BUDGETARY CONTROL AND FINANCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS IN UGANDA: A CASE STUDY OF PRIDE MICROFINANCE LIMITED, BUSHENYI DISTRICT

BY

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DECLARATION

I, Nakajja Clare, do hereby declare that the work presented in this report arises out of my own research; I certify that it has never been submitted or examined in any university as an academic requirement for any award.

Sign **Date**

.... 28th/08/2019......................

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APPROVAL

This proposal has been submitted with the approval of Dr. Kirabo K.B Joseph as the university supervisor.

DR. KIRABO K.B JOSEPH

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Signed ………………………………………………… **Date of Approval** 28-08-2019…………………………………

DEDICATION

This research report is dedicated to loving parents Mr. Ssebuggwawo Dennis and Mrs. Kiconco Emilly, my aunt Mrs. Ankunda Susan and her husband and my uncle Mr. Tumanyane Joseph for their great support they have given me, my brothers and sisters Gerald, Nobert, Romold, Levis and Christopher, Najjuko Loyce and Nakalika Maxensia, my friends Atukwasibwe Harriet, Ashaba Darren, Bigirwa Richard, Fidel, Nsiimire Osbert, Chebet Emmanuel, Adiga, Muwomba, Ochwo Peter, Akampurira Annet and Kibwana Geofrey, it was a long road but thank you all for walking it with me.

May the Almighty God bless you!!

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I gratefully acknowledge God the Almighty who has protected me to see that all my dreams come true with abundant life and lots of provision.

I am deeply indebted to my parents for their support, feel and care they have rendered to me in the completion of a Bachelors Degree in Business Administration, am most grateful!

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Lastly but not least, I would love to acknowledge all my former classmates, friends and everyone who has been of great importance to the conclusion of this research.

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May the good Lord God bless you endlessly!

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LIST OF ACRONYMS

BOU	Bank of Uganda
KCCA	Kampala Capital City Authority
M&E	Monitoring and Evaluation
MDI	Microfinance Deposit-taking Institution
MFI	Microfinance Institution
NGOs	Non-Governmental Organisations
PMFL	Pride Microfinance Limited
TOC	Theory of Change
UNDP	United Nations Development Programme
URA	Uganda Revenue Authority

ABSTRACT

The study was to establish the effect of budgeting on the financial performance of microfinance institutions in Uganda. Objectives of the study were; to assess the role of budgetary control on the financial performance of microfinance institutions in Uganda, to find out whether budgetary control is a measure of financial performance of microfinance institutions in Uganda and to establish the relationship between budgetary control and financial performance of microfinance institutions in Uganda. The study population included company workers from departments of: Human Resource, Procurement, Marketing, Operations and Finance department. The qualitative research design was employed. The sample size comprised of a representative sample of 60(52) employees in total with a sample selection from the human resource, procurement, operations, marketing and finance departments. The researcher recommended that embracing external completion in order to promote innovation by not protecting local microfinance institutions. Societies support for microfinance institutions should be continued because support is critical in improving motivation for potential investors and the government should give tax holidays to emerging microfinance institutions to encourage many people to open up their own microfinance institutions.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background to the study, statement of the problem, purpose of the study, objective of the study, research questions, hypothesis, significance of the study, scope of the study and operational definition of key terms.

1.1 Background to the study

1.1.1 Historical perspective

Pride Microfinance Limited (PMFL) is a microfinance deposit-taking institution (MDI) in Uganda. It is licensed by the Bank of Uganda, the Central Bank and the national banking regulator. It was founded in 1995 as a non-governmental organization with the support of the Norwegian Agency for Development Cooperation. Its major objective was to offer credit to the poor targeting those in the agricultural sector. In 1999, it was incorporated as a limited company and changed its name to Pride Africa Uganda Limited. In 2003, the Uganda government acquired 100% shareholding in the enterprise changing the name to Pride Microfinance Limited Uganda. In 2005, it attained the status of MDI according to the banking Act of 2003. It is a member on the Association of Microfinance Institutions in Uganda. In February 2016, Uganda media reported that government was planning to merge PMFL with Post bank Uganda to form an agricultural bank. Its headquarters are located at Victoria Office Park, 6 – 9 Ben Kiwanuka Street, Okot Close Bukoto, Kampala though it has over 35 branches countrywide including Pride Microfinance Limited, Ishaka Branch (Bank of Uganda Report, 2014).

