BUDGETING AND FINANCIAL PERFORMANCE: ACASE STUDY OF KAGANDO RURAL DEVELOPMENT CENTRE

BY

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DECLARATION

I Ssebulime Jonathan, declare that to the best of my knowledge and belief, that this dissertation is my own and has never been submitted to any institution of higher learning for academic award.

SIGNATURE:....................................... **DATE:** 07th August 2019

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APPROVAL

This is to certify that this dissertation has been carried out under my supervision as the university supervisor.

SIGNATURE:……………………………. DATE:……………………………………

MR. MASEMBE MUZAMIL

(SUPERVISOR)

DEDICATION

I dedicate this report to my Dear Parents, my Brothers, Sisters, Best Friend, University Supervisor, Beloved Lecturers and Management of Kagando Rural Development Centre for their support towards the success of this report.

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Let me start by thanking God for his continued blessings and guidance in accomplishing this work. May His name be glorified forever.

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KRDC	Kagando Rural Development Centre
NDLG	Nakapiripiriti district local Government
GASB	Governmental Accounting Standards Board

ABSTRACT

The study was to establish the role of budgeting in the financial performance of KRDC and guided by the following objectives, to examine how budgeting ensures availability of funds in KRDC, to analyze factors that limit budgets from enhancing proper use of finances in KRDC and to establish how budgeting contributes to financial performance in KRD.

The researcher used across sectional survey design with the use of questionnaires, interviews and observation to collect data. The findings of the study show that the company practices budgeting for batter performance and allocation of resources, control income and expenses, it also helps in planning was the main reason for haw budgeting ensures availability of funds at KRDC, it also explain that lack of funds for the company is one of the factors that limit budgets from resulting into proper utilization of finance, poor technology, fraud of company funds limit budgets from resulting into proper utilization of finance and management policy. Budgeting helps to identify the sources of funds, through budgeting it was revealed that costs are controlled on the firm for better investment. In conclusion budgeting ensure availability of funds in KRDC through planning and when the firm is planning for the financial year or for the purchase of inventory, it always budgets for the funds, time and the amount of resources to bring into the company with the budgeted funds In conclusion factors limit budgets from resulting into proper utilization of finance were lacks of management support in the company especially financial and advice support, lack of funds for the company is one of the factors that limit budgets from resulting into proper utilization of finance in KRDC, poor technology limit budgets from resulting into proper utilization of finance, fraud of company funds, management policy is also limit budgets from resulting into proper utilization of finance where by most of the policy are not used when preparing budgets.

The study recommends that the company should employee workers who are qualified for improved financial performance, the management of company should ensure that all departments make budgets for their activities and strictly adhere to those budgets to avoid misuse of finances in the company. The study recommends that the management of company should always conceive and adhere to budgeting in a positive way as it is drafted and follow its contents in the day to day running of the firm activities, the study suggested the following for research, Internal financial control measures and the performance of the company, budget formulation, monitoring, implementation and the performance of the company.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, the problem statement, the research objectives research questions the scope of the study and significance.

1.1 Background of the study

The study was about Budgeting and Financial Performance of Kagando Rural Development Centre.

In reference to Lang and Chowdhury (2006) "Budget and Budgeting" traceable to the bible days, precisely the days of Joseph in Egypt. It was reported "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 several years of famine. Budgets were first introduced in the 1920's as a tool to manage costs and cash flows in large Industrial organizations. They further state that it was during the 1960's that companies began to use budgets to dictate what people needed to do. In the 1970's, performance improvement was based on meeting financial targets rather than effectiveness. Companies then faced problems in the1980'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 about how much customers were being treated, only meeting sales targets became essential. Budgeting in business organizations is formally associated with the advent of industrial capitalism for the industrial revolution of the 18^{th} century which presented a challenge for industrial management.

One aspect of the budget process that has received considerable attention is the sequence of budgeting decisions. Traditionally, Congress voted on budget items line-by-line, or category by category. The sum of all spending approved by Congress emerged as the overall budget a budget process called *bottom up*. The budget reforms stemming from the Budget Act of 1974 replaced this tradition with a different sequence. First, Congress was to vote on the total size of the budget. Once that was determined, Congress would allocate that total budget among spending categories.

A budget process of that type is called a *top-down* process. It was argued at the time, that a top-down budget process would lead to a better outcome, in particular, to a smaller budget, than would a bottom-up budget process (Committee on the Budget, 1987).

According to Schick (1986) a similar presumption is shared by many international organizations, which act as if a top-down budget process is inherently preferable to a bottom-up process. The OECD, (1987) reported approvingly that several countries adopted top-down budget processes in quest of greater fiscal discipline. He analyzes this report, explaining and supporting the thinking behind it in great detail.

Blöndahl (2003) argues that the move to top-down budgeting systems has contributed importantly to strengthening fiscal discipline in many countries in the late 1990s. The IMF expresses a similar preference for top-down processes (IMF, 1996). At the same time, many member states of the European Union use a bottom-up budgeting process, with negotiation between the finance minister and individual spending ministers (Hagen and Harden, 1996).

According to Kramer (1972), the presumption in favor of top down budgeting stands in stark contrast to voting equilibrium theory. Suppose rational agents participate as voters in a budget process. In particular, if voters are sophisticated in the sense, they consider the implications of voting in early stages of the budget process for later stages of the process. Furthermore, assume that voters have convex preferences over the individual dimensions of the budget, and that the budget process divides the decision-making process into a sequence of one dimensional majority decisions. Based on these assumptions

An explanation from Mamadou (1996), Budget is the estimate of costs, revenues, and resources over a specified period, reflecting a management's reading of future financial conditions. As one of the most important administrative tools, a budget serves also as a plan of action for achieving quantified objectives, standard for measuring performance, and device for coping with foreseeable adverse situations.

The Tennessee Board of Regents (2006) budgeting is 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. Budgeting, at both management level and operation level looks at the future and lays down what has to be achieved.

Financial performance is the way of measuring results of the firm's policies and operations in monetary terms. Results are reflected in the firm's returns on investment, returns on assets, value added among others (Kabali, 2006).

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business to generate revenue (Arnold, 1998).

Financial performance can also be defined as any of many different mathematical measures to evaluate how well a company is using its financial resources to make a profit. Examples of measure of financial performance include operating income, earnings before interest and taxes, and net asset value. It is important to note that no one measure of financial performance should be taken on its own, rather, a thorough assessment of a company's performance should take account in many different measures (Business Dictionary, 2011).

KRDC recognize the need to have comprehensive budgetary control system in order to minimize budget variances, costs and maximize efficiency. Budgetary control is as crucial as cash itself and theft, waste, excessive use or stock out could lead to the business poor performance. KRDC financial performance has lately dwindled and this has been pointed to be as a result of poor budgetary control systems used in the company. The company experiences cases of delayed release of cash for some operations as well as lack of funds allocated to important activities which at the end affects the financial performance of the company. KRDC budgeting policy objectives are to distribute resources and workloads, to control the use of finances, to communicate responsibilities, to ensure availability of funds, to evaluate performance and to coordinate activities. However, these have not been fully achieved in the company as indicated in the problem statement below.

1.2 Statement of the problem

Kagando Rural Development Centre (KRDC) prepares budgets to guide the use of finances in the organization KRDC financial performance has lately dwindled as the organization experiences cases of delayed release of cash for some operations (KRDC Financial report, 2017). In addition, KRDC Human Resource Report (2017) indicates that employees receive their salaries late. This raises questions as to why such experiences may arise even with preparation of budgets.

It's against this back ground that the researcher wants to investigate the role of budgeting on the financial performance of an organization.

1.3 Purpose of the study

The purpose of the study was to establish the role of budgeting in the financial performance of KRDC.

1.4 Objectives of the study

The objectives of the study are:

I. To examine how budgeting ensures availability of funds in KRDC.
II. To analyze factors that limit budgets from enhancing proper use of finances in KRDC.
III. To establish how budgeting contributes to financial performance in KRD.

1.5 Research questions

The study will base on the following research questions:

I. How does budgeting ensure availability of funds in KRDC?
II. What factors limit budgets from resulting into proper utilization of finance in KRDC?
III. How does budgeting contribute to financial performance in KRDC?

1.6 Scope of the study.

The scope of the study in this research involves the content scope, geographical scope and time scope.

1.6.1 Subject scope

The study examined how budgeting ensures availability of funds, analyze factors that limit budgets from enhancing proper use of finance, and how budgeting contributes to financial performance in KRDC.

1.6.2 Geographical scope

The study was conducted at Kagando Rural Development Centre in Kagando Municipality along Kissinga-Bwera road opposite Kagando hospital in Kasese District Western Uganda.

1.6.3 Time scope

The study considered the period of 2012-2018, in order to provide adequate data on budgeting and financial performance at KRDC. Also the information is more accessible and it was current on matters concerning budgeting and financial performance at KRDC.

1.7 Significance of the study.

The study might be of significance to the following stakeholders;

The Management of KRDC

The findings shall help the management of KRDC to know the contributions of budgeting in the financial performance so as to improve on its budgetary control.

To the researchers

The study shall be used by other researchers to obtain literature about budgeting hence acting as a source of literature review to the future academicians who might get interested in researching about the study of budgeting and financial performance at KRDC.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is divided into three parts; the literature survey, literature review and the conceptual frame, literature review describes how the study variables are viewed elsewhere while the conceptual frame work shows the relationship between independent variables and dependent variables diagrammatically.

