UGANDA MANAGEMENT INSTITUTE

BUDGETARY CONTROL AND FINANCIAL PERFORMANCE OF INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS IN UGANDA: A CASE OF CARDNO-STRENGTHENING DECENTRALISATION FOR SUSTAINABILITY PROGRAMME

BY

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DECLARATION

I John Jakait, hereby declare that this report is my original work and to the best of my knowledge it has never been submitted to any other institution for any academic awards before. Where other scholars' research was used, it has been duly acknowledged.

Signature……………………………………….. Date……………………………

JOHN JAKAIT

APPROVAL

This is to certify that this thesis was conducted under my supervision and the dissertation has been submitted for examination with my approval as the candidate's supervisors.

Sign………………………………………….

Dr. Godfrey Mugurusi   Date…………………………………………..

UMI Supervisor

Sign………………………………………….

Dr. Michael Kiwanuka   Date…………………………………………..

UMI Supervisor

DEDICATION

This work is dedicated to my dear parents Benjamin Jakait and Mary Jakait, who sacrificed their hard earned money to see me through and on whose foundation I continue building myself. To my dear wife Christine Arikot and children Ethan Melvin Jakait, Ethel Melisa Jakait, and Edlyn Melisanda Jakait for their love and moral support that has enabled me to accomplish this study. I must also dedicate this book to them for their high sense of patience and understanding during periods I was emotionally and physically not with them in the course of the study even where they would have wanted my presence most.

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Accordingly, I feel indebted to all the various groups of people who provided me with support, talked things over, read, proof read and edited the report as well as providing constructive comments which immensely improved this report.

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Thanks to all my friends at Uganda Management Institute who have been more than a friend to me. Their company in the institute and during the time of doing the MBA together has been immense. Last and not least, I beg forgiveness of all those who have been with me over the course of the years and whose names I may not have mention.

Any errors and omissions are entirely mine

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LIST OF ACRONYMS

ACCA	Association of the Chartered Certified Accountants
COP	Chief of Party
CPAU	Certified Public Accountants of Uganda
CVI	Content Validity Index
DC	District of Colombia
DCOP	Deputy Chief of Party
IAS	International Accounting Standards
INGOs	International Non-Governmental organizations
NGOs	Non-Governmental organizations
NPM	New Public Management
RAA	Reasonableness, Allowableness, and Allocableness
SAPs	Structural Adjustment Programs
SAQs	Self-Administered Questionnaires
SDS	Strengthening Decentralization for Sustainability
US	United States
USA	United States of America
USAID	United States Agency for International Development

ABSTRACT

The study examined the relationship between budgetary control and financial performance of International Non-Governmental Organizations in Uganda: A case of Cardno- Strengthening Decentralisation for Sustainability Programme in Uganda. Specifically, the study objectives were to examine the effect of budgetary process; fund accountability; and variance analysis on the financial performance of Cardno SDS Programme. The study was a descriptive cross sectional survey design that adopted both quantitative and qualitative approaches. Questionnaires and Interview guides were used to observe the targeted 70 respondents out of which 60 actually of the respondents participated in the surve whereas Qualitative data was analysed using regression analysis and correlation coefficients, the qualitative analysis was done using content and thematic analysis. The results indicated that all the three dimensions including budgetary process; fund accountability; and Variance analysis positively affected the financial performance of International NGOs in Uganda. It was concluded that: budgetary control positively influences financial performance in Cardno-Strengthening Decentralisation for Sustainability Programme in Uganda. It was recommended that all departments and stakeholders should be actively involved in the budget formulation, implementation and execution process. To ensure better financial performance, there is need to observe proper accountability of funds, and involve all stakeholders in budget preparation. International organisations should carry out periodical performance evaluation of all departments and the entire organization to ensure effective attainment of budgetary goals

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The study examined the relationship between budgetary control and financial performance of International Non-Governmental Organizations in Uganda: A case of Cardno- Strengthening Decentralization for Sustainability Programme in Uganda as an initiative of Cardno Emerging Markets USA based in Washington DC in America. In this study, budgetary control was conceived as the independent variable and financial performance as the dependent variable. This chapter presents the background, problem statement, purpose, objectives, research questions, research hypothesis, conceptual framework, study significance, justification, scope and operational definitions.

1.2 Background to the study

1.2.1 Historical perspective

Since the 19th century in Europe, budgeting has been a tool used by organizations to address the issues of planning and control. By this commentary, budgets guides the institution to its performance in financial and operational areas since it is related to financial performance. The use of a budget has helped companies in Europe achieve specific objectives (Jordan, 2003 as cited in Mulumba, 2009). Relatedly, Ruthrock (2011) noted that NGOs are some of such businesses whose risk is certain given that they don't function in isolation their dynamic and complex operating environment. Given the riskiness of activities, an NGO make risk management a very significant process and activity right from inception to ensure effective financial performance (Ruthrock, 2012). For NGOs to attain their goals, decision makers need to first of all identify the risk involved, measure its intensity, assess it, monitor it and then look for measures on how to control it.

In comparison with NGOs, most of the public sector reform programs that have taken place in developing countries during the 21st century were introduced as part of the Structural Adjustment Programs (SAPs) of the World Bank in the 1980s (Mulumba, 2014).

Appleford (2000) stated that an important internal control is the operating and activity budget of an NGO. This is the Master Budget and should include all monies approved in donor proposals and all activities planned for in a given period of time (preferably fiscal period of the organization). The line items in the budget should coincide with chart of accounts line items so that expenses can easily be tagged to the budget. He noted that, NGOs are generally expected to produce financial reports to various interested parties including the Board of Directors, the NGO Board, appointed auditors and donors (Ssengoba, 2014). However, NGOs are increasingly becoming like businesses, for example, Charities act (2009) in Ireland requires all charities to be formally registered and in most cases submit annual financial reports to a registrar which is similar to the requirements of the NGO co-ordination board in Kenya and the NGO Board in Uganda. From management accounting point of view, NGOs can of course adopt budgetary control and other performance measures as normally used in a business. According to the controller's report (Waidhuba, 2011) on strategic level, budgeting clarifies organization's competitive priorities, advantages and strategies for the future. It is also a technique for setting the institutional priorities by allocating scarce resources to those activities that officials deem to be the most important and rationing it to those areas deemed less vital (Goldstein, 2005). The Government of Uganda has adopted setting aside in each financial year a day for the reading of the financial year budget and the budgetary controls are embedded in the Constitution of the country and the various enactments.

1.2.2 Theoretical perspective

This study was underpinned by the Control Theory in regard to responsibility accounting as advanced by Hopwood (1976). According to the theory, there are three forms of controls of work in organizations including; administrative, self and social controls. Administrative controls are concerned with performance measurement systems and budgetary monitoring system. Whereas these can be useful, they need to be carefully designed in order to avoid demotivating effects. Social controls operate through staff sharing common perspectives. Quality circles and team working are examples of this form of control. Self-control considers individual behavior but this can be helped by a suitable system of rewards like performance related pay. It is important to note that these forms of control are interrelated.

Whereas social controls may predominate small organizations where management can interact with staff on a day to day basis, this may not be the case with large and more complex organizations having senior management who may need to delegate decision making and responsibility to semi-autonomous divisions/units (Mulumba, 2014). There however, remains the need to ensure that these divisions/units are operating in accordance with organizational goals and hence a range of controls will need to be created. These controls include the budget planning and monitoring system (Hopwood, 1976). One core element of the management control system is responsibility accounting which involves the creation of responsibility center's which enable accountability for financial outcomes and results to be allocated to individuals throughout the organization. For each center, the process involves setting a performance target, measuring performance, comparing performance against the target, analyzing the variances and taking action where significant variances exist between actual and target performance (Hopwood, 1976).

The control theory is relevant for this study on account that, management control system is concerned with; responsibility accounting in which performance targets and allocation of responsible persons to given centers are set during the budgetary process, control of the budget allocation to such responsibility centers and their performance levels rests on the identified responsible officers. Sharing of common perspectives through teamwork and quality circles as observed in the social controls enables joint target setting between the supervisors and supervisee that can be measured through outcomes reflected in form of burn rates and fund accountability quality. Performance comparison is achieved through monitoring which enables variance identification and analysis making it easy for significant variances to be identified and corrected for improvement.

1.2.3 Conceptual perspective

These key concepts in the study were budgetary control and financial performance. Hopwood (1976) looks at a budget as basically a financial management instrument describing where and how the organization will spend the money and where the money will come from to pay the expenses. In that direction, therefore, a budget can been described as quantitative plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows.

According to Arora (1995), budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance of the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the differences are ascertained and recommendation for remedial action to match actual performance with plans is done. The basic objectives of budgetary control are planning, coordination and control. It is difficult to discuss budgeting without mentioning control Arora (1995). In this study, budgetary control was used to refer to a system in which budgets are used to control costs through comparison of actual performance against budgeted and ascertaining reasons for difference so as to take remedial action.

Performance is defined by Cox (2009) as the extent to which employees' interests and values are congruent with the company. This implies a situation where employees think of themselves as belonging to the organization and derive value from their membership. Performance refers to the output in terms of quantity and quality that helps the organization to realize its set objectives. In other words performance can be measured by traits, behaviors' and/or outcomes (Bratton & Gold, 2003). On the other hand, Sebbowa (2009), refers to financial performance as the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats.

1.2.4 Contextual perspective

Cardno Strengthening Decentralization for Sustainability (SDS) Programme is implemented by Cardno Emerging Markets USA, Ltd. The Cardno SDS Programme commenced its activities geared towards improving health and community services among selected Decentralized District Local Governments in May 2010. It currently operates in 35 districts in the Eastern, Central, and Western regions of Uganda.

Despite the above approaches, mechanisms and effort deployed by Cardno SDS Programme, its financial performance is still wanting in terms of reporting, accuracy, income utilization ratio, and consistency. Internal Audit review report, (February 2014) on grant financial performance in the sampled 13 out of the 35 supported districts revealed poor financial performance with over

UGX 500,000,000 reported as questioned costs. Being a performance based financing grant, many districts (Over 20) did not qualify for 100% grant disbursement due to insufficient accountabilities resulting into questioned costs, Grant desk review and validation reports, (2013/2014). The inadequacy in the performance was attributed to insufficient financial accountabilities resulting from failure to adhere to approved procedures, legal framework and lack of budgetary controls to identify and correct major variances

1.3 Statement of the Problem

Budgetary controls are being enhanced by all organizations as strategies intended to facilitate budget compliance and consequently financial performance (Mulumba, 2014). In the same pursuit, Cardno SDS Programme has put in place various budgetary control tools in a bid to support and improve her financial performance in Uganda. This has happened in 35 selected districts drawn from Eastern, Central, and Western regions of Uganda. Such budgetary control systems adopted by Cardno SDS include budgetary process, funds accountability and variance analysis involving all relevant parties, approval of the budgets by Cardno SDS Programme Home Office, linking of the budgets to quick books accounting package, variance analysis and relaying of the budget performance to respective departmental heads on periodic basis. The budget controls have been employed to ensure efficient financial performance

In spite of the commitment to the above budgetary control framework, the organization has so far experienced marginal success in terms of financial performance. The Grant desk review and validation reports (2013/2014) for example, revealed inadequacies in the financial performance of the grants with over 57% of the districts failing to obtain 100% grant disbursement due to questioned costs. Similarly, the Internal Audit review report, (2014, February) on grant financial performance in the sampled 37% of the supported districts revealed poor financial performance with over UGX 500,000,000 reported as unaccounted for. This inadequacy in the financial performance has persistently continued and is attributed to poor financial accountabilities resulting from failure to adhere to approved procedures, approved framework and lack of emphasis on budgetary controls to promptly identify and correct major variances.

The inadequacy in financial performance has been attributed to the poor financial performance which if unchecked will result into; mismanagement of funds, loss of funding, eventual collapse of the program and failure to deliver relevant services to the intended beneficiaries. The study therefore, investigated the relationship between budgetary control and financial performance of International Non-Governmental Organizations in Uganda: A case of Cardno- Strengthening Decentralization for Sustainability Programme in Uganda.

1.4 Purpose of the study

The purpose of the study was to analyze the relationship between budgetary control and financial performance of International Non-Governmental Organizations in Uganda: A case of Cardno-Strengthening Decentralization for Sustainability Programme in Uganda as.

