 2010)

"Budgeting" are concepts traceable to the bible days, precisely the days of Joseph in Egypt, It was reported that "nothing was given out of the treasure without a written order". History has it that Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine. John (1996), states that it was during the 1960s that companies began to use budgets to dictate what people needed to do.

The subject of Financial Performance (FP) has received significant attention from scholars in various areas of business and strategic management. Financial performance has implications on an organization's health and ultimately its survival (Onduso, 2013). Financial performance is referred to as the degree to which financial objectives are being or have been accomplished. Extensive literature regarding the firm's objectives, places much emphasis on the maximization of shareholder's wealth. Managers are thus concerned about maximizing shareholder's wealth as it connotes future prospects, reflects steady growth, and provides a risk shield. In order to achieve this, Naser and Mokhtar (2014), argue that high performance reflects management effectiveness and efficiency in making use of company's resources

Generally, firms operate using several resources including financial, human, capital and others. Financial resource is one of the key elements in achieving organizational objectives and goals Koech. (2015). However, in order to achieve the objectives the budget has to be prepared effectively and adhered to. According to Muthoni (2016) a budget is a quantitative expression a plans and the process of converting plans into budget is known as budgeting. Budget is one of the most widely used tools for planning and controlling business organization (Lazaridis, 2014 ). The budgeting process may be quite formal in a large institution with committees set up to perform the tasks. On the other hand, in a very small firm the owner may write down the budget on a piece of paper or just budget in his head about the items he can remember easily.

A properly managed budget can promote sustainable profits in many business organizations. The actions that follows managerial decisions normally involve several aspects of business, such as the marketing, production, purchasing and finance functions, and it is important that the management should coordinate these various interrelated aspects of decision-making. If the management fails to do this, there is danger that managers may each make decisions that they believe are in the best interests of that organization when, in fact, together they are not; for example, the marketing department may introduce a promotional campaign that is designed to increase sales demand to a level beyond that which the production department can handle. The various activities within a company should be coordinated by the preparation of plans of actions for future periods. These detailed plans are usually referred to as budgets (Koech, 2015).

Budget is among the major tools for implementation of the objectives and policies of the organizations. In other words, budget provides the basis for decision making in the organization. Budgeting plays importance not only to organizations but also to individuals on how to spend in relation to the resources available. Further, budgets play other managerial roles such as planning, controlling, communication and motivation. A well formulated budgeted system enables the organization to reach its goals more successful (Koech, 2015).

The rapid changes in today's business environment render a rigid approach to budgetary control obsolete. It is no longer helpful to compare actual results to that forecasted anything up to 15 months previously (Mukah, 2018). He argues that amongst the requirements of a more appropriate

system, would be the building in of accountability to explain the differences between actual and planned performance. This demands a more immediate time frame of information reporting. Thus, there is a need to integrate strategic management and budgeting. These authors conceptualized that to be effective, budgets must be aligned with the Organization's strategies, appropriate strategic planning, and performance management processes introduced, and must involve processes that are value based, consequential and Continuous

### **1.2 Statement of the problem**

Budgeting facilitates the primary function of micro finance institutions, in their capacity as agents that facilitates financial intermediation and the performance of core banking roles (Koech, 2015). Budgeting has helped micro finance institutions through proper allocation of resources; promote sustainable profits in many business organizations, and for planning and controlling business organization functions in Kabale. The government and private organisations have put in place various measures to promote efficient budgeting processes. Such measures includes but not limited to Medium-term expenditure frameworks (MTEF), performance budgeting, activity based budgeting, tracking the organisations progress, they are also involved in budgeting to avoid imbalances in the budget. Despite the measures above budgeting function that has not been fully realized. This may be due to limited skilled personnel, emergencies, poor performance of previous activity, etc. The study seeks to examine the relationship between budgeting and performance of financial institutions so that the government and other stakeholders may come up with the strategies to improve the micro finance performance.

### **1.4 The general objective of the study**

The main aim of the study was to investigate the relationship between budgeting and performance of micro finance institutions in Uganda.

### **1.5 Specific objectives**

- i) To assess the effect of budgeting on resource allocation in micro finance institutions in Uganda. ii) To examine the effect of budgeting on profitability of micro finance institutions in Uganda.
- iii) To assess the effect of budgeting on planning and control in micro finance institutions in Uganda.

## **1.6 Research questions**

- i **What** is the effect of budgeting on resource allocation in micro finance institutions in Uganda?
- ii) What is the effect of budgeting on profitability of micro finance institutions in Uganda?
- iii) What is the effect of budgeting on planning and control in micro finance institutions in Uganda?

## **1.7 Scope of the study**

This study focused on the relationship between budgeting and performance of financial institutions primarily focussing on proper resources allocation, profitability and planning and control in micro finance institutions. The study was conducted in Kabale municipality Kabale district. Kabale District is bordered by Rukungiri District to the north, Rukiga District to the northeast, the Republic of Rwanda to the east and south, Rubanda district to the west and Kanungu District to the northwest. The study covered the period between 2018 and 2022; this helped the researcher to gather and process all the relevant data to be analysed for the interference.

## **1.8 Significance of the study**

The study will help policy makers to design measures/strategies to emphasise on budgeting in financial institutions which will be a stepping stone to boosting their financial performance in Uganda. The findings of the study will add to the literature about budgeting and the performance of micro finance institutions. The study findings will also help other researchers as well academicians in their investigations and further research concerned with this topic since the study will have provided the literature and methods of data collection. The study findings will help scholars in the field of financial management to use the information to understand the budgeting issues in micro finance sector. They can use the information as a reference point to research on the budgeting formulation and budgeting improvements in other industries and also for further research.

## **1.9 The operational definition of the key terms**

A budget is an instrument for facilitating and realizing the objectives of the organization. It provides an appropriate measure for past performance.

**Budgeting:** Is the process of creating a plan to spend your money. This spending plan is called a budget. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do.

