BUDGETARY CONTROLS AND PERFORMANCE OF SELECTED CONSTRUCTION COMPANIES IN KAMPALA, UGANDA

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER'S DEGREE OF BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I, **LUTWAMA JULIUS**, declare that the work contained in this thesis is my original work and has never been submitted to any other University or Institution of higher learning for any academic award.

Signature................................ **Date: ....**

APPROVAL

This research work is titled, "Budgetary Controls and Performance of selected Construction companies in Kampala Uganda**",** has been carried out under my supervision as a university lecturer and I recommend he can proceed and produce a research report.

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ABSTRACT

The study investigated budgetary controls and performance of selected construction companies in Kampala, Uganda, it was guided by the following objectives which included determining the effect of monitoring on performance, to identify the effect of evaluation on performance, and to establish the effect of Planning on performance. The study used a cross-sectional research design and a descriptive correlational design. The researcher used a study population of 259 respondents are chosen from the leadership structure and directly mandated to manage budgetary controls in the selected construction companies in Uganda Due to limited time and resources, a sample size of (157 respondents) were selected from the study population of (259) respondents. The sample size was determined using the Slovene's formula; the study made the following findings monitoring structure has a significant effect on performance since the p-value 0.04 was less than the significance level (0.05) and the correlation coefficient was notably high (0.76) rendering the effect between monitoring structure and performance to be a strong one. The findings above revealed that budgetary control s has a significant effect on performance since the p-value 0.04 was less than the significance level (0.05) and the correlation coefficient was notably high (0.76) rendering the effect between budgetary and performance to be a strong one. Therefore "budgetary controls have a significant effect on performance in selected construction companies in Uganda." The study made the following conclusions Budgetary control is a system which uses budgets as means of planning and controlling all aspects of producing/or selling commodities and services. Budgetary control of sales and costs is obtained through executive action, guided by the monthly comparisons of actual and the planned results. Budgeting is merely a part of budgetary control which involves the preparation of budgets. There was poor adherence to proper physical planning and development control and service standards; poor mobilization; consultation; mobilization and sustainability; poor decisions making; weak laws are among things that affect effective and efficiency performance of monitoring in selected construction companies in Uganda. The study made the following recommendations the importance of budgetary control can never be over emphasized. Thus, for survival of any organization, management

needs to embark on budget to effect proper planning and control. Seek information mainly from key officers involved in the preparation of the organizations budget. Planning is an important role of budgeting for attaining the expected quality and standards in planning control and leadership and staffing.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the back ground of the study, problem statement, the purpose of the study, objectives of the study, research questions, research hypothesis, scope of the study and the significance of the study.

1.1 Background to the study

The background was explored in terms of historical, theoretical, conceptual and contextual perspectives.

1.1.1 Historical perspectives

Budgetary Control originated in the 1920's as a means of planning and control. Businessman wanted to see the possible outcome of their plans and forecasts, and budgets were prepared for this purpose. Hirst, (1987) rightly indicated that, "modern budgetary control comprises both a plan of operations and the means of controlling operations within the scope of the "plan". He further pointed out that "Budgetary Control by itself is not a wonder-working device; neither should it be regarded as a mere accounting procedure. It is a powerful tool of good business management. Effective use of this tool requires sound organization, proper accounting classification and records, adequate research, and the enthusiastic support of all employees from top down".

Budgetary Control is very useful in the making of business plans. Every organizational activity can be expressed in terms of budgets. With the operation of a budgetary control system, business expenditure can be made to match with the economic realities of the organization. According to Aiken, (2008), budgeting is a key policy instrument for public management and management of the firm; it is a familiar activity to many as it is practiced in our private lives as well as in businesses, government and voluntary groups. The use of budgets in government circle long preceded its application in enterprises or the business sector. In the stable economic environment of the period before the world wars, few large companies particularly in the U.S.A and U.K used budgets for variety of purposes. The use of budgets created its own conflicts, as some pioneer companies reported budgeting as a significant tool to management, while others reported same as having an ill or even a negative effect on efficiency and productivity. However, the world depression of the 1920s and its attendant negative effects that created "business worries and troubles" made the use of budgeting imperative in order to plan the overall growth of an economy and the enterprise (Robson, 1991).

Performance may mean different things to different organization under different conditions. Most organization takes it to mean ability to realize a return over and above the cost of resources put into the organization's activity. However, to some other organizations, anything, which reduces the cost of operation, is profitable.

In Uganda, conditions for successful budgeting are: the involvement and support of top management, clear cut definition long term, corporate objectives within which the budgeting system will operate, a realistic organization structure with clearly defined responsibilities, genuine and full involvement of the line managers in all aspects of the budgeting process (this is likely to include a staff development and education program in the meaning and use of budgets). An appropriate accounting and information system which will include: the records of expenditure and performance related to responsibility, a prompt and accurate reporting system showing actual performance against budget, the ability to provide more detailed information or advice on requests, in short accounting system should be seen as supportive and not threatening. Regular revisions of budgets and targets, (where necessary) should be made (Jane 2002). Budgets should be administered in a flexible manner. Changes in conditions may call for changes in plans and the resulting budgets. Rigid adherence budgets which are clearly inappropriate for current conditions will cause whole budgeting system to lose credibility and effectiveness. Indeed budgets are not subject to revision they are effectively decisions and not plan (Jane 2002).

One systematic approach for attaining performance is budgeting. Budgets are monetized expressions of target to be accomplished in a given year by an individual, organization or nation. It is a deliberate attempt to achieve superior targets over time with available and expected resources. Such targets are influenced by the experiences of the past and expectation of the future Douglas, (2004).With a well formulated budget, the management of organizations effectively plan, coordinate, control and evaluates its activities. Successful management is no longer just a matter of flair, skill and determination, a conscious effort is needed to harness available resources towards the achievement of enterprise objectives, (Ambetsa, (2004). Therefore budgeting is one of the tools adopted by management for effective cost planning, control and increase in productivity.

According to Aiken, (2008), Performance is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.
There are many different ways for you to analyze performance. This lesson will focus on performance ratios, which are a measure of the business' ability to generate revenue compared to the amount of expenses it incurs. (Aiken, 2008).

According to Ambetsa, (2004), Performance is the primary goal of all organizations. Without performance the organizations will not survive in the long run. So measuring current and past performance and projecting future performance is very important.
Performance is measured with income and expenses. Income is money generated from the activities of the organizations. For example, if crops and livestock are produced and sold, income is generated. However, money coming into the organizations from activities like borrowing money does not create income. This is simply a cash

transaction between the organizations and the lender to generate cash for operating the organizations or buying assets. (Ambetsa, 2004).

Expenses are the cost of resources used up or consumed by the activities of the organizations. For example, seed corn is an expense of an organization because it is used up in the production process. Resources such as a machine whose useful life is more than one year is used up over a period of years. Repayment of a loan is not an expense; it is merely a cash transfer between the organizations and toe lender. According to Douglas, (2004), Performance is measured with an "income statement." This is essentially a listing of income and expenses during a period of time (usually a year) for the entire organizations. An Income Statement is traditionally used to measure performance of the organizations for the past accounting period. However, a "pro farma income statement" measures projected performance of the organizations for the upcoming accounting period. A budget may be used when you want to project performance for a particular project or a portion of an organization.

1.1.2 Theoretical perspective

The study was guided by Stake Holders' Theory put forward by Hancock, (1989) which states that that "Every business creates, and sometimes destroys, value for customers, suppliers, employees, communities and financiers. The idea that business is about maximizing profits for shareholders is outdated and doesn't work very well, as the recent global financial crisis has taught us. The 21st Century is one of "Managing for Stakeholders." The task of executives is to create as much value as possible for stakeholders without resorting to tradeoffs. Great companies endure because they manage to get stakeholder interests aligned in the same direction."

In the traditional view of the firm, the shareholder view, the shareholders or stockholders are the owners of the company, and the firm has a binding financial obligation to put their needs first, to increase value for them. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees, and customers. Sometimes even competitors are counted as stakeholders, their status being derived from their capacity to affect the firm and its other stakeholders. There have been many definitions of stakeholders.

Jane, (2002), originally detailed the Stakeholder theory of organizational management and business ethics that addresses morals and values in managing an organization. His award-winning book Strategic Management: Stakeholder Approach originally published in 1989 and reprinted by Cambridge University Press in 2010 identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regards to the interests of those groups. It has served to define a starting point for subsequent scholars and executives on the topic.

Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. In his influential book Strategic Management: A Stakeholder Approach, Jane, (2002) put forward the argument that managers are not just answerable to shareholders. In addition to shareholders or stockholder they also need to consider "any group or individual who can affect or is affected by the achievement of the firm's objectives." He redraw the traditional input/output model of the firm to include: the stakeholder theory view of the firm competitors communities customers employees financiers political groups suppliers trade associations trade unions.