1.5 Objectives of the study

i. To examine the effect of budgetary process on financial performance of Cardno SDS Programme in Uganda.

ii. To examine the effect of fund accountability on the financial performance of Cardno SDS Programme in Uganda.

iii. To assess the effect of variance analysis on the financial performance of Cardno SDS Programme in Uganda.

1.6 Research questions

i. How does budgetary process affect financial performance at Cardno SDS Programme in Uganda?

ii. What is the effect of fund accountability on financial performance at Cardno SDS Programme in Uganda?

iii. To what extent does variance analysis affect financial performance at Cardno SDS Programme in Uganda?

1.7 Research hypotheses

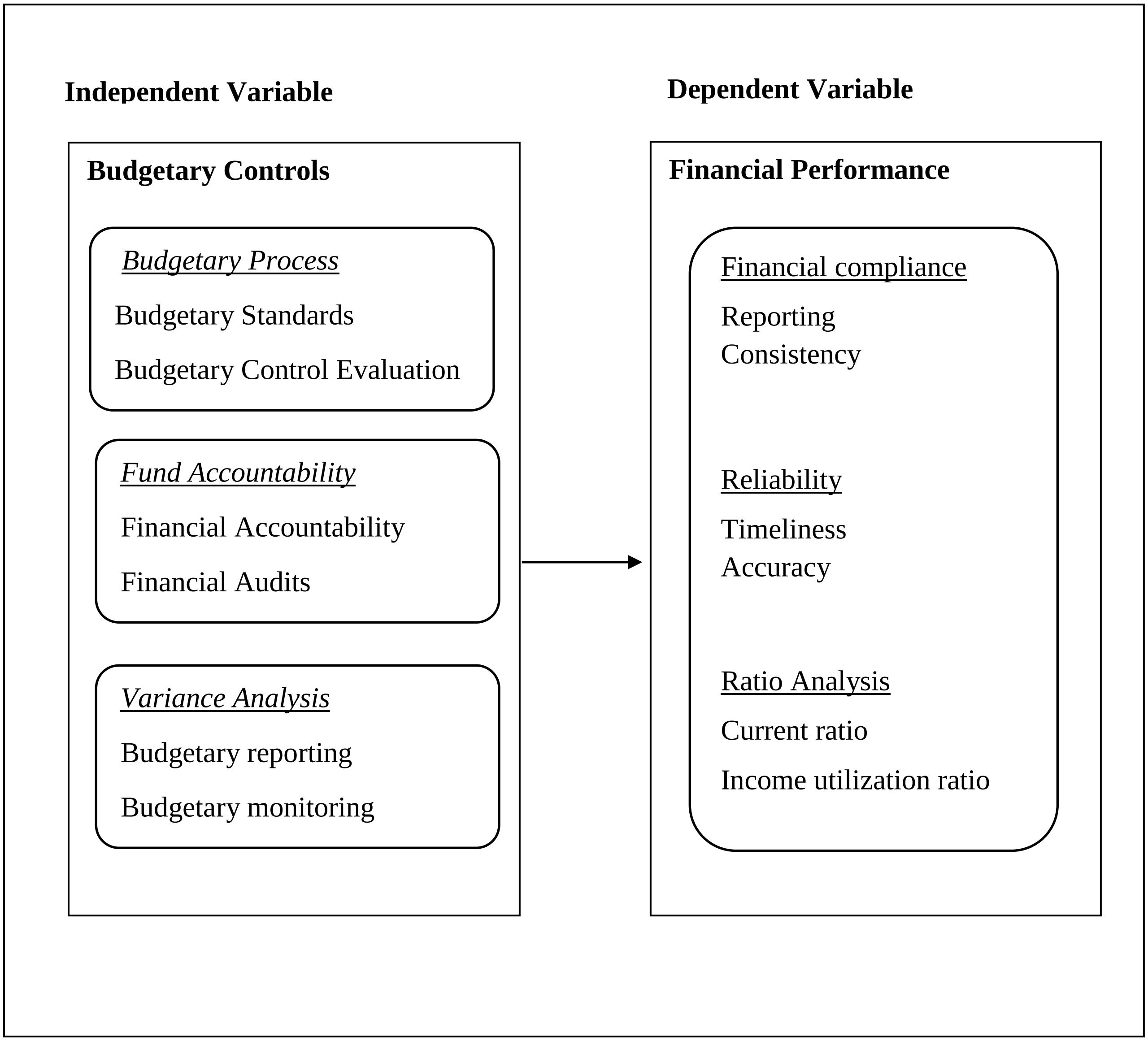
i. Budgetary process positively affects financial performance of International NGOs in Uganda.

ii. Fund accountability positively affects financial performance of International NGOs in Uganda.

iii. Variance analysis positively affects financial performance of International NGOs in Uganda.

1.8 The Conceptual framework

Figure 1.1: The conceptual framework



Source: *Adapted and modified from Hopwood (1976)*

Figure 1.1 demonstrates the relationship between budgetary control and financial performance. Budgetary Process was measured in terms of budgetary standards, budgetary control evaluation. Fund accountability was measured in terms of financial accountability and financial audits. Variance analysis was looked at in terms of budgetary reporting and budgetary monitoring.

Financial performance was measured in terms of financial compliance, reliability and ratio analysis.

1.9 Significance of the study

The findings of the study may be useful to a variety of stakeholders in Uganda:

The study findings may be used by Government of Uganda to set and define priorities in budgeting and also determine mitigation measures to budgetary challenges. To that extent, this study was critical and timely considering public outcry on delays in implementation of budgets.

The study findings may also guide NGO policy on budgeting and all stakeholders managing budgets in general to design robust mechanism for proper budgeting.

Furthermore the study findings may contribute to the existing body of knowledge on budgetary control and financial performance. Accordingly, the study findings may inform future research by providing a foundation to indicate areas of further research to subsequent scholars in the field of contractor selection and monitoring

1.10 Justification of the study

Most NGO's implement their activities using donor funds or grants usually obligated annually based on approved budgets and work plans. The challenge often is the associated lack of or weakness in budgetary controls resulting into inadequacy in accountability and eventual poor financial performance.

This situation may be improved through provision of necessary capacity building to those involved in financial management and systems strengthening of financial management mechanism.

This study would help identify gaps in the financial management capacity and the systems in place which if closed can improve financial performance. Such gaps could be bridged through personnel training and development using customized in-house trainings and workshops geared towards professional and performance improvement workshops. The availability of providers for such services including; Inside NGO, ACCA, CPAU and inspirational speakers can be to the advantage of the organizations deserving the service.

1.11 Scope of the study

1.11.1 Geographical Scope

The study was conducted at Cardno SDS Programme, Kampala Office. This geographical coverage was preferred because it enabled the assessment of budgetary control and its impact on the financial performance in the entire program given that it was centrally managed at the Kampala Office.

1.11.2 Time Scope

The study focused on the period 2012 to June 2016. This period was preferred because it's when Cardno SDS Programme consistently experienced challenges in its financial performance (Cardno SDS, 2016).

1.11.3 Content Scope

This study was limited to Budgetary control's attributes relating to the dimensions of; budget process, accountability and variance analysis while financial performance attributes was limited to dimensions relating to; report's reliability, promptness and dependence. The study was conducted on a sampled population of 40 Cardno SDS Programme's employees.

1.12 Operational definitions

Budgetary control: Refers to a system in which budgets are used to control costs through comparison of actual performance against budgeted and ascertaining reasons for difference so as to take remedial action. Budgetary control was operationalized to mean budgetary process, fund accountability, and variance analysis.

Budget process*:* a systematic and continuous process in which performance targets are established, budgetary policies are communicated in detail while actual revenues and expenditures is constantly monitored. Budgetary Process was operationalized to mean budgetary standards, budgetary control evaluation.

Fund accountability: Is the provision of a report on how funds entrusted to a given party were deployed while considering timeliness, understandability, reliability and relevance of the financial information provided. Fund accountability was operationalized to mean financial accountability and financial audits.

Variance analysis*:* Is the mechanism that employs both feedback and feed forward monitoring controls on actual and expected outputs to correct loopholes in the performance process. Variance analysis was operationalized to mean budgetary reporting and budgetary monitoring.

Financial performance**:** Refers to the process of assessing financial progress right from the initial budgeting stage up to the financial reporting stage. Financial performance was operationalized to mean financial compliance, reliability and ratio analysis.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The study investigated the effect of budgetary control on the financial performance of international non-governmental organizations in Uganda taking a case of Cardno SDS Programme. In this chapter, theoretical and related literature by different Authors was reviewed. The review focused on the literature relating to budgetary control, how it relates, influences or affects financial performance.

2.2 Theoretical literature review

As earlier indicated, this study was guided by the control theory of Hopwood, (1976). As a response to the criticisms leveled against classical theory, non-accounting-based approaches to study management control began to emerge. It seemed that the overreliance on accounting controls triggered management control researchers to broaden the scope of their research by encompassing interdisciplinary and multidisciplinary perspectives such as anthropology, social theory, organization theory, and development economics.

Hopwood (1974) pioneered the non-classical or modern tradition calling for different approaches to study management control issues other than the accounting approach that had the underpinning of the systems theory approach. He emphasized the social and self-control aspects of management control. In doing so, Hopwood provided a link between the classical theory and the sociological and psychological ideas in the organization theory literature more generally Berry et al., (2005).

Hopwood (1976) identified three forms of control of work in organizations as indicated below;

Administrative controls: These controls include performance measurement systems and the budget monitoring system form part of these. Whereas these can be useful, they need to be carefully designed in order to avoid demotivating effects.

Social controls operate through staff sharing common perspectives. Quality circles and team working are examples of this form of control. Self-control is down to individual behavior but can be helped by a suitable system of rewards including performance related pay. It is important to note that these forms of control are interrelated. Social controls may predominate in a small organization where management can interact with staff on a day to day basis. However, in larger and more complex organizations, senior management needs to delegate decision making and responsibility thus semi-autonomous divisions/units may be created. There however, remains the need to ensure that these divisions/units are operating in accordance with organizational goals and hence a range of controls will need to be created. These controls will include the budget planning and monitoring system (Hopwood, 1976).

One core element of the management control system is responsibility accounting which involves the creation of responsibility centers which enable accountability for financial outcomes and results to be allocated to individuals throughout the organization. For each center the process involves setting a performance target, measuring performance, comparing performance against the target, analyzing the variances and taking action where significant variances exist between actual and target performance (Hopwood, 1976).

Following Hopwood, Etzioni, (1960) and Ouchi, (1979) further contributed toward this end by introducing management control concepts based on social and psychological aspects of employee behavior. With the advent of the social perspective into the management control literature, the deficiency of the accounting-based approach became more prominent. It was argued that the management control literature did not include much broader and appropriate theoretical and methodological insights (Chua, 1986; Chua et al.,(1989; Cowton, & Dopson, 2002; Hopper et al., 2009; Whitley, 1999).

These scholars argued that management control represented the surface-level manifestations of much deeper issues rooted in the social, cultural, historical, and anthropological aspects of organizations and that to have a comprehensive understanding of the way in which management controls operate, these variables needed to be included in research frameworks. Given this argument, the inadequacy of the classical theory has become much prominent. Firstly, perspectives such as power, conflicts, and social and organizational anthropology require theoretical models different to the cybernetic model. As explained earlier, it is clear that systems theory and cybernetics clearly demarcated the boundary of the organization's internal operations and the external environment. Management control research using systems and cybernetics approaches treated deeper social and cultural issues as contingency variables that belonged to the external environment. This led to the preclusion of these variables from management control studies.

The contingency research approach (based on contingency theory) that emerged with the open system theory approach and that dominated the management control research until recently appeared to have loosely considered the deep-rooted cultural, social, political, and anthropological contextual factors affecting management controls of non-Western nations (Efferin & Hopper, 2007; Hewege, 2011; Hopper et al., 2009). Control is a system or process consisting of comparisons between standard and actual performances, with the comparisons serving as a basis for determining the proper responses to actual operating results. If control is viewed from the stand point of its direct relationship to planning, then it becomes complementary to planning (Simiyu, 1979).

2.3 Related literature review

The detailed review of related literature critically evaluate the relationship and how budgetary control associate with financial performance.