**Financial performance.** This is the measurement of the results or the outcome of the company's performance. These results are indicated in the firm's Return On Asset (ROA) and Return On Equity (ROE). Financial performance is measured by revenues from operations, operating income or cash flow from operations or total unit sales.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter availed the literature on the topic under study. It follows the generated objectives of the study to show other scholars contribution on budgeting and financial performance of micro finance institutions in Uganda

#### 2.2 Effect of budgeting on resources allocation in micro finance institutions in Uganda

A budget is defined as patterns of expenditure and revenue over the life of the project (SEA GA 2001 ). In general, it is a prediction of the possible costs that will be incurred by carrying out the activities planned in a project. Realistic planning of finances is key to the implementation of a project or programme. A professional and transparent approach to budget planning will help convince investors, development banks and national or international donors to make financial resources available (Philip, et, al. 2008).

Generally, the budget has mainly two functions. First, it estimates, as realistically as possible, the cost of completing the objectives identified in the project proposal. The sponsoring agencies will use the budget details to determine whether the proposal is economically feasible and realistic. Secondly, the budget provides a means to monitor the project's financial activities over the life of the project. In this way, it is possible to determine how closely the actual progress toward achieving the objectives is being made relative to the proposed budget (University of Virginia 2010). Many sponsors, especially government agencies and international organisations, provide either a form or a format for the budget. It is therefore imperative to follow the donor's instructions explicitly. In fact, the first thing you should do is read the application guidelines carefully so you are sure of what you need to include or exclude in your budget.

Bis was (2010) conducted a study and found out that budgeting helps governments manage their resources. Government and not-for-profit budgets are very important because they are the culmination of the political process and contain most of the organization's important decisions (Biswas & Paul, 2010). The budget determines which constituents give to the entity and which receive, which activities supported and which are assessed. The force of law backs government

budgets and officials use it to guide to oversee spending. Constituents want assurance that spending has not exceeded authorized amounts and that revenue and expenditure estimates were reliable. The budget is used as a control device and complements the accounting and reporting system.

Shafritz (2011) also considers government budgets as far more important than those for businesses because they are expressions of public policy and often carry the authority of law, preventing public officials from spending outside their budgetary authority. The increased importance of budgets is reflected in government financial reports by a required report comparing budgeted and actual amounts. In the study, he insisted on the role that budgeting plays in bringing about efficiency in the spending of public money.

In yet another study, it is indicated by Svenson (2014) that governments and not-for-profits are governed mainly by their budgets, not by the marketplace. Revenues and expenditures are controlled through the budgetary process. Government's revenues may be determined by legislature, so they aren't subject to competition like in for-profit. Not-for-profit revenues aren't established by legal mandate, but are obtained from contributions, dues, tuition, or user charges, unlike the sales of a business.

A study by Trevor (2013) reveals that there are large numbers of public sector industries (especially natural monopolies), which are established and managed for social welfare of the public. Budget is prepared with the objective of making various provisions for managing such enterprises and providing those financial help. The study also illustrates how the growth rate of a country depends on rate of saving and investment. For this purpose, budgetary policy aims to mobilize sufficient resources for investment in the public sector. Therefore, the government makes various provisions in the budget to raise overall rate of savings and investments in the economy.

Julia (2011) reckons that through the budgetary policy, Government aims to reallocate resources in accordance with the economic (profit maximization) and social (public welfare) priorities of the country. Government can influence allocation of resources through taxes and subsidies (Julia, 2011). To encourage investment, government can give tax concession, subsidies etc. to the producers. For example, Government discourages the production of harmful consumption goods (like liquor, cigarettes etc.) through heavy taxes and encourages the use of 'Khaki products' by providing subsidies.

Lorino (2012) conducted a study to establish the **role** played by budgeting in the management of expenditures in government institutions. 1-Ic reckons that fiscal discipline has a close relation **with** the control of budget magnitudes effectively and it assumes a binding role on both macro **level** and expenditure unit by means of expenditure ceilings (Lorino, 2010). In macro financial discipline, budget totals do not only arrange expenditure demands; results in decisions applied must be clear as well. These totals should be set before individual spending decisions are made, and should be sustainable over medium-term and beyond.

Well as (2010) finds that the efficiency in allocation is the skill of distributing sources in budget priorities. Here, replacing inefficient activities with more productive activities, leaving former priorities to newer ones and accomplishing these values in line with the state's goals are of great significance (Ingrid, 2012). Efficiency in resource distribution can be done among various units of the state. Expenditures must be based on the government's priorities and the efficiency of public programs. Budget system should act according to each important step of reallocation of sources (Wellas, 2010).

Finally, Waleed & Joanita (2012) consider productivity in Public Services (Technical Efficiency) to be a direct result of proper budgeting. The effective utilization of budget sources as technically and functionally depends on applicable capacity of programs and providing of services with lower cost or minimizing per capita (Waleed & Joanita, 2012). Competing of public administrations with market prices and obtaining sustainable gains is contingent upon producing assets and services with the lowest cost

### **2.3 Effect of budgeting on profitability in micro finance institutions in Uganda**

Budgeting is a statement in financial terms of the total revenue to be generated from a time period and the expenses to be incurred for that same period. The budget in terms of revenues gives a bottom line for revenues to be met while on the other hand, it gives a maximum amount of money to be spent. This revenue target and expenses limit gives institutions a forecasted profitability level for that period.

The major objective of budgeting in financial institutions and micro-financial institutions in Buea to be precise is to ensure efficient and effective utilization of funds and for the realization of the

objectives of the institution. However, the absence of an appropriate budgeting system in the micro-financial institution will result in poor operations as there may be no goals and objectives to be achieved hence leading to poor performance.

The purpose of budgetary control is to provide a forecast of the revenues and expenditures, this is achieved through constructing a model on how a business might perform financially speaking, events and plans are carried out, (Churchill, 2010). A budget is a financial or quantitative statement prepared and approved prior to a defined period of time for attaining given organizational goals, (Kariuki, 2010). Such goals include control and evaluation, planning communication and motivation, (Lucey, 2010).