2.2 Literature survey

Musoke (2009) conducted a study titled "The role of budgeting on financial performance of business organization" a case study of Kampala Serena Hotel. Both qualitative and quantitative research methods were used with a sample size of 50 respondents. The study revealed that there was a positive impact of budgeting on the performance of Kampala Serena Hotel and recommended that; finance department should be motivated to make them strive and achieve the set targets and that the process of budgeting in Kampala Serena Hotel should be very comprehensive covering all departments and sections as this was to enable management to effectively implement financial controls. The current study covered other functions of budgeting like help in planning.

Lochuge (2010) carried out a study on the roles of budgeting on financial performance of local Government, a case study of Nakapiripiriti district local Government (NDLG). The study aimed at establishing the relationship between budgeting and financial performance in NDLG. The researcher used a descriptive research design during the study: purposive sampling method was used to select administrators so as to gather data relevant to the study population and the researcher administered a sample of 75 respondents; information was obtained from primary source using questionnaires and interviews and secondary source using organizational journals, audit reports and text books. He also processed data through editing, coding and tabulation. The findings of the study indicate that NDLG prepares budgeting as a planning and control tool for its financial activities. The study further revealed that budgeting had contributed significantly towards the financial performance of NDLG. The researcher recommended that budgeting reviews should be emphasized to, so as to avoid over and under expenditure. The researcher left some gaps like he did not cover how the organization made accountability of financial performance and it is under this research that the gap was covered.

Kironde (2004) conducted a study on" budgeting process and financial performance "a case study of World Vision International-Uganda. The study took a cross sectional research design in which data was gathered from the study population. It involved the use of both analytical and descriptive techniques where the researcher analyzed information already available and looked at the present state of affairs. The sample size of 140 employees was determined using Krejcie and Morgan's table (1970) for determining sample size. Proportionate stratified sampling and simple random sampling design were used to obtain a sample of 140 employees. The research findings among others indicate a significant positive relationship between the budgeting process and financial performance. The study recommends among others that there is need for regular or periodic meetings at national office, departmental and project level with an objective of providing intentional feedback on budgeting in terms of quarterly financial performance. The study concentrated on budgeting process and financial performance and the current study covered performance in terms of budgeting function and financial performance.

2.3 Literature review

This section provides a critical review of a link between the study variables, definitions, haw budgeting ensure availability of funds, factors that limits budgeting from enhancing use of finance and contribution of budgets to the use of financial performance.

2.3.1 How budgeting ensures availability of funds

Batra and Mahmood (2003), state that once the business is operational, it's essential to plan and tightly manage its financial performance. Creating a budgeting process is the most effective way to keep businesses in United States and their finances on track. This guide outlines the advantages of business planning and budgeting and explains how to go about it. It suggests action points to help the business owners manage their business' financial position more effectively and ensure plans are practical. Budgeting in Sierra Leone has improved communication in which organizations are designed to provide employees with explicit information pertaining to the level of performance expected of them. Managers must understand

and enthusiastically support the budget first. Through the budget, top management communicates its expectations to lower-level employees, so that all members of the firm may understand the organization's goals and coordinate their efforts to achieve them. Similarly, budgeting has promoted coordination through the meshing and balancing of all departments operations and functions so that an organization's goals are realized. Therefore, budgets enforce managers to examine the relationships between their own operations and those of other departments, and in the process, to identify bottlenecks or weaknesses (Pefa, 2005).

Pilkington and Crowther (2007), explain that the effectiveness of budgeting has a link with the level of environmental volatility. It means that, how effective budgeting would be in controlling the activities of any organization depends largely on the environmental volatility under which such budget is operated. In other word, in a conducive business environment, the role of budgeting cannot be over emphasized. For instance, Horngren *et al.,* (2008) mentioned that the effectiveness of budgeting for planning, motivating, communicating and controlling in the developed world is evident.

A study done in Nigeria by World Bank (2002) found out that strategic plan of an organization sets out the overall direction and goals of the business. Such a plan helps the organization to define the type of business, or businesses, it is in and states the long term goals of the organization. Long term goals are usually no more than 3 years in the constantly changing modern business environment. Once long term objectives are decided upon they are broken down into one-year elements in order to provide a short-term, tactical framework for the organization's overall or operational budget(s) (DFID. 2005). The organizational management team is usually responsible for the preparation of budgets and the responsibility for specialist areas is delegated to the appropriate manager or specialist in that operational area or team. These areas may include sales, marketing, human resources, production and purchasing. In other words, any operational area that is seen as essential to achieving the organizational objectives will have a specific budget. The number of budgets prepared within an organization will depend on the type of industry, size of the business and the specific needs of management.

Kanyerezi (2000), explain that budgeting in Uganda serves management to coordinate in several ways as follows: A clear, explicit, and attainable plan is considered. Top management is compelled to relate individual operations to the firm as a whole. Budgets assist in getting rid of unconscious biases engineers, sales managers, and production officers may have through the process of broadening individual thinking, Further; budgets help to hinder the empire building efforts of executives. Budgets serve to identify carefully the structure weaknesses in the firm. Budgets also isolate problems of communication, of fixing responsibility, and of operations relationships. Good budgets provide managers enough flexibility to accommodate their plans and operations to unexpected situations. In this sense, the budget should be flexible enough to permit changed conditions and changes in plans.

On the other hand, Basheka (2007) also argued that all levels of management must be cost-conscious, and possess cooperative attitudes toward budgetary control. Budgeting helps bring and keep short-range steps in line with all long-range goals. Therefore, long-range planning (strategic planning) is often affected either directly by budgetary information or indirectly by the thinking developed from dealing with budgets. Still that budgeting, clarify the relationships between current and future policies. The short-range policies adopted by management must be modified whenever the assumptions underlying them change. Economic, social, or business conditions may change, supply or demand may fluctuate, competitors may leave the market, consumer taste may change, or technological innovation may occur. For instance, increased competition may enforce a firm to lower its prices and increase its sales volume in an effort to attain the level of revenue specified in a budget. Budgets assist managers adjust their operations and plans to unexpected changes by providing a framework or measure against which to evaluate the consequences of the change (Basheka, 2007).

In addition, study done by Kyogabiirwe (2002) in Uganda established the following as reasons for budgeting; Management Communications Strategies and Employee Relations: Budgets affect directly or indirectly the formulation of overall enterprise strategies and policies end then assist to implement them. Effective strategies and policies (classified by their sources as; originated, appealed, implied, and externally imposed) represent a powerful tool of management. To make strategies and policies effective, certain guidelines can be used as presented briefly as; Strategies and policies should contribute to objectives and plans, Strategies and policies should be consistent, Strategies and policies should be flexible, Policies should be distinguished from rules and procedures, Policies should be in writing, Policies should be taught, Strategies and policies should be controlled. That profit budget is used for control by top management in two ways: First, budget reports, comparing actual results with budget, together with analyses of variances, an explanation of the causes of variances, an explanation of any corrective actions being taken, and a current annual forecast are used to keep management informed on 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 the individual manager.

Planning is the first and most basic of management functions and other managerial functions (organizing, staffing, directing, and controlling) reflect and depend upon planning (Kyogabiirwe, 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 objectives and plans. The more strategies and policies are clearly understood, the more consistent and effective will be the framework of company plans. Thus planning is deciding in advance what, how, when, and who is to do it. Planning bridges the gap from where we are to where we want to go, and without planning events are left to chance. Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, facts and considered estimates (Pefa, 2005).

Pefa (2005) asserts that, budgets formulate expected performance and they reflect managerial objectives. Without such objectives, operations lack direction, problems are not foreseen; results lack meaning, and the implications for future policies are dwarfed by the pressure of the present. He added that, a budgetary system should emphasize and enlarge the planning role of all levels of management. Managers were enforced to look ahead and were ready for changing conditions. This forced planning is by far the greatest contribution of budgeting to management.

According to McBain (1999), budgeting is not a substitute for effective decision making. Most budgets provide only for finances and specify where and how it should be spent, they do not provide for people (McBain, 1999). People think, perform, have competence, need finances to be sure; however, without the people, finance alone is insufficient in arriving at an improved performance of any organization. In essence managers should also look into human resource budgeting and see how improvement in this results for better performance. In addition to being the managers' planning tool, budgeting is also one of the most effective tools of communication and integration. It shows how each part of the organization relates to the end and needs of the whole. Budgeting therefore requires that the manager in charge of the whole and each person in charge of parts discuss the budget jointly in order to arrive at better result (Adedeji, 2004).

Budgeting sets clear financial goals for the organization. Webster (2001) indicates that budgeting provides a basis for judging the financial performance of the organization (Webster, 2001). Feedback is an important role of budgeting for attaining the expected quality and standards in planning, control and leadership and staffing. According to Cook (1968), feedback is generally positively associated with budget performance. Feedback focuses on the extent to which employees have achieved expected levels of work during a specified time period. Budgets being a standard for performance are also used to evaluate managerial performance (Srinivasan, 1987). Similarly, Douglas (1994) used a case study approach and found that budgeting places a high importance on the budget-to-actual comparison for performance evaluation purposes both at the corporate and the subsidiary levels.