2.3.1 Budgetary process and financial performance

The main purpose of budgeting is to aid planning; coordinate activities; communicate plans to various responsible managers; motivate employees; control activities by comparing actual with budgets; evaluate performance; and express conformity with social norms (Anthony & Govindarajan, 2011; Luft & Shields, 2013). Based on the above listed objectives for budgeting, Uddin (2015) concluded that budgets have an important role in a management control system of both public and private sector organizations. The two components of budget are the revenue side that shows the source of funds, and the expenditure side that shows how the money raised will be spent (Lucy, 2012). Accordingly, there are two types of budget including the recurrent budget that focuses on general spending policies; and the development or capital budget that focuses on long-term projects or investments. Conceptually, a budget is the principal mechanism through which the policy intentions of any organization are translated into concrete actions and results on the ground. The budget is an important policy document through which governments establish their economic and social priorities and set the direction of the economy. However, it is not clear whether when citizen are involved in the process of budgeting, chances of achieving desired budgeting objectives are enhanced in a decentralized local government system in a developing country. For purposes of this study budgeting was looked at in terms of formulation, implementation and reporting.

According to Maxi (2009) in his study on budgeting formulation carried out in Brazil notes that most but not all governments prepare and issue their annual financial budgets as public documents or make them publically available. The three main stages in the budgetary process which may be conducted on a cash or accrual basis at each of the levels of government (local, state and national) happens: During the formulation stage, initial budget are developed and submitted to the legislature for consideration. Spending authority is granted by legislative bodies based on the political priorities and fiscal policies of government (Adhola, 2011). These budgets reflect the financial characteristics of the government's plan for the forth coming period and are used to analyze the potential consequences of these plans on the economy; Adherence of these fiscal policies is accomplished during the execution stage; and Ex-ante public reporting of the initial budgets and forecasts budgetary data (important for transparency) permits the government to identify its financial intentions. However the author ignores the key elements of budget formulation like consultation, participation and prioritization.

The study of Silva and Jayamaha, (2012), sought to evaluate budgetary process of apparel industry in Sri Lanka and see whether budgetary process had significant impact on financial reporting performance of such industry. The budgetary process of apparel industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of apparel industry in Sri Lanka was examined by using Return on Assets. Based on the data extracted from apparel industry's financial statements, correlation coefficients and regression analysis showed that budgetary process have significant associations with the organizational performance of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary process which contributes to higher levels of organizational financial reporting performance hence a positive relationship.

Prior studies on the relationship between budget control and performance have obtained mixed results. Most studies have found a clearly positive relationship between budget participation and performance. Some have found a negative relationship while others have not found any relationship at all. Stedry (2000) and Charrington (2009) found that a participative budgeting approach has a negative impact on performance. They have in general explained this with the fact that the budgetee (stakeholder) exploits budget participation to create “budget slacks”. The reason for this is that according to them, there is a conflict between the organization’s and individual goals (Cyert & March 2002). Stedry (2000) showed theoretically that the budgetee tries to lower the budget objective levels to their aspiration levels through budget formulation during the planning phase. The above study was qualitative compared to the current study that used mixed methodological approaches.

According to Phyrr (1970), inadequate budgetary controls lead to objectives not being clear and performance not being achieved or satisfactory. This reduces output because employees do not know or are doubtful about what to do, when and how to do it. They spend a lot of time seeking clarifications from executives, thus leading to delays in identification of deviations from plans, which lead to failure in goal achievement and hence poor performance (Phyrr, 1970).

2.3.2 Fund accountability and financial performance.

According to Hegarty (1997), financial accountability refers to the requirement for one party to report on the deployment of funds entrusted to that party through independent and professionally audited financial statements. The financial statement supporting documentation is often tagged to the approved budget to assess whether the payments were supported by approved budgets. The financial performance is thus measured by the degree to which activities have been transacted within the planned periods, approved limits and authorized budget line items.

Whereas Hegarty (1997) emphasizes that financial accountability is an indispensable management device in providing essential information for effective monitoring and controlling of resources. It is worth noting that it focuses on initial amounts released for specified anticipated activities. It is therefore necessary to confirm whether such funds were actually spent on the same activities or not, if spent, how much was it? What is the balance? (If any) and where is it? Were the funds deployed as scheduled? If not why?

He also added that accounting statement are authoritative statements on how particular type of transactions and other events should be reflected in financial statements. Accordingly, compliance with accounting standards will normally be necessary for financial statements to give a true and fair view. In May 1996, the council of IFAC approved a project to design and produce a set of authoritative statements on financial reporting with a view of equating them to International Accounting Standards. This was aimed at achieving timely financial reporting. However, these have adversely been affected by weak enabling environment in developing countries.

Przeworski and Manin (2009) argue that a quality strategic vision and plan should be:

a) responsive to how residents/communities see things- the city vision

b) be strategic in intent- i.e. long-term, futuristic, visionary, compelling, understandable, and memorable

c) reflect strategic choices that have been made

d) be simple, not obscure or complex

e) lay a critical path and costed sequence of actions

f) have clear links to the organizations own process of delivery of services;

g) have accountability and commitment, with work plans that are open to monitoring and evaluation.

However the above author’s thoughts have greatly influenced the current planning and budgeting approaches in developing countries such as Uganda.

In the views of Strom (2000) the linkage between the visions, the plan, the budgets and the delivery of services are still very weak. In addition, monitoring and accountability have continuously been reported as inadequate . These inadequacies lead to ineffective urban services. However in relation to Uganda, financial accountability remains wanting as most of the funds in institutions are misappropriated.

Aucoin and Heintzman (2000) suggests that for the public sector budgeting system to be effective, it should possess qualities such as accountability and transparency, timeliness and responsiveness comprehensiveness honesty and others. The budget is a legal requirement and is the ultimate statement of government priorities. It is one of the most powerful instruments of public expenditure management (PEM) that directly affect the nature, level and the effectiveness of the public services. However the researcher is cognizant of the fact that budgets are not merely matters of arithmetic but are important tools when it comes to financial accountability.

It has been strongly argued that the desired objectives of budgets under a government are: efficient allocation of resources via responsive and accountable governments; and equitable provision of services to the citizens in different jurisdictions and promotion of economic growth for example (Bergman & Damgaard, 2000). These arguments are only plausible if setting the budget objectives help address four crucial questions: a) is there clear identification and ranking of goals; b) can progress towards goals be objectively assessed.

However, very often there are no explicit goals or objectives embodied in policy decision to spend public money. And even when the objectives are set, they are so hazily stated that the good performance and the bad performance are difficult to judge.

Accountability has traditionally been viewed from the stand point of the suppliers of services. Accountability means being able to provide an explanation or justification, and accept responsibility for events or transactions and one's own actions in relation to these events or transactions (Kikonyogo, 2000). According to Fulton Committee (2008), accountable management means holding individuals and units that are responsible for performances. However, the Fulton Committee (2008) does not mention the fact that these institutions achievements depend upon the identification and or establishment of accountable units within organization departmental units. This is where output can be measured against costs or other criteria and where individuals can be held personally responsible for their performance. This is a view of public accountability through hierarchical control.

Another approach to accountability aims at testing the feasibility of "exit" and "voice" in dealing with the services that are provided by the donors. In a free market, an individual has the right to exercise his preference for one product over another, or articulate his preferences. This is done, so that the provider of the product can moderate or adjust it so as to conform to the consumer's preferences (Lwanga, 2000). In this approach, it is argued that a citizen should have an opportunity to express his/her view either through "exit" or through his "voice".

Accountability in using public funds is a concept that has received a good deal of attention over the past years (Premchand, 2003). It is now universally recognized as one of the mean for ensuring proper and effective use of public funds. It is also used in the optimization c resources, especially in the context of the expansion of (he activities of the State into social and economic sectors, require the presence of a Supreme Audit Institution (Premchand, 2003). The need for the audit function in advancing public funds management and accountability has gained recognition in many developing countries. This came as a result of increasing volume of transactions among countries. The resources of these countries in relation to their pressing need are severely limited and thus the need to use these resources more effectively (Saito, 2009).

However, the fact is that these countries want to develop fast and catch up with the developed countries. The impatience for quick growth has often led to hasty decision making and consequent deficiencies in the planning, organization and execution of programs. Hence, the need for greater vigil on the part of the audit functions. Although the need for ensuring accountability is universally recognized, its application in modern state often creates confusion and conflict amongst academics, professionals, public servants, ministers, politicians and the public ((Premchand, 2003). The process of planning for development increases the amplitude of public finances and public expenditure programmes.

2.3.3 Variance analysis and financial performance

Budgetary practices being a standard for performance are used to evaluate managerial performance Srinivasan, (1987). Similarly, Douglas, (1994) used a case study approach and found that budgeting practices place high importance on budget-to-actual comparison for performance evaluation purposes both at corporate and 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 and that consistency in the reports produced is vital in identifying variance. Budgetary standards and targets tend to be the criteria upon which the performance of organizations is evaluated. These standards and targets provide a basis for identifying and appraising selected aspects of organizational performance, since they are the criteria used to guide and motivate it. Carolyn, et al. (2007) examined the association between effects of budgetary control on performance, using a sample of large U.S. cities over 2003-2004 timeframe. Within this context they examined whether the tightness of budgetary controls or effective level of budgetary control within the cities as measured by budget variance contribute to performance as measured by bond rating and found that effective level of budgetary control is significantly and positively related to bond rating.

Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done. The basic objectives of budgetary control are planning, coordination and control. It's difficult to discuss one without mentioning the other Arora, (1995).

In contrast, Merchant and Brownell (2002) found a positive relationship between budget formulation and performance. The most recent literature, however, appear to advocate for a participative approach as it can be more effective and people may be inclined to attempt achieve budgetary goals if they have been consulted in the budget setting exercise (Hilton, 2000).

The authors however notes that certain precautionary measures such as providing incentives for accurate budget projections are necessary if participative budgeting is to be effective but he is silent on the issue of prioritization yet prioritization goes hand in hand with formulation.

Much as those measures can be taken, it can only be done in the initial stages but if done at a later stage then the whole process loses meaning. In addition to Hilton (2000) views, the researcher intends to stress that for such precautionary measures to work successfully, communities and the local councils as the prime beneficiaries should work together with Donors and the private sector to contribute to the development of common visions and strategies to fulfill their objectives. The partnership arising out of this collaboration will lead to a clear understanding and appreciation of each other's contribution and therefore harmony in planning and implementation of development activities.

Budgeting allows managers to focus on exploiting opportunities instead of figuratively speaking. In this way, the system provides sustainability to business process within the enterprise. It is a process of the utmost importance to management (Horngran, 2011). Viscione (2014) lists objectives, which build a budgeting system as follows: "Set acceptable target for revenue and expenses. Increase the likelihood that targets will be reached, provide time and opportunity to formulate and evaluate opinions should obstacle arise". According to (Martiz, 2015), the most important reason for budgeting in any organization is to ensure that organization knows how much money it needs, how to get the money it needs and then how to use the money.

Coombs (2002) also outlines the objectives of budget preparation in public enterprises as; to establish the required income level, authorization of expenditure s, and control of expenditure to ensure total expenditures does not exceed the budgeted during service delivery. However it is worth noting that budgetary allocations might not always be sufficiently estimated. This can happen when adequate funding for predictable or reoccurring expenses is not included in the budget. This might require the budget to be modified after adoption to account for the shortfall. Typical corrections will include transferring funds from other allocation categories or from the organization's surplus, sometimes referred to as savings. Just as budgetary allocation estimates can be insufficient, revenues can be underestimated hence significantly affecting service delivery in local governments of Uganda. This can happen if a downturn in the economy occurs after a budget is adopted, thus harming revenue streams. Insufficient revenues might require the need to reduce budgetary allocations in order for expenditures not to exceed revenues at the end of the budget year (Martiz, 2015).

The scholar further argues that budgetary allocations should be routinely monitored to ensure the amounts budgeted are sufficient to meet expenditures. It is important to have a tracking system in place for all purchase orders and bills. The purchase orders and bills should be matched regularly against the budgetary allocation to ensure sufficient funds exist for the remainder of the budget year

According to Terry (2003) budgeting is known as responsibility accounting. This means that plans and resulting information on performance plan is expressed in terms of human responsibilities because it is people that control operations not reports. The process of budgeting makes it necessary for the organization to be organized into responsibility with clear statements of the responsibilities of each manager who has a budget. The adoption of a budget authorizes the plans contained within it. This process enables management by exception to be practiced. This is where a subordinate is given a clearly defined role with the requisite authority and resources to carry out that part of the overall plan assigned to him and if activities do not proceed as planned, the variations are reported to higher authority.