That profit budget is used for control by top management in two ways; first, budget reports, comparing actual results with the budget, together with analysis of variances, an explanation to the causes to the variances, an explanation of any corrective actions being taken, and a current annual forecast are used to keep management informed of what is happening in the divisions. It acts as an early warning so that management can take appropriate action when necessary. Second, the budget system is used to assist top management appraise the performance of each individual manager. Planning is the first and foremost basic of management functions and other managerial functions reflect and depend on planning (Kyogambiirwe, 2002). He added that planning involves selecting company objectives and departmental goals and determining ways of reaching them. Moreover, decision making is at the core of planning, so effective strategies and policies should contribute to the objectives and plans of the organization, the more strategies and policies are clearly understood the more consistent and effective will be the framework of the company plans.

Hudson and Andrew (1996), says that control involves the making of decisions based on relevant information which leads to plans and actions that improve the utilization of the productive assets and services available to organization management. Effective control is said to be based on standards with which actual performance can be compared. If there are no standards, then there can be no effective measure of attainment. Hudson and Andrew identified and elaborated on five categories into which standards fall that is; quantity, quality, time, cost and value. A drawback associated with the budget is that annual budget targets encourage short time perspective and cost savings in order to meet objectives. Short term goals prevent the organization to emphasize on

**long** term value adding strategies, which can be effective in the long run. Budgeting is necessary because of the ever present scarcity of resources. The few resources available must be controlled partly through budgeting. Furthermore, scarce resources have to be utilized systematically. The suppliers of money always need information before they release their funds.

A budget is the key to enabling one to take charge of one's project finances. With a budget, the manager has the tools to decide exactly what is going to happen and when. The manager can be in control of the project money.

Budgeting helps the manager to organize project finances. Even in its simplest form, a budget divides funds into categories of expenditures and savings. Beyond that, however, budgets can provide further organization by automatically providing records of all the monetary transactions. They can also provide the foundation for a simple filing system to organize bills, receipts, and financial statements.

Budgeting is a communication tool. The budget is a communication tool to discuss the priorities for where project money should be spent, as well as enabling all involved parties to "run" the project. Budgeting enables Managers to take advantage of opportunities knowing the exact state of project money, and being in control of them, allows manager to take advantage of opportunities that one might otherwise miss.

Budgeting creates extra time for project managers. All your financial transactions are automatically organized for tax time, for creditor questions, in fact, for any query which may come up regarding how and when the manager spent the project money.

Budgeting enable project to acquire extra money. This might well be everyone's favorite benefit. A budget almost certainly produces extra money for project. This is through elimination of hidden fees and lost interest paid to outsiders. Unnecessary expenditures, once identified, can be stripped out. Savings, even small ones, can be accumulated and help the project."

Employees may fear of not meeting the objectives, encourage bad behaviors such as manipulating and gaming with numbers (Hope and Fraser, 2003). A survey by Libby and Lindsay 2010 confirms that the budget does not facilitate the adaption of changes in the unpredictable environments, hence spending time on forecasting and planning the future can even be completely useless because

research shows that firms tend to adjust and improve the budget processes and targets when meeting new challenges. Hansen et al (2003) refer to Bosco et al (2003) who describe that according to the French companies, organization that operate under un predictable circumstances are the most dissatisfied with budgets. Although budgets can be a useful control tool for companies operating in stable environment, Hansen states that budgets are not useful for most businesses.

Scholars claims that organizations adopt new management tools with ambition to improve their management and budget process (Akesson and Siverbo, 2009). In order to stay competitive, organization emphasize on strategy instead of short term budgets targets. Therefore, additional models such as balance scorecard have been frequently adopted and implemented in organizations (Fraser & Hope 2003). When a new model is adopted by the organization, the company tends to keep all models as well. New models are based on different philosophies about how organizations are supposed to act but the models are often used in the same contest simultaneously (Akessen & Siverbo 2009). In the end, uncritically adding new management tools can rather lead to an overdose of managing and cause high costs and time consuming activities. Additional management tools are often measured on annual basis like the budget and similar problems that are associated with the budget can be the outcome (Frasre & Hope 2003 ).

#### **2.4 Effect of budgeting on planning and control in micro finance institutions in Uganda**

The literature also posits that a budget is a quantitative expression of a plan action prepared in advance of the budget period (Lucey 2000) Lucey identifies that budget may be prepared as for a business as a whole, a department, function with a link with the overall objectives of the organization. The valuable use of budgets is or translating organization objectives into a feasible plan of action is breakthrough for the ordinary use of budgets to for cutting costs restricting spending and allocation of scarce resources. In order to survive the environment complexities and vagueness managers and stakeholders of informal business sector need sharp tools, proven management techniques to forecast and determine the major changes which are likely to affect the business while they chose to the future ( direction and dimension of resources needed to attain selected goals.

Budgetary control is a proven management tool noted by (Pendlebury 2000), helps private firm's management and enhances improved performance in any economy in different ways. Its primary function is to serve as a guide in financial planning operators. it also establishes limits for

departmental excesses. Its helps administrative officials to make analysis of all existing operations there by justifying, expanding, eliminating or restricting present practices yet these have received limited attention from academicians and researchers.

According to Lang & Chowdhury (2006) asserts that "Budget and Budgeting" are traceable to the bible days, precisely the days of Joseph in Egypt. It was reported "Nothing was given out of treasure without a written order. History has it that Joseph stored grains which lasted the Egyptians throughout the several years of famine. Budgets were first introduced in the 1920's as a tool of manage costs and cash flows in large industrial organizations. They further state that it was during the 1960's that companies started using budgets to detect what people needed to do. In the 1970's, performance improvement was based on meeting financial targets rather than effectiveness. Companies faced problems in the 1980's and 1990's when they were not willing to spend money on innovations in order to stay with the rigid budgets they were no longer concerned how much customers were being treated and only meeting the sales target became their essential. Budgeting in business organization is formally associated with the advent of industrial capitalism for the industrial revolution of the century which presented a challenge for industrial management.

## **CHAPTER THREE METHODOLOGY 3.1 Introduction**

This chapter discusses how the methodology employed in the study. It indicates the area of the study, the research design, and research population, sampling techniques, data collection instruments and procedure of data collection, mode of data analysis and presentation as well as ethical consideration and limitations of the study.