Anderson (1993) also supported this view, stating that in most US companies the development of budget is still used as the main performance measurement system. Weisenfeld and Tyson (1990), in a sample of 68 US managers from two companies, found that budgeting and variance analysis can be positive tools, if the accounting information/communication process is functioning appropriately. A total of 90 percent of the respondents indicated that variances were a good way to measure their performance. All of them agreed that variance reports positively influenced them to improve performance and increase their bonuses.

2.2.2 How budgeting contribute to the use of finance

Ghiselli (2001) explain that, budget monitoring in China is used to measure how closely an organization is meeting its objectives in terms of its finances. Comparisons of actual income and expenditure against the budgeted income and expenditure need to be done regularly. To do this, you need to be able to prepare a variance report. It shows month by month, where firms are over-spending, under-spending or on target. In order to be able to do a variance report and in order to be able to do cash flow projections, they need to break their overall budget up into a monthly budget. The monthly breakdown is what gives management tool. For an example of a monthly breakdown of a budget, go to the example of a monthly breakdown. The purpose of reporting against managers' budget in Nigeria is to show those to whom they are accountable, or those who are involved in their work, whether or not they are doing the work stipulated and whether or not they are going to have the resources they need to complete the work. When they report against their budget they are reporting on how close financial planning has been to actual financial performance (Drury 2000).

The variance statement of budget compares the expected income and expected expenditure with the actual income and expenditure. The variance statement gives an overview of what has happened in the reporting period (one month, three months). It also gives an overview of financial performance for the year thus far ("year-to-date"). A variance statement shows whether there are any trends that are developing in financial performance about which shareholders should be aware. It gives the opportunity to take action to correct problems. So, for example, if the variance statement shows that are repeatedly spending too much on stationery each month, could: keep a tighter control over the stationery, recognize that you have under-budgeted on stationery and either shift some money from somewhere else in the budget to stationery, or try to raise or generate more money to cover the anticipated shortfall as it is done by most firms in Uganda (Basheka, 2007).

Budgeting system plays an important role to business management, especially in decentralized firms. A company needs budget to translate all the company's strategies into short-term and long-term plans and objectives (Murwaningsari, 2008). Budget is one of the important tools which all managerial levels use to plan, control firm's activities, and make the business achieve certain aim and appropriate operation. Budgeting processes has evolved from a main role in managerial planning and controlling (Ottley, 1994) to using for controlling and planning purposes and value added for the firms, which called strategic budgeting (Libby & Lindsay, 2009).

Allocating resources fairness is referred to the extent in which a firm identify allocating resources policy and procedures with emphasizes on equity and transparency principles. Transparency can be defined as "the essential condition for a free and open exchange whereby the rules and reasons behind regulatory measures are fair and clear to all participants" (Roostalu

& Kooskora, 2010). In another word, it implies to openness, communication and accountability. When transparency is achieved in budget reports, the reliability of information is enhanced; in turn decision-making is improved (Benito & Bastilda, 2007).

Equity theory, explains that relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships (Huseman et al., 1987). Consistently, procedural justice concerns the fairness and the transparency of the processes by which decisions are made. It refers to the idea of fairness in the processes that resolve disputes and allocate resources (Adams, 1965). Procedural justice is also important in budgeting process because it is comprised of fair procedures, it allows the employees to have a say in the decision process and it gives employees fair treatment. Perception in procedural fairness is likely to result in favorable employee reactions including improved organizational commitment. Numerous empirical studies found a positive relation between perceived fairness and organizational commitment (Parker & Kohlmeyer III, 2005; Lau and Moser, 2008). Based on the above discussion, this research assumes that it is more likely that firms that oriented in budgeting ethics by allocating resources fairness will have greater accounting information reliability, decision making effectiveness, employee commitment, and managerial performance.

Drury (2000) in the Government of Canada argued that, strengthening accountability for public expenditures has been an important part of reform efforts in the last decade. These efforts have focused on bringing the achievement of results and associated expenditures to the forefront of the parliamentary appropriations process and now, in the management of core enabling processes such as procurement. This is a fundamental change in culture and accountability and, while progress has been made, much remains to be done including implementing a new Accountability Act currently before Parliament (Ghiselli et al, 2001).

According to Lucey (2003), new small business owners in India run their businesses in a relaxed way and may not see the need to budget. However, if you are planning for your business' future, you will need to fund your plans. Budgeting is the most effective way to control your cash flow, allowing you to invest in new opportunities at the appropriate time. If your business is growing, you may not always be able to be hands-on with every part of it. You may have to split your budget up between different areas such as sales, production, marketing etc. You'll find that money starts to move in many different directions through your organization budgets are a vital tool in ensuring that you stay in control of expenditure.

Basheka (2007) explain the study carried out in Afghanistan that, financial statements are usually prepared by management and presented to the board. Directors/trustees, however, are responsible for making sure that the financial statements present a full and accurate position of the organization's financial situation and that any variants from budget are fully explained. An organization's financial statements are not just used to monitor how things are going. They are essential for borrowing money and reporting to many stakeholders including owners and funders (Drury, 2000). There are a number of benefits of drawing up a business budget in Rwanda, including being better able to: manage your money effectively, allocate appropriate resources to projects, monitor performance, meet your objectives, improve decision-making, identify problems before they occur such as the need to raise finance or cash flow difficulties, plan for the future and increase staff motivation.

In an educational environment, budgeting is an invaluable tool for both planning and evaluation. Budgeting provides a vehicle for translating educational goals and programs into financial resource plans-that is, developing an instructional plan to meet student performance goals should be directly linked to determining budgetary allocations. The link between instructional goals and financial planning is critical to effective budgeting and enhances the evaluation of budgetary and educational accountability (Basheka, 2007).

The transparency and visibility essential to management of the entire management life-cycle from expenditure planning to final results are also essential to ensuring integrity in management, including in procurement (Basheka, 2007). Mone (2008) it's above all managerial tools in essence it is the best tool for making sure that key resources especially performance resources are assigned to priorities and to results. It is a tool that enables the manager to know when to review and to revise plans, either because results are different from expectation or due to environmental, economic conditions, market conditions or technological change, which no longer correspond to the assumptions of the budget. Budgets should be used as a tool for planning and control.

Remarks by Chowdhury (2006), budgeting control involves the making of decisions based on relevant information which leads to plans and actions that improve the anticipation of the productive assets and services available to organizations 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. Chowdhury identified and elaborated on five categories in to which standards fall, they are: quality, quantity, time, complaint and value.

2.2.3 Factors that limit budgets from enhancing proper use of finance

Basheka (2007) state that, budget predictions are impacted when actual revenue received is not as much as originally anticipated. External factors negatively affecting assumed revenue might include an economic downturn, unexpected competition causing lowered sales or an inability to sustain the level of growth needed. Internal factors such as inadequate collections and poor accounts receivable practices could also impact revenue. Aggressive projections that assume a high rate of growth or increased revenue have a much greater potential for inaccuracy than conservative estimates based on data from previous years.

Ghiselli (2001) also explain that, expenditure may be one of the most difficult areas of the budget to predict. Increases to health insurance, turnover levels and collective bargaining in unionized organizations can all change salary and benefits by a significant margin. In many industries, salary and benefits is more than 50 percent of the organization's total expenses. Any variance to employee compensation will have a noticeable impact on budget predictions. Other unanticipated expenditures may include rent increases, a previously unforeseen need for overtime and financial audit fees and fines. The economy and current market conditions can impact the financial forecast in several ways. Changes to the inflation rate and stock market conditions directly affect the organization's net worth and its ability to generate funds or loans. If the company relies heavily on investments as a funding vehicle, then poor stock market performance will have a direct, negative effect on budget predictions. Likewise, if the rate of return on investments outperforms the prediction, then the budget will have a surplus (Pefa 2005).

Murwaningsari (2008) states that, certain legislative changes have a direct impact on budget projections. In most cases, businesses will be aware of pending legislation before it takes effect and can plan accordingly. Sometimes, just the introduction of future legislation, even if it has not taken effect, will disrupt current budget projections. An example of this was the introduction of Governmental Accounting Standards Board (GASB) legislation related to retirement and other postemployment benefits. Although the legislation did not take effect immediately, the impact of the future legislation was clear. It immediately revealed that local governments would have millions of dollars of unfunded liability under some of the proposed rules. Consequently, the organizations' bond ratings started to take into account the potential liability and some were downgraded as a result, hampering ability to borrow money and directly impacting cash flow. Another example of an immediate legislative change that impacts budget forecasts is a change to taxation.

In reference to Pefa (2005), budget can be created, business leaders must be aware of their companies' current financial situation. For example, leaders should know the size of reliable revenue streams, as well as those that may be more variable. Only the reliable revenue should be considered in the budgeting process. Leaders must then determine net revenues by deducting expenses, such as wages and materials, from the reliable revenue. Leaders must align their budgets with corporate objectives, opportunities and strategies. In addition, when leaders make budgeting decisions, they must consider not only the direct effect of a capital or operating expenditure, but also its indirect effects. For example, a capital project may have an impact on a company's technical infrastructure and possibly a company's personnel requirements, such as technical support. As a result, budgeting decisions might also include how much to spend for technical infrastructure in various locations or funds that should be dedicated to develop personnel who support the infrastructure (Saunders 2003).