A manager's performance is often judged partly by his ability to meet budgets. When considering a manager for promotion or salary increase or recognition, a manager‘s budget record and his ability to meet the targets incorporated in budgets is often an important factor. Budgets used as a target can assist the manager in monitoring his own performance. The knowledge that a budget will be used for performance evaluation causes changes in the manager's attitude to the whole budget process. The reward system of an organization is often liked to achievement of certain levels of performance frequently measured in accounting terms (Terry, 2003).

Other researchers explain the positive effects of budgetary implementation on performance through an information theoretical perspective. Because budgetary implementation gives the stakeholders a high extent of feedback information, performance is also increased (Becker and Green 2002).

Some authors ignore the fact that budget implementation's relationship with financial performance cannot be studied in isolation of feedback. Much as Samuelson (2001) observed that budget coordination affects the efficiency of the six levels of decision making under an organizational decision making process, he ignored feedback as an important element of budget implementation. The six levels of decision making under organizational decision making process emphasize objective- planning, decision-making, realization and follow-up.

2.4 Summary of Literature Review

The review of literature revealed a number of argument with some author's views concurring while others disagreed. There were authors who totally had independent perspectives. The researcher pointed out his stand as pertains the different discussion on the subject and drew conclusions.

Budgetary process: inadequate budgetary controls lead to unclear objectives thus failure to achieve satisfactory performance. The authors noted that employees are not sure of what to do, when and how to do it. Much time is spent seeking clarifications from executives leading to delays in identification of deviations from plans and eventual failure in goal achievement hence poor performance.

Fund accountability: However, a number of gaps have been identified as per the literature reviewed which this study will bridge. Authors like Klein (2015) focus on specific field yet this study will take a general focus. Most studies above used smaller samples, most of them adopted secondary data and in contrast the study will use a big sample size and on the other hand adopt both secondary and primary data. The dimension of fund accountability is discussed by most authors but most of them are silent on the element of fund accountability and how it relates to budgeting.

Variance analysis: Variance analysis as a variable is discussed by most authors without relating it to financial performance which is the central dimension of the study. Most of the studies on the subject above are based on developed countries with a well-developed budgetary systems. Most studies were qualitative and do not guide us on the relationship between the study variables. In bridging the gap, this study will test the hypotheses of the study basing on bivariate means that is Pearson correlation coefficient. Considering the above, the conclusions and recommendations of the study will take a wider perspective looking at budgetary control not as a general point but focusing specifically on the key the indicators as laid down in the conceptual framework.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The study investigated the effect of budgetary control on the financial performance of international non-governmental organizations in Uganda taking a case of Cardno SDS Programme This Chapter presents the methods used to carry out the study. The chapter includes the study design, population of the study, determination of the sample size, sampling techniques and procedure, data collection methods, data collection instruments, data validity and reliability, data collection procedures, data analysis and measurement of variables.

3.2 Study design

A cross sectional survey design was adopted for this study. Using a cross sectional survey, data is collected from a cross section of respondents at a single point in time (Ezeani, 2005). Across sectional survey is less time consuming and easy to apply (Kothari, 2004). The study applied both quantitative and qualitative approaches. Creswell (2009) noted that quantitative methods are more objective and help to investigate the relationships between the identified variables. This study also applied qualitative approaches which involved in depths probe and application of subjectively interpreted data. Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior (Babbie, 2013). Quantitative approaches were adopted in sampling, collection of data, data quality control and in data analysis.

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3.3 Study population

The study population was Cardno SDS NGO Head Office with 75 staff from which a sample of 60 was selected for the study. Cardno SDS Programme comprises; 5 Senior Management Team (SMT) members, with departmental employee distribution as follows:

Grants – 8, Monitoring and Evaluation (M&E) – 12, Human Resource for Health (HRH) – 3, Education – 2, Finance and Operations – 13 and Coordination 48 other employees.

3.4 Determination of sample size

The sample size was determined using a statistical tables developed by Morgan and Krejcie (1970), cited from Amin (2005). A sample of 60 respondents was thus selected from the total population of 44 employees. The table 2 below provides the breakdown of the departmental categorization, respective access population, sample size and sampling technique used.

Table 3.1: Study Population, sample size and sampling techniques

	Category	Accessible Population	Sample size	Sampling Technique
1	Senior Management Team	5	5	Simple random sampling
2	Grants team	8	8	Simple random sampling
3	M&E team	4	4	Purposive
4	HRH team	3	3	Purposive
5	Coordination	1	1	Purposive
6	Education	2	2	Purposive
7	Finance & Operations	14	14	Simple random sampling
9	M&E Interns	23	21	Simple random sampling
	Total	**75**	**60**	

Source: *Cardno SDS Programme Organizational Chart (2014/2015)*

3.5 Sampling techniques and procedures

The sampling techniques for the study as indicated in Table 3.4.1 above include: simple random sampling preferred because it eliminates bias and allows equal opportunity for each member in the population to be selected Amin, (2005); Bakkabulindi, (2008). It involved writing given "category names" on equal size papers, folding them up uniformly, mixing thoroughly and randomly pick until the required sample size was reached. Purposeful sampling was adopted to enable selection of staff with relevant information for the study. It was preferred due to its ease of triangulation and flexibility while meeting multiple interests and needs Patton, (1990).

3.6 Data collection methods

Primary data (original) was collected using; questionnaire survey method, Interview and observation. Secondary data from available literature was collected through documentary review method.

3.6.1 Questionnaire Survey Method

The Questionnaires survey method involved generating structured questions to be filled by selected respondents (Staff). It was suitable for respondents on account of their knowledge and understanding Saunders et al, (2003). This method was preferred because the employees could read, analyse, write and also spare time to fill the questionnaires. It is cost effective with a large coverage of respondents in a relatively short time. It generates reliable data since respondents answer the questions in their own mood without being affected by the researcher's presence Mbaga, (1990), Mugenda and Mugenda (1999). It also guarantees respondent's confidence, honesty and objectivity due to anonymity and no interviewer's bias.

3.6.2 Interview Method

Interview is a verbal conversation between two people with the objective of collecting relevant information for the purpose of research. It is useful in getting the story behind participant's experience, helps interviewer in-depth information around the topic and can be used as a follow up to certain respondents McNamara, (1999). Interviews were conducted by the researcher asking oral questions while a selected respondent or group of respondents answered. According to Amin (2005) this method is appropriate for collecting data from a small number of respondents and provides immediate feedback while allowing adequate probing. The interviews were administered on selected Senior Management Team (SMT) members and supervisors to obtain qualitative data as reinforcement to quantitatively generated data. The method employed appropriate approaches such as; face-to-face, e-mail, Skype and telephone interviews based on convenience. This method was preferred due to its perceived cost effectiveness, ability to get respondents personal feelings captured through given expressions and statements. The method enabled in-depth investigation, repetition and clarification of unclear questions.

3.6.3 Documentary review method

This method involved review of available literature from different sources such as; organizational records, Industry analysis, financial text books, magazines, journals, articles, internet websites, dissertations and newspapers to enable collection of relevant data Sekaran, (2003). This method was preferred to others because it is saves time and money and it helped to validate data collected using other methods (Sekaran, 2003). In addition, the study also captured documents of the internet. The review enhanced the quality and reliability of the study findings by capturing reported facts, practices, gaps and contrasts.

3.7 Data collection instrument

3.7.1 Self-administered Questionnaires (SAQs)

The Questionnaire survey method used Self-administered questionnaires (SAQs) as recommended by Amin (2005). SAQs comprised closed ended questions that require the respondent to indicate his/her level of acceptance, non-acceptance or uncertainty. The instrument sought information relating to the attributes of budgetary control and financial performance dimensions. The respondents were requested to provide a brief summary of their views in support of the responses made. Respondents were also requested to describe themselves by providing information as indicated in the personal data section. This instrument was designed and pre-tested before it was finally administered to sampled respondents who filled and the completed SAQs were immediately collected by the researcher.

3.7.2 Interview guide

The Interview method used Interview guide as recommended by Amin (2005). The guide was in a form of a checklist that outlined areas of concern to which respondents responses were sought. For closed ended questions, the Interviewer ticked under Yes column to indicate agreement with what was wanted and under No column to indicate non-agreement. For open ended questions, the interviewer made the necessary summary notes to the responses. Each interview area was allocated specific time so that the interview is conducted within the proposed timeframe.

3.7.3 Documentary review guide

The documentary review method used documentary review guide as recommended by Sekaran (2003). The researcher prepared a documentary review checklist of existing sources of data and information that were in line with the study interest the guide indicated the relevant documents to be reviewed within the content scope of the study. These included; financial policy documents, organizational periodic newsletters, financial and activity reports.

3.8 Validity and reliability

3.8.1 Validity

Validity refers to the ability of the test instrument to collect justifiable and truthful data. It is therefore the extent to which the instrument measures what it is intended to measure Amin, (2004). The validity of the instrument was achieved by computing the Content Validity Index (CVI). The accepted range of CVI for the instrument to be administered is from 0.7 to 1 Amin, (2004); Kothari & Palls, (1994). A CVI below 0.7 does not suffice validity of the instrument and is thus not recommended for administration. The instrument's validity was derived by subjecting it to critique by experts in the study area, their results of judgment summarized and CVI computed using the formula:

$$CVI = \frac{\text{Number of valid items in the questionnaire}}{\text{Total number of items in the questionnaire}}$$

The instrument was then administered as the computed CVI was not below 0.7 as given in the table below

Table 3. 2: Cronbach's Alpha Coefficient test results

Variables	**Content Validity Index Results**
Budgeting participation	0.734
Budgetary process	0.886
Fund accountability	0.834
Variance analysis	0.811
Financial performance	0.842

Source: Primary Data (2017)

Based on Cronbach's Alpha Coefficient, the scales for the variables were reliable. All scales had a reliability coefficient greater than 0.7. In the case of psychometric tests, all were within the range of 0.7 and above indicating that the results were valid.

3.8.2 Reliability

Reliability is the ability of the test instrument to collect the same data consistently under similar conditions Amin, (2004); Odiya, (2009). It is thus about accuracy and consistency of the instrument. The reliability of the instrument was gained through piloting and pre-testing of the instruments on 5 respondents to get feedback that enabled improvement of the instrument by incorporating relevant and constructive amendments before administering the instrument. The reliability of the instrument was computed using the Cronbach's Alpha Coefficient by applying the formulae below;

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum SD_i^2}{SD_i^2}\right)$$

Where k = Number of items in the questionnaire

$\sum SD_i^2$ = Standard deviation squared (variance) for each individual Item

SD_i^2 = Variance for the total items in the questionnaire

Table 3.3: Cronbach's Alpha Coefficient

Variables	**Cronbach's Alpha Coefficient**
Budgeting participation	0.801
Budgetary process	0.778
Fund accountability	0.805
Variance analysis	0.784
Financial performance	0.756

Source: Primary Data (2017)

Based on Cronbach's Alpha Coefficient, the scales for the variables were reliable. All scales had a reliability coefficient greater than 0.7. In the case of psychometric tests, all were within the range of 0.7 and above indicating that the results were reliable.

3.9 Procedure of data collection

Upon the approval of the research proposal, the researcher obtained, an introductory letter from UMI and presented it to the management of Cardno SDS in order to get permission to collect data from all categories of the respondents. The researcher proceeded to distribute questionnaires to selected respondents for completion and later collected them. The researcher was then also able to meet with potential and prospective respondents and fix appointments for data collection. Relevant inquiries, observations and document reviews were conducted while noting key issues.

3.10 Data Analysis.

3.10.1 Quantitative Analysis

The quantitative data was scrutinized for any omissions or inadequate information from the questionnaires. Statistical Package for Social Scientists (SPSS) was used for analysis to enable generation of necessary figures, tables, graphs and charts. Descriptive statistics was applied to summarize, describe and interpret the different phenomenon such as distribution of scores (Mugenda & Mugenda, 1999). These included frequency tables and measures of central tendency expressed in terms of Mean, Mode, Median, standard deviation and variance. Spearman's Correlation coefficient and regression methods were used to find the relationship between budgetary control and financial performance.