This theory was supported by Hirst, (1987) who proposes that the goods directors and management should be maximizing total wealth creation by the firm the key to adhering thus is to enhance the voice and provide ownership like incentives to those participants in the firm who contributes or controls critical specialized inputs (firm specific human capital) and to align the interests 2 their critical stakeholders with the interest, of outside passive stakeholder.

Consistent with those view by Blair to provide voice and ownership like incentives to critical stockholders Jane, (2002) recommended to us by policy makers that they should encourage board representation by significant customer's and supplier's financial adverse, employees and community representatives. Jane, (2002) also recommended that corporation seek long term owners and gives them a direct voice in governance.

The stakeholder's theory is important in that "The business of business isn't just about creating profits for shareholders it's also about improving the state of the world and driving stakeholder value."

"If we were only focused on making money we might put all of our energy on just increasing ads to people in the U.S. and the other most developed countries, but that's not the only thing that we care about here."

If you do the right thing for the customer, it's always the right thing for the company, financially.

According to Jane, (2002) It just makes sense at a project, programme and business level to consider those who can affect and will be affected by your business.
Stakeholder Analysis techniques provide the tools to quickly identify important stakeholders and stakeholder engagement research helps businesses to effectively engage with their stakeholders. This is undoubtedly essential to save potential massive costs from legal action, boycotts etc, but is also necessary for growth, and, or moral and ethical reasons. The company does "a lot of things for reasons besides profit motive. We want to leave the world better than we found it."

It is widely accepted that businesses need to consider more than their shareholders and more than maximizing profit and in that sense the case for Stakeholder Theory has been won. However, there have been, and still are some vocal critics of Stakeholder Theory. It has been seen to as particularly challenging for American corporations where fiduciary obligations apply. This often quoted objection to stakeholder theory argues that while it seems ethical to involve those affected by or affecting the firm it is also unethical in that it breaks the fiduciary duty that managers have to shareholders, (Jane, 2002)

In the traditional view of a company, the shareholder view, only the owners or shareholders of the company are important, and the company has a binding fiduciary duty to put their needs first, to increase value for them. Stakeholder theory instead argues that there are other parties involved, including employees, customers, supplier, financiers, communities, governmental bodies, political groups, trade associations and, good trade unions. Even competitors are sometimes counted as stakeholder - their status being derived from their capacity to affect the firm and its stakeholders. The nature of what constitutes a stakeholder is highly contested Karanja, (2011), with hundreds of definitions existing in the academic literature (Karanja, (2011).

The stakeholder view of strategy integrated both a resource-based view and a market-based view, and adds a socio-political level. One common version of stakeholder theory seeks to define the specific stakeholders of a company (the normative theory of stakeholder identification) and then examine the conditions under which managers treat these parties as stakeholders.
In view of the limitations of the stakeholder's theory, the political philosopher Goldstein has criticized stakeholder theory for assuming that the interest of the stakeholders can be, at best, compromised or balanced against each other. Goldstein argues that this is a product of its emphasis on negotiation as the chief mode of dialogue for dealing with conflicts between stakeholder interests. He recommends conversation instead and this

leads him to defend what he calls a patriotic' conception of the corporation as an alternative to that associated with stakeholder theory.
According to Mathis, (2006), by applying the political concept of a 'social contract' to the corporation, stakeholder theory undermines the principles on which a market economy is based.

1.1.3 Conceptual perspective

According to Mwaura, (2010), Budgetary control is the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. This process is necessary to control spending and meet various financial goals. Organizations rely heavily on budgetary control to manage their spending activities, and this technique is also used by the public and the private sector as well as private individuals, such as heads of household who want to make sure they live within their means.
Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future (Epstein and McFarlan, 2011). The management of the organizations implements budgetary control to prevent losses resulting from theft, fraud and technological malfunction. These instructions also help management to ensure that expenses remain within budgetary limits. The importance of budgetary control is that it can be implemented by three departments in an organization to enhance effectiveness. These departments are accounting department, statistical department and management department.

According to Karanja, (2011), Budgetary controls and performance of organizations is important because budgetary control has for long been a technique of interest to management accountants, business experts and financial evaluators. Experts have conventionally accepted budgeting and budgetary control systems, which are the basic components of budgetary system, as a fundamental basis for profit planning and control in an organization.

According to the chartered institute of management Accountants, (CMA) budget is defined as "a plan quantified in monetary terms, prepared prior to a defined period of time usually showing planned income to be generated and expenditure to be incurred during that period and the capital to be employed to attain a give objective."

Hancock, (1989), described budget as a comprehensive and coordinated expressed in financial terms for the operations and resources of an enterprise, for some specified period in future. A budget involves every level of activity, integrating revenue plans, assets requirements and financial needs.

According to Serem, et. al., (2013), Performance is the primary goal of all business ventures. Without performance the business will not survive in the long run. So measuring current and past performance and projecting future performance is very important. Performance is measured with income and expenses. Income is money generated from the activities of the business. For example, if crops and livestock are produced and sold, income is generated. However, money coming into the business from activities like borrowing money does not create income. This is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets.

1.1.4 Contextual perspective

The growth of the Building and Construction industry in Uganda has been remarkable, just as has been the performance of the key players: Most organizations have adopted broad budgetary control that ensures that the entire budget system is a control system, which it is the formation of a prior, during and after the whole process of control system through the budget preparation, budget evaluation, reward and punishment by monitoring of budget execution. With a narrow budgetary control, an organization can prepare a good budget as a basis for performance management and standards on a regular basis in order to compare actual performance with the budget to analyze differences in the results and take corrective measures, which mainly involves the process of budget implementation, evaluation and control (Hokal and Shaw, 2002).

Most firms use budget control as the primary means of corporate internal controls, it provides a comprehensive management platform for efficient and effective allocation of resources. Budgetary controls enable the management team to make plans for the future through implementing those plans and monitoring activities to see whether they conform to the plan, effective implementation of budgetary control is an important guarantee for the effective implementation of budget in the organization (Carr and Joseph, 2000).

In the selected 15 construction companies, the current situation of budgetary controls is still poor when it comes to planning, Evaluation, monitoring and control. All these, have effects on the performance of such selected construction companies in Uganda, (Report from the Finance officer, National Housing and Construction Company, 2015).

On the other hand, the performance of the six selected construction companies have been deteriorating for some two years due to various reasons, as lack of good marketing skills, competition, poor budgetary controls and others. The situation about the performance of the selected construction companies has not improved, due to some indicators of poor performance of these companies in terms of revenue collection, expenditure, there is inadequate availability of financial resources among others, (Report from the Finance officer, National Housing and Construction company, 2015).

1.2 Problem statement

In the construction companies, there are problems of low performance, (Ministry of Works and Transport report, 2015). This is evidenced by a budgetary deficit of shillings sixty three million four hundred fifty eight thousand three hundred sixty three cents (63,458,363) in these selected companies for the last half of the year of financial statements, July-December, 2015 (Ministry of Works and Transport report, 2015). The low performance of the construction companies has affected expansion of these companies in terms of opening up new branches. In order to solve the problem, the factors related to performance improvement in companies should be explored, such may include market research, budgetary controls, managerial competency, among others, (Srinivasan, (2005).

Although financing can be used to sustain a company financially for a time, it is ultimately a liability, not an asset. An income statement shows not only a company's performance but also its costs/expenses during a specific period of time, usually over that course of a year. To compute performance, the income statement is essential to create a performance ratio. (Chemweno, 2009)

There is no doubt that some other write-ups on budget and budgetary control has concentrated greatly on profit oriented organization, the issue failed to emphasize on the issue of budgetary control which is the bedrock for which budget implementation could be more effective and plans realization efficient. Budgets are attention directed and forward looking on financial statement. Budget tends to ensure goal congruence and elicit managerial efforts which are both wrapped up in motivation. Budgets relate to objectives and policies to managerial responsibilities, and facilitate accountability. In profit seeking organization budgetary control provide relevant information relating to what the organization wants to achieve and the measure it would adopt to translate its plans into reality (Jane, 2002). It is against this scenario, that the researcher picked interest in analyzing the effect of budgetary controls on performance in selected construction companies in Uganda.

1.3 Purpose of the study

The purpose of the study was to establish effect of budgetary controls on performance in selected construction companies in Kampala, Uganda.

1.4 Study objectives

The following will be the objectives under which the research will be carried out:

i) To determine the effect of budget monitoring on performance in selected construction companies in Kampala, Uganda.
ii) To identify the effect of budget evaluation on performance in selected construction companies in Kampala, Uganda.
iii) To establish the effect of budget planning on performance in selected construction companies in Kampala, Uganda.