Webste (2001) ague that, risk is a major determinant of the feasibility of business investments. Budget decisions that pertain to national and international investments, therefore, will be influenced by risk-management efforts a company may implement to respond to particular scenarios. For example, a company may implement controls to operate in a country experiencing political instability, civil unrest, as well as climate change and other factors. Also important are the potential market opportunities that are associated with emerging economies and a company's past experience in particular locales.

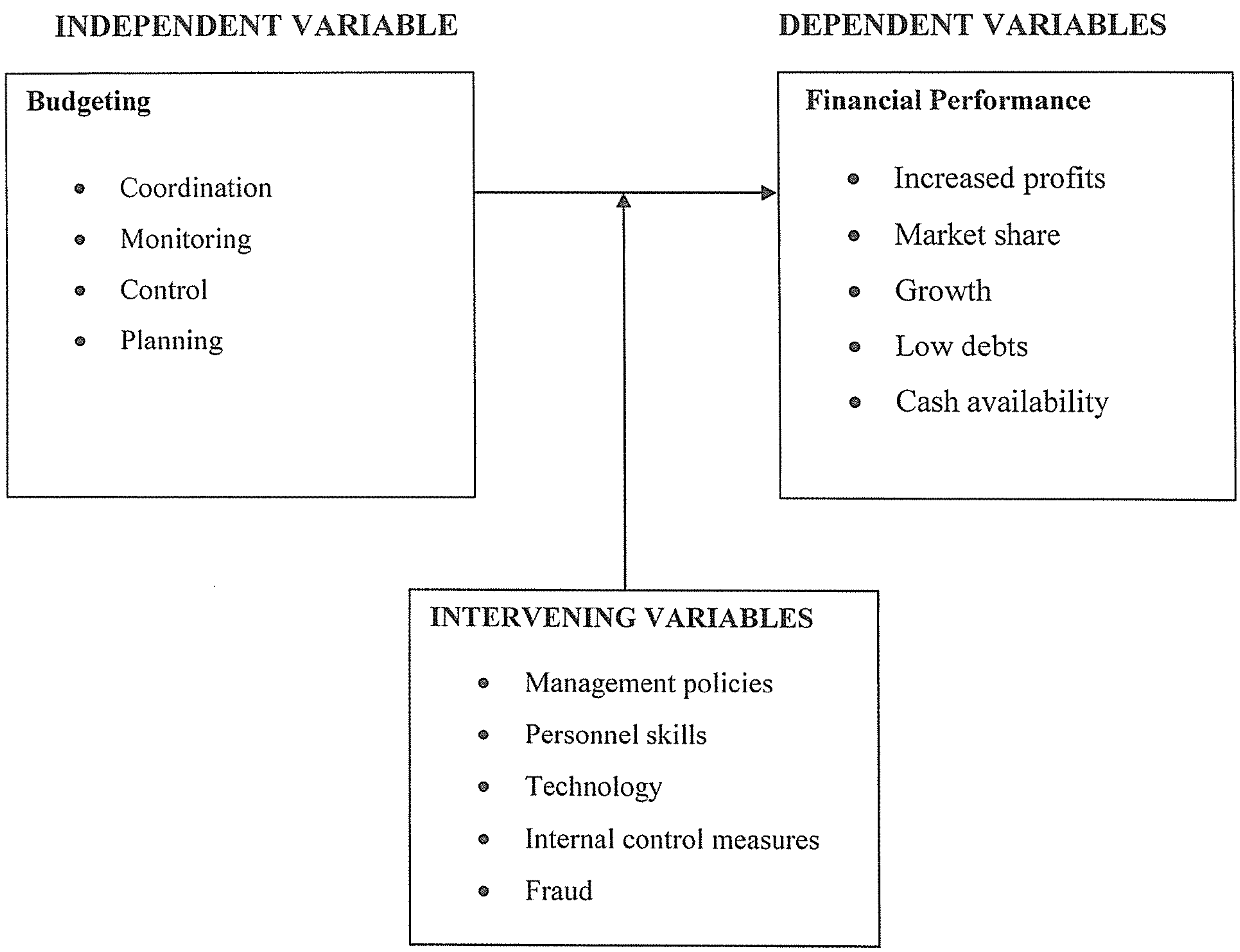
Legislation and government regulations can disrupt a company's marketing, production or financial plans in a major way. As a result, leaders should make budgeting decisions after considering existing or pending laws and government controls that may affect existing or proposed companies' operations. For example, a company that relies on websites to market its products in certain countries must consider the European Union regulations pertaining to privacy (Drury, 2000)

Industry analysis can provide the context for many budgeting decisions because, in addition to the global economy, industry trends may affect company operations. For example, an industry's outlook is influenced by the ability to improve the technical skills and abilities of company personnel. In turn, government regulations, supply and demand and international transactions also affect industry trends. For example, new government guidelines on permissible emissions may necessitate new equipment or changes to a company's operating procedures, affecting several budget items (Anderson 1993). Rarely does a failing project or program justify additional spending. Instead, funds should be committed to opportunities for which a positive return on investment is expected. For this reason, prior period and historic results have a significant influence on current budgeting decisions. To evaluate the probability a project lead to a positive revenue stream, specific project objectives must be stated and the positive and negative aspects of the opportunities was to be identified and evaluated. Only then should budget dollars be committed to the project (Lucey 2003)

2.3 Conceptual framework relating budgeting and financial performance.

The conceptual framework defines key variables of the study, and show the relationship between dependent and independent variables and how they relate to financial performance of accompany.

Figure 2.1: Conceptual framework



Source: Developed by the researcher

Budgeting involves coordinating, planning, monitoring and controlling of operations of an institution for a given period in numerical terms. Through these activities of budgeting, an organization is able to improve its financial performance which is realized through increased profits, market share, company growth, low debts as well as availability of cash among others. However, financial performance of a business can also be affected and influenced by other factors such as management policies about cash management and personnel skills.

CHAPTER THREE

METHODOLOGY

3. 1 Introduction

This chapter contain the methods the researcher used while collecting data and processing it. It also gives the description of the research design, study population, sampling techniques and analysis.

3.2 Research design

The study employed a cross sectional and descriptive survey research design. The purpose of using a descriptive survey is to collect detailed and factual information that deeply describe the existing phenomenon. Both qualitative and quantitative data was collected on the basis of concepts defined in the conceptual framework.

3.3 Study population

The target population was 32 respondents of KRDC from all departments such as human recourse and finance department among others.

3.4 Sampling methods

Sampling method is defined as a method used in order to obtain the required sample from the study population; during the process of data collection, Probability sampling technique was used in order to get the sample study size. Stuart (1984) defines probability sampling (simple random sampling) as the kind of sampling in which "every element in the population has a non-zero chance of being selected." Each individual in a sample frame drawn from the population is selected by chance and at random. Random and purposive sampling methods was used when selecting the sample. Random sampling will involves selecting respondents from the population listing by chance. The researcher will also use purposive method where heads of department were chosen to provide more and enough information about the study.

3.5 Sample size determination

A sample size of 30 respondents was selected out of a population of 32 respondents. It is determined using Yamane's (1967) formulae.

$$n = \frac{N}{1 + N (e) 2}$$

Where,

N=Number of respondents

n= Sample size

e= Chance

$$n = \frac{32}{1+32 \times 0.5^\wedge 2} \qquad n = 30$$

3.6 Data collection methods

3.6.1 Observation

This is the method of data collection where the researcher uses his/her naked eyes to observe features as they happen in the field. Therefore, this method helped the researcher to collect data observed from the field so as to compile the report. Items to be observed include the financial reports for monthly budgets and yearly budgets, facial reactions of respondents as they are interviewed and this helped the researcher in reducing the time needed to collect information.

3.6.2 Interviewing

This is the method of collecting data by use of asking question and answered by the respondents at the sometime. The researcher will use the interviewing method whereby a drawn interview questions were followed to ask the selected respondents structured questions. This method helped the researcher to collect information from the respondent who may not have time to sit down and answer the questionnaires.

3.6.3 Questionnaire

This is a set of questions to which the respondents allowed to fill the questionnaire in their own time this method the respondents felled free to give answers to sensitive question. The researcher will use questionnaire method whereby the researcher used designed questionnaire to managers, supervisor during data collection exercise. The set questions were sent to the respondent for answering thus time saving.

3.7 Data collection instruments

3.7.1 Interview Guide

Structured interviews was used to collect data from the human recourse and other staff and these was mainly to be composed of heads of department and managers of the organization. This was face to face interaction and solicitation of pertinent information from the selected respondents.

3.7.2Survey Questionnaire

Self-administered questionnaires were used by the researcher because they were not be expensive to distribute and process. They were more flexible and help to save more time without much bias of other people's views on the topic.

3.7.3 Observation checklist

This was used by the researcher to observe employee's behavior and attitude towards work. Here the researcher used eyes to observe employees towards job, attendance of the employees among other.

3.8 Data processing, presentation and analysis

3.8.1 Data processing

Data processing include coding and editing all the responses collected from the field and will be edited with the view of checking for completeness and accuracy to ensure that the data is accurate and consistent. Coding will be done after editing and was done manually by the use of computer through word processing.

3.8.2 Data analysis

The researcher used statistical analysis of historical data to assess the role of budgeting and financial performance. Primary data analysis involved calculating frequencies and percentages tabulated by putting and grouping the information that have same meaningful information. This helped in expressing the figures in tables of ideas of the respondents.

3.8.3 Data presentation

The researcher presented the results of the study using tables for easy interpretation.