### **3.2 Research design**

The researcher incorporated both quantitative and qualitative research approaches. This also helped to reduce on time and costs on the part of the researchers. A descriptive research design was chosen because it captured major issues of the study and allowed deeper understanding of study variables (Sekaran, 2000). Meanwhile, incorporating both qualitative and quantitative research approaches helped in enhancing reliability (Desscombe, 1998) this in turn helped in drawing appropriate conclusions and recommendations of the study.

### **3.3 Study area and population**

The study was carried out in Kabale District, Western Uganda. It is part of Kigezi which makes districts such as Rukungiri, Kanungu and Kisoro and now Rukiga and Rubanda. Kabale District is bordered by Rukungiri District to the north, Rukiga District to the North East to the west and Kanungu District to the north. The population under investigation was 30 mainly the employees of Lyamujungu Sacco in Kabale district

### **3.4 Sample selection techniques**

The respondents were selected from Lyamujungu Sacco where 30 were considered since they are the employees who are involved in budgeting and performance of the institutions who were purposively sampled by the researcher during data collection. Both simple random and purposive sampling techniques were used on selection of respondents.



### **3.5 Data types and sources**

The researcher used both primary and secondary data. Primary data was collected from respondents directly by use of questionnaires and interviews while secondary data was collected from employees.

### **3.6 Data collection methods and tools**

Data was collected using questionnaires and interview guide as the key methods of data collection.

#### **3.6.1 Questionnaire**

Questionnaires were used to minimize bias as they were answered by the respondents in their free time without the researcher. This was set of questions that was posed to the respondent by the respondents. This mainly had the proposed answers from where the most desired is selected.

### **3.7 Data analysis**

Data analysis followed the objectives and research questions presented in earlier sections. The collected data was entered in excel sheet, coded, captured, checked for completeness, then descriptive statistics (mean, mode, and median) was computed, and similarly, responses were put together, regulated and sieved so that the right one was considered for the study as the unwanted ones were discarded under this section, different gadgets and methods were used to tabulate the information. These included the use of simple manual frequency tables to reach the intended objective with ease; it was categorized, grouped and tabulated using tables, charts, frequencies and percentages for easy interpretation.

### **3.8 Validity and reliability of the instruments**

#### **3.8.1 Validity**

To ensure the validity of the questionnaire some experts in research including my supervisor was involved. In this regard, after preparing the questionnaires and interview guide, they were submitted to the supervisor to ensure the correctness and specific to objectives to be achieved.

#### **3.8.2 Reliability**

To ensure the content reliability, the research used either the test - retest method or crone batch alpha, method for the two tests, results were analyzed using Pearson's correlation coefficient

(PCC) and the T-test for PCC if the significance was equal or inferior to 0.05 then instrument were reliable for T test, if significance were equal or greater than 0.05, the instrument was reliable.

### **3.9 Ethical considerations**

The researcher got an introductory letter from the research supervisor introducing him to the stakeholders/authority of the area where the research was conducted. After acquiring this letter, the researcher went to the micro finance institution management; that is to say, the director who was in turn introduces the researcher to the relevant officers. The researcher thought for authorization from relevant authorities; that is the University supervisor, and the institutions directors. The researcher ensured free consent from potential respondents. The names or identifications of the respondents were anonymous and information collected from them was treated with utmost confidentiality.

### **3.10 Limitations of the study**

The researcher was faced with language barrier during data collection, since people in Kabale municipality use difference languages which may not all be known by the researcher. This was solved by getting an interpreter of languages.

There may be delayed responses since some respondents may be busy and others may not be willing to give answers to the questionnaire guide. The researcher tried to administer the questionnaire guide as early as possible such that even those who delayed had to catch up with time.

Since the study involved collecting data from different respondents, some of respondents maybe uncooperative. The researcher tried to explain to uncooperative respondents the importance of research ensuring them that their identity and other personal issues were not disclosed anyhow.

## **CHAPTER FOUR**

### **DATA ANALYSIS, AND INTERPRETATION**

#### **4.1 Introduction**

This chapter presents the findings of the study. The data collected through these aforementioned data collection tools were analyzed using frequencies and tables. Data analysis was based on the study objectives namely; the relationship between budgeting and performance of micro finance institutions. A case study of Lyamujungu Sacco in Kabale municipality, Uganda. The study was guided by the following objectives namely; to assess the effect of budgeting on resource allocation in micro finance institutions, to examine the effect of budgeting on profitability of micro finance institutions, and to assess the effect of budgeting on planning and control in micro finance institutions in Uganda, variables and research presentation were based on research questions using systematic approach. The main issues discussed included the following: Questionnaires returnrate, demographic information of the respondents and the schools and responses to the research questions.

#### **4.2 Data presentation and interpretation**

A number of variables pertaining to the respondent's background were considered during the study. Respondent's age, sex and level of education, status of respondents were the key variables that were explored.

##### **4.2.1 Demographic characteristics**

The study gave out 30 questionnaires and conducted some interviews, however, only 30 questionnaires was filled and therefore considered for the study. The researcher considered the age, sex, marital status, occupation, and education levels of respondents. The biographic data was very essential for the researcher and the study in order to describe the best respondents selected for the study

**Table 1: Descriptive on bio data of respondents**

		Table showing age education levels of respondents	Table showing marital status of respondents	Table showing occupation of respondents
<b>N</b>	Valid	30	<b>30</b>	30
	Missing	0	0	0
Mean		2.3740		
Median		2.0000		
Std. Deviation		.99488		
Variance		.990		

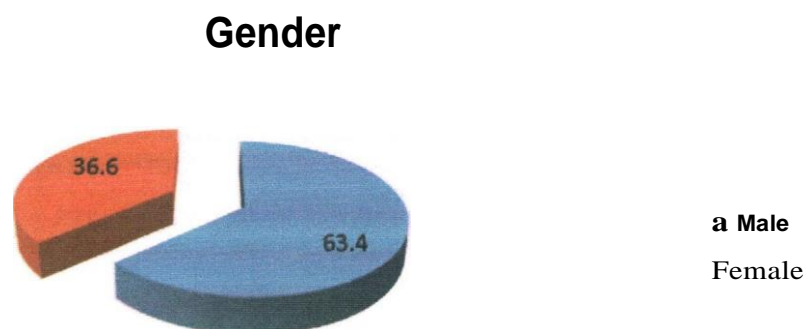
**Source: Author's Computation, 2022**

The results in the table 2 above shows statistics on mean which indicates 2.3740, median of 2.00, standard deviation of 0.99488 and the variance of 0.990. This shows that demographic characteristics on age of respondents were well represented in the study.