1.5 Research questions

i) What is the effect of budget monitoring and control on performance in selected construction companies in Kampala, Uganda?
ii) What is the effect of budget evaluation on performance in selected construction companies in Kampala, Uganda?
iii) What is the effect of budget planning on performance in selected construction companies in Kampala, Uganda?

1.6 Research Hypothesis

The study tested the following hypothesis

i) Ho_1 Budget monitoring and control has no significant effect on performance in selected construction companies in Kampala, Uganda?

.

ii) Ho_2 Budget Evaluation has no significant effect on performance in selected construction companies in Kampala, Uganda?

iii) Ho_3 Budget planning has no significant effect on performance in selected construction companies in Kampala, Uganda?

1.7 Scope of the study

1.7.1 Geographical Scope

The study was carried out in Kampala district in the selected construction companies. This study concentrated majorly in the department of finances which is more concerned with budgeting function.

1.7.2 Content scope

Specifically the study examined budgetary controls and performance of construction companies in Kampala Uganda. Budgetary controls were examined in terms of, planning, evaluation and monitoring and control. The study also examined performance of construction companies in terms of revenue performance and availability of resource.

1.7.3 Theoretical scope

The study was guided by Stake Holders' Theory put forward by Hancock, (1989) which states that that "Every business creates, and sometimes destroys, value for customers, suppliers, employees, communities and financiers."

1.7.4 Time Scope

The proposal was developed in 3 months; data was collected over a period of two weeks. Data analysis took a period of three weeks. The whole time from proposal development to data analysis and presentation was four months that is from June 2016 to September 2016.

1.8 Significance of the study

This study benefited many construction companies and government organizations as little work has been done on the subject matter. Also it will serves as a starting point for other researchers who will be interested in the subject of this research, it will also be beneficial to communities and other construction companies experts as more knowledge has been gained from the research.

This study adds on the existing literature on budgetary controls and performance. These research findings will enable other scholars who would wish to further studies on budgeting controls and performance.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This is a discussion of the existing literature and serves to give insight to the researcher about the topic. This chapter will include theoretical review, conceptual review, and the related studies.

2.1 Theoretical review

Stake Holders' Theory

Stakeholder theory was put forward by Hancock, (1989) as a proposal for the strategic management of organizations in the late twentieth century. Over time, this theory Has gained in importance, with key works by (Clarkson 1995, Donaldson and Preston 1995, Mitchell et al. 1997, Rowley 1997 and Hancock, (1989) enabling both greater theoretical depth and development. From an initially strategic perspective, the theory evolved and was adopted as a means of management by many market-based organizations.

According to Fassin (2008), the success of Stakeholder theory, both in the management literature and in business practice, is due in large part to the simplicity inherent to the model.

The descriptive (which sets out how the organization operates in terms of stakeholder management);(2) the instrumental (which demonstrates how to attain organizational objectives through stakeholder management); and (3) the normative (which defines how businesses should operate, especially in relation to moral principles). We now take up this third theme. The normative approach is based upon moral premises about how actors and organizations should go about their activities. According to Donaldson and Preston, (1995), stakeholder oriented policies are justifiable based upon the supposition that they do hold legitimate interests in the company activities that should be taken into consideration by managers as, from Hancock, (1989) perspective, stakeholders should not be seen merely as the means of raising organizational performance. Research within this framework evaluates relationships in accordance with ethical and philosophic principles.

Jones and Wicks, (1999) propose stakeholder theory as a normative ethic that should approach which obligations from the stakeholder model rest upon the management, and particularly the level of importance of obligations attributed to some stakeholders over other stakeholder groups within this perspective.

The profusion of dentitions hinders understanding as to what the term actually represents. Establishing boundaries to the concept would go a long way towards resolving a series of issued posed by researchers in this field. Might it prove feasible that company objectives serve to guide the dentition of these boundaries? In accordance with a unified concept of the stakeholder term, the theoretical approach referred to here would render conceptual clarity and an enhanced definition, generating important academic interpretations (and better focused research) and practices (better management understanding as to who their stakeholders actually are).

There is clearly a very significant body of work across a range of areas but they are not yet been gathered and collectively analyzed in order to extract tile conclusions and adjustments necessary for delimitating and advancing the theory. In summary, it necessary to attain consistency within the normative stakeholder theory perspective, overcoming it's still incipient phase of development in terms of its descriptive capacities while validating and broadening the descriptive base supporting the normative perspective. This holds particular relevance given the descriptive perspective may drive changes in the actual normative perspective itself.

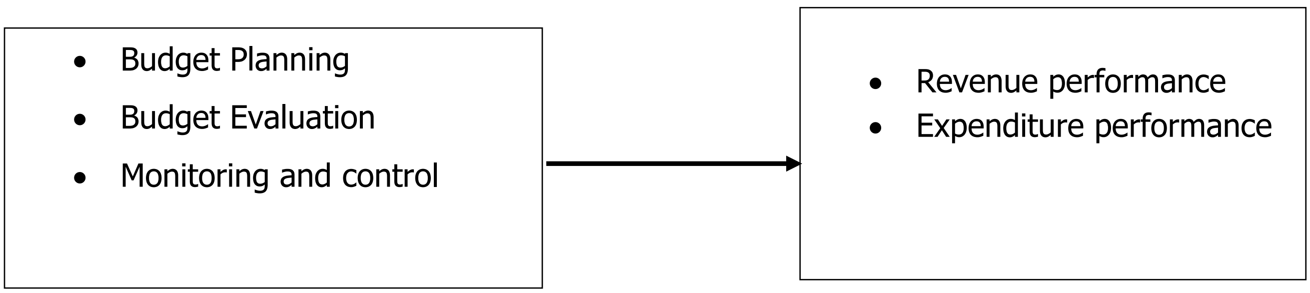
In relation to the study, the Stake Holders' Theory implies that management should put more emphasis on budgetary controls for better performance of the companies. This is because budgetary controls are like closed systems which are automatic like a witch, once they are set as required, they can perform and this can result into improved performance in the companies.

2.2 The conceptual framework

The framework illustrates how the IV affects the DV which is the focus of this study

Independent Variable **Dependent Variable**

BUDGETARY CONTROLS **PERFORMANCE**



Source: adopted from Venanci, (2012) and modified

Figure 2. 1: Shows the relationship between budgetary controls and performance in selected construction companies in Kampala Uganda.

According to Figure 2.1 is the conceptual framework of the study which relates budgetary control that an organization puts in place with performance. The performance of an organization in this study was defined as the subjective measure of how well a firm can use assets from its primary mode of business and generate revenue (Drury, 2006). The measures of performance according to Silva, (2012) include company's total earnings or profit, share value and growth index.

This conceptual framework shows the structure and content of the study which will help to understand the objectives, answers the research questions, and will finally help in analysis. It is drawn from Silva, (2012). The IV are; the structures of budgetary controls which are, monitoring and Evaluation and Planning The DV focuses on performance which is made of revenue performance and expenditure performance

2.3 Related literature

The related literature was reviewed objective by objective.

Budgetary control

Budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performance and taking suitable remedial action so that budgeted performance may be achieved (Carr, 2000). 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 (Agu, 2006). The basic objectives of budgetary control are planning, coordination and control. It's difficult to discuss one without mentioning the other.

A budget tells where and how the organization will spend money and where the money will come from to pay these expenses. Budgets also set limits. Imagine how chaotic an industry or country would be if everyone was allowed to spend as much as they wished on whatever they wanted. Besides setting limits, budgets also enables the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them (Andrews & Hill, 2003). Ammons, (2006) states that an important internal control is the operating and activity budget of a Construction companies. This is the Master Budget and should include all monies approved in donor proposals and all activities planned for a given period of time (preferably fiscal period of the organization). However, Selected Construction Companies in Uganda are increasingly becoming like businesses, for example, Chandran, (2004) 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 Construction company's co-ordination board in Kenya. From management accounting point of view, Construction companies can of course adopt budgetary control and other performance measures as normally used in a business.

A recent report from CIMA suggests that evidence shows that developing formal management controls can help Construction companies to develop networks with government departments, funding agencies, other service providers and clients. The mainstream trend of opinion suggests as case for closer monitoring of Construction companies by governments estimates as long as they continue to be run with public funds. There are contradicting views on existence of effective mechanisms for controlling and monitoring Construction companies have grown phenomenally in recent years both in Numbers and size. Hancock (1989) in his thesis said that there is also threat of loss of credibility amongst Construction companies due to lack of accountability, transparency and low impact. Construction companies face the risk of becoming less cost effective than governments. This study endeavors to investigate the budgetary controls as a planning and control tool and its effect Construction companies Performance using a Sample of 30 Construction companies in Kampala, both local and international. This research intends to bring about clearer understanding of the effects of budgetary controls in the performance of non-profit making organization which will also be of benefit to other similar Organizations leading to an improvement in organization's budgetary control system.