It was during the 1960s that companies began to dedicate what people needed to do. In the 1970s, performance improvement was based on meeting financial targets rather than effectiveness. Companies then faced problems when they were not willing to spend money on innovations in order to stay with rigged budgets, they were no longer concerned about how customers were being treated, only meeting sales targets became essential. Budgeting in business organizations is formally associated with the advent of industrial capitalism for the Industrial

Revolution of the 18^{th} century, which presented a challenge for industrial management (Cherrington, et al., 2013).

1.1.2 Conceptual perspective

Budgetary control as a measure of financial management regularly preparers, performance of plans and budget request that describe performance goals, measures of output and outcomes in various activities aimed at achieving performance goals. This helps in the sense that annual plans set forth in measurable terms form the levels of performance for each objective in the budget (Larson, et al., 1999).

Budgeting is a process of preparing and using budgets to achieve management objectives. Budgeting in organization performs a number of functions and achieves a number of objectives including; to guide action, to guide the planning process, to communicate expectations to all stakeholders, to coordinate the activities and efforts to achieve goals, to provide basis for control and performance evaluation, to provide a means of motivating managers and cadre employees, help in clarification of authority and responsibility as well as improving management by objectives and management by exception (Allen & Richard, 1997).

Budgets are defined as estimates of costs, revenues and resources over a specific period of time reflecting a management is reading of the future financial conditions. As one of the most important administrative tools, a budget also serves as a plan of action for achieving quantified objectives, standard for measuring performance and a device for coping up with foreseeable adverse situations (Saunders, et al., 2013).

For the case of this study, budgetary control was conceptualized in terms of accountability, financial control of inputs and planning and coordination. Whereas financial performance was operationalized in terms of increased profits, increased volume of sales, increased market share and growth of the firm.

1.1.3 Theoretical perspective

This study is based on Theory of Change (TOC)-based approach to M&E, impact assessment by (Weiss, 1995). The classic microfinance theory of change is simple: poor person goes to a microfinance provider and takes a loan (or saves the same amount) to start or expand a micro enterprise which yields enough net revenue to repay the loan with major interest and still have sufficient profit to increase personal or house hold income enough to raise the person's standard of living. The theory of change provides a model of how a program or business can be supported and lead to growth through proper financial support that increases performance of small business. In other words it provides a road map of the development of a small business to a large productive business.

Scholars claim that organizations adopt new management tools with ambition to improve their management and budget process (Akesson and Siverbo, 2009). In order to stay competitive, organizations emphasize on strategy instead of short-term budgets targets. Therefore, additional models such as balance scorecard have been frequently adopted and implemented in organizations. When a new model is adopted by the organization, the company tends to keep all models as well. New models are based on different philosophies about how organizations are supposed to act but the models are often used in the same contest simultaneously (Akessen and Siverbo, 2009). In the end, uncritically adding new management tools can rather lead to an overdose of managing and cause high costs and time-consuming activities. Additional management tools are often measured on annual basis like the budget and similar problems that are associated with the budget can be the outcome (Armendariz, et al, 2010).

In Uganda, the microfinance industry began in earnest after the country's return to peace and macroeconomic stability and after the 1993 financial sector reform, which created a relatively free operating environment. All the microfinance programs in Uganda remain strongly backed by donors and include both banks and NGOs such as FINCA, PRIDE, etc. This was emphasized by Dichter & Kamuntu (2012) in the UNDP microfinance assessment report for Uganda where they report that NGOs involves in micro-credit including NGOs linked to an international base and do some credit services, national NGOs which cover part or whole country or those doing credit work but not part of any international family and the localized, community based NGOs, that are small with few if any linkages to outside.

John Wiley (2013) identified a gap that has to be bridged. He states that MFI that do not manage their resources may be backward; while the statement is indisputable, its acceptability is not just enough. It is therefore of paramount importance for an organization to budget for its resources achieve high performance levels. In this therefore calls for an urgent investigation into the role of budgeting on to financial performance of microfinance institutions in Uganda.