### 4.3 Research findings

#### 4.3.1 Demographics of respondent

**Figure 1: Gender of respondent**



**Source: Author's Computation, 2022**

Figure I summarizes the gender of the respondents. From the table, it shows that the majority of respondents (63.4%) were males while the rest (36.3%) were the females. This was due to the fact

that most households are being led by men and even those who work with government, most of them are men due to the result of political beliefs where men are the top most leaders.

#### 4.3.2 Age of respondents

The age composition of the study respondents was also an important factor in the process of understanding the causes of poverty in rural areas. This was so because different age groups were assumed to understand the study variables differently yet considered vital to the study. According to the study findings the respondents views were as in table 2 below.

**Table 2: Age of respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-31	7	24.4	24.4	24.4
	31-40	8	26.7	26.7	51.1
	41-50	11	35.9	35.9	87.0
	51-60	4	13.0	13.0	100.0
	<b>Total</b>	<b>30</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Author's Computation, 2022**

When it came to the age of the respondents in table 2, out of the 30 respondents, 35.9% represented respondents of ages between 41 and 50, ages of 31-40 was represented by 8 respondents who gave a percentage of 26.7%, 20-31 were represented by 7 respondents representing 24.4% of respondents. Respondents with 50-61 years of age were represented by 4 respondents who gave percentages of 13% for the correction of the study.

#### 4.3.3 Education levels of respondents Table

##### 3: Education levels of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Others	4	13.3	13.3	13.3
	Degree	14	46.7	46.7	60
	Diploma	12	40	40	100.0
	<b>Total</b>	<b>30</b>	<b>100.0</b>	<b>100.0</b>	

**Source; Author's Computation, 2022**

On the highest level of education attained, almost a half ( 46. 7%) of the respondents indicated that had completed a degree was their highest level of education while 40% claimed that they had finished a diploma as their highest level of education. Those respondents with the primary level were represented by 13 .3%. Despite the different levels of education of respondents never prevented them to provide data to the researcher. Education levels acquired by respondents varied significantly as summarized in (in the table above).

#### 4.3.4 Marital status of respondents

**Table 4: Marital status of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	2	67.9	67.9	67.9
Single	0	32.1	32.1	100.0
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>	

*Source; Author's Computation, 2022*

According to the results presented on table 4.4 above, shows that the highest numbers of respondents were married with 67.9%, while the least status being the single with 32.1%. This was done to provide the relevancy for those married and those single in their efforts for the micro finance institutions and how they understand budgeting because most married people find it easy to budget in every aspect.

#### 4.4 Presentation of Data

The findings are presented logically according to the study objectives and as per the method of analysis.

##### 4.4.1 Effect of budgeting on resource allocation in micro finance institutions in Uganda

The research question was answered to establish the effect of budgeting on resource allocation in micro finance institutions in Kabale district

**Table 5: Effect of budgeting on resource allocation in micro finance institutions in Kabale district**

Statement	Agree		Not sure		Disagree		Total	
	F	%	F	%	F	%	F	%
It estimates, as realistically as possible, the cost of completing the objectives of the organisation	26	86.7	3	10	1	3.3	30	100
It helps in the expression of organisations policies	25	83.3	2	6.7	3	10	30	100
Budgeting provides a means to monitor the project's financial activities over the life of the organisation	27	90	3	10	-	-	30	100
Budgeting guides the allocation of resources	28	93.3	1	3.3	1	3.3	30	100

**Source: Author's Computation, 2022**

Table 4.5 above shows analysis of results on the effect of budgeting on resource allocation in micro finance institutions in Kabale district. The findings here shows that budgeting estimates, as realistical as possible, the cost of completing the objectives of the organisation. This was supported by 86. 7% of respondents, 10% were not sure and 3 .3% disagreed with the statement. Here some respondents added that budgeting helps organisations to realize their objectives.

Some respondents showed that budgeting helps in the expression of organisations policies especially on how to acquire assests for the success of organisations. This was agreed by 83.3% of respondents, 6. 7% was not sure about the staement while 10% disagreed with the statement. One respondent added that "The Sacco shows its policy on acquiring a loan after designing the budget that has to run the functionality of the Sacco"

From the questionnaire, it was revealed that budgeting provides a means to monitor the project's financial activities over the life of the organisation. The results indicate that 90% of respondents

agreed with the statement, and only 10% was not sure about the statement in that despite of the budgeting process the sacco has failed to monitor the performance of their clients hence affecting the performance of the financial institution.

Lastly, from the questionnaire also, some respondents showed that budgeting guides the allocation of resources in the Sacco. This was agreed by 93.3% of respondents, 3.3% were not sure and only 3.3% of respondents disagreed with the statement. It can therefore be concluded that there is a positive relationship between budgeting on resource allocation in micro finance institutions in Uganda.

#### 4.4.2 Effect of budgeting on profitability of micro finance institutions in Uganda

The following abbreviations was used: Strongly agree (SA), Agree (A), Not Sure (NS), Disagree (D), and Strongly Disagree (SDA)

**Table 4.6: Effect of budgeting on profitability of micro finance institutions in Ka bale.**

Effects	Agree		Dis agree		Not sure			
	F	%	F	%	F	%	F	%
Budget in terms of revenues gives a bottom line for revenues to be met	25	83.3	2	6.7	3	10	30	100
Budgeting enable project to acquire extra money	23	76.7	3	10	4	13.3	30	100
The budget is a communication tool	27	90	-		3	10	30	100
The budget system is used to assist top management appraise the performance of each individual manager	24	80	2	6.7	4	13.3	30	100
Budgeting helps the manager to organize project finances	29	96.7	-	-	1	3.3	30	100

**Source: Author's Computation, 2022**



From the table 4.6 above, respondents were tasked to reveal their thinking about the budgeting on profitability of micro finance institutions in Kabale, from the questionnaires, respondents gave their opinions on the influence of budgeting on profitability of micro finance institutions in Kabale and some mentioned that budget in terms of revenues gives a bottom line for revenues to be met, whereby 83.3% of respondents agreed with the statement, 6.7% were not sure with the statement while 10% disagreed with the statement.