3:9 Anticipated limitations

The researcher faced problem of imitated of poor response from some of the respondents. This was because budgeting was a very sensitive aspect in the organization; hence some information may be held as confidential.

Language barrier was a problem and limited the selection of the respondents to give the complete picture of the organizations about financial performance due to misinterpretation of question and hence lack of clarity of information.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the data collected from the questionnaire and it includes the background information of the respondents, discussion and analysis of the different response to some key questions is also done in this chapter and this is done in reference to the study objectives of the study.

4.1 Reliability of data

4.1.1 Response Rate of the Study:

From the survey, 10 (33%) of the respondents were Top Administration, 03 (10%) of the respondents were staff in the Finance Department, 10 (33%) of the respondents were Field Officers, and 07 (24%) of the respondents were Members of Karambi SACCO.

Table 4.1: Response of the Respondents

Category of respondents	Frequency	Percentage %
Human resource	03	10
Accounts and finance	10	33
Procurement	10	33
Marketing	07	24
Total	30	100

Source: Primary Data, 2019

From the table 4.1, generally 100% of the respondents responded which indicated high response rate hence the validity of the findings. More so the findings above indicated the concern of the staff towards improving the performance of the organization.

4.2 Social Demographical Characteristics

4.2.1 Gender of the respondents

The respondents were asked to state their gender and the results are collected in table 4.2

Table 4. 2: Gender

Classification	Frequency	Percentage
Males	20	67
Females	10	33
Total	30	100

Source: Primary Data, 2019

From the survey, 20 (67%) of the respondents were male and 10 (33%) of them were female. This means that at the time of the survey most of the respondents were males.

4.2.2 Age of the respondents

The respondents were asked to state their age groups as shown in table 4.3

Table 4. 3: Age group of the respondents

Age group (years)	Frequency	Percentage %
15-25	7	23
26-35	10	33
36-45	8	27
46-55	3	10
Over 55	2	7
Total	30	100

Source: Primary Data, 2019

Table 4.3 shows that, 7 (23%) of the respondents were aged 15 to 25 years of age, 10 (33%) of the respondents were aged between 26 to 35years, 8(27%) of the respondents were aged between 46 to 55years of age, 2(7%) of the respondents were aged over 55years.

The majorities were between 26 and 35 years, this could be attributed to the fact that this age group has several responsibilities to undertake especially paying school fees and feeding their families thus this make the work hard for batter performance of the organization also for them to survival.

4.2.3 Level of education

The study also considered the level of education in the organization and results are summarized in table 4.4

Table 4.4: Level of Education

Level of Education	Frequency	Percentage
Primary	3	10
Secondary	2	07
Tertiary	08	27
University	10	33
Others	7	23
Total	30	100

Source: Primary Data, 2019

Table 4.4 shows that 2(07%) of the respondents are at secondary level, 3(10%) at primary level, 08(27%) are tertiary, 10(33%) are University and 7(23%) are others. The reason why most percent are of at the university and followed by tertiary is because these are people who work in fiancé and human resource and they understand the use of budgeting and they know how to do budgets. Therefore, this implies that the respondents had the capacity to interpret the questionnaires and give the necessary knowledge about the areas under the study

4.2.4 Length of service

The respondents were also asked about the time period they have spent in the organization as shown in table 4.5

Table 4.5: length of service

Classification	Frequency	Percentage
Less than 2 years	7	23
2-4 years	13	43
5-8 years	8	27
Over 9 years	2	07
Total	30	100

Source: Primary data, 2019

Table 4.5 shows that, 7 (23%) of the respondents had spent less than 2 years with the organization, 13 (43%) of the respondents had an experience of between 2 to 4years, 8 (27%) of the respondents had spent between 5 to 8years with the organization and 2(07%) of the respondents has spent over 9 years. This means that by the time of the survey averagely most of the respondents had spent over 2years working experience with the organization. This further gives relevance to the study that the respondents are able to give the right response to the questions since they have had enough experience with the organization.

4.2.5 Marital Status

The respondents were asked their marital status as collected in the table 4.6

Table 4.6: Marital Status

Marital Status	Frequency	Percent
Single	10	33
Married	15	50
Separated	03	10
Widowed	02	07
Total	30	100

Source: Primary Data

Table 4.6 shows that 10 (33%) of the respondents were single, 15(50%) ware married, 03 (10%) separated and 02(07%) widowed. The reason why most of the respondents are married is because most of them look for what to feed their children and the money which shall be used in the future than those who are single saving just to utilize the money in any way they like since they have no many responsibilities.

4.3 How budgeting ensures availability of funds in KRDC

Respondents were asked whether budgeting ensure availability of funds in KRDC as discussed below

4.3.1 The company practices budgeting

Respondents were asked whether the company practices budgeting and the opinion are in the table 4.7

Table 4.7: The company practices budgeting

Responses	Frequency	Percentage %
Strongly disagree	1	02
Disagree	2	04
Strongly agree	10	33
Agree	15	50
Total	30	100

Source: Primary Data, 2019

Table 4.7 respondents were asked whether the company practices budgeting and 15(50%) agree that company practice budgeting for batter performance and allocation of resources, 10(33%) strongly agree, 2(4%) disagree and 1(02%) strongly disagree that they have never seen the company practicing budgeting and since the majority agree so this show that the company practices budgeting

4.3.2 Budgeting ensure availability of funds in the company

Respondents were asked whether budgeting ensure availability of funds in the company and the opinion are in the table 4.8

Table 4.8: Budgeting ensure availability of funds in the company

Responses	Frequency	Percentage
Strongly Agree	5	16
Agree	20	67
Disagree	3	10
Strongly Disagree	2	07
Total	30	100

Source: Primary Data, 2019

From table 4.8 respondents were asked whether budgeting ensure availability of funds and 20(67%) agree that budgeting have helped the company to collect funds from different sources, 5(16%) strongly agree, 3(10%) disagree and 2(07%) strongly disagree that the company does not have funds when they are budgeting for its resources. Majority show that budgeting has helped the company to collect funds because it becomes easy for them to see the sources of income since are budgeted for.

4.3.3 Budgeting attract investors in the company

Respondents were asked whether budgeting attract investors in the company and the opinions are in table 4.9

Table 4.9: Budgeting attract investors in the company

Responses	Frequency	Percent
Strongly agree	10	33
Agree	15	50
Strongly disagree	02	07
Disagree	03	10
Total	30	100

Source: Primary Data, 2019

Respondents were asked in the table 4.9 above whether budgeting attract investors in the company 15(50%) agree and 10(33%) strongly agree that budgeting attract company investors, 3(03%) disagree and 02(07%) strongly disagree that investors are still few when the company is doing budgeting. They further explain that budgeting has attract investors in the company that are funding children and pregnant women in Kagando hospital.

4.3.4 Budgeting help the company to control income and expenses

Respondents were asked whether budgeting help the company to control income and expenses and the opinion are in table 4.10

Table 4.10: Budgeting help the company to control income and expenses

Responses	Frequency	Percentage %
Strongly disagree	1	03
Disagree	3	10
Strongly agree	6	20
Agree	20	67
Total	30	100

Source: Primary Data, 2019

From the table 4.10 above show that 20(67%) agree that budgeting help the company to control income and expenses, 6(20%) strongly agree and 3(10%), 1(03%) disagree and strongly disagree respectively. They also explain that expenses and income of the company has been controlled because of budgeting and the company is also making profit since it started doing budgeting.

4.3.5 Workers are paid promptly

Respondents were asked whether workers are paid promptly and the opinion are in table 4.11.

Table 4.11: Workers are paid promptly

Responses	Frequency	Percentage (%)
Strongly disagree	5	17
Disagree	4	13
Strongly agree	1	3
Agree	20	67
Total	**30**	**100**

Source: Primary Data, 2019

From table 4.11 above respondents were asked whether workers are paid promptly 20(67) agree, 1(3%) strongly agree that company pay worker and they don't demand any arrears with the company, 4(13%) disagree and 5(17%) strongly disagree that workers are paid promptly because they are paid late. They also explain that payment of workers promptly has increased on the performance of the company since it motivates them to work.

4.3.6 All day to day activities are running smoothly

Respondents were asked whether all day to day activities are running smoothly as in table 4.12

Table 4.12: All day to day activities are running smoothly

Responses	**Frequency**	**Percentage %**
Strongly disagree	1	03
Disagree	2	07
Strongly agree	9	30
Agree	18	60
Total	30	100

Source: Primary Data, 2019

Table 4.12 show that respondents 18(60%) agree, 9(30%) strongly agree that all day to day activities are running smoothly in the company, 2(07%) disagree and 1(03%) strongly disagree with the statement. The majority agree that all day to day activities are running smoothly because the company no longer make losses.

4.3.7 Everything budgeted for is accomplished

Respondents were asked whether everything budgeted for is accomplished as in table 4.13

Table 4.13: Everything budgeted for is accomplished

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	3	10
Strongly agree	10	33
Agree	15	50
Total	30	100

Source: Primary Data, 2019

Respondents were asked whether everything budgeted for is accomplished as in table 4.13 above 15(50%) agree, 10(33%) a strongly agree that everything budgeted for is accomplished because budgeting gives direction of haw to do activities of the company to the staff for batter performance, 3(10%) disagree and 2(07%) strongly disagree that the company do budgeting but it still fail to accomplish its activities.