Budgeting and budgeting Control occupies an important place among techniques used in planning and control functions of an organization. In budgeting, the focus is not only to prepare the budget but more importantly to have a follow-up operation for budgeting and act according to known data. In addition, budgets are also known as a financial expression of a country's plan for a period of time (Emmanuel, (2005).

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).

A budget provides a detailed plan of action for an organization over a specified period of time. By planning, problems are anticipated and solutions thought. This helps to reduce on costs and achievement of goals is enhanced (Mathis, 2006). By budgeting, managers coordinate their efforts so that objectives of the organization harmonize with the objectives of its parts.

2.3.1 Planning

Planning as part of the Budgeting system involves a long range planning, strategic planning and short term planning .Further, he emphasizes that short term budgeting must accept the environment of today, and the physical human and financial resources at present available to the organization(Sizer, 1989).

Planning involves selecting objectives and action to achieve them. It is looking ahead and preparing for it, which links it to budgeting. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. This comes from the information system (Lucey, (2002).

Sound planning mentions priorities and the planning control cycle. Since there are so many activities to be performed, it's imperative that they are listed in order of preference. Budgets are put in place in advance of the budget periods based on anticipated set of circumstances or environment. The major decisions are made as part of the long term planning process (Serem, 2013). Benefits of budgeting accrue to the whole organization if both the short and long term consequences of the budgets are considered (Otley, 1987). However, the annual budgeting process leads to the refinement of those plans, since managers must produce detailed plans for the implementation of the long range plans. Without the annual budgeting process, the pressures of day-to-day operating problems may tempt managers not to plan for future operations (Suberu, 2010).

2.3.2 Evaluation

Many researchers have had considerable interest in Evaluation though they have conflicting findings. Cherrington & Cherington (1973) reported negative relationship between budget participation and performance. Marcormick, and Hard Castle, (2011) reported positive relationship. Shields & Young (1993) found that Evaluation is used more frequently when low level managers have more knowledge than central management and also when the remuneration is linked to the budget performance. Mwaura, (2010) found that the degree of participation in budgeting increases acceptance and motivation as well as it makes the budgeted to a greater extent feel responsible for the organizational goals.

According to McGraw-Hill, (1994) when we look at the financial side of the business and its activities, we can understand that the assets of the firm are put on the right hand side and the liabilities are put on the left hand side. The assets and liabilities must match in figures. When we look closely at the assets and liabilities, we can see that assets include machinery, land and buildings, inventory, patents, trademarks, investments, debtors, etc. On the other hand, if we look at the liabilities side of the balance sheet, we can find share capital, long term liabilities such as bank loans, term loans, debentures and short term liabilities or current liabilities such as creditors, bills payable, expenses to be paid, etc. This is the capital structure of a firm.

The firm, in order to make profits, the firm must create more cash flow than it uses. In other words, the cash coming in from the various activities must be more than the money invested by the firm. This increase in the cash flow over a period of time is called profit, which is usually calculated over one year, half year or a quarter of a year.

In order to generate more profits, the firm can take up what is called cost reduction. In cost reduction, by using new machinery, or new ways of production, the firm tries to reduce the cost of production to the extent possible. Cost reduction is considered to be one of the best techniques for profit maximization. Another way that firms can increase their profits is through producing in bulk quantities. When produced in bulk quantities, the firm will experience a decreased cost on individual product produced. So, the decrease in cost of production without the proportional decrease in price will increase the profit of the firm. In order that cost reduction and increased production takes place, a firm must utilize highly economic ways of production such as utilization of efficient techniques in production and procurement of materials in bulk from suppliers, etc. All these techniques are known to decrease the cost of production and increase the performance of the firm. (Mwaura, 2010).

According to Prasanna, (2002), Performance means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According to Harward & Upton, (2014), "performance is the 'the ability of a given investment to earn a return from its use."

However, the term 'Performance' is not synonymous to the term 'Efficiency'.
Performance is an index of efficiency; and is regarded as a measure of efficiency and management guide to greater efficiency. Though, performance is an important yardstick for measuring the efficiency, the extent of performance cannot be taken as a final proof of efficiency. Sometimes satisfactory profits can mark inefficiency and conversely, a proper degree of efficiency can be accompanied by an absence of profit. The net profit figure simply reveals a satisfactory balance between the values receive and value given. The change in operational efficiency is merely one of the factors on which performance of an enterprise largely depends. Moreover, there are many other factors besides efficiency, which affect the performance.

2.4 Monitoring and Control

2.4. 1 Monitoring

According to Drury (2006), budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages: Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day. Monitoring actual revenue or cost data this is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers. This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action. Briston (1981) says that financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work Programmes.

2.4.2.2 Control

Comparison is made between plans and actual performance, the difference between the two is reported to management for taking corrective action. This control process is not possible without planning (Gachithi, 2010). By means of budgetary control that is, comparing actual results with planned results and reporting on the variations, a control frame is set for management. It helps expenditure to be kept within the planned limits (Alesina and Perotti, 1996).

Carr, (2000) argues that in order to achieve the expected output results, monitoring and evaluation is necessary. Monitoring and evaluation maintains stability under many competing forces, hence important to lower local government effectiveness (Hokal & Shaw, 1999). However, Hokal and Shaw continue to note that monitoring and evaluation requires only raw data to test and examine performance which is time consuming yet contributes little to Performance. An effective control system helps accomplish the purpose for which it is designed. Effective control systems rely on good information, are well communicated, well coordinated, timely and economical to the organization (Arora, 1995).

2.5 Performance

Performance measurement was foremost intended for the business sector but since the gap between business sector and non-profit sector has narrowed considerably the last decade, the interest in performance measurement in the non-profit sector has increased among researchers and practicians. The interest in performance measurement in nonprofits is also due to the evolving pressure on showing effectiveness which is experienced by non-profit managers (Douglas, 2004). In order to align the activities with their objectives and to meet the donor accountability selected construction companies in Uganda's need to measure and monitor performance of various groups. Construction companies in Uganda's performance can be measured by how well it achieves the goals it has set itself and what efficiencies. The principle functions of performance measurement are to ensure that organizations are held accountable for their performance and actions and to facilitate learning and improve performance Salaman et al. (2005). Even though NPOs lack pressure from shareholders to show the value created by the organization there is a pressure to show how well they perform that derives from a wide range of stakeholders. Zimmermann and Stevens studied 149 non-profit organizations in South Carolina and their findings show that the requirement from external stakeholders was the most frequent motivator and reason for measuring performance. Second most frequent motivator was in order to increase accountability and effectiveness. Performance measurement was also motivated as a mean to get more funding and to improve services.

Another study, conducted by Simiyu, (2002) also presents a number of reasons why non-profits should measure performance. Construction companies can use performance measurement to obtain control of local office efforts and to get the whole organization to work towards the same mission and goals. Managerial skills are needed in order to be able to incorporate these benefits. Moreover performance measurement can be used for other purposes such as to influence public attitudes. Simiyu have noticed an emerging marketing trend which they suggest construction companies to take advantage of. Just by presenting results from performance measurement to stakeholders will serve as an effective marketing tool (Simiyu, 2002).

2.5.1 Performance Measurement

According to Hokal and Shaw, (1999), performance measurement is the process of quantifying the efficiency and effectiveness of an action, an umbrella concept that integrates familiar business improvement methodologies with technology. Performance measurement encompasses the complete management planning and control cycle. Performance measures for a construction company could be both financial and Non-financial measures. Such an integrated view in construction companies (right from resource generation unit to program management unit) is highly recommended (Epstein & McFarlan, 2011).

Amaratunga (2001) described performance measurement as a process of assessing progress towards achieving pre-determined goals including information on the efficiency with which resources are transformed into goals and services, the quality of those outputs and outcomes, and the effectiveness of the organizational operations in terms of their specific contributions to organizational objectives.

2.5.1 Performance Indicators

Performance indicators are inputs, outputs, throughputs, outcomes and impact. These indicators derive from the private sector but are applicable and used by nonprofits as well. Inputs are defined as everything that is needed to carry out a mission or a certain project, Such as staff, volunteers, physical capital, material and income. It is of great interest for Non-profits to optimize all inputs (Mathis, 2006). Output is defined as the quantity of work performed or delivered services. Examples of Output measures are number of people attending workshops or training classes and numbers of shelters provided during a disaster. These measures are not directly related to the organization's mission, (Suberu, 2010). Throughputs include both efficiency and effectiveness measures and are linked to the organizations' activities (Zimmermann et al., 2006).

The reason for measuring different activities and processes within the organization is to make it possible to evaluate organizational capacity. There is no clear distinction between output and throughput measures. Both can be linked to organizations' activities, efficiency and capacity. In order to be able to separate them Throughputs could be described as outputs relative to inputs.