Dondo (2011) asserts that the Government and donor community assumes that the poor required cheap credit and as a result, credit unions were set up in effort to mobilize savings amongst poor people. Kamau (2013) indicates that the overall objective of the MFI should be balanced between risks and returning in a way that it maximizes the MFIs market value to its owners. She notices the objective of the interest rate is to earn the highest profit margin in a manner that is consistent in with reasonable stability in the interest margin.

1.1.4 Contextual perspective

Budgeting in Uganda serves management to coordinate in several ways as follows; a clear, explicit and attainable plan is considered. Top management is compelled to relate individual operations to the firm as a whole. Budgets assist in getting rid of unconscious biases engineers, sales managers and production in the empire building efforts of executives.

The World Bank defines microfinance institutions that engage in relatively small financial transactions using various methodologies to serve low income households, micro enterprises, small scale farmers and other who lack access to the tradition banking services.

1.2 Statement of the problem

Budgeting in a business has benefits and consequences that go beyond the organizations management and have more to do with financial dimension in general, key in which, financial performance. Budgeting forces institutions' management to do better forecasting. Vague generalizations about what the future may hold for the organizations are not good enough for assembling a budget. Institutions' management must put their predictions into definite and concrete forecasts (Behn and Robert, 2011). Budgetary control motivates managers and employees by providing useful yardsticks for evaluating performance. Budgeting provides useful information for superiors to evaluate firm performance and inform financial allocation strategies across various components of a firm (Horngren, et al., 2015). Over the years, companies have undertaken various attempts to improve their budgetary control policies with the objectives of improving greater fiscal discipline on management agencies of both private and public companies. Pride microfinance involved in budgeting of its resources throughout improved communication, accountability, financial control of inputs, planning and coordination. This is aimed at increasing the profitability of the bank, market share and growth of the bank (Pride

Microfinance Report, 2014). However, many other microfinance companies recognize the need to have a developed and comprehensive budgetary control system in order to minimize budget variances, costs and maximize efficiency. Budgetary control is as crucial as cash itself and any theft, waste excessive use or stock out could lead to business's poor performance (Hopwood, 2010).

In 1997, PRESTO/ Center for microfinance started to provide trainings and technical assistance to MFIs in key areas like loans tracking, budgeting, interest rate setting, business planning, product development, ownership and governance. Over the past years, other projects and institutions also began to provide valuable capacity building to the microfinance industry. From 1997 onwards, a strong collaborative effort emerged among donors, government, the central bank, practitioners and capacity-building providers. Most microfinance institutions in Uganda do not operate on budgets and if not worked upon the financial performance of microfinance institutions will consistently decline. This has therefore enticed the researcher to carry out a study on how budgetary control influence the financial performance of micro finance institutions in Uganda taking a case study in Pride Micro finance institution.

1.3 Purpose of the study

The general objective of the study was to establish the role of budgeting on the financial performance of microfinance institutions in Uganda. A case study of Pride Microfinance Limited, Bushenyi District.

1.4 Specific objectives of the study

The specific objectives of the study were;

i. To assess the role of budgetary control on the financial performance of microfinance institutions in Uganda.

ii. To find out whether budgetary control is a measure of financial performance of microfinance institutions in Uganda.

iii. To establish the relationship between budgetary control and financial performance of microfinance institutions in Uganda.

1.5 Research Questions

The study was based on the following questions;

i. What is the role of budgetary control on the financial performance of microfinance institutions?
ii. To what extent is budgetary control a measure of financial performance of microfinance institutions?
iii. What is the relationship between budgetary control and financial performance of microfinance institutions?

1.6 Research Hypotheses

Ho_1 Budgeting has no significant effect on financial performance of microfinance institutions in Uganda.

Ho_2 Budgetary control is not a crucial measure of financial performance of microfinance institutions in Uganda.

Ho_3 There is no significant relationship between budgetary control and financial performance of microfinance institutions in Uganda.

1.7 Scope of study

This involves the content scope, geographical scope and time of the research topic.