Some respondents showed that the budgeting enable project to acquire extra money. Respondents responded in a way that 76.7% of respondents agreed with the statement, 10% of respondents were not sure with the statement, and 13.3% of respondents were undecided about the statement. The said respondents added that "proper budgeting makes Lyamujungu Sacco to get extra money in terms of profits that has improved the performance of financial institutions.

Also from the questionnaire, respondents mentioned that the budget is a communication tool, this shown that 90% of respondents agreed with the statement, 10% of respondents were undecided (not sure) about the statement. Some respondents added that budgeting helps to communicate the success and failure of the Sacco, also budgeting helps to know much will be achieved from the activities that are being done in the Sacco

From the questionnaires, respondents gave their opinions on the influence of the budgeting on profitability of micro finance institutions in Kabale and some mentioned that the budget system is used to assist top management appraise the performance of each individual manager, whereby 80% of respondents agreed with the statement, 6.7% were not sure with the statement, and, 13.3% disagreed with the statement.

Some respondents showed that budgeting helps the manager to organize the Sacco's finances. Some respondents added that annual budget plays an important role in planning for the Sacco hence affecting the performance of Lyamujungu Sacco in Kabale. Respondents responded in a way that 96.7% of respondents agreed with the statement, while only 3.3% of respondents disagreed with the statement. It was found that majority of the respondents agreed that budgeting and planning is influenced by market environment; all the Sacco activities planning is dependent on annual budget and; that this plays an important role in planning. The general implication in the table shows that the higher the frequency and percentage the bigger the number of respondents

who either agreed, disagreed, or were not sure about the preconceived statement regarding the variables under study.

**4.4.3 The effect of budgeting on planning and control in micro finance institutions in Ka bale.** The following abbreviations was used: Agree (A), Not Sure (NS), Disagree (D)

**Table 4.7: Effects of budgeting on planning and control in micro finance institutions of Kabale district**

Budgeting on planning and control	Agree		Dis agree		Not sure			
	F	%	F	%	F	%	F	%
Budgeting helps administrative officials to make analysis of all existing operations	26	86.7	1	3.3	3	10	30	100
Budgetary control is a proven management tool	23	76.7	-	-	7	23.3	30	100
Budgeting in business organization is formally associated with the advent of industrial capitalism	27	90	2	6.7	1	3.3	30	100
Budgeting is a management technique to forecast and determine the major changes which are likely to affect the business	28	93.4	1	3.3	1	3.3	30	100

**Source: Author's Computation, 2022**

From the table 4.7 above, respondents were tasked to reveal their thinking about the effects of budgeting on planning and control in micro finance institutions of Kabale district, from the table respondents revealed that budgeting helps administrative officials to make analysis of all existing operations, 86.7% of respondents agreed with the statement, 3.3% of respondents were not sure about the statement, while only 10% of respondents disagreed with the statement

From the questionnaires, respondents gave their opinions that all budgetary control is a proven management tool, whereby 76.7% of respondents agreed with the statement, while 23.3% of respondents disagreed with the statement.

Some respondents showed that budgeting in business organization is formally associated with the advent of industrial capitalism. Respondents responded in a way that 90% of respondents agreed with the statement, 6.7% of respondents were undecided about the statement, while only 3.3% of respondents disagreed with the statement

Also from the questionnaire, respondents mentioned that budgeting is a management technique to forecast and determine the major changes which are likely to affect the business, this shown that 93.4% of respondents agreed with the statement, 9.9% of respondents were undecided about the statement, 3.3% were undecided with the statement while only 3.3% of respondents disagreed with the statement.

## **4.5 Discussion of findings**

### **4.5.1 Effect of budgeting on resource allocation in micro finance institutions in Uganda**

The findings here shows that budgeting estimates, as realistical as possible, the cost of completing the objectives of the organisation. This was supported by 86.7% of respondents, 10% were not sure and 3.3% disagreed with the statement. Here some respondents added that budgeting helps organisations to realize their objectives. Some respondents showed that budgeting helps in the expression of organisations policies especially on how to acquire assests for the success of organisations. This was agreed by 83.3% of respondents, 6.7% was not sure about the staement while 10% disagreed with the statement. One respondent added that "Some respondents showed that budgeting guides the allocation of resources in the Sacco. The Sacco shows its policy on acquiring a loan after designing the budget that has to run the functionality of the Sacco". The findings here supports the results of Bis was (2010) conducted a study and found out that budgeting helps governments manage their resources. Government and not-for-profit budgets are very important because they are the culmination of the political process and contain most of the organization's important decisions (Biswas & Paul, 2010). The budget determines which constituents give to the entity and which receive, which activities supported and which are assessed. The force of law backs government budgets and officials use it to guide to oversee spending. Constituents want assurance that spending has not exceeded authorized amounts and

that revenue and expenditure estimates were reliable. The budget is used as a control device and complements the accounting and reporting system.

Shafritz (2011) also considers government budgets as far more important than those for businesses because they are expressions of public policy and often carry the authority of law, preventing public officials from spending outside their budgetary authority. The increased importance of budgets is reflected in government financial reports by a required report comparing budgeted and actual amounts. In the study, he insisted on the role that budgeting plays in bringing about efficiency in the spending of public money.

In yet another study, it is indicated by Svenson (2014) that governments and not-for-profits are governed mainly by their budgets, not by the marketplace. Revenues and expenditures are controlled through the budgetary process. Government's revenues may be determined by legislature, so they aren't subject to competition like in for-profit. Not-for-profit revenues aren't established by legal mandate, but are obtained from contributions, dues, tuition, or user charges, unlike the sales of a business.