4.3.8 All planned activities for the period are accomplished

Respondents were asked whether all planned activities for the period are accomplished as in the table 4.14

Table 4.14: All planned activities for the period are accomplished

Responses	Frequency	Percentage %
Strongly disagree	3	10
Disagree	5	17
Strongly agree	10	33
Agree	12	40
Total	30	100

Source: Primary Data, 2019

Table 4.14 show that 12(40%) of the respondents agree, 10(33%) strongly agree that all planned activities for the period are accomplished because of budgeting in the company, 5(17%) disagree, 3(10%) also strongly disagree. They further explain that budgeting has helped the company to plane for the activities and they are now accomplished in a short period of time.

4.3.9 How does budgeting ensure availability of funds in KRDC

The table 4.15 bellow shows the opinion of how budgeting ensure availability of funds in KRDC

Table 4.15: How does budgeting ensure availability of funds in KRDC

Responses	**Frequency**	**Percentage %**
Planning purpose	18	60
Control	9	30
Evaluation of Performance	2	07
Continuous comparison of results	1	03
Total	30	100

Source: Primary Data, 2019

As presented in the table 4.15 above, majority of the study respondents totaling 18(60%) said that planning was the main reason for haw budgeting ensures availability of funds at KRDC. Respondents said that when the firm is planning for the financial year or for the purchase of raw materials, it always budgets for the funds, time and the amount of resources to bring into the company with the budgeted funds. Still that budgeting allows the company to attain its goals through planning how to use its revenue and how to make expenses. Respondents on this issue also said companies should do budgeting to look back at previous time periods and to look forward at future time periods.

Also 09(30%) of the respondents said that control in the company are done by proper budgeting. The respondents said that through budgeting that overstocking and under stocking of materials can be controlled. To this, company owners use budgeting as a tool to make sure that the processing materials are available at the right time and in the right place which can later lead to better performance and achievement of the firms' goals and objectives.

Also evaluation of performance was also another reason haw budgeting of Company ensures availability of funds as revealed by 02(07%) of the respondents. That setting and evaluation of performance targets helps the firms to know how they are going to use the available resources for the better performance of the firm. Respondents said that through budgeting long and short term targets are set that are later evaluated for performance measurements. Respondents also said that budgets are a valuable tool for owners of firms to use to evaluate the performance of their firm at the end of the time period that the budget covers.

The study respondents 01(03%) also said that budgeting involves the continuous comparison of actual results against budgets to form a basis of standards and taking corrective action. Actual performance should be frequently compared against budgeted performance in order to take corrective action in case of any variances. Budgeting, therefore, in essence is budgetary control. That, firms also use budgets for the purpose of control. If owners have a master budget to follow, then they can carefully control expenditures during the time period of the budget by comparing them to the master budget. Budgets help prevent overspending. The budget also gives the company a benchmark to use by which to evaluate the company.

4.4 Factors that limit budgets from enhancing proper use of finance in KRDC.

Respondents were asked whether they are factors that limit budgets from enhancing proper use of finance in KRDC and the discussion are below

4.4.1 Management policies affect budgeting in KRDC

The table 4.16 bellow shows the opinion of whether management policies affect budgeting in KRDC

Table 4.16: Management policies affect budgeting in KRDC

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	8	27
Strongly agree	7	23
Agree	13	43
Total	30	100

Source: Primary Data, 2019

As in table 4.16 above respondents 13(43%) agree, 7(23%) strongly agree that Management policies affect budgeting in KRDC, 8(27%) disagree and 2(07%) disagree that management policies have no effect on budget when it followed. The majority said that management policies affect budgeting by putting string attached on the sources of funds.

4.4.2 Technology affects budgeting and financial performance in KRDC.

Respondents were asked whether technology affects budgeting and financial performance in KRDC and the opinions are in table 4.17 bellow.

Table 4.17: Technology affects budgeting and financial performance in KRDC.

Responses	**Frequency**	**Percentage %**
Strongly disagree	4	13
Disagree	7	23
Strongly agree	9	30
Agree	12	34
Total	**30**	**100**

Source: Primary Data, 2019

Table 4.17 above 12(34%) agree, 9(30%) strongly agree that technology affects budgeting and financial performance in KRDC because most of the workers in the company do not know how to use machines 7(23%) disagree and 4(13%) strongly disagree that technology does not affect budgeting and financial performance in KRDC they are other factors like lack of funds.

4.4.3 Fraud affects budgeting in KRDC

Table 4.18 show the opinion of whether fraud affects budgeting in KRDC

Table 4.18: Fraud affects budgeting in KRDC

Responses	**Frequency**	**Percentage %**
Strongly disagree	2	07
Disagree	4	13
Strongly agree	10	33
Agree	14	47
Total	30	100

Source: Primary Data, 2019

Respondents were asked in table 4.18 above whether fraud affects budgeting in KRDC 14(47%) agree, 10(33%) strongly agree that the company is failing because of fraud, 4(13%) disagree and 2(07%) strongly disagree that fraud affects budgeting in KRDC. The majority said one of the major factor that affect the company is fraud of funds.

4.4.4 Lack of participation by subordinates in budgeting

Respondents were asked whether there is lack of participation by subordinates in budgeting as in table 4.19 bellow.

Table 4.19: Lack of participation by subordinates in budgeting

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	3	10
Strongly agree	5	17
Agree	20	66
Total	30	100

Source: Primary Data, 2019

Table 4.19 above show that 20(66%) agree, 5(17%) strongly agree that most of the subordinates are not participating in budgeting like the human resource department of the company they just leave it for financial department to budget for the company, 3(10%) disagree and 2(07%) strongly disagree with the statement.

4.4.5 Lack of management support

Respondents were asked whether the management lack support in the company as in the table 4.20 bellow.

Table 4.20: Lack of management support

Responses	Frequency	Percentage %
Strongly disagree	4	13
Disagree	6	20
Strongly agree	12	40
Agree	8	27
Total	30	100

Source: Primary Data, 2019

From the table 4.20 above show that 12(40%) strongly agree, 8(27%) agree that management lacks support in the company especially financial and advice support, 6(20%) disagree, 4(13%) strongly disagree with the statement.

4.4.6 What factors limit budgets from resulting into proper utilization of finance in KRDC

Table 4.21 below show the factors limit budgets from resulting into proper utilization of finance in KRDC

Table 4.21: What factors limit budgets from resulting into proper utilization of finance in KRDC

Responses	Frequency	Percentage %
Luck of funds	10	33
Management policies	5	17
Poor technology	7	23
Frauds	8	27
Total	30	100

Source: Primary Data, 2019

From the table 4.21 above show 10(33%) said that lack of funds for the company is one of the factors that limit budgets from resulting into proper utilization of finance in KRDC and they explain that even if accompany do budgeting without funds it cannot utilize it resources, 7(23%) poor technology is one of most factors that limit budgets from resulting into proper utilization of finance in KRDC the explain that the company has few computers to make the work easy, 8(27%) said fraud of company funds limit budgets from resulting into proper utilization of finance in KRDC they argue that most of the company fund are being stolen, 5(17%) management policy is also limit budgets from resulting into proper utilization of finance in KRDC where by most of the policy are not used when preparing budgets.

4.5 How budgeting contributes to financial performance in KRDC.

Respondents were asked how budgeting contributes to financial performance and it discussed below.

4.5.1 Budgeting contribute to financial performance in KRDC

Table 4.22 show the opinion of whether budgeting contribute to financial performance in KRDC

Table 4.22: Budgeting contribute to financial performance in KRDC

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	3	10
Strongly agree	10	33
Agree	15	50
Total	30	100

Source: Primary Data, 2019

Respondents were asked how whether budgeting contribute to financial performance in KRDC 15(50%) agree, 10(33%) strongly agree the used of budgeting contribute to financial performance in KRDC, 3(10%) disagree and 2(07%) strongly disagree. The majority explain budgeting contribute to financial performance in KRDC through allocation of resources and planning

4.5.2 The actual income and expenditure are easily identified through budgeting

Respondents were asked in the table 4.23 below whether the actual income and expenditure are easily identified through budgeting.

Table 4.23: The actual income and expenditure are easily identified through budgeting

Responses	Frequency	Percentage %
Strongly disagree	8	27
Disagree	2	7
Strongly agree	10	33
Agree	10	33
Total	**30**	**100**

Source: Primary Data, 2019

From the table 4.23 above show that 10(33%) strongly agree, 10(33%) agree that the actual income and expenditure are easily identified through budgeting, 8(27%) strongly disagree and 2(7%) disagree with the statement.

4.5.3 Budgeting helps in allocating resources fairness in KRDC

Budgeting helps in allocating resources fairness in KRDC and the opinions are in table 4.24 below

Table 4.24: Budgeting helps in allocating resources fairness in KRDC

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	3	10
Strongly agree	5	17
Agree	20	66
Total	**30**	**100**

Source: Primary Data

From the table 4.24 above show that 20(66%) agree, 5(17%) strongly agree that Budgeting helps in allocating resources fairness in KRDC 3(10%) disagree and 2(07%) strongly disagree that Budgeting are not helping in allocating resources fairness in KRDC. The majority agree budgeting properly allocates resources in the company for batter performance.