1.7.1 Geographical scope

The study was carried out at the Ishaka branch located along Kitagata – Ishaka Road in Bushenyi – Ishaka Municipality. This was because I could get the required information on the subject matter under study conveniently.

1.7.2 Content Scope

The study focused on the role of budgetary control on financial performance of microfinance institutions with specific reference to Pride Microfinance Limited, Ishaka branch.

1.7.3 Time Scope

The study was carried out over the period of four months. However, the data under the time frame considered covered a period of 3 months from May to July, 2019.

1.8 Significance of the study

The study findings were significant in the following ways.

The study set an agenda for further scholars by documenting findings that will be used as literature review as well as advancing policy recommendations that will be used to identify groups and carry out more research so as to provide detailed information.

The findings will provide information to managers in different organizations especially on knowing how to compare actual performance and financial budgeting.

The findings will be used by managers in knowing the contribution of budgeting in the financial performance of their organization.

The study will help future researcher as a reference and source of data for their research.

1.9 Operational definitions of Terms

Microfinance institutions are financial firms that offer financial services to low income populations and give loans to their members and offer insurance, deposit and other services.

Budgeting is a process of preparing and using budgets to achieve management objectives. Budgeting in organization performs a number of functions and achieves a number of objectives including; to guide action, to guide the planning process, to communicate expectations to all stakeholders, to coordinate the activities and efforts to achieve goals, to provide basis for control and performance evaluation, to provide a means of motivating managers and cadre employees, help in clarification of authority and responsibility as well as improving management by objectives and management by exception.

Budgets are defined as estimates of costs, revenues and resources over a specific period of time reflecting a management is reading of the future financial conditions. As one of the most important administrative tools, a budget also serves as a plan of action for achieving quantified objectives, standard for measuring performance and a device for coping up with foreseeable adverse situations.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business that generate revenues.

Financial performance is the measuring of the results of an institution's policies and its operations in monetary terms. These results are reflected in the institution's returns on investment, return on assets, value added etc.

Financial performance measurement

Financial performance is a subjective measure of how well an institution can use assets from its primary mode of business that generate revenues. This term is used as a general measure of institution's overall financial health over a given period and can be used to compare similar institutions across the industry or to compare institutions in aggregation. There are many different ways to measure financial performance but all measures should be taken into aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used. Furthermore, the analyst or stakeholders may wish to look deeper into financial statements and seek out margin growth rate or any decline debt.

Accountability is the obligation of an individual or organization to account or its activities, accept responsibility for them and disclose the result in the transparence manner.

Business is a commercial or industrial enterprise and the people who constitute it, it is considered as a source of income to its owners.

Microfinance is the supply of short and medium-term loans and savings to the poor. These are financial services such as savings, micro-credit, insurance and payment products to low income earners including the self-employed.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents theoretical review, conceptual review, review of the related literature, empirical review and research gaps.