Outcomes are very closely related to the organization's mission. Measuring outcomes and evaluating effectiveness make it possible to see to what degree the organization achieve its mission and goals. Zimmerman and Stevens present numerous ways of measuring outcomes, for example measuring participant satisfaction or changing attitudes and behaviour among participants. As an alternative to measure outcomes several researchers suggest measuring Impact on mission. Impact is defined as all, even unintended, changes that are the result of the organizations' activities (Zimmermann et al., 2006).

Many previous studies have examined the various aspects of budgets and its effects on performance; some researchers have concluded that there is generally a positive relationship while others contradict this view. For example, Brownell (1982) found out that the applications that include budgetary controls have no direct effect on performance directly but in cases where budgetary control is high there is a positive relationship between performance and budgetary participation although Otley & Pollanen (2000) reveal that budgetary participation, control and task ambiguity directly affect performance negatively. The researcher therefore anticipates furthering examining the relationship between budgetary controls and the positive effects on performance of organizations.

2.6 Research gaps

Several studies by Marcormick, and Hard Castle, (2011); looked at the budgetary controls and performance in different organizations from different countries. However none of them conceptualized budgetary controls into manageable elements nor did any focus on the conservation sector, being an integral part of infrastructural development. The researcher therefore has indentified a content gap which he intends to close.

Brownell, (1982) suggests that when budgetary control is high, budgetary participation should increase accordingly. When budgeting control is riding subordinates would want to know assessment criteria in details. Therefore, as the budgetary control increases, budgetary participation of subordinates is also expected to increase. He advocates that budgetary participation is an important moderating variable in the relations between type of budgetary control and subordinate's performance. Brownell's (1982) findings, budget application that includes budgetary control have no direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.

Differing from Brownell and Dunk(1991), the study conducted by Otley and Pollanen (2000) reveals that budgetary participation, control and task ambiguity directly affects performance negatively but in situations where they combined interaction of variables, the effect differ. According to the study, while budgetary participation, control and task ambiguity affect performance negatively, in situations where budgetary control is high, participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively affected by budgetary control.

Alesina, and Perotti, (1996), the study was able to ascertain from various literature reviewed that business strategies such as (customer orientation, employee autonomy, communication, training and development job satisfaction, corporate social responsibility, motivational factors) have major role to play in organizational performance.

Recognizing the causes of organizational performance is important especially in the perspective of the current global crises because it helps an organization to identify those factors that should be given priority attention in order to improve the organizational performance. Hence, this study recommends that business organizations should adopt appropriate strategies that would enhance adequate organizational performance. Many authors have adequately addressed effective communication and performance on organization. However, they failed to address the effect of communication on attitude of lecturers to students and their work. New technology and innovations are welcomed development to the educational environment. But it is also important to address the negative effect and challenges that comes with "change".

Budgetary control is a technique of managerial control in which all operations are planned in advance in the form budgets and actual results are compared with budgetary standards. An effective system of budgetary control manages to plan and control the use of resource in a systematic and logical manner. Financial objectives and constraints should be communicated to managers of budget centres and regular monitoring keeps management informed of progress towards objectives.

2.7 Summary

This chapter has reviewed scholars' previous studies done in the area of budgetary control and effect on performance of construction companies and explained the concepts of budgetary control and Performance. The researcher therefore undertook the study to investigate the effect of budgetary control on the performance of selected construction companies in Kampala.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter deals with the research design, population of study, sample size, sampling procedure, data sources, data collection instruments, validity and reliability of the instruments , research procedure, data analysis and ethical considerations in the study.

3.1 Research Design

This study used a cross-sectional survey research design. Cross-sectional design was used because it allowed for the study how given variables interact at one specific time (Amin, 2005). The choice of this approach and the designs is dependent on the nature of the study variables.

Churchill (1991) notes that descriptive study can be used when the purpose is to describe the characteristics of certain items, estimate proportions of people who behave in certain ways and make specific predictions exploratory in nature. This design attempted to collect data from a sample of the population and described existing phenomenon with reference to construction companies in Uganda.

3.2 Study Population

The study comprised of the current registered 259 employees in the selected Companies in Kampala which were obtained from the National Registry of Companies Board. The target population would vary from those operating locally and internationally respectively, the reason being that they cover the diverse activities on welfare, environmental, civic and Human rights. These employees in the companies were chosen because they rank high in the low performance based on their budgetary controls (Dunk, 2009) and cashiers and accountant were chosen because these are the right people who handle budgets and budgetary controls in these companies.

3.3 Sample size

This study used convenience and judgmental sampling method to select 15 Construction companies spread across the country with Headquarters in Kampala. The selected sample ranged from international to local Construction companies which collaborate with CBOs and CSOs. The reason for using 15 Construction Companies is due to the limitation of time, resources and distance to travel to various parts of the country and also due to the availability of sampling techniques that facilitate the sampling procedures.

This study used simple random sampling for those in the Managers. Simple random sampling was good for in-depth analysis; it enabled high representation of the population, less bias, and simplifies data interpretation and analysis of results (Briston, 1981). While purposive sampling was used for Accountants and cashiers because it allowed for probing more on performance.

The sample size n can be obtained by Slovene's formula:

Where

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

Key; n –sample size, N-population, e-level of significance (margin of error)

$$n = \frac{259}{1+259\,(0.05)^{2}}$$

$$n = 157$$

Table 3. 1: Sample size Determination

Companies	Population	Sample	Sampling technique
Dozerbuild Ug. Ltd	20	10	Simple random sampling
Primier Engineering Works	15	9	Simple random sampling
Roko Construction Company	25	15	Simple random sampling
National housing and cons. Company	15	9	Simple random sampling
By-Express Construction Company	15	9	Simple random sampling
Ugaplast Industries	20	10	Simple random sampling
Erekt Construction Company	15	9	Simple random sampling
Halai Holdings ltd	15	9	Simple random sampling
Leem Electronics Ltd	20	10	Simple random sampling
The Engineering Marksmen	15	9	Simple random sampling
Mectools and Equipment	15	9	Simple random sampling
Zion Construction Ltd	15	9	Simple random sampling
Atcon International Ug. Led	15	9	Simple random sampling
Dott Services ltd	25	15	Simple random sampling
Hardware world	14	6	Simple random sampling
Home places	20	10	Simple random sampling
Total	**259**	**157**	

Source: Primary Data

3.4.1 Simple Random Sampling

The participants in the study were selected through simple random sampling method for respondents among them managers of the construction companies to have an equal chance of being selected to be part of the study. Simple random sampling was best because it was easy to collect data when the population members are similar to one another on important variable (Gacheru, 2012). It also ensures a high degree of representativeness and ease of assembling the sample (Osoro, 2001 ; Nafula, 2004).

3.5 Data collection methods

Structured questionnaires were used as the main data collection instrument. Closed questions provide a more structured response for better recommendation, the researcher used the drop and pick method.

A five point likert scale, ranging from strongly agree to strongly disagree was used to measure the importance the respondents attached to the independent variables. While the dependent variable would be measured based on the recent year's annual reports information as performance indicators,

Secondary Data was used to supplement the data received from questionnaires. Independent Variables consisted of budget control which includes planning, monitoring and control and Evaluation; these are the variables that constitute budget control. Data on the budget control were collected using a questionnaire which was designed with statements that the respondents were to respond to based on the likert scale; these responses were measured using means.

The dependent Variable constituted of Performance of the selected Construction Companies in Kampala which includes the performance indicators, both financial and non-financial. Data was collected mainly from finance department; Secondary data was used from various reports of the organizations.

3.6 Data collection instruments

3.6.1 Self-Administered Questionnaires

The research instrument included the Self-Administered Questionnaire (SAQs). SAQs were used because they were the most suitable in the most sample survey that involves a large number of respondents (Amin, 2005). In addition, (SAQs) were very suitable for the target respondents given their high levels of English literacy. Finally, SAQs consume less time and money compared to other methods (Alesina & Perotti, 1996). The researcher delivered the questionnaires to the sampled population and collected them after some time. This as advantageous because it gave the respondent ample time to answer the questionnaire items. It was preferred when the questions required the respondents to consult other sources like; documents, textbooks, individuals, and Internet. This led to appropriate and effective responses.

3.7 Validity and Reliability of the instruments

3.7.1 Validity

Validity is the degree by which the sample of test items represents the content validity the test is designed to measure content validity which is employed by this study is a measure of the degree to which data collected using a particular instruments represents a specific domain or content of a particular concept. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional expert in a particular field. To establish the validity of this research the researcher will seek the opinions of experts in the field of study especially the researcher's supervisor which would help in modification of the research instrument in order to enhance validity.