4.5.4 Budgeting helps in planning the financial performance in KRDC

Table 4.25 show the opinion of whether budgeting helps in planning the financial performance in KRDC

Table 4. 25: Budgeting helps in planning the financial performance in KRDC

Responses	Frequency	Percentage %
Strongly disagree	5	17
Disagree	07	23
Strongly agree	10	33
Agree	8	27
Total	30	100

Source: Primary Data, 2019

Basing in the opinions in the table 4.25 above 10(33%) strongly agree, 8(27%) agree that budgeting helps in planning the financial performance and they state that without budgeting company cannot manage to plane, 07(23%) disagree and 5(17%) strongly disagree with the statement.

4.5.5 Budgeting helps in monitoring and control of financial in KRDC

Respondents were asked whether budgeting helps in monitoring and control of financial in KRDC as in table 4.26 below

Table 4.26: Budgeting helps in monitoring and control of financial in KRDC

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	3	10
Strongly agree	5	17
Agree	20	66
Total	30	100

Source: Primary Data, 2019

Respondents were asked whether budgeting helps in monitoring and control of financial in KRDC in the table 4.28 above 20(66%) agree, 5(17%) strongly agree that budgeting helps in monitoring and control of financial in KRDC 3(10%) disagree and 2(07%) strongly disagree with the statement.

4.5.6 Only activities budgeted for are accomplished

Table 4.27 below show the opinion that whether only activities budgeted for are accomplished

Table 4.27: Only activities budgeted for are accomplished

Responses	Frequency	Percentage %
Strongly disagree	2	07
Disagree	3	10
Strongly agree	5	17
Agree	20	66
Total	30	100

Source: Primary Data, 2019

The opinion in the table 4.27 above show that 20(66%) agree, 5(17%) strongly agree that only activities budgeted for are accomplished 3(17%), 2(07%) disagree and strongly disagree with the statement respectively.

4.5.7 Funds are diverted to unplanned activities

Funds are diverted to unplanned activities and the opinions are in table 4.28 below.

Table 4.28: Funds are diverted to unplanned activities

Responses	Frequency	Percentage %
Strongly disagree	8	27
Disagree	10	33
Strongly agree	7	23
Agree	5	17
Total	30	100

Source: Primary Data, 2019

Respondents were asked in the table 4.28 whether Funds are diverted to unplanned activities 10(33%) disagree, 8(27%) strongly disagree that funds are diverted to only planned activities budgeted for 7(23%) strongly agree and 5(17%) agree that Funds are diverted to unplanned activities because budgeted activities are not done.

4.5.8 How does budgeting contribute to financial performance in KRDC

Respondents were asked how budgeting contribute to financial performance in KRDC as in table 4.29 below.

Table 4.29: How does budgeting contribute to financial performance in KRDC

Responses	Frequency	Percentage %
Allocation of resources	8	27
Planning	2	7
Control of finance	10	33
Measurement for performance	6	20
Identify the source of funds	4	13
Total	**30**	**100**

Source: Primary Data, 2019

From the table 4.29 above 2(7%) show that Budgeting ensures proper planning of company resources in terms of cash and this helps to control the finances of the company. That through budgeting, periodic budgets like budgets for the year, monthly, quarterly, weekly among others is drafted with the help of the master budget for the resources available in the firm. 10(33%) said budgeting control finance and therefore through this, budgeting control the use of finances in the company. In this, the firms through budgeting can realize when costs are high and make some adjustments and that the firms can set targets to meet through budgeting and that by doing this cost are n managed and controlled. 6(20%) said budgeting measure the performance measurements and therefore controls the use of finances in the factory. Respondents revealed that through budgeting, firms understand which department performs better with the best performers in the financial resources identified which actually motivate other departments to perform well for increased profits. This implies that budgeting control the use of finances in the factory through the performance measurement. 8(27%) said that budgeting allows proper allocation of resources depending on the capability of the department in an organization to make profits. Thais helps in facilitating the workers for better performance in such organization that improves on sales revenue for increased profits of the organization, 4(13%) said budgeting helps to identify the sources of funds, through budgeting it was revealed that costs are controlled on the firm for better investment.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, discussion, conclusions and recommendations are made basing on the findings from chapter four. The discussion, conclusions and recommendations were done according to major study themes in relation to the study objectives.

5.1 Discussion of the study findings

These discussions were drawn from the research findings as guided by the research objectives and questions. The main objective of the study was to examine how budgeting ensures availability of funds in KRDC, to analyze factors that limit budgets from enhancing proper use of finances in KRDC, to establish how budgeting contributes to financial performance in KRD.

5.1.1 How budgeting ensures availability of funds in KRDC.

From the study respondents were asked whether budgeting ensure availability of funds in KRDC and from table 4.7 above respondents said the company practices budgeting for batter performance and allocation of resources and 10(33%) strongly agree, in the table 4.9 above they explained that budgeting attract investors in the company 15(50%) agree that budgeting attract investors that are funding children and pregnant women in Kagando hospital in order to ensures availability of funds. From the table 4.10 above show that 20(67%) agree that budgeting help the company to control income and expenses, they also explain that expenses and income of the company has been controlled because of budgeting and the company is also making profit since it started doing budgeting. From table 4.11 above respondents were asked whether workers are paid promptly 20(67) agree that company pay worker and they don't demand any arrears with the company, 4(13%) disagree and 5(17%) strongly disagree that workers are paid promptly because they are paid late. They also explain that payment of workers promptly has increased on the performance of the company since it motivates them to work. Table 4.12 show that respondents 18(60%) agree that all day to day activities are running smoothly in the company and they no longer make losses because of budgeting and everything budgeted for is accomplished as in table 4.13 above 15(50%) agree and table 4.14 show that 12(40%) of the respondents agree that all planned activities for the period are accomplished because of budgeting in the company and they further explain that budgeting has helped the company to plane for the activities and they are now accomplished in a short period of time. Budgeting ensure availability of funds in KRDC as presented in the table 4.15 above, majority of the study respondents totaling 18(60%) said that planning was the main reason for haw budgeting ensures availability of funds at KRDC. Respondents said that when the firm is planning for the financial year or for the purchase of raw materials, it always budgets for the funds, time and the amount of resources to bring into the company with the budgeted funds. Still that budgeting allows the company to attain its goals through planning how to use its revenue and how to make expenses. Respondents on this issue also said companies should do budgeting to look back at previous time periods and to look forward at future time periods also 09(30%) of the respondents said that control in the company are done by proper budgeting. The respondents said that through budgeting that overstocking and under stocking of materials can be controlled. To this, company owners use budgeting as a tool to make sure that the processing materials are available at the right time and in the right place which can later lead to better performance and achievement of the firms' goals and objectives, evaluation of performance was also another reason haw budgeting of Company ensures availability of funds as revealed by 02(07%) of the respondents. That setting and evaluation of performance targets helps the firms to know how they are going to use the available resources for the better performance of the firm. Respondents said that through budgeting long and short term targets are set that are later evaluated for performance measurements. Respondents also said that budgets are a valuable tool for owners of firms to use to evaluate the performance of their firm at the end of the time period that the budget covers and the study respondents 01(03%) also said that budgeting involves the continuous comparison of actual results against budgets to form a basis of standards and taking corrective action. Actual performance should be frequently compared against budgeted performance in order to take corrective action in case of any variances. Budgeting, therefore, in essence is budgetary control. That, firms also use budgets for the purpose of control. If owners have a master budget to follow, then they can carefully control expenditures during the time period of the budget by comparing them to the master budget. Budgets help prevent overspending. The budget also gives the company a benchmark to use by which to evaluate the company.

5.1.2 Factors that limit budgets from enhancing proper use of finances in KRDC.

Respondents were asked whether they are factors that limit budgets from enhancing proper use of finance in KRDC and the table 4.16 bellow shows that management policies affect budgeting in KRDC as 13(43%) agree, 7(23%) strongly agree that Management policies affect budgeting in KRDC and table 4.17 above 12(34%) agree, 9(30%) strongly agree that technology affects budgeting and financial performance in KRDC because most of the workers in the company do not know how to use machines and table 4.18 above show that fraud affects budgeting in KRDC 14(47%) agree, 10(33%) strongly agree that the company is failing because of fraud and the majority said one of the major factor that affect the company is fraud of funds, table 4.19 above show that 20(66%) agree, 5(17%) strongly agree that most of the subordinates are not participating in budgeting like the human resource department of the company they just leave it for financial department to budget for the company and this affect budgeting and from the table 4.20 above show that 12(40%) strongly agree, 8(27%) agree that management lacks support in the company especially financial and advice support, the factors limit budgets from resulting into proper utilization of finance in KRDC are from the table 4.21 above which show 10(33%) said that lack of funds for the company is one of the factors that limit budgets from resulting into proper utilization of finance in KRDC and they explain that even if accompany do budgeting without funds it cannot utilize it resources, 7(23%) poor technology is one of most factors that limit budgets from resulting into proper utilization of finance in KRDC the explain that the company has few computers to make the work easy, 8(27%) said fraud of company funds limit budgets from resulting into proper utilization of finance in KRDC they argue that most of the company fund are being stolen, 5(17%) management policy is also limit budgets from resulting into proper utilization of finance in KRDC where by most of the policy are not used when preparing budgets.