2.1 Theoretical Review

Theory of Change–based approach to Monitoring and Evaluation

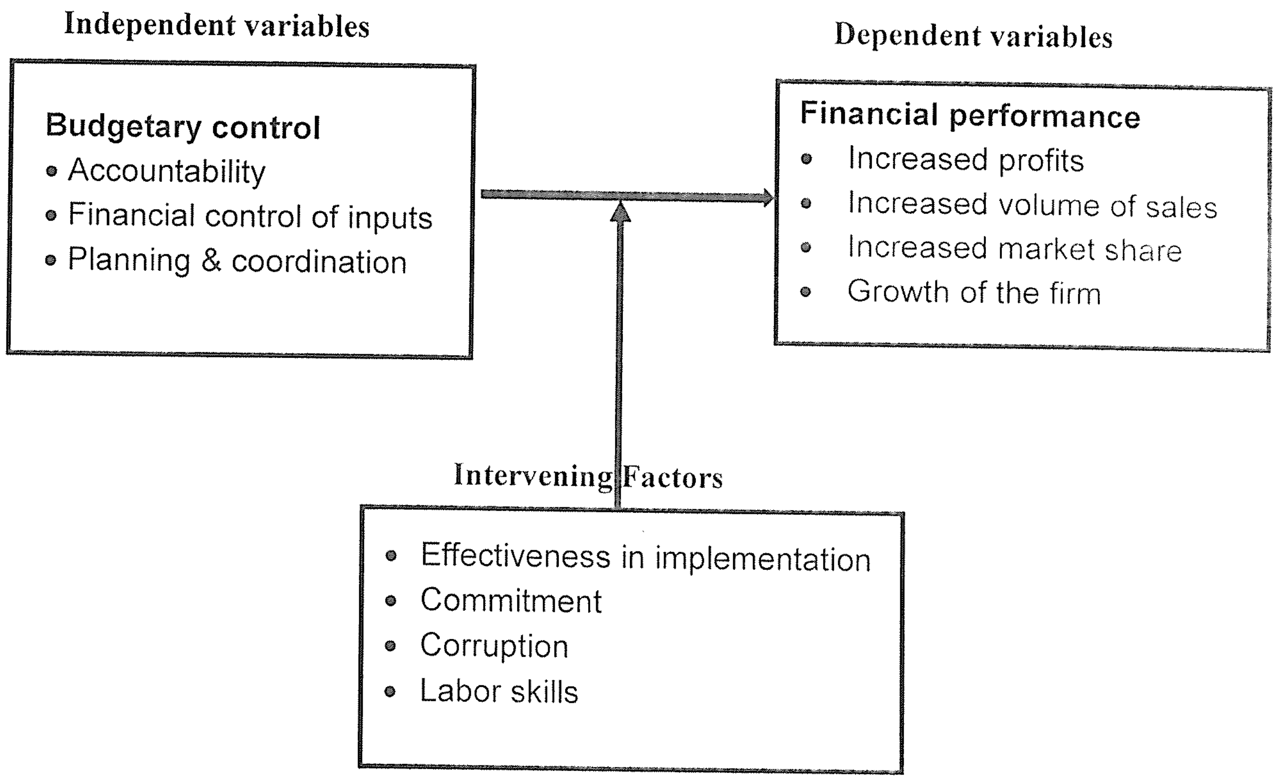
This study rested on Theory of Change (TOC)-based approach to Monitoring and Evaluation, impact assessment by Weiss (1995). The classic Microfinance Theory of Change is simple: a poor person goes to a microfinance provider and takes a loan or saves the same amount to start or expand a micro-enterprise which yields enough net revenue to repay the loan with major interest and still have sufficient profit to increase personal or house hold income enough to raise the person's standard of living. The Theory of Change provides a model of how a program or business can be supported and lead to growth through proper financial support that increases performance of small business. In other words it provides a road map of the development of a small business to a large productive business. Scholars claim that organizations adopt new management tools with ambition to improve their management and budget process (Akesson and Siverbo, 2009). In order to stay competitive, organizations emphasize on strategy instead of short-term budgets targets. Therefore, additional models such as balance scorecard have been frequently adopted and implemented in organizations. When a new model is adopted by the organization, the company tends to keep all models as well. New models are based on different philosophies about how organizations are supposed to act but the models are often used in the same contest simultaneously (Akessen and Siverbo, 2009). In the end, uncritically adding new management tools can rather lead to an overdose of managing and cause high costs and time-consuming activities. Additional management tools are often measured on annual basis like the budget and similar problems that are associated with the budget can be the outcome (Armendariz, et al, 2010).

2.2 Conceptual Review

Conceptual framework

The conceptual framework defines the key variables under study and discussed the relationship between dependent and independent variables.

Figure 2.1: Conceptual framework



Source: Adapted from Horngren, et al., (2015)

Description of the conceptual Framework

In the conceptual framework approach above, which has its key issues as the historical and institutional basis of the functioning of budgeting and the institution characteristic that arise in affecting the financial performance (planning, controlling of allocation of resources. improved communication and policy outcomes) was the most appropriate framework. A micro-conceptual analytical framework prepared by the student was used to study situations that reflect precisely the salient relationship of the variables within which would have operated during the study. The variables was defined as the role of budgeting; contributions of budgeting on financial performance. The relationship between budgeting and financial performance. The type of relationship they generate play a pivotal role in the structuring of both the strategic planning, accountability and financial control of inputs when budgeting is effectively done which finally determines the role of budgeting in financial performance of microfinance institutions. The main strength of the conceptual framework was that it strived to capture the specificity about the realities of the role of budgeting where it looks at the management of ongoing activities after budgeting, the efficiency measures and effectiveness in implementation. This means that budgeting has a relationship with financial performance whereby if budgeting is adequately prepared in microfinance institutions, more profits will be in place, and the institution will grow at a high rate.