Reliability refers to the consistency of measurement and is frequently assessed using test and re-tests reliability method. Reliability will be increased by including many similar items on a measure by testing diverse sample of individuals and using uniform testing procedures.

3.7.2 Reliability of the instruments

Reliability is the degree to which the instrument consistently measures whatever is measuring. An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concept from the same respondents even by other researchers (Amin, 2005). Reliability was established by using a pilot test by collecting data from 20 credit officers in standard chartered commercial bank. Data collected from pilot test was analysed using SPSS (Statistical Package for Social Sciences). Alpha coefficient ranges in value from 0 to 1 with 0 representing a questionnaire that is not reliable and 1 representing absolutely reliable questionnaire was used to describe the reliability of factors extracted from the study (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (that is, rating scale: 5 = strongly agree, 1 = strongly disagree). The higher the score, the more reliable the generated scale. A reliability coefficient (alpha) of 0.70 or higher was considered acceptable reliability in SPSS. All the variables under study had their cronbach alpha coefficient greater than the acceptable minimum of 0.70. This showed that the scales used were consistent and reliable as shown in the table 2 below.

Table 3. 2: **Reliability of measurement scales**

Variable	Cronbach's Alpha (α)	Number of items
Planning	0.765	4
Monitoring and Control	0.814	4
Evaluation	0.803	4

Usually, the internal consistency of a measurement scale is assessed by using Cronbach's coefficient alpha. It is generally recommended that if a measurement scale having a Cronbach's coefficient above 0.50 is acceptable as an internally consistent scale so that further analysis can be possible.

3.8 Data Collection Procedures

Before Administration of Questionnaires

- An introduction letter was obtained from the College of Economics and Management of Kampala International University after the approval of the validity of the research instruments.

During Administration of Questionnaires

- The researcher briefed the respondents about his intentions to carry out a study at their company.
- The researcher then asked the respondents to sign the informed consent form.
- The researcher asked the respondent to answer all the questions in the questionnaires.

After Administration of Questionnaires

- The researcher retrieved the questionnaires after five days and check for the completeness of all answers. The researcher then arranged for data analysis.

3.9 Data Analysis

The following mean range were used to arrive at the mean of the individual indicators and interpretation

Table 3. 3: Interpretation of the Mean Range

Mean range	Response mode	Interpretation
3.26- 4.00	Strongly agree	Very high
2.51- 3.25	Agree	High
1.76- 2.50	Disagree	Low

1.00- 1.75	Strongly disagree	Very low

Questionnaires were structured to measure these independent variables such as Planning, Monitoring and Control, Evaluation and performance of Selected Construction Companies in Uganda as the dependent variable which is measured using both financial and non-financial performance measures as indicated in the questionnaire.

3.10 Ethical Considerations

Authorization**:** This involved getting consent of the respondents.

Anonymity and Confidentiality**:** The names or identifications of the respondents was anonymous and information collected from them was treated with utmost confidentiality.

Integrity: The researcher acted honestly, fairly and respectfully to all other stakeholders that were involved in this study.

Ascriptions of authorships: The researcher accurately attributed to the sources of information in an effort to celebrate the works of past scholars or researchers. This ensured that no plagiarism occurs.

Scientific adjudication: The researcher worked according to generally acceptable norms of research.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERRPRETATION OF DATA

4.0 Introduction

This chapter presents the information on the background information of construction companies considered in this study including, duration of service, number of employees and. The chapter presents findings, analysis and interpretation of data all done objective by objective.

4.1 Background information

Table 4.1: Respondents Profile

Category of Respondents		**Frequency**	**Percent (%)**
Duration of the companies in Business	0-3 years	7	4.5
	4-7 years	40	25.5
	8-10 years	20	12.7
	11-14 years	10	6.4
	15 – and above years	80	51
	Total	**157**	**100.0**
Number of employees	40 – 50 employees	36	22.9
	80 – 100 employees	115	73.2
	101 – 120 employees	4	2.5
	130 – 180 employees	2	1.3
	Total	**157**	**100.0**

Source: *primary data 2017*

In regard to duration in the business, 10(or 6.4) of the companies had served for a period of 0-3 years, 21 (or 13.4%) had served for a period of 4-7 years, 50 (or 31.8%) had served for a period of 8-10 years, 60 (38.3) had served for 11-14 years and lastly 16 (10.2%) had served for 15 and above years This indicates that all companies had knowledge and experience about the study since the majority served for relatively a long period of time.

In line with number of employees, most companies had 80–100 employees with 115 (or 73.2%) others had 40-50 employees with, 36 (or 22.9%) others had 101–120 employees with, 4 (or 2.5%) and the minority had 130–18 employees with 2 (or 1.3%).

4.2 level of budgetary control in the selected construction companies in Kampala

This was set to determine the level of budgetary controls in the selected construction companies in Kampala Uganda for which the researcher intended to find out how satisfactorily budgetary control. Level of budgetary control was broken into three aspects (including monitoring, evaluation and Planning). The items were likert scaled using four points ranging between 1= Strongly Disagree, 2= Disagree, 3= Agree and 4= Strongly Agree. Their responses were analyzed and described using Means as summarized in table 4.3 below.

Table 4. 2: The Level of Budgetary Control

Monitoring and control	**Mean**	**Interpretation**	**Rank**
Managers hold budget conferences and meetings regularly to review performance	2.92	High	1
The organization has budget policies that monitors budget spending	2.86	High	2
Control of the budget activities is done by the departmental heads	2.75	High	3
The costs of activities and functions of the organizations are constantly reviewed by the executive committee	2.66	High	6
The organization's budget performance evaluation reports are prepared frequently	2.13	Low	7
The organization's budget deviations are reported to budget committees	2.67	High	**5**
Managers always take timely corrective actions when adverse variances are reported	2.79	high	**4**
Average mean	**2.68**	**High**	

Evaluation			
Management of the organization always do budge review	2.97	High	1
Management review the process of budget allocation	2.76	High	2
The organization engages its stakeholders in making key budget decisions	2.95	High	3
The organization conducts regular audit of the estimated and actual budget	2.66	High	4
The management team reviews regularly the implementation of budgetary control measures in the organization	2.88	high	5
The evaluation and Planning provided allows for better staff motivation	2.67	High	
Effective evaluation is affects the revenue performance	2.25	low	
Average mean	**2.73**	**High**	
Planning			
The organization has a long term and short term budget plans.	2.97	High	1
The budgets have clear goals and objectives	2.76	High	2
When budgeting, outcomes, goals and objectives are linked to programs and organizational activities.	2.95	High	3
The organization put priorities for the coming annual budget conference and Committees.	2.66	High	4
Organizational departments prepare budget plans prior to the budget year	2.88	high	5
The Planning provided allows for better staff motivation	2.67	High	
Effective budget Planning improves revenue performance	2.25	low	
Average mean	**2.73**	**High**	
Total Average mean	**2.70**	**High**	

Source: primary data, 2017

The means in table 4.2 indicate that the effects of monitoring on the performance of the selected construction companies in Uganda were rated at different levels. Out of the items, six were rated high equivalent to agree meaning that respondents agreed with the statement. The remaining one item was rated low (equivalent to disagree) meaning that the respondents disagreed to the statement with (mean = 2.13).

When you sum up all the three categories, the overall average mean is (2.68) which is equivalent to agree on the rating scale used and thus basing on these results, it can be concluded that monitoring has an effect on performance of the selected construction companies in Uganda.
Items which was rated low among others included the management carries out regular internal auditing as they monitor (Mean = 2.13)

The above means are supported by many respondents that claimed the poor monitoring affected the performance of selected construction companies in Uganda and hence failed the process of budgeting controls. The explanation is that monitoring was not always followed especially in the operation of the selected construction companies. This implies that monitoring is not understood as everyday process in the companies, this however requires better formulation and coordination of an appropriate policy that is sustainable given the nature of monitoring. One respondent stated;

> *The organization prepares budgets every year and the budget is used in all departments. Sometimes budgets are made when we get contracts. The budget helps in controlling how resources are used. Another respondent said they prepare budgets for specific contracts….and helps them when executing their duties.*

To get a final picture on effects of monitoring on the performance of the selected construction companies in Uganda, the researcher computed an overall average mean for all the items in Table 4, which came out to be (mean = 2.68), which confirms that monitoring has an effect on performance in the selected construction companies in Uganda and it is a positive effect.

Table 4.2 above reveals that 90% of the factors under monitoring were found to have a positive effect on performance in the selected construction companies in Uganda and included: There is effective monitoring for all activities within the budget frame work (mean = 2.92), The management is able to exercise strict financial control in the organization (mean = 2.86), Monitoring of the budget for project activities ensures efficient and cost-effective program implementation (mean =2.75), Monitoring in the budget activities promotes accountability among accounting officers in the organization (mean = 2.66), The management hires external experts to conduct monitoring (mean =2.67), There is on-point monitoring of actual revenue or cost data through continuous comparison of actual performance with the budgeted performance (mean =2.79).