#### **4.5.2 Effect of budgeting on profitability of micro finance institutions in Uganda**

From the table 4.6 above, respondents were tasked to reveal their thinking about the budgeting on profitability of micro finance institutions in Kabale, from the questionnaires, respondents gave their opinions on the influence of budgeting on profitability of micro finance institutions in Ka bale and some mentioned that budget in terms of revenues gives a bottom line for revenues to be met, whereby 83.3% of respondents agreed with the statement, 6.7% were not sure with the statement while 10% disagreed with the statement. Some respondents showed that the budgeting enable project to acquire extra money. Respondents responded in a way that 76. 7% of respondents agreed with the statement, 10% of respondents were not sure with the statement, and 13.3% of respondents were un decided about the statement. The findings here supports the results of Churchill, (2010). That profit budget is used for control by top management in two ways; first, budget reports, comparing actual results with the budget, together with analysis of variances, an explanation to the causes to the variances, an explanation of ant corrective actions being taken, and a current annual forecast are used to keep management informed of what is happening in the divisions. It acts as an early warning so that management can take appropriate action when necessary. Second, the budget system is used to assist top management appraise the performance of each individual manager,

(Kariuki. 2010). Such goals include control and evaluation, planning communication and motivation, (Lucey, 2010).

Planning is the first and foremost basic of management functions and other managerial function reflect and depend on planning (Kyogambiirwe, 2002). He added that planning involves selecting company objectives and departmental goals and determining ways of reaching them. Moreover, decision making is at the core of planning, so effective strategies and policies should contribute to the objectives and plans of the organization, the more strategies and policies are clearly understood the more consistent and effective will be the framework of the company plans.

Hudson and Andrew (1996), says that control involves the making of decisions based on relevant information which leads to plans and actions that improve the utilization the productive assets and services available to organization management. Effective control is said to be based on standards with which actual performance can be compared. If there are no standards, then there can be no effective measure of attainment. Hudson and Andrew identified and elaborated on five categories into which standards fall that is; quantity, quality, time, complaint and value. A drawback associated with the budget is that annual budget targets encourage short time perspective and cost savings in order to meet objectives. Short term goals prevent the organization to emphasize on long term value adding strategies, which can be effective in the long run. Budgeting is necessary because of the ever present scarcity of resources. The few resources available must be controlled partly through budgeting. Furthermore, scarce resources have to be utilized systematically. The suppliers of money always need information before they release their funds.

**4.5.3 The effect of budgeting on planning and control in micro finance institutions in Ka bale.** From the table 4. 7 above, respondents were tasked to reveal their thinking about the effects of budgeting on planning and control in micro finance institutions of Kabale district, from the table respondents revealed that budgeting helps administrative officials to make analysis of all existing operations, 86.7% of respondents agreed with the statement, 3.3% of respondents were not sure about the statement, while only 10% of respondents disagreed with the statement. From the questionnaires, respondents gave their opinions that all budgetary control is a proven management tool, whereby 76.7% of respondents agreed with the statement, while 23.3% of respondents disagreed with the statement. The results here agrees with the results of Lucey (2000) Lucey identifies that budget may be prepared as for a business as a whole, a department, function with a link with the overall objectives of the organization. The valuable use of budgets is or translating

organization objectives into a feasible plan of action is breakthrough for the ordinary use of budgets to for cutting costs restricting spending and allocation of scarce resources. In order to survive the environment complexities and vagueness managers and stakeholders of informal business sector need sharp tools, proven management techniques to forecast and determine the major changes which are likely to affect the business while they chose to the future (direction and dimension of resources needed to attain selected goals. Budgetary control is a proven management tool noted by (Pendlebury 2000), helps private firm's management and enhances improved performance in any economy in different ways. Its primary function is to serve as a guide in financial planning operators. it also establishes limits for departmental excesses. Its helps administrative officials to make analysis of all existing operations there by justifying, expanding, eliminating or restricting present practices yet these have received limited attention from academicians and researchers.

According to Lang & Chowdhury (2006) asserts that "Budget and Budgeting" are traceable to the bible days, precisely the days of Joseph in Egypt. It was reported "Nothing was given out of treasure without a written order. History has it that Joseph stored grains which lasted the Egyptians throughout the several years of famine. Budgets were first introduced in the 1920's as a tool of manage costs and cash flows in large industrial organizations. They further state that it was during the 1960's that companies started using budgets to detect what people needed to do. In the 1970s, performance improvement was based on meeting financial targets rather than effectiveness. Some respondents showed that budgeting in business organization is formally associated with the advent of industrial capitalism.

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary; conclusions and recommendations of the study findings on the effect of budgeting on resource allocation in micro finance institutions, to examine the effect of budgeting on profitability of micro finance institutions, and to assess the effect of budgeting on planning and control in micro finance institutions in Uganda.

#### **5.2 Summary of findings**

##### **5.2.1 Effect of budgeting on resource allocation in micro finance institutions in Uganda**

The findings here shows that budgeting estimates, as realistical as possible, the cost of completing the objectives of the organisation. Some respondents showed that budgeting helps in the expression of organisations policies especially on how to acquire assests for the success of organisations. From the questionnaire, it was revealed that budgeting provides a means to monitor the project's financial activities over the life of the organisation in that the budgeting process the sacco has failed to monitor the performance of their clients hence affecting the performance of the financial institution. Lastly, from the questionnaire also, some respondents showed that budgeting guides the allocation of resources in the Sacco. It can therefore be concluded that there is a positive relationship between budgeting on resource allocation in micro finance institutions in Uganda.

##### **5.2.2 Effect of budgeting on profitability of micro finance institutions in Uganda**

From the questionnaires, respondents gave their opinions on the influence of budgeting on profitability of micro finance institutions in Kabale and some mentioned that budget in terms of revenues gives a bottom line for revenues to be met. Some respondents showed that the budgeting enable project to acquire extra money. The said respondents added that "proper budgeting makes Lyamujungu Sacco to get extra money in terms of profits that has improved the performance of financial institutions. Also from the questionnaire, respondents mentioned that the budget is a communication tool. Some respondents added that budgeting helps to communicate the success and failure of the Sacco, also budgeting helps to know much will be achieved from the activities that are being done in the Sacco. From the questionnaires, respondents gave their opinions on the influence of the budgeting on profitability of micro finance institutions in Kabale and some mentioned that the budget system is used to assist top management appraise the performance of

each individual manager. Some respondents showed that budgeting helps the manager to organize the Sacco's finances. Some respondents added that annual budget plays an important role in planning for the Sacco hence affecting the performance of Lyamujungu Sacco in Kabale.