The conceptual framework indicated that, the variables had a significant impact on the budget usage, characteristics and financial performance. Budgetary control as seen in the figure above was assumed to influence on the financial performance of microfinance institutions in Uganda. As it is indicated by the figure above when budgetary control is done inform of: strategic planning, accountability, financial control of inputs among other kind of budgeting and good management style, that would eventually improve on the financial performance of microfinance institutions in Uganda.

In the figure above, budgetary control is an independent variable while financial performance is a dependent variable. Financial performance depends on many factors and budgetary control is assumed to be one major factor that justifies their relationship. Budgeted cash contributed viability and made the company to get its financial position improved. Otley (2014) wrote that there is no doubt that budgetary control has a great significance on financial performance.

2.3 Review of Related Literature

2.3.1 Budget and budgeting

Budgeting is defined as the process whereby the plans of an institutions are translated into an itemized, authorized and systematic plan of operation, expressed in dollars for a given period (Robinson, et al., 2011). Budgeting at both management level and operation level looks at the future and lays down what has to be achieved. The controlling department checks whether the plans are being realized and put into effect, corrective measures, where deviation or short falls is occurring. Egan emphasized that without effective controls, an enterprise will be at the mercy of internal and external forces that can disrupt its efficiency, and be unaware; such enterprises not be able to combat such forces. When a budgeting and control system is in use, budgets were established which sets out in financial terms, the responsibility of manager in relation to the requirement of the overall policy of the company. Continuous comparison was made between the actual and budgeted results, which were intended to either secure, thorough action of managers, the objective of the policy or to even provide a basis for policy revision.

Modell and Libby (2011) opine that the budget has grown beyond a financial tool. It is above all a managerial tool; it is the best tool for making sure that the key resources are assigned to priorities and to results. It is a tool that enables the manager to know when to review and revise plans, either because results are different from expectation or due to environmental, economic conditions, market conditions or technology change, which no longer corresponds to the assumptions of the budget. Morgan emphasized that budgets should be used as a tool for planning and control.

A survey by Libby and Lindsay (2010) confirms that the budget does not facilitate the adaption of changes in the unpredictable environments, hence spending time on forecasting and planning the future can even be completely useless because research shows that firms tend to adjust and improve the budget processes and targets when meeting new challenges. Hansen, et al (2003) refer to Robinson, et al., (2011) who describe that according to the French companies, organization that operate under unpredictable circumstances are the most dissatisfied with budgets. Although budgets can be a useful control tool for companies operating in stable environment, Hansen states that budgets are not useful for most businesses.

The literature also posits that a budget is a quantitative expression of a plan action prepared in advance of the budget period (Lucey, 2000). Lucey identifies that budget may be prepared as for a business as a whole, a department, function with a link with the overall objectives of the organization. The valuable use of budgets is or translating organization objectives into a feasible plan of action is breakthrough for the ordinary use of budgets to for cutting costs restricting spending and allocation of scarce resources. In order to survive the environment complexities and vagueness managers and stakeholders of informal business sector need sharp tools, proven management techniques to forecast and determine the major changes which are likely to affect the business while they chose to the future direction and dimension of resources needed to attain selected goals. Budgetary control is a proven management tool noted by scholars and helps private firm's management and enhances improved performance in any economy in different ways (Horngren, et al., 2015). Its primary function is to serve as a guide in financial planning operators. It also establishes limits for departmental excesses. Its helps administrative officials to make analysis of all existing operations there by justifying, expanding, eliminating or restricting present practices yet these have received limited attention from academicians and researchers.