3.10.2 Qualitative Analysis

Thematic analysis was applied to analyze qualitative data from the responses. Thematic analysis is a process of encoding qualitative information by developing codes, words or phrases that serve as labels for sections of data (Boyatzis, 1998). It was used to identify, analyze, interpret and report patterns within the data. It involved getting familiar with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes and generating the report. Data was reviewed, notes made, sorted and classified into themes and categories that were scrutinized, analyzed, collated and presented in form of paraphrase and where necessary quoted upon obtaining permission from the respondent. The data was presented in tabular forms, pie charts and graphs to ease interpretation and gain meaning.

3.11. Measurement of Variables

The variables were quantitatively measured using the 5 point Likert scale indicating different levels of agreement and disagreement indicated as; strongly agree, agree, not sure, disagree and strongly disagree as outlined by (Kothari, 2004). The likert scale is convenient in complex situations where in-depth data about a research problem is difficult to get from respondents. Equidistant weights ranging from 5–1 were assigned to responses from *strongly agree* to *strongly disagree* respectively to ease quantitative analysis. The respondents' position in terms of acceptability, non-acceptability or uncertainty and their magnitude regarding attributes of budgetary control and financial performance dimensions were then ascertained. The qualitative variables were measured through personal interpretation and subjective judgment of the meaning attached to the expressions, statements and non-verbal communication elicited during the study.

3.12 Ethical considerations

There are several reasons why it is important to adhere to ethical norms in research. First, norms promote the aims of research, such as knowledge, truth, and avoidance of error. For example, prohibitions against fabricating, falsifying, or misrepresenting research data promote the truth and avoid error. Second, since research often involves a great deal of cooperation and coordination among many different people in different disciplines and institutions, ethical standards promote the values that are essential to collaborative work, such as trust, accountability, mutual respect, and fairness (Amin, 2005). To avoid plagiarism, the work was subjected to the anti-plagiarism test using the anti-plagiarism software called turn it in of different authors were acknowledged whenever they are cited.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The study investigated the effect of budgetary control on the financial performance of international non-governmental organizations in Uganda taking a case of Cardno SDS Programme. This chapter presents the findings, analysis and interpretation of the findings on the effect of budgetary control on the financial performance a case of Cardno SDS Programme.

4.2 Response Rate

The response rate was computed and findings are presented in table 4.1 below

Table 4.1: Response Rate

Instrument	Target Response	Actual Response	Response rate (%)
Questionnaire	70	60	85
Interviews	12	09	75
Total	82	69	84.1

Table 4.1 above presents the response rate from the study. Out of the 70 questionnaires distributed, only 60 were returned making a response rate of 85%. Out of the 12 respondents targeted for face to face interviews, 9 were actually carried out implying a response rate of 75%. The overall response rate for the study was 84.1%. This response rate was deemed adequate since it was over and above the 50% recommended by Sekaran (2003)

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4.3 Background Characteristics of the Respondents

This section presents findings about the demographic characteristics of respondents. These are gender, age, education, marital status and working experience. The findings for these background characteristics of respondents are submitted in the next sub-sections

4.3.1Gender Characteristics of the Respondents

Table 4.2 below presents the findings on the gender characteristics of the respondents

Table 4.2: Gender statistics of the respondents

Gender	Frequency	Percentage
Female	29	49.2
Male	31	50.8
Total	**60**	**100**

Source: Primary Data (2017) **N=60**

Table 4.2 shows that the majority of the respondents were male (50.8%) and female were (49.2%). Although the results show some disparities between the male and female respondents, the study was gender representative since both groups were part of the study.

4.3.2 Age of the Respondents

The study looked at the age distribution of the respondents using a frequency distribution. The results obtained on the item are presented in table 4.3 below

Table 4.3: Age Statistics of the respondents

Age in years	Frequency	Percentage
20-29	08	12.5
30-39	32	54.2
40-49	15	25
50 and above	05	8.3
Total	**60**	**100**

Source: Primary Data (2017) **N=60**

The age categories of the respondents were studied according to their age groups. This was important for the study because it was believed that differences in age indicated differences in opinions. Therefore, establishing different age groups of the people who were involved helped to provided varied opinions about the study problem. From the above table, the majority of respondents who took part in the study were between 30-39 years were 54.2% and those who were between the age of 20-29 were 12.5% and those that were between 40-49 years were 25% and lastly those that were above 50 years were 8.3%. This shows that the data collected was representative of all age groups.

Table 4.3.3: Distribution of Respondents by Level of Education the Respondents

The table 4.4 Level of education Statistics of the respondents

Highest Level of Education	**Frequency**	**Percentage**
Diploma	23	19.2
Bachelors	76	63.3
Post graduate	21	17.5
Others	00	00
Total	**60**	**100**

Source: Primary Data (2017) *N=60*

The majority of the respondents were first degree holders making a total percentage of 63.3%, the respondents with post graduate qualifications were 17.5%, and the diploma were 19.2%. These results indicate that the respondents had reasonably good education qualifications and the desired skills and knowledge to deliver. Besides, the respondents were deemed to be able to read, understand the questionnaire and gave appropriate responses.

Table 4.3.4: Distribution of Respondents by Marital of the Respondents

Table 4.5 Marital Statistics of the Respondents

Marital status	**Frequency**	**Percentage**
Single	36	60
Married	19	31.6
Separated	02	2.5
Divorced	02	3.4
Widowed	01	2.5
Total	**60**	**100**

Source: Primary Data (2017) *N=60*

The majority of the respondents were single (60%) and the married were 31.6%. This indicated that the data collected was representative to respondents of different marital status.

4.4 Empirical Results based on Study's Research Objectives

In this section, the empirical results for each of the specific research objectives is presented, analysed and interpreted with an overall goal of demonstrating the effect of budgetary process on financial performance of Cardno SDS Programme.

4.4.1 Budgetary process on financial performance of Cardno SDS Programme

The first objective of the study was intended to demonstrate to the effect of budgetary process on financial performance of Cardno SDS Programme. While the questionnaire included a list of items that measured budgetary process whose responses are presented, in-depth interviews and documentary findings support the empirical findings.

The descriptive results in form of mean scores, standard deviations and percentage distribution of respondents who agreed to each of the statements in the survey instruments covering budgetary control as a variable are presented

This sub section is the centrepiece of this work. It presents findings, discusses and critique existing approaches to the budgetary process. The point of this examination and critique is to unearth the budgetary process on financial performance. The task of this section is further to dig more deeply into the implications of the difference between the pursuit of "good" management and the pursuit of effectiveness of the budgetary process.

Findings to address the budgetary process were obtained using a variety of methods including survey instrument, interviews and document analysis. The self-administered questionnaire measured laws using eight items on a Likert scale. The eight items measuring the budgetary process are presented in Table 4.6. The items were scaled using the five-point Likert scale where code 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree. For each of the above items, descriptive statistics that include frequencies, percentages and means are presented in Table 4.6.

Table 4.4: Budgetary process and Financial Performance

Items	SA	A	N	D	SD	Mean
I'm involved in the budget setting process	30.8%	51%	1.0%	8.3%	9.1%	3.999
We are sensitized on the budget control process	5%	11.6 %	-	41.6%	40%	1.968
All the stakeholders to the budget are involved	16.4%	64%	9.1%	1.6%	8.3%	4.04
All departments are always involved in the budgeting process	44.3%	45.3 %	00%	8.6%	%5.15	2.10
Approved Budgets are shared with all Departments	17.5%	21.6 %	5.0%	27.5%	28.3%	2.21
Leadership and support is given to all the Subordinates throughout the budget process by managers	14.1%	14.1 %	5.0%	38.3%	28.3%	2.01
Each department prepares a budget prior to the Overall budget	16.4%	64%	9.1%	1.6%	8.3%	4.04

Source: Primary data (2017) *N =60*

SD = Strongly Disagree, D = Disagree, N = Neutral, SA = Strongly Agree and A = Agree, F = Frequency, % = Percentage

The details below interrogate the empirical results through advanced statistical tests to demonstrate the views of the respondents on the relationship budgetary process and financial performance. The details are supported by interviews results and documentary evidence.

As to whether they are involved in the budget setting process, the tabulated responses indicated a mean of 3.999 above the median score of three. This implied that they are involved in the budget setting process.

A Respondent noted that *"we are invited to give our ideas at the beginning of the budget exercise which is finally incorporated into the budget"*.

As to whether they are sensitized on the budget control process (81.6%) disagreed while 16.6% agreed with the item implying that they are not sensitized on the budget control process.

As to whether all the stakeholders to the budget are involved, the majority of the respondents (80.4%) agreed with the statement.

A respondent lamented *"most leaders usually make decisions as individuals often leaving out the vital input of the budget by ignoring the views of the residents yet the residents are motivated whenever their ideas are embedded in the budget"*

When asked whether all departments are always involved in the budgeting process, indicating a mean of 4.04.

A senior officer noted *"it is not always the case that budgeting is a participative process, theoretically it is but practically it may not be the case"*

As to whether they are involved in the budget setting process, the tabulated responses indicated a mean of 2.10 below the median score of three. This implied that they are not involved in the budget setting process.

As to whether approved budgets are shared with all departments, the tabulated responses indicated a mean of 2.21 below the median score of three. This implied that approved budgets are not shared with all departments.

As to whether leadership and support is given to all the subordinates throughout the budget process by managers, the tabulated responses indicated a mean of 2.01 below the median score of three. This implied that leadership and support is not given to all the subordinates throughout the budget process by managers.

Interview findings revealed that leadership and support is not given to all the subordinates throughout the budget process by managers. This could due to the nature of the structures that are in place.

As to whether each department prepares a budget prior to the overall budget, the tabulated responses indicated a mean of 4.04 below the median score of three. This implied that each department prepares a budget prior to the Overall budget.

4.4.1.1 Hypothesis Testing One:

Hypothesis One Stated that Budgetary process affects financial performance of International NGOs in Uganda. The hypotheses was tested using Pearson Correlation coefficient and Regression Analysis

The hypothesis was tested using the Pearson correlation coefficient and the results of the hypothesis are given Table 4.7 below.

Table 4. 5: Correlation matrix for budgetary process and financial performance

		Budgetary process	Financial Performance
Budgetary process	Pearson Correlation	1	.772(**)
	Sig. (2-tailed)	.	.000
	N	60	60
Financial Performance	Pearson Correlation	.772(**)	1
	Sig. (2-tailed)	.000	.
	N	60	60

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

Source Primary data (2017)

The results show that the correlation coefficient is 0.772(**) and its significance level 0.000. This implied that budgetary process significantly affects the financial performance of international organizations. Therefore according to the results there is a positive significant effect of budgetary process on the financial performance. Therefore the alternative hypothesis that was earlier postulated is accepted.

Table 4. 6: Regression Analysis for the influence of Budgetary process and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772 [a]	.485	.401	.50252

a. Predictors: (Constant), budgetary process

Table 4.8 provides the R and R^2 value. The R value is 0.772, which represents the simple correlation and, therefore, indicates a moderate degree of correlation. The R^2 value indicates how much of the dependent variable the financial performance can be explained by the independent variable budgetary process. The standard error of the estimate is .50252 and the adjusted R square value is 0.401. Therefore the adjusted square value of .401 implied that the budgetary process predicts the financial performance; in other words financial performance is dependent on the budgetary process by 40.1%

Table 4. 7: Analysis of Variance Showing the Results on the effect of Budgetary process on financial performance

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.239	1	.239	.968	.327 [a]
	Residual	29.179	58	.247		
	Total	29.418	59			

a. Predictors: (Constant), budgetary process

b. Dependent Variable: financial performance

These are the degrees of freedom associated with the sources of variance. The total variance has N-1 degrees of freedom. The Regression degrees of freedom correspond to the number of coefficients estimated minus 1. Including the intercept, there are 5 coefficients, so the model has 5-1=4 degrees of freedom. The Error degree of freedom is the DF total minus the DF mode - 1 =58. Mean Square are the Mean Squares, the Sum of Squares divided by their respective DF. The F-statistic is the Mean Square (Regression) divided by the Mean Square (Residual) .239/.247=2.593. The p-value is compared to some alpha level in testing the null hypothesis that all of the model coefficients are 0.The full model is statistically significant (F = .968, df = 59, 1, sig. = .327), even though the financial performance was statistically significant (p>.05) by itself. The value for this table had a total degrees of freedom of 59 because four observation had missing data and were not included in the analysis. The other degree of freedom corresponds to the intercept (constant) of the regression line. F-Statistics is .968, given the strength of the correlation, our model is statistically significant ($p > .0005$)

4.4.2 Fund accountability and financial performance

The survey instruments used for the study had a list of 07 items measuring the effect of fund accountability on the financial performance whose descriptive findings are presented. The researcher analyzed the questionnaires that were distributed to the respondents and responses were based on Likert scale ranging from one which represented strongly disagrees to five which reflected strongly agree. The resulting summary statistics are in Table 4.10 below.