**5.2.3 The effect of budgeting on planning and control in micro finance institutions in Ka bale** From the table respondents revealed that budgeting helps administrative officials to make analysis of all existing operations. From the questionnaires, respondents gave their opinions that all budgetary control is a proven management tool. Some respondents showed that budgeting in business organization is formally associated with the advent of industrial capitalism. Also from the questionnaire, respondents mentioned that budgeting is a management technique to forecast and determine the major changes which are likely to affect the business.

### **5.3 Conclusion**

It was concluded that there is a role played by budgeting in the performance of Lyamujungu Sacco where by the findings showed that Lyamujungu Sacco practiced budgeting on whatever transaction they were making, it was therefore concluded that improved communication, budgeting, financial control of inputs, planning and coordination were the roles played by budgeting, increased profits, reduces wastage of resources, were the other roles played by budgeting in MFis.

Lyamujungu Sacco do not budget due to lack of knowledge about its impact and also the fact that its expensive and time consuming. But budgeting in small scale enterprises have got a big role to play in determining its performance since it acts as an engine or road map to the organization success. Thus budgeting impacts positively towards performance within organization since its performance improves with improvement in budgeting.

The researcher found out that in Lyamujungu Sacco, though not well established, budget helped in attaining the organizations goals within the planned time, reduced costs of running the organization and controlling misappropriation of funds thereby attainment of the role of budgeting within Lyamujungu Sacco as' being identified by the respondents during the research. Moreover, the better the budgeting process in UML, the greater the 'performance as shown by the findings that budgeting leads to better utilization of resources whereby most of the respondents identified it. The management should emphasize the implementation and follow up of budgeting by financial



managers/accountants in every department. The organization can perform very well if all is done within the budget.

The study also concludes that microfinance institutions do not share budgeting information's with all staff since they did not give input regarding budgetary activities and that they were not involved in the review and verification of the budget. Ideas of microfinance institution employees were not included in the annual budget since budgeting information did not flow freely from top to bottom and vice versa since superiors and subordinates did not prepare budget together. Management of microfinance institutions did not frequently consult with staff when drafting the budget since budgeting systems were not decentralized and that the outcome of the budget decisions were not communicated to all employees of microfinance institution. Budget delegation scheme and distribute budgeting information was not used by microfinance institutions

#### **5.4 Recommendations**

From the above analysis of the study, the following were recommended so as to improve on budgeting in Lyamujungu Sacco.

The employees should be encouraged to participate in the formulation of the budget so as to ensure a participatory management that reduces resistance from employees.

All the employees should be sensitized on the importance of budget in the organization so as to reduce the conflict between the organizations interest and stake holders.

The budget should be flexible so as to cater for macroeconomic change and risks prevailing in the business environment.

Lyamujungu Sacco should employ qualified and skilled personal who have the ability to ensure budget implementation and planning within the organization.

Application of budgeting different levels of organization should not be left for top management but a function to every individual within an organization.

The top management should be willing to submit the committee concerned with budget improvements with all the required resources.

The study recommends that microfinance institutions should share budgeting information's with all staff for them to give input regarding budgetary activities and be involved in the review and verification of the budget; microfinance institutions should motivate its employees and encourage them to work as a team.

### **5.5 Recommendation for Further Research**

The researcher was not able to address all issues on the effect of budgeting on the performance of micro finance institutions and thus suggested the following areas for further research.

To establish magnitude of the relationship between budgeting and performance.

Areas pertaining budgeting from different organization to make a comparison.

Also the researcher suggests for further studies in areas pertaining budgeting in relation to marketing strategy and its associated costs.

To examine the influence of culture on performance of micro finance institutions.

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## APPENDICES

### Appendix 1: QUESTIONNAIRE FOR RESPONDENTS Dear

respondent,

I am Arinaitwe Yosam a student of bachelor's degree in business administration of Kabale University in the department mentioned above, I am carrying out a study on "Budgeting and performance of financial institutions. A case study of Lyamujungu Sacco in Kabale municipality in Uganda". With reference to this project, some questions have been designed for the collection of data that will lead to the successful completion of my study. The information will strictly be for academic purposes, views on various aspect of this study will be of great value and the information you furnish in response to this questionnaire will be kept with utmost confidentiality.

Please, I kindly request you to fill these questionnaires.

Thank you for your cooperation

### Appendix 1: Questionnaire

#### Instructions

#### SECTION I: Effect of budgeting on resource allocation in micro finance institutions in Uganda

Definition of the Scale for the assessing the effect of budgeting on resource allocation in micro finance institutions ( disagree, not sure, agree)

Budgeting on resource allocation	Agree	Disagree	Not sure
It estimates, as realistical as possible, the cost of completing the objectives of the organisation			
It helps in the expression of organisations policies			
Budgeting provides a means to monitor the project's financial activities over the life of the organisation			
Budgeting guides the allocation of resources			

Is there any other effect of budgeting on resource allocation in micro finance institutions?

If yes list them

.....  
 .....  
 .....

**SECTION II: Effect of budgeting on profitability of micro finance institutions in Uganda.**

Effects	Agree	Dis agree	Not sure
Budget in terms of revenues gives a bottom line for revenues to be met			
Budgeting enable project to acquire extra money			
The budget is a communication tool			
The budget system is used to assist top management appraise the performance of each individual manager			
Budgeting helps the manager to organize project finances			

Is there any other effect apart from the few stated above?

If yes list them

.....  
 .....  
 .....

**SECTION III: Effect of budgeting on planning and control in micro finance institutions in Uganda.**

**Budgeting on planning and control**

**Agree**

**Dis agree Not sure**

It helps administrative officials to make analysis of all existing operations			
Budgetary control is a proven management tool			
Budgeting in business organization is formally associated with the advent of industrial capitalism			
It's a management technique to forecast and determine the major changes which are likely to affect the business			

Is there any other effect apart from the few stated above?

■  
If yes list them

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**Thank you so much**