According to Lang & Chowdhury (2006) asserts that "Budget and Budgeting" are traceable to the bible days, precisely the days of Joseph in Egypt. It was reported "Nothing was given out of treasure without a written order. History has it that Joseph stored grains which lasted the Egyptians throughout the several years of famine. Budgets were first introduced in the 1920's as a tool of manage costs and cash flows in large industrial organizations. They further state that it was during the 1960's that companies started using budgets to detect what people needed to do. In the 1970's, performance improvement was based on meeting financial targets rather than effectiveness. Companies faced problems in the 1980's and 1990's when they were not willing to spend money on innovations in order to stay with the rigid budgets they were no longer concerned how much customers were being treated and only meeting the sales target became their essential. Budgeting in business organization is formally associated with the advent of industrial capitalism for the industrial revolution of the 18th century, which presented a challenge for industrial management.

Hudson and Andrew (1996), says that control involves the making of decisions based on relevant information that leads to plans and actions that improve the utilization the productive assets and services available to organization management. Effective control is said to be based on standards with which actual performance can be compared. If there are no standards, then there can be no effective measure of attainment. Hudson and Andrew identified and elaborated on five categories into which standards fall that is; quantity, quality, time, complaint and value. A drawback associated with the budget is that annual budget targets encourage short time perspective and cost savings in order to meet objectives. Short-term goals prevent the organization to emphasize on long-term value adding strategies, which can be effective in the long run. Employees may fear of not meeting the objectives, encourage bad behaviors such as manipulating and gaming with numbers (Hope and Fraser, 2003).

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

2.3.2 Ethical Issues in Budgeting

Budgeting creates serious ethical issues for many people. Managers and employees whose performance is then compared with budget they develop provide much of the information of budgetary controls.

Bateman (2010) suggests that companies should provide incentives for people to report truthfully, which means the company should reward both the honest estimate and good performance. However, reality is that many companies put considerable pressure on employees to achieve increasingly difficult targets.

2.3.3 Budget Relative to Time

Development of annual budgets is only one segment of the on-going planning process of a business. For the planning process to be most successful, there must be some long-run goals, intermediate objectives and shot term plan course of action.

Cherrington, Hubbard and Luthy (2013) explained that the long-range goals identify the direction of the company over a five to ten years' period. The goals are stated in general but they deal with specific areas in which companies intend to be successful. Areas often covered include; sales, research and development, capital expenditure and personal policies and financial position.

Cherrington, et al., (2013) continued to explain intermediate objectives and short-term plan where they stated that intermediated objectives identify the specific steps that will lead to accomplishing the long-term goals. They provide a link between short-term plans and long term objectives. The long term and short term plans are merged and integrated into a specific plan by the intermediate objectives.

The short-term plan, called a budget or annual forecast, identify the activities to be accomplished during the coming year. Otley (2014) supports the argument of Cherrigton, et al., (2013) that the long-term budget is a financial translation of purposed future capital investment, development of new products and abandonment of existing ones, breaking into new market and soon, this looks several years ahead. Each year is broken down into more details for the next year in an operating plan. This may be divided into quarterly and monthly budgets.

2.4 Empirical Review

2.4.1 Roles of Budgeting

Batra & Mahmood, (2003) states once the business is operating, it's essential to plan and tightly manage its financial performance. Creating a budgeting process is the mostly effective way to keep business in the United States and their finances on track. This guide outlines the advantages of business planning and budgeting and explains how to go about it. It suggests action points to help the business owners to manage their business' financial position more effectively and ensure that plans are practical.

According to Pefa (2005), Budgeting in Sierra Leone has improved communication in which organizations are designed to provide employees with the exact information pertaining the level of performance expected of them. Managers must understand and enthusiastically support the budget first. Through the budget, top management communicates its expectations to the lower-level employees so that all members of the firm may understand the organization's goals and co-ordinate their efforts to achieve them. Similarly budgeting has promoted co-ordination through the meshing and balancing of all departments operation and function so that organization goals are realized. Therefore, budgeting enforces managers to examine their relationship between their own operations and those of other departments and in the process to identify their weaknesses.