Table 4.8: Fund Accountability and Financial Performance

Items	SA	A	N	D	SD	Mean
Financial transactions are recorded immediately upon occurrence	56.6%	14.1 %	13.3%	15%	11.6%	3.990
Financial transactions are approved before implementation	20.8%	20.8 %	6.6%	30%	21.6%	2.84
Financial transactions have adequate supporting documentation	16.6%	16.6 %	-	14.1%	52.5%	1.78
Financial documentation is reviewed for completeness	21.6%	20%	8.3%	21.6%	28.3%	2.80
Fund accountability reports meet approved standards	30.8%	37.5 %	4.1%	11.6%	20%	3.88
Fund accountabilities are periodically audited independently	16.4%	64%	9.1%	1.6%	8.3%	4.04
The Auditors recommendations are implemented by management	44.3%	45.3 %	00%	8.6%	%5.15	3.89

Source: Primary data (2017) *N=60*

SD = Strongly Disagree, D = Disagree, N = Neutral, SA = Strongly Agree and A = Agree, F = Frequency, % = Percentage

Below is an interrogation of the empirical results through advanced statistical tests to demonstrate the views of the respondents on how fund accountability influences financial performance. The details below are supported by interviews results and documentary evidence.

As to whether financial transactions are recorded immediately upon occurrence, responses showed that cumulatively the majority percentage (67.2%) of the respondents disagreed while 29.1% agreed and 2.5% were undecided. The mean = 3.990 suggested that most respondents were in agreement with the item hence suggesting that financial transactions are recorded immediately upon occurrence.

A respondent lamented "*Like in any other organisation, that financial transactions are recorded immediately upon occurrence".*

As to whether financial transactions are approved before implementation, responses showed that cumulatively the majority percentage (61.6%) of the respondents disagreed while 20.8% agreed and 20.8% agreed. The mean = 2.84 suggested that most respondents were in disagreement with the item hence suggesting that financial transactions are not approved before implementation.

Interview findings revealed that financial transactions are approved before implementation like in any other organisation hence this helps to foster accountability.

As to whether financial transactions have adequate supporting documentation, responses showed that cumulatively the majority percentage (33.2%) of the respondents agreed while 76.6% disagreed. The mean = 1.78 suggested that financial transactions have adequate supporting documentation.

A respondent noted

Not all the time do financial transactions have adequate supporting documentation, this could be an exception to the rule as some times transactions may arise out of emergence

Survey findings revealed that financial documentation is reviewed for completeness, the mean of 2.80 indicated that the majority of the respondents disagreed that financial documentation is reviewed for completeness.

As to whether fund accountability reports meet approved standards, responses showed that cumulatively the majority percentage (68.3%) of the respondents agreed while 31.7% disagreed. The mean = 3.88 suggested that fund accountability reports meet approved standards.

Survey findings revealed that fund accountabilities are periodically audited independently, the mean of 4.04 indicated that the majority of the respondents agreed that fund accountabilities are periodically audited independently.

As to whether the Auditors recommendations are implemented by management, responses showed that cumulatively the majority percentage (79.6%) of the respondents agreed while 14.7% disagreed. The mean = 3.89 suggested that the Auditors recommendations are implemented by management

4.4.2.1 Hypothesis Testing

The Hypothesis two stated that fund accountability affects financial performance was tested using Pearson Correlation coefficient and Regression Analysis basing on the indicators of fund accountability as laid down in the conceptual framework.

The hypothesis was tested using the Pearson correlation coefficient and the results of the hypothesis are given below in table 4.11.

Table 4. 9: Correlation matrix for fund accountability and financial performance

		Fund accountability	Financial Performance
Fund accountability	Pearson Correlation	1	.212(**)
	Sig. (2-tailed)	.	.000
	N	60	60
Financial Performance	Pearson Correlation	.212(**)	1
	Sig. (2-tailed)	.000	.
	N	60	60

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

Source Primary data (2017)

The results show that the correlation coefficient is 0.212(**) and its significance level 0.000. This implied that fund accountability significantly affects the financial performance. Therefore according to the results there is a positive significant effect of fund accountability on financial performance. Therefore the alternative hypothesis that was earlier postulated is accepted.

Table 4. 10: Regression Analysis for fund accountability and financial performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.212 [a]	.419	.378	.48939

a. Predictors: (Constant), fund accountability

Table 4.12 Provides the R and R^2 value. The R value is 0.212, which represents the simple correlation and, therefore, indicates a moderate degree of correlation. The R^2 value indicates how much of the dependent variable financial performance can be explained by the independent variable fund accountability. The standard error of the estimate is .48939 and the adjusted R square value is 0.378. Therefore the adjusted square value of .378 implied that the fund accountability predicts the financial performance; in other words the financial performance is dependent on fund accountability by 37.8%

Table 4. 11: Analysis of Variance Showing the Results on Fund accountability and financial performance

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.784	1	1.784	7.450	.007 [a]
	Residual	27.303	55	.240		
	Total	29.087	56			

a. Predictors: (Constant), fund accountability

b. Dependent Variable: fund accountability

These are the degrees of freedom associated with the sources of variance. The total variance has N-1 degrees of freedom. The Regression degrees of freedom correspond to the number of coefficients estimated minus 1. Including the intercept, there are 5 coefficients, so the model has 5-1=4 degrees of freedom. The Error degree of freedom is the DF total minus the DF model, 115 - 3 =114. Mean Square are the Mean Squares, the Sum of Squares divided by their respective DF. The F-statistic is the Mean Square (Regression) divided by the Mean Square (Residual) 1.784/.240= 7.450. The p-value is compared to some alpha level in testing the null hypothesis that all of the model coefficients are 0.The full model is not statistically significant (F = 7.450, df = 115, 1, sig.= .007), even though financial performance was statistically significant ($p>.05$) by itself. The value for this table had a total degrees of freedom of 115 because four observation had missing data and were not included in the analysis. The other degree of freedom corresponds to the intercept (constant) of the regression line. F-Statistics is 7.450, given the strength of the correlation, our model is statistically significant ($p > .0005$)

In summary, the respondents were asked to give their summary opinions about policies. Several responses were given but generally their indicated that the responses on fund accountability were fair. In total 60 respondents provided responses indicating that fund accountability drafted are good but the financial performance has faced challenges.

4.4.3 Variance analysis and financial performance

The items on the variance analysis were derived from the third of objective of the study. Question items measuring responsive variance analysis were put to the respondents. The items were scaled using the five-point Likert scale where code 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree. Descriptive data is as presented in Table 4.14.

Table 4. 12: Variance analysis and Financial Performance

Items	SA	A	N	D	SD	Mean
Managers hold budget conferences /meetings regularly to review performance	23.3%	18.3 %	6.6%	35.8%	22.5%	2.34
We have budget policies to check on spending	29.1%	37.5 %	4.16%	12.5%	16.6%	3.96
Control of the budget activities is done by the head of departments	34.1%	30.8 %	-	17.5%	17.5%	3.70
The costs of activities are always reviewed by the executive committee	25%	21%	3.3%	32.5%	15.8%	2.30
Budget performance evaluation reports are prepared regularly	16.6%	64.1 %	5.0%	5.0%	10%	3.88
Budget deviations are reported to budget committee/Executives	21.6%	20%	8.3%	21.6%	28.3%	2.80
The deviations from the budget targets are frequently reported	30.8%	37.5 %	4.1%	11.6%	20%	3.88
Managers always take timely corrective actions when adverse variances are reported	16.4%	64%	9.1%	1.6%	8.3%	4.04
There is a regular follow up on budget plans by the budget committee/departmental heads	44.3%	45.3 %	00%	8.6%	%5.15	3.85

Source: Primary data (2017) *N=60*

SD = Strongly Disagree, D = Disagree, N = Neutral, SA = Strongly Agree and A = Agree, F = Frequency, % = Percentage

Basing on survey findings, it was established from the respondents in relation to item one, managers hold budget conferences /meetings regularly to review performance,cumulatively the majority percentage (58.3%) of the respondents disagreed with 41.6% agreed and 6.6% were undecided. The mean = 2.34 which on the five-point Likert scale (from a minimum of 1 for the worst case scenario strongly disagree to a maximum of 5, which is the best case scenario strongly agree) that was used to measure responses was close to 2 which corresponded to disagree. This suggested that the managers do not hold budget conferences /meetings regularly to review performance. A respondent noted *"sometimes managers do not hold budget conferences /meetings regularly to review performance"*

As to whether they have budget policies to check on spending, cumulatively the majority percentage (66.6%) of the respondents agreed with 29.1% disagreed and 4.16% were undecided. The mean = 3.96 was close to four meaning that the majority of the respondents disagreed with the item hence this suggested that they have budget policies to check on spending.

Three respondents supported the argument that there are loopholes within the structures for budgeting, they cited the case where organizations have failed to budget well. Further the respondents revealed that there are loopholes within the structures for budgeting this represented 60% of the total interviewed.

In relation to item three, the respondents were required to state whether control of the budget activities is done by the head of departments. The computed test figures reveal that the mean is 3.70 and the standard deviation is .1244 indicating agreement. A respondent felt that the Control of the budget activities is done by the head of departments but has a long way to go. However the opinion leaders (57%) had mixed responses about the control of the budget activities is done by the head of departments.

Basing on survey findings, it was established from the respondents in relation to item one, the costs of activities are always reviewed by the executive committee,cumulatively the majority percentage (58.3%) of the respondents disagreed with 41.6% agreed and 6.6% were undecided. The mean = 2.30 which on the five-point Likert scale (from a minimum of 1 for the worst case scenario strongly disagree to a maximum of 5, which is the best case scenario strongly agree) that was used to measure responses was close to 2 which corresponded to disagree. This suggested that the costs of activities are always reviewed by the executive committee

As to whether budget performance evaluation reports are prepared regularly, cumulatively the majority percentage (80.7%) of the respondents agreed with 15% disagreed and 5% were undecided. The mean = 3.96 was close to four meaning that the majority of the respondents disagreed with the item hence this suggested that budget performance evaluation reports are prepared regularly. The international organisation has a budget policies to check on spending
Three respondents supported the argument that budget performance evaluation reports are prepared regularly, they cited the case where reports may not be prepared on time. Further the respondents revealed that budget performance evaluation reports are prepared regularly this represented 60% of the total interviewed.

In relation to item three, the respondents were required to state whether budget deviations are reported to budget committee/Executives. The computed test figures reveal that the mean is 2.80 and the standard deviation is .1244 indicating disagreement. A respondent felt that Budget deviations are not reported to budget committee/Executives. However the opinion leaders (57%) had mixed responses about budget deviations are reported to budget committee/Executives.
As to whether the deviations from the budget targets are frequently reported, cumulatively the majority percentage (68.3%) of the respondents agreed with 31.6% disagreed and 4.1% were undecided. The mean = 3.88 was close to four meaning that the majority of the respondents disagreed with the item hence this suggested that the deviations from the budget targets are frequently reported.

Three respondents supported the argument that budget targets are frequently reported, they cited the case where reports may not be prepared on time. Further the respondents revealed that target are not attained sometimes, this represented, 60% of the total interviewed.

In relation to item three, the respondents were required to state whether managers always take timely corrective actions when adverse variances are reported. The computed test figures reveal that the mean is 4.04 indicating agreement. A respondent felt that managers always take timely corrective actions when adverse variances are reported.