5.1.3 How budgeting contributes to financial performance in KRD.

Respondents were asked how budgeting contributes to financial performance and 15(50%) agree, 10(33%) strongly agree the used of budgeting contribute to financial performance in KRDC through allocation of resources and planning, the actual income and expenditure are easily identified through budgeting. Budgeting helps in allocating resources fairness in KRDC from the table 4.24 above show that 20(66%) agree, 5(17%) strongly agree that Budgeting helps in allocating resources fairness in KRDC for batter performance, basing in the opinions in the table 4.25 above 10(33%) strongly agree, 8(27%) agree that budgeting helps in planning the financial performance and they state that without budgeting company cannot manage to plane, budgeting helps in monitoring and control of financial in KRDC where in the table 4.28 above 20(66%) agree, 5(17%) strongly agree that budgeting helps in monitoring and control of financial in KRDC, from the table 4.29 above 2(7%) show that Budgeting ensures proper planning of company resources in terms of cash and this helps to control the finances of the company. That through budgeting, periodic budgets like budgets for the year, monthly, quarterly, weekly among others is drafted with the help of the master budget for the resources available in the firm. 10(33%) said budgeting control finance and therefore through this, budgeting control the use of finances in the company. In this, the firms through budgeting can realize when costs are high and make some adjustments and that the firms can set targets to meet through budgeting and that by doing this cost are n managed and controlled. 6(20%) said budgeting measure the performance measurements and therefore controls the use of finances in the factory. Respondents revealed that through budgeting, firms understand which department performs better with the best performers in the financial resources identified which actually motivate other departments to perform well for increased profits. This implies that budgeting control the use of finances in the company through the performance measurement. 8(27%) said that budgeting allows proper allocation of resources depending on the capability of the department in an organization to make profits. This helps in facilitating the workers for better performance in such organization that improves on sales revenue for increased profits of the organization, 4(13%) said budgeting helps to identify the sources of funds, through budgeting it was revealed that costs are controlled on the firm for better investment.

5.2 Conclusion

In conclusion budgeting ensure availability of funds in KRDC through planning and when the firm is planning for the financial year or for the purchase of inventory, it always budgets for the funds, time and the amount of resources to bring into the company with the budgeted funds. Still that budgeting allows the company to attain its goals through planning how to use its revenue and how to make expenses and companies should do budgeting to look back at previous time periods and to look forward at future time periods also control in the company are done by proper budgeting, through budgeting overstocking and under stocking of inventory can be controlled. To this, company owners use budgeting as a tool to make sure that the processing materials are available at the right time and in the right place which can later lead to better performance and achievement of the firms' goals and objectives, evaluation of performance was also another reason haw budgeting of Company ensures availability of funds, setting and evaluation of performance targets helps the firms to know how they are going to use the available resources for the better performance of the firm. through budgeting long and short term targets are set that are later evaluated for performance measurements and budgets are a valuable tool for owners of firms to use to evaluate the performance of their firm at the end of the time period that the budget covers and also budgeting involves the continuous comparison of actual results against budgets to form a basis of standards and taking corrective action. Actual performance should be frequently compared against budgeted performance in order to take corrective action in case of any variances. Budgeting, therefore, in essence is budgetary control. That, firms also use budgets for the purpose of control. If owners have a master budget to follow, then they can carefully control expenditures during the time period of the budget by comparing them to the master budget. Budgets help prevent overspending. The budget also gives the company a benchmark to use by which to evaluate the company.

In conclusion factors limit budgets from resulting into proper utilization of finance were lacks of management support in the company especially financial and advice support, lack of funds for the company is one of the factors that limit budgets from resulting into proper utilization of finance in KRDC and they explain that even if accompany do budgeting without funds it cannot utilize it resources, poor technology is one of most factors that limit budgets from resulting into proper utilization of finance and also fraud of company funds limit budgets from resulting into proper utilization of finance, management policy is also limit budgets from resulting into proper utilization of finance where by most of the policy are not used when preparing budgets.

The study also conclude that budgeting helps in monitoring and control of financial in KRDC, it ensures proper planning of company resources in terms of cash and this helps to control the finances of the company. That through budgeting, periodic budgets like budgets for the year, monthly, quarterly, weekly among others is drafted with the help of the master budget for the resources available in the firm. budgeting control finance and therefore through this, budgeting control the use of finances in the company. In this, the firms through budgeting can realize when costs are high and make some adjustments and that the firms can set targets to meet through budgeting and that by doing this cost are managed and controlled, budgeting measure the performance measurements and therefore controls the use of finances in the company. Through budgeting firms understand which department performs better with the best performers in the financial resources identified which actually motivate other departments to perform well for increased profits. Budgeting allows proper allocation of resources depending on the capability of the department in an organization to make profits. This helps in facilitating the workers for better performance in such organization that improves on sales revenue for increased profits of the organization and budgeting helps to identify the sources of funds, through budgeting it was revealed that costs are controlled on the firm for better investment.

5. 3 Recommendations

Basing on the study findings as well as study conclusions, the researcher recommends the following;

That, the company should employee workers who are qualified for improved financial performance. This can be done through the process of selection and recruitment process that will help in the selection of people with skills and knowledge that will improve on their performance due to increased output.

The management of company should ensure that all departments make budgets for their activities and strictly adhere to those budgets to avoid misuse of finances in the company. This would improve the financial performance of the company through ensuring that funds are spent on the activities for which they were budgeted

The study further recommends that the management of company should always conceive and adhere to budgeting in a positive way as it is drafted and follow its contents in the day to day running of the firm activities because it contributes much to the financial performance of the factory. By doing this negative attitude of the human resource in the company will be reduced that will result into proper allocation of resources.

The management of company should also put strong and effective internal financial control measures such as ensuring the authorization of all expenditures by a top manager as well as encouraging accountability for all expenditures made by the officers responsible for finances in every department. This would reduce on misappropriation of finances hence improving on the financial performance of the company.

5. 4 Suggested Areas for Research

The study focused on budgeting and financial performance, for comprehensive and exhaustive study to draw conclusion, the study suggested the following for research.

1. Internal financial control measures and the performance of the company.
2. Budget formulation, monitoring, implementation and the performance of the company

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APPENDICES

Appendix I: Respondents' Questionnaire

Dear Respondent,

I am a student of Kampala International University offering a bachelor's degree in Business Administration. As part of the requirements for the completion of the degree program, I'm carrying out a study on the topic ***"Budgeting and financial performance of Kaganda Rural Development Centre"***. The information you give will only be used for academic purposes. Hence you are requested to answer the questions as freely as possible.

Answering Mode: Tick the appropriate answers or write in the space provided.

SECTION A: BACKGROUND INFORMATION OF RESPONDENTS

1. Gender

1. Male ☐ 2. Female ☐

2. Age of the respondent

1. 15-25 years ☐ 4. 26-35 years ☐
2. 36-45 years ☐ 5. 46-55 years ☐
3. above 55 years ☐

3. Marital status

Married ☐ Single ☐ Divorced ☐
Widow (er) ☐ Separated ☐

4. Education level

1. Primary ☐ 2. Secondary ☐
3. Degree ☐ 4. Masters ☐
5. Others (specify)……………………………………………………

5. **Length of service in the Company (years)**

1. 1-4 Years ☐ 2. 5-8 Years ☐
3. 9-12 Years ☐ 4. 12 Years and above ☐

6. **Position held in the company** ---

7. Department ____

SECTION B: HOW BUDGETING ENSURES AVAILABILITY OF FUNDS IN KRDC.

Likert scale.

Strongly Disagree=SD, Disagree=D, Agree=A, Strongly Agree=SA

Tick the right alternative that fits your opinion on the role of budgeting and financial performance as follows:

NO	**Budgeting ensures availability of funds**	**SD**	**D**	**A**	**SA**
1	The company practices budgeting				
2	Budgeting ensure availability of funds in the company				
3	Budgeting ensure availability of funds in the company				
4	Budgeting attract investors in the company				
5	Budgeting help the company to control income and expenses				
6	Workers are paid promptly				
7	All day to day activities are running smoothly				
8	Everything budgeted for is accomplished				
9	All planned activities for the period are accomplished				

SECTION C: FACTORS THAT LIMIT BUDGETS FROM ENHANCING PROPER USE OF FINANCE IN KRDC.

NO	**Factors hindering budgeting**	**SD**	**D**	**A**	**SA**
1	Management policies affect budgeting in KRDC				
2	Technology affects budgeting and financial performance in KRDC.				
3	Fraud affects budgeting in KRDC				
4	Lack of participation by subordinates in budgeting				
5	Lack of management support				

SECTION D: HOW BUDGETING CONTRIBUTES TO FINANCIAL PERFORMANCE IN KRDC.

NO	Contribution of budgeting	SD	D	A	SA
1	Budgeting contribute to financial performance in KRDC				
2	The actual income and expenditure are easily identified through budgeting				
3	Budgeting helps in allocating resources fairness in KRDC				
4	Budgeting helps in planning the financial performance in KRDC				
5	Budgeting helps in monitoring and control of financial in KRDC				
6	Only activities budgeted for are accomplished				
7	Funds are diverted to unplanned activities				

Appendix II: Interview Guide

I. How does budgeting influence the use of finances in KRDC?

II. How does budgeting ensure availability of funds in KRDC?

III. What factors limit budgets from resulting into proper utilization of finance in KRDC?

IV. How does budgeting contribute to financial performance in KRDC?

V. What are your recommendations on the role of budgeting on the financial performance in KRDC?

VI. What is your conclusion about the role of budgeting and the financial performance in KRDC ?