Although the selected construction companies engages in supervision, monitoring and evaluation on projects to facilitate and promote among others mentorship, joint problem-solving and communication between supervisors and supervisees that are in charge of projects in selected construction companies if it is well implemented and sustained by the structures in the selected construction companies. But majority other respondents cited poor communication, information and documentation in the process of ensuring effective supervision for monitoring. But many times, Planning was not effective on monitoring and performance.

This can be explained by the fact that many respondents argued that inadequate form of supervision on monitoring by legal instruments deterred quality and quantity check controls, progress monitoring, work safety, costs control, contractual management of the works contracts, collaboration although it was inconsistent between contractors, authorities and others stakeholders hence poor performance.

However, majority respondents agreed that monitoring was good for routine and systematic collection, transportation and final disposal of the contracts while others added that evaluation was about using monitoring and other information collected to make periodic judgment on how companies was doing. They agreed that monitoring and evaluation was important for learning and supporting internal planning of companies in the selected construction companies. One respondent stated;

> *Budget monitoring and control is done by those who have authority. They make sure that the budget is followed and the budget is sometimes difficult to be achieved. Materials cannot be released without someone authorizing…*

This implies that monitoring and control is the routine and systematic collection of information on projects while **e**valuation is about making judgments about the value of any component part that can help in projects. In addition, this implies that integrated monitoring planning is a dynamic tool that include a range of activities ranging from policy-making and institutional development to technical design of integrated solutions for the handling of projects but needs all stakeholders' participation, prevention and resource recovery. This means that monitoring and evaluation is an important part for any form of effective and efficient form of project performance.

When you sum up all the categories, the overall average mean is (2.73) which is equivalent to agree on the rating scale used and thus basing on these results, it can be concluded that monitoring has an effect on performance of the selected construction companies in Uganda.
Items which was rated low among others included effective evaluation is affects the revenue performance (Mean = 2.25).

The above means are supported by many respondents that claimed the level of evaluation is low in the selected construction companies in Uganda. This suggests that evaluation was not always given especially when they go to the field to see what is taking place especially in the operation of the selected construction companies. To get a final picture of the level of budget in selected construction companies in Uganda, the researcher computed an overall average mean for all the items which came out to be (mean = 2.73) which is concluded as high.

Table 4.2 above reveals that 90% of the factors under monitoring were found to have a positive effect on performance in the selected construction companies in Uganda and included: Adequate evaluation is done in the selected construction companies (mean = 2.97), valuation is done by competent human resource in the organization (mean = 2.76), The organization engages its stakeholders in making key budget decisions(mean = 2.95), The organization conducts regular audit of the estimated and actual budget (mean = 2.66), The management team reviews regularly the implementation of budgetary control measures in the organization (mean = 2.88), and lastly The evaluation and Planning provided allows for better staff motivation (mean = 2.67) respectively.

The means in table 4.3 indicate that the Planning on the performance of the selected construction companies in Uganda were rated at different levels. Out of the items, six were rated high equivalent to agree meaning that respondents agreed with the statement. The remaining one item was rated low (equivalent to disagree) meaning that the respondents disagreed to the statement with (mean = 2.25).

When you sum up all the categories, the overall average mean is (2.73) which is equivalent to agree on the rating scale used and thus basing on these results, it can be concluded that Planning has an effect on performance of the selected construction companies in Uganda.
Items which was rated low among others included Effective Planning is affects the revenue performance (Mean = 2.25).

The above means are supported by many respondents that claimed the poor Planning affected the performance of selected construction companies in Uganda and hence failed the process of budgeting controls. The explanation is that Planning was not always given especially when they go to the field to see what is taking place especially in the operation of the selected construction companies. This implies that Planning is not understood as everyday process in the companies, this however requires better formulation and coordination of an appropriate policy that is sustainable given the nature of Planning.

To get a final picture on effects of Planning on the performance of the selected construction companies in Uganda, the researcher computed an overall average mean for all the items in which came out to be (mean = 2.73), which confirms that the level of budget planning is high.

4.3 Level of performance of the selected construction companies in Uganda

The second objective was to identify the level of performance of the selected construction companies in Uganda. All the aspects of the performance of the selected construction companies in Uganda were measured using seven qualitative questions in which respondents were requested to indicate the extent to which they agree or disagree with the statement by writing the number that best describes their perception. All the seven items on the salient features of budgetary controls in the selected construction companies in Uganda were likert scaled using four points ranging between 1= Strongly Disagree, 2= Disagree, 3= Agree and 4= Strongly Agree. Their responses were analyzed and described using Means as summarized in table 4.7 below.

Table 4.3: The level of performance of the selected Construction Companies in Uganda

Revenue performance	**Mean**	**Interpretation**	**Rank**
Your company gets appropriate revenues from the work load it gets	2.92	High	1
Your company gets appropriate returns from its operations	2.86	High	2
Your company is able to meet its financial obligations as they fall due	2.75	High	3
Your company receives revenue timely as planned	2.66	High	4
The companies are efficient and effective in payments	2.13	Low	5
Average mean	**2.66**	**High**	
Expenditure performance			
The company has qualified human resource in all departments	2.67	High	3
The company first collects advance from its customers to do its operations	2.79	high	2
The company always have enough materials to help execute it operations	3.12	High	1
The company have adequate equipments to use in its operations	2.55	High	4
The company records material surplus after executing it contracts	2.44	Low	5
Average mean	**2.71**	**High**	
Overall Average mean	**2.69**	**High**	

Source: primary data, 2017

The means in table 4.7 indicate that the performance of the selected construction companies in Uganda were rated at different levels. Out of the items, eight were rated high equivalent to agree meaning that respondents agreed with the statement. The remaining two item were rated low (equivalent to disagree) meaning that the respondents disagreed to the statement with.

The overall average mean is (2.69) which is equivalent to agree on the rating scale used and thus basing on these results, it can be concluded the level of performance of the selected construction companies in Uganda is moderate.

Items which was rated low among others included the companies are efficient and effective in payments of revenue and always pay in time (Mean = 2.13) and the companies get their finances from a number of resources (Mean = 2.44).

4.4.1 Effect of Budget planning on Performance

The first effect of budget planning examined was on performance. This analysis intended to bring out how budget planning improve or reduce the performance of the construction companies in Kampala. The table below shows the results obtained from the regression test carried out during the study.

Table 4.4 : Regression Test Results - Budget planning against Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667[a]	.445	.441	.32592

a. Predictors: (Constant), Budget planning

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.329	1	11.329	106.647	.000[b]
	Residual	14.128	156	.106		
	Total	25.456	157			

a. Dependent Variable: Firm's Performance

b. Predictors: (Constant), Budget planning

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t statistics	Sig.
		B	Std. Error	Beta		
1	(Constant)	.924	.092		10.286	.000
	Budget planning	.576	.056	.667		.000

a. Dependent Variable: Performance

As it can be seen from the table above, budget planning had a significant influence on performance as the significance of the coefficient was computed at 0.000. it was weak in terms of its strength as it was computed at an R Squared coefficient of 0.445. It was interpreted as a weak influence on the performance of construction firms in Kampala Uganda. The Beta coefficient of 0.667 indicates a more than average positive slope of the regression line.

Statistically, 44.5% of the variation in performance of the construction companies could be explained by the variations in budget planning. The implication was that, budget planning influenced 44.5% of the performance in the construction companies in Kampala. This provides evidence to indicate that it is possible to the limit of 44.5% that the performance of the firms was a result of budget planning.

4.4.2 Effect of Budget evaluation on Performance

The second object was to determine effect of budget evaluation on performance of construction companies in Kampala. Regression analysis was used and results presented in table 4.5.

Table 4.5: Regression Test Results - Budget evaluation against Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.123[a]	.015	.008	.51876

a. Predictors: (Constant), Budget evaluation

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.550	1	.550	2.045	.000[b]
	Residual	35.791	156	.269		
	Total	36.342	157			

a. Dependent Variable: Performance

b. Predictors: (Constant), Budget evaluation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t statistics	Sig.
		B	Std. Error	Beta		
1	(Constant)	.771	.067		1.431	.000
	Budget evaluation	.587	.041	.782		.000

a. Dependent Variable: Performance

As it can be seen from the table above, budget planning had a significant influence on performance as the significance of the coefficient was computed at 0.000. it was weak in terms of its strength as it was computed at an R Squared coefficient of 0.015. It was interpreted as a weak influence on the performance of construction firms in Kampala Uganda. The Beta coefficient of 0.782 indicates a more than average positive slope of the regression line.