As to whether there is a regular follow up on budget plans by the budget committee/departmental heads, cumulatively the majority percentage (79.6%) of the respondents agreed with 14.7% disagreed. The mean = 3.85 was close to four meaning that the majority of the respondents agreed with the item hence this suggested that there is a regular follow up on budget plans by the budget committee/departmental heads.

4.12 Summary of findings on the dependent variable (Financial Performance)

Presentation of the summary of responses on the dependent variable (Financial Performance)

Table 4. 13: Descriptive Statistics on Performance

Items	**SA**	**A**	**N**	**D**	**SD**	**Mean**	**Std. Dev**
There is a lot of return on Equity.	31%	45%	00	11%	13	3.87	.396
There is a lot of return on assets	23%	63%	00	4%	10	4.06	.242
There is a lot of return on capital employed	26%	45%	00	11%	18	3.82	.967
Management acts with a great degree of integrity in execution of their roles	31%	34%	00	13%	22	3.60	.135
Ethical values are upheld in all management decisions	34%	62%	2%	4%	6.0	4.70	.401
Our Board of directors and its committees are independent of Management	29%	59%	3%	9%	12	4.46	1.31

Source: Primary data (2017)   N=60

SD = Strongly Disagree, D = Disagree, N = Neutral, SA = Strongly Agree and A = Agree,

% = Percentage

As to whether there is a lot of return on Equity, the respondent’s responses indicated that cumulatively, the larger percentage (76%) of the respondents agreed and 24% disagreed. The mean = 3.87 was above the median score, three, which on the five-point Likert scale used to measure the items indicated that there is a lot of return on Equity.

Responses to the question as to whether there is a lot of return on assets (86%) disagreed while 14% agreed. The mean = 4.06 above four indicated that there is a lot of return on assets.

A respondent (Director Finance & Admin) relatedly noted;

The organisations have accumulated a lot of assets over the years that include fixed and non-fixed assets for example building, cars, land etc.

With respect to whether there is a lot of return on capital employed, cumulatively the larger percentage (71%) agreed with 29% disagreeing. The mean = 3.82 which corresponded to agreed indicated the majority of the respondents agreed that there is a lot of return on capital employed.

As to whether management acts with a great degree of integrity in execution of their roles, cumulatively the larger percentage (65%) agreed with 35% disagreed. The mean = 3.60 meant that Management acts with a great degree of integrity in execution of their roles.

Regarding whether ethical values are upheld in all management decisions , cumulatively the larger percentage (94%) agreed and 6.0% disagreed. The mean = 4.70 implied that ethical values are upheld in all management decisions .

Whether Board of directors and its committees are independent of Management, cumulatively the larger percentage (88%) agreed with 18% disagreeing. The mean = 4.46 implied that the Board of directors and its committees are independent of Management.

Findings from interviews revealed that the board has committees for example finance, credit, procurement. The board reviews advance forms and finds out whether the loans are actually being given to members. The finance committee reports on how the organisation is performing.

Responses to the question as to whether internal controls contribute to financial performance (90%) agreed while 10% disagreed. The mean = 4.38 above the median score, three, that indicated that internal control contribute to financial performance.

Findings revealed that there are still gaps, budgetary constraints for M&E, what members are doing with the loans taken. The organisations are not giving enough financial education to its members.

4.4.3.2 Hypothesis testing

4.4.3.31 Pearson Correlation Coefficient

The hypothesis was tested using the Pearson correlation coefficient and the results of the hypothesis are given Table 4.16 below.

Table 4. 14: Correlation matrix for variance analysis and financial performance

		Variance analysis	Financial Performance
Variance analysis	Pearson Correlation	1	.701
	Sig. (2-tailed)	.	.000
	N	60	60
Financial Performance	Pearson Correlation	.701	1
	Sig. (2-tailed)	.000	.
	N	60	60

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

Source Primary data (2017)

The results show that the correlation coefficient is 0.701 and its significance level 0.000. This implied that variance analysis affects financial performance. Therefore according to the results there is a positive effect of variance analysis and financial performance. Therefore the alternative hypothesis that was earlier postulated is accepted.

4.4.3.4 Regression Analysis

A regression analysis for variance analysis and financial performance was run and the results from the analysis are below in table 4.17

Table 4. 15: Regression Analysis for variance analysis and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701(a)	.391	.334	1.675

a Predictors: (Constant), variance analysis

Source Primary data (2017)

Table 4.17 provides the R and R2 value. The R value is 0.701, which represents the simple correlation and, therefore, indicates a low degree of correlation. The R2 value indicates how much of the dependent variable financial performance can be explained by the independent variable variance analysis. In this case, 0.391 can be explained, which is very large. The standard error of the estimate is 1.675 and the adjusted R square value is 0.334. Therefore the adjusted square value of .334 implied that variance analysis affects the financial performance; in other words the financial performance is dependent on variance analysis by 33.4

This Chapter focused on presenting the findings, interpretation and analysis, the next chapter focuses on the summary of findings, discussion of the findings, conclusions, recommendations and areas for further research. The researcher now turns to chapter five to present the summary of findings, discussion of the findings, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONAND RECOMMENDATIONS

5.1 Introduction

The study investigated the effect of budgetary control on the financial performance of international non-governmental organizations in Uganda taking a case of Cardno SDS Programme This chapter presents the summary of the findings, discussion, conclusions obtained from the findings and the recommendations on analysis and interpretation of the findings.

5.2 Summary of the findings

5.2.1 Budgetary Process and Financial Performance

The results budgetary process have a positive significantly influences on financial performance. Therefore according to the results there is a positive significant relationship between budgetary process and financial performance. The finding implies that budgetary process predicts financial performance; in other words financial performance is dependent on the budgetary process

5.2.2 Fund Accountability and Financial Performance

The results fund accountability have a positive significantly influences on financial performance. Therefore according to the results there is a positive significant relationship between fund accountability and financial performance. The finding implies that fund accountability predicts financial performance; in other words financial performance is dependent on fund accountability

5.2.3 The effect of Variance Analysis on the Financial Performance

The results variance analysis have a positive significantly influences on financial performance. Therefore according to the results there is a positive significant relationship between variance analysis and financial performance. The finding implies that variance analysis predicts financial performance; in other words financial performance is dependent on variance analysis

5.3 Discussion

This subsection presents the discussion of the study findings research question by research question.

5.3.1 Budgetary Process and Financial Performance

Findings revealed that there is a positive significant relationship between budgetary process and financial performance. The results showed that as a budget is formulated, all organizational departments are invited to participate, ideas are solicited from a few members, few of the ideas are prioritized then the budgetary goals are communicated and lastly few of the members are consulted before the budget is implemented. The draft budget is then presented to the executive committee of the organization for review. This is supported by Demonn (2009) who recommended that proper budget formulation assist managers in managing and controlling the financial performance of an organization for which they are responsible. Graig and Cliff (2008) also supported the fact that once the budget formulation is smoothly done, planned inflows will be realized and then the outflow will be properly monitored.

Findings revealed that the organisations give priority to sectors that are a concern to national development. When releasing the funds the priority is normally given to activities that are always linked to the overall priorities. It is not only the priority given to activities that determines the level of funds to be allocated to an activity; it is also the level of funding required by the activity. The priority activity may be to rehabilitate the council headquarters building, but this may require a lot of funds than the regulatory activities. This is in line with Saito (2000) who states that when drawing budgets priority should be given to the key sectors. When releasing the funds the priority is normally given to activities that are always linked to priorities areas of the department. It is not only priority given to activities that determines the level of funds to be allocated to an activity; it is also the level of funding required by the activity.

Cherrington and Cherington's (2003) study found that the "top-down" imposition of budget targets actually led to higher performance amongst the recipients as opposed to those managers who more or less set their own targets. This view was also advanced by studies by Henderson (2007); the hypothesis preferred that feedback on budget results would indicate success or failure and thus an incentive for higher financial performance. The ideas of Cherrington and Cherington's (2003) are consistent with the findings that feedback on budget results indicates success thus an incentive for higher performance. This is consistent with Hopwood (1976)'s theory. Employees are more likely to "buy into" a goal if they feel they are part of its creation. In addition to selecting the right type of goal, an effective program must entail feedback.

Findings revealed that organizations set budgetary goals although most times are not achievable. The findings are consistent with Herifetz and Laurie (2004) who made a similar conclusion, which the duo stating that when people set budgetary goals, they work towards achieving them although sometimes they may not be achieved. This is in line with Hopwood (1976)'s theory who argues that an individual's goal can be viewed as the performance levels rise. If an individual becomes committed to a given goal, it will influence the individual's subsequent actions, and consequently the individual's performance level. Once a subordinate is committed to his or her budget goals, he or she will increase his or her effort to achieve the set goals.

The funds were found to be utilized as planned but less in amounts estimated. The expenditures are guided by the work plans and policies in place. It was observed that besides leakage in the funds released, there were key emerging issues in the budget implementation that need to be addressed. The findings are in line with Saito (2000) who noted that there should be proper management of funds hence the little funds available should be put to proper use. Under the

Hopwood (1976)'s, theory, that the internal controls should be intact in order to achieve efficiency of operations.

Findings revealed that budget reporting assists managers in managing and controlling the activities for which they are responsible for. By comparing the actual results with the budgeted amounts for different categories of expenses, managers can ascertain which costs do not conform to the original plan thus require their attention. This process enables management to operate a system of management by exception, which means that a manager's attention and effort can be concentrated on significant deviations from the expected results. As a result of efficient budget reporting, Arora (2015) noted that budget reporting is part and parcel of the budget process and what is more important for an organization is to have the reporting done efficiently and systematically This is in line with Kerr (2008) who states that the primary function of budget reporting is to provide the ex-ante motivation to achieve the budget and the ex-post reinforcements necessary to ensure future motivation. This is what makes variances to be perceived as extremely important and valid measures of performance.

5.3.2 Fund Accountability and Financial Performance

Findings revealed that there is a positive relationship between fund accountability and financial performance. The study also found out that auditing will enhance accountability of financial management. The findings are consistent with Stein, Ernesto, Alejandro, Grisanti, and Ernesto-Talvi (2009:23) who noted that auditing could help enhance the proper management of finances. Olson, Guthrie, and Humphrey (2008:54) highlights. Merchant (2001), Brownell (2002) and Covaleski et al (2003) all found a positive relationship between fund accountability and financial performance. Its noteworthy that earlier study on relationship between implementation and financial performance lead one to conclude that even when prioritization in the budgeting process is seen as being correct, its value would be situation - specific; there by becoming a key performance driver. To find out whether the budget implementation influences financial performance, respondents answered certain questions which indicated that financial was being affected by certain factors such as; delay in budget implementation, late release of resources, little or no supervision and coordination of the implementation process, and some respondents further asserted that they always get discussions with their supervisors which helps the implementation although the supervisors are slow at consulting them at times. It was observed that NGOs have tried to capture adequate financial resources to develop and maintain their programmes. The findings are in line with Argyris (2002) who notes that adequate financing should be a top priority in Uganda.

Findings revealed that sometimes the work of the auditors is interfered with by some actors. Most respondents revealed that to be effective, auditors must have been seen to be independent and competent. The role of the auditors can only be effective if the office is viewed as being independent. Without these characteristics, the auditors may lack credibility. The organizations have supported the various development partners to refine and streamline budgeting making it robust and water tight to minimize wastage. A case in point is streamlining the process to ensure value for money delivered through competition. Lack of transparency and accountability in the management of the funds was reported by the majority of respondents as a loophole in some organizations.

Findings revealed that the Audit section internal audit section performs excellent work. Dubnick (2003) noted that internal auditors must evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the organization’s objectives and goals to be met. They must also report risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the organization's operations, in terms of both efficient and effective performance. Internal auditors must evaluates regulatory compliance program with consultation from top management. It was observed that auditing is a core business and the foundation for the ability to have a positive influence on financial performance. Alongside annual audits, performance audits, inquiries, and special studies allows the internal audit staffs to review in depth how the departments uses resources and to suggest opportunities to improve financial performance where they have considered specific matters. The findings are in line with Mulgan (2000)

5.3.3 Variance Analysis and Financial Performance

The findings revealed that there is a positive significant effect of variance analysis on financial performance. Recent literature also asserts that variance analysis measures are very important in the budgeting process as implied in the principal stages of the budgeting process (Mulumba, 2009). Prior studies on budgeting and participation found that a participative budgeting approach had an influence on process and the financial performance (Cherrington & Cherrington, 2003). This is in line with the goal setting theory by Edwin Locke (1968) which states that a subject involvement in a pursuit of a goal can have an effect on goal attainment.