According to Lang and Chowdhury (2006), the effectiveness of budgeting has a link with the level of environmental volatility. It means that, how effective budgeting would be in controlling all the activities of any organization depends largely on the environment volatility under which such budget is operated. In other words, in a conducive business environment, the role of budgeting cannot be over emphasized. For instance, Horngren, et al., (2015) mentioned that effectiveness of budgeting for planning, motivation, communicating and controlling in the developed world is evident.

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

In addition to the study done by Kyogambiirwe (2002), in Uganda established the following as reasons for budgeting; Management Communications Strategies and Employee Relations, budgets affect directly or indirectly the formation of overall enterprise strategies and policies and then assist to implement them. Effective strategies and policies represent a powerful management tool. To make strategies and policies effective, certain guidelines can be used as presented briefly as Strategies and Policies should contribute to the objectives and plans, should be consistent, should be flexible, should be distinguished from rules and procedures, should be in writing, they should be taught and also controlled.

That profit budget is used for control by top management in two ways; first, budget reports, comparing actual results with the budget, together with analysis of variances, an explanation to the causes to the variances, an explanation of ant corrective actions being taken, and a current annual forecast are used to keep management informed of what is happening in the divisions. It acts as an early warning so that management can take appropriate action when necessary.

Second, the budget system is used to assist top management appraise the performance of each individual manager.

Planning is the first and foremost basic of management functions and other managerial function reflect and depend on planning (Kyogambiirwe, 2002). He added that planning involves selecting company objectives and departmental goals and determining ways of reaching them. Moreover, decision-making is at the core of planning, so effective strategies and policies should contribute to the objectives and plans of the organization. The more strategies and policies are clearly understood the more consistent and effective will be the framework of the company plans. Thus planning is deciding in advance what, how, when and who is to do it. Planning bridges the gap from where we are to where we want to go and be. Planning is an intellectual process, then conscious determination of course of action, the basing of decisions on purpose facts and considers estimates (Pefa, 2005).

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

According to Mamadou (1996), budgeting is not a substitute for effective decision making. Most budgets provide only for finances and specify where and how it should be spent, they do not provide for people. People think, perform, have competence, need finance to be sure. However, without the people, finance alone is insufficient in arriving at an improved performance of any organization. In essence managers should also look into human resource budgeting and see how much improvement in this result in better performance.

In addition to being the managers' planning tool, budgeting is also one of the most effective tool of communication and integration. It shows how each part of the organization relates to the end and needs of the whole organization. Budgeting requires that manager in charge of the whole and each person in charge of parts discus the budget jointly in order to arrive at better results (Bateman, 2010).

Budgeting sets clear financial goals for the organization. Webster (2001) indicates that budgeting provides a basis for judging the financial performance of the organization. Feedback is an important role of budgeting for attaining the expected quality and standards in planning, control and leadership and staffing. Feedback is generally positively associated with budget performance. Feedback focuses on the extent at which employees have achieved expected levels of work during a specific period of time. Budgets being a standard for performance they are also used to evaluate managerial performance (Webster, 2001).

2.4.2 Functions of a Budget

According to Lucey (2000), the first function of budgeting is planning. Forward planning normally forces managers to consider alternatively future course of action, evaluating them properly and deciding on the best alternative. Planning encourages managers to anticipate the problems before they arise giving them alternatives of solutions to overcome them when they do arrive.

The second function that Lucey describes is co-ordination; left to their own, department managers may make decisions about the future which may be incompatible or even in conflict with other departments.

Budgeting helps to avoid such conflicts by encouraging managers considering how their plans affect other departments and how the plans of other departments affect them.

Control and performance evaluation; this function ensures that actual performance is measured against expected performance.

Control and performance evaluation helps to take corrective measures to any adverse variances which were revealed during the evaluation period.

Participation: By actively involving managers at all stages of budgeting, the process of budgeting brings the different levels closer together. The junior members feel that they have a say in the running of the organization. This leads to increased job satisfaction and consequently efficient productivity. It has therefore been said that the actual process of budgeting is as beneficial as the budget.

2.4.3 Budgeting as a measure of financial performance.

According to (Ghiselli, et al., 2011), budget monitoring is used to measure how close an organization is meeting its objectives in terms of its finances. Comparisons of actual