Statistically, 1.5% of the variation in performance of the construction companies could be explained by the variations in budget planning. The implication was that, budget planning influenced 1.5% of the performance in the construction companies in Kampala. This provides evidence to indicate that it is possible to the limit of 1.5% that the performance of the firms was a result of budget planning.

4.4.3 Effect of Budget Monitoring and control on Performance

The second objective is effect of budget evaluation and control on performance. The analysis was done using simple linear regression and results are presented in table 4.4.

Table 4.6: Regression Test Results - Budget evaluation and control against performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.634[a]	.402	.401	.16304

a. Predictors: (Constant), Budget evaluation and control

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.838	1	21.838	82.578	.000[b]
	Residual	3.535	156	.027		
	Total	25.373	157			

a. Dependent Variable: Performance

b. Predictors: (Constant), Budget evaluation and control

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t statistics	Sig.
		B	Std. Error	Beta		
1	(Constant)	.238	.046			.000
	Budget evaluation and control	.400	.028	.628	14.286	.000

a. Dependent Variable: Performance

Findings suggested that budget evaluation and control had a significant effect on performance of construction companies in Kampala. As shown in the table 4.4, the R Squared for the model was computed to be at 0.402 which depicts a very strong influence the specific variable had on the returns on investment. Since budget evaluation and control was low, it also goes to mean that even the returns on investment were low. The Beta coefficient of 0.628 indicates a very steep positive slope of the regression line.

The implication in these findings was that 40.2% of the performance was influenced by budget evaluation and control. Statistically, 40.2% of the variation in the returns on investment could be explained by the variation in budget evaluation and control. This further indicates that it is very possible that if budget evaluation and control is increased in then performance will also rise significantly.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives a comprehension into the study findings and relating with findings by other researchers especially those included the literature review. Conclusions and recommendations are then made before the researcher suggests areas for further research.

5.1 Discussion of Findings

This section provides a critical review of research findings and relating them with relevant studies carried out beforehand. It aims at revealing consistencies and inconsistencies that may be there as a result of carrying out of this study.

5.1.1 Effect of Effect of Budget planning on Performance

The study investigated the effect that budget planning had on the performance of construction companies in Kampala. Budget planning was found to have a significant effect on the performance of the construction companies in Kampala Uganda. In line with findings of this study Mathis (1996) maintains that a budget provides a detailed plan of action for an organization over a specified period of time. By planning, problems are anticipated and solutions thought. This helps to reduce on costs and achievement of goals is enhanced. Seldin (2001) argues that for the smooth implementation of an organizations budget, budgetary planning and control must be properly done.

5.1.2 Effect of Budget evaluation on Performance

Budget evaluation was found to have a significant effect on the performance of construction companies in Kampala Uganda. Under budgetary control, evaluation which is a process by which an appraisal of performance is systematically conducted with a view to measure individual, department and organizational contribution should be done. It is conducted in order to take appropriate action. In particular, evaluation of budgetary control is a process of assessing performance against budget standards and performance targets with intent to take corrective action (Emmanuel & Otley, 2005).

5.1.3 Effect of Budget monitoring and control on Performance

The study sought to establish the effect of budget monitoring and control on performance of construction companies in Kampala Uganda. Briston (1981) says that financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work Programmes. Carr (2000) argues that in order to achieve the expected output results, monitoring and evaluation is necessary.

5.2 Conclusions

The study was undertaken to investigate the effect of budgetary control on the performance of construction companies in Kampala Uganda. In achieving this three objectives were formulated, analyzed and interpreted.

The first objective was on evaluating the effect of budget planning in the performance of the Construction companies. This objective was fulfilled and the results were indicative that budget planning had a significant effect to improving the performance of construction companies.

The second objective was also successfully evaluated and its findings suggested that budget evaluation had a significant effect in the performance of the Construction companies in Kampala Uganda. When budgets are properly evaluated changes can easily be incorporated to clearly guide management to effectively execute the budgetary control to enhance performance of construction companies.

The third objective was achieved, the conclusion was budget monitoring and control significantly affects performance of construction companies in Kampala. A budget is a guide, therefore, if effectively monitored, will increase performance. Specific to this study, budget monitoring and control affect performance of construction firms.

5.3 Recommendations

The study has drawn its recommendations from the conclusion drawn in section 5.2.

1. Companies should involve stake holders, specifically employees in the budget planning process. Budget planning should be a continuous process to ensure that changes that may occur are embraced so as to improve performance of the companies.

2. A considerable increase in the debt proportion of the capital structure: Should this be done, the Construction companies are likely to reap the benefits of including debt in their capital structures. It has been stated in the study that when debt is increased, there is a high likelihood of the firm performing better in terms of profitability, solvency and returns on investment.
3. Provision of credit options to entrepreneurs: It is not enough for the entrepreneurs of the Construction companies to be advised to consider debt in their capital structure; there is a need to also provide some avenues to obtaining these loans. This may be made possible by having banks relent on their hard and fast rules about their lending policies. This may also be achieved through

5.4 Areas of further research

The researcher recommends that further research be done on the following topics.
The impact of budgetary preparations on the performance of organizations
The role of financial management on the performance of organizations

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APPENDICES

APPENDIX I: QUESTIONNAIRE

KAMPALA INTERNATIONAL UNIVERSITY

Date 27th April, 2016

Dear respondent,

RE: REQUEST TO COMPLETE THE QUESTIONNAIRE BELOW

This is to request you to kindly complete the attached questionnaire. There is no right or wrong answer. You just need to indicate how much you agree or disagree with each item by marking the answer that best represents your views on every statement. Please answer all the items on the questionnaire.

The information you provide will be used anonymously and for academic purposes only. As part of my postgraduate studies, I am required to carry out field research and write a report on budgetary controls and performance of selected construction companies in Uganda.

Thank you very much for accepting to complete the attached questionnaire.

Lutwama Julius

Student

COMPANY NAME:...

SECTION A: RESPONDENTS' PERSONAL VARIABLES

Tick/ fill against the alternative you most agree with

1. Duration of the companies in Business

0-3 years ☐

4-7 years ☐

8-10 years ☐

11-14 years ☐

15 – and above years

Number of employees

40 – 50 employees

80 – 100 employees

101 – 120 employees

130 – 180 employees

For the questions below, please tick one appropriate box for each statement to show how much you agree or disagree. On a scale of 4 to 1: 4 strongly agree, 3) agree, 2) disagree, 1) strongly disagree

Scale	4	3	2	1
Response	Strongly Agree	Agree	Strongly Disagree	Disagree

Section B : Level of budgetary control in the selected construction companies in Kampala

No	**Monitoring and control**	**1**	**2**	**3**	**4**
1	Managers hold budget conferences and meetings regularly to review performance				
2	The organization has budget policies that monitors budget spending				
3	Control of the budget activities is done by the departmental heads				
4	The costs of activities and functions of the organizations are constantly reviewed by the executive committee				
5	The organization's budget performance evaluation reports are prepared frequently				
6	The organization's budget deviations are reported to budget committees				
7	Managers always take timely corrective actions when adverse				

	variances are reported				
	Evaluation				
8	Management of the organization always do budge review				
9	Management review the process of budget allocation				
10	The organization engages its stakeholders in making key budget decisions				
11	The organization conducts regular audit of the estimated and actual budget				
12	The management team reviews regularly the implementation of budgetary control measures in the organization				
12	The evaluation and Planning provided allows for better staff motivation				
14	Effective evaluation is affects the revenue performance				
	Planning				
15	The organization has a long term and short term budget plans.				
16	The budgets have clear goals and objectives				
17	When budgeting, outcomes, goals and objectives are linked to programs and organizational activities.				
18	The organization put priorities for the coming annual budget conference and Committees.				
19	Organizational departments prepare budget plans prior to the budget year				
20	The Planning provided allows for better staff motivation				
21	Effective budget Planning improves revenue performance				

For the questions below, please tick one appropriate box for each statement to show how much you agree or disagree. On a scale of 4 to 1: 4 strongly agree, 3) agree, 2) disagree, 1) strongly disagree

Scale	4	3	2	1
Response	Strongly Agree	Agree	Strongly Disagree	Disagree

Section C : Level of performance of the selected construction companies in Uganda

No	Revenue performance	1	2	3	4
1	Your company gets appropriate revenues from the work load it gets				
2	Your company gets appropriate returns from its operations				
3	Your company is able to meet its financial obligations as they fall due				
4	Your company receives revenue timely as planned				
5	The companies are efficient and effective in payments				
	Availability of resources				
6	The company has qualified human resource in all departments				
7	The company first collects advance from its customers to do its operations				
8	The company always have enough materials to help execute it operations				
9	The company have adequate equipments to use in its operations				
10	The company records material surplus after executing it contracts				