The findings revealed that the majority strongly disagreed that their ideas are not asked for and taken into account when the budgetary process begins. This is inconsistent with Becker and Green (2002) who assert that budgeting exercise requires a participative approach where the citizens freely give in their views.

The findings revealed that budgeting is a critical exercise. Further analysis indicated that residents are invited to participate in the budget process and adequate time is given to them for preparation. This is consistent with Brancht and Tsouros (2000) who found out that budgetary analysis influences performance. It is worthy to note that, earlier studies on relationship between analysis and performance lead one to conclude that participation fosters good performance. Even when participation in the budgetary process is seen as being correct, its value would be situational - specific there by becoming a key performance driver.

Findings further revealed that argues that budgetary analysis enhances subordinates' budgetary goal commitment. This is consistent with Charpentier (2008) who argues that budgetary analysis enhances subordinates' budgetary goal commitment. This view point is consistent and supported by shields and shields (2008) who argues that the act of participation increases "subordinate's trust, sense of control, and involvement with the organization, which then jointly causes less resistance to change and more acceptance of, and commitment to, the budget decision." Thus further, it has been suggested that budgetary participation serves as a motivational function by providing an opportunity for subordinates to get involved in and have influence on budgetary goal setting, consequently increasing budget goal commitment. It follows that the motivational role of budget participation will increase subordinates' budget goal commitment.

Findings revealed that budgetary analysis serves as a motivational function by providing an opportunity for subordinates to get involved in and have influence on budgetary goal setting, consequently increasing budget goal commitment. The majority of the respondents agreed that when they participate in the budgetary exercise they are motivated to work hard. This is in line with Hopwood (1976)'s theory, budgetary analysis must serve as a motivational function by providing an opportunity for subordinates to get involved in and have influence on the budget goal setting, consequently increases their budget goal commitment. Hopwood (1976) stated that employees were motivated by clear goals and appropriate feedback. Locke went on to say that working toward a goal provided a major source of motivation to actually reach the goal which, in turn, improved financial performance.

5.5 Conclusions

On the basis of the study findings, a number of conclusions were made in line with the objectives of the study.

5.5.1 Budgetary Process and Financial Performance

The study concluded that there is a positive significant effect of budgetary process on financial performance. This finding implies that effective budgetary process will improve the financial performance of the programme. International organisations prioritize budgets by putting key areas into first consideration that is, deciding on the activities that must be done before others are carried out. Therefore budgetary prioritization is an important element if goals are to be attained.

5.5.2 Fund Accountability and Financial Performance

The study concluded that fund accountability positively affect the financial performance of international NGOs in Uganda. The budget exercise has remained an affair of the entire organization with top management ensuring that the implementation is effectively done. To ensure effective implementation of the budget, departments are required to develop and implement time bound fund management plan for their activities. Coordinating budgeting is a team work exercise and has to remain a team work exercise. To foster the spirit of team work, after budget preparation, there are usually other meetings organized monthly, quarterly and annually to give feedback to stakeholders on how budget performed up to year end

5.5.3 Variance Analysis and Financial Performance

The study concluded that there was a positive effect of variance analysis on financial performance in International NGOs in Uganda. The loopholes are witnessed in some of the organisation for example excessive number of budgetary appropriations tends to impede efficient implementation of programs. Even when information on budgeting is made available, it is often incomprehensible in the organisation. However, variance analysis has provided and encouraged simplification and transparency, it has helped make the budget forecasts easier to understand and more credible. Tasks are explained before programmes kick off. Job rotation is not very common in Cardno SDS programme so this has not affected budget implementation in any case.

5.6 Recommendations

In light of the study conclusions, the following recommendations were made in line with the objectives of this study.

5.6.1 Budgetary Process and Financial Performance

All departments and stakeholders should be actively involved in the budgetary formulation exercise to a large extent because departmental goals contribute to organizational objects. This should be made on a monthly basis thus enabling the management team/decision making body to identify the items that are not proceeding to the organizational plan and take collective actions in case of any deviations.

5.6.2 Fund Accountability and the Financial Performance

To ensure a better level of financial performance should observe proper accountability of funds, and involve all the necessary parties in the budget preparation through the preparation of monthly reports continuously. There is need to widen and extend the scope of accountability following the budget implementation process i.e the performance report as well as explaining causes of budget deviations can be worked on.

5.6.3 Variance Analysis and Financial Performance

International organizations should carry out periodical performance evaluation of all departments and the entire organization to ensure budgetary goals and achievements. This action should take the form of reward or punishment of the implementers (agents) to foster goal attainment. This is because budget goals have direct effect on both budget motivation and financial performance. There is need to widen and extend the scope of stakeholder participation through consultation as the budget implementation process is being done and this will involve explaining the causes of budget deviations.

5.7 Limitations and Assumptions of the Study

There were a number of limitations associated with decisions made regarding the methodology. They relate to the choice of participants, the type of data collected and the analytic process.

Another limitation was the time frame in which data was collected. The data constituted a snapshot of one point on the implementation continuum. Interviews date is limited in a number of ways including the limitations present in the questions themselves and also in the nature of the responses from participants. The participant's responses were based only on the questions that the researcher asked but there could have been more information through observation hence sometimes misleading information is given during interviews.

Some respondents were not willing to give information unless paid and at some instances, the researcher had to wait till late in the evening when the respondents are through with their work so as to interview them.

Adopting a mixed methodological approach required a lot of skills and reading about the two approaches which was not easy.

For the key informants, given their busy schedules, some interviews were rescheduled to fit their timetables, but these also sometimes failed. The research took slightly long to conduct particular interviews which delayed the study. There was also a problem of absenteeism by some of the respondents at the designated place of carrying out the interviews. Therefore collecting data from them through the questionnaires proved to be a big challenge. In some instances, respondents wanted pay prior to providing information.

The researcher managed these problems by making use of the supportive team leader who in one instance was willing to introduce the researcher in person to the respondents a through sensitization of respondents on the importance and significance of the study. The Uganda Management Institute introductory letter helped to allay any fears and doubts among some respondents. Efforts were made to maintain confidentiality of the responses. The absenteeism of some officials was tackled by frequent to the banks, and above all establishing good rapport.

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5.8 Areas for further Research

The study focused on only budgetary participation, control, and prioritization. Motivation ownership and their effect on budget performance that the study did not examine would warranty further study.

The findings of this research appear to associate certain revelations to unethical behaviour of the managers, which could be having an effect on budgetary performance of organizations. This calls for research to study whether there exists any form of relationship between ethical behaviour of budget managers and budgetary performance of organizations.

In addition, there is need to study additional factors in a budgeting setting that influence performance, goal acceptance, and job satisfaction. For example, it would be interesting to study the effect of workplace cooperation, the opportunity for advancement, tension in the workplace, incentives, pay equity, and the ability to disagree with superiors and its impact on the above mentioned variables.

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APPENDICES

Appendix 1: Questionnaire

UGANDA MANAGEMENT INSTITUTE

MASTER OF BUSINESS ADMINISTRATION

QUESTIONNAIRE

Dear respondent, I am conducting a study on budgetary control and financial performance of International Non-Governmental Organizational in Uganda as part of my study at Uganda Management Institute (UMI). As one of the respondent, your response is very important to this study. The information provided will only be used for academic purpose, and will be treated with utmost confidentiality.

Thank you in advance.

PART A: GENERAL QUESTIONS (Please tick in the appropriate box provided)

What time dimensions does your overall organization budget cover?

(a) Less than 1 year ( ) (b) 1-5 years ( ) (c) 5 and above years ( ) (d) None ( )

How often is it reviewed?

(a) Monthly ( ) (b) Quarterly ( ) (c) Annually ( ) (d) None ( )

What is your approximate annual budget revenue?

(a) $100,000 and less () (b) $ 100,000-S200,000 () (c) $200,000-$300,000 ( ) (d) 300,000 and above ( )

How long have you worked for the organization

Less than 1 Year ( ) (b) I -2 Years ( ) (c) 2-5 Years ( ) (d) 5 and above ( )

PART B: BUDGETARY PROCESS

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Strongly disagree (1) Disagree (2) Not Sure (3) Agree (4) Strongly Agree (5)

S/N	**Questions**	**Please tick in the appropriate box provided**				
		Strongly disagree (1)	**Disagree (2)**	**Not sure (3)**	**Agree (4)**	**Strongly Agree (5)**
1	I'm involved in the budget setting process					
2	We are sensitized on the budget control process					
3	All the stakeholders to the budget are involved					
4	All departments are always involved in the budgeting process					
5	Approved Budgets are shared with all Departments					
6	Leadership and support is given to all the Subordinates throughout the budget process by managers					

7	Each department prepares a budget prior to the Overall budget					

PART C: FUND ACCOUNTABILITY

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Strongly Disagree (1) Disagree (2) Not sure (3) Agree (4) Strongly Agree (5).Tick your choice

S/N	Questions	Please tick in the appropriate box provided				
		Strongly disagree (1)	**Disagree (2)**	**Not sure (3)**	**Agree (4)**	**Strongly Agree (5)**
1	Financial transactions are recorded immediately upon occurrence					
2	Financial transactions are approved before implementation					
3	Financial transactions have adequate supporting documentation					
4	Financial documentation is reviewed for completeness					
5	Fund accountability reports meet approved standards					
6	Fund accountabilities are periodically audited independently					
7	The Auditors recommendations					

	are implemented by management					
8	The Auditors recommendations are implemented by management					

PART D: VARIANCE ANALYSIS

Please respond to the following statements by indicating the extent to which you agree or disagree with the activities. Statement Strongly Disagree (1) Disagree (2) Not Sure (3) Agree (4) Strongly Agree (5).

S/N	Questions	Please tick in the appropriate box provided				
		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly Agree (5)
1	Managers hold budget conferences /meetings regularly to review performance					
2	We have budget policies to check on spending					
3	Control of the budget activities is done by the head of departments					
4	The costs of activities are always reviewed by the executive committee					
5	Budget performance evaluation reports are prepared regularly					
6	Budget deviations are reported to budget committee/Executives					
7	The deviations from the budget targets are frequently reported					
8	Managers always take timely					

	corrective actions when adverse variances are reported					
9	There is a regular follow up on budget plans by the budget committee/departmental heads					

Thank you for your time and God Bless You**.**

Appendix 2: Interview guide for Cardno SDS Programme management

UGANDA MANAGEMENT INSTITUTE

MASTER OF BUSINESS ADMINISTRATION

INTERVIEW GUIDE

PART A: GENERAL QUESTIONS

1. Understand the respondent better i.e. name, department, duration spent in the organization.
2. Get the respondents understanding of the organizations average annual revenue.
3. Get the respondents understanding of how often the budget is reviewed.

PART B: BUDGETARY PROCESS

1. Establish whether there are approved policies and procedures.
2. Assess stakeholder’s involvement in the budgeting process.
3. Evaluate the extent to which budgets are shared in the organization.
4. Inquire whether leadership and support is provided to all subordinates by managers during the budgeting process.

PART C: FUND ACCOUNTABILITY

1. Evaluate the approval process of financial transactions.
2. Assess how financial transactions are supported in the organization.
3. Establish whether review of financial transactions is conducted and by whom.
4. Establish whether the financial statements are examined by an Independent Auditors the major findings.

PART D: VARIANCE ANALYSIS

1. Establish whether Management regularly conducts budgetary performance reviews.
2. Assess the Budget analysis process.
3. Establish whether deviations from the budget targets are frequently reported.
4. Assess whether Managers always take corrective action on identified adverse variances

Appendix 3: Documentary review guide

UGANDA MANAGEMENT INSTITUTE

MASTER OF BUSINESS ADMINISTRATION

DOCUMENTARY REVIEW GUIDE

Study entity: Cardno SDS Programme

S/No.	Document to be reviewed	Area of interest	Completion status	Remarks
1	Policy manuals	Establish approved procedures		
2	Audited financial statements	Major findings per Auditors report and Management letter		
3	News Letters	Reported periodic financial and activities status		
4	News papers	Reported topical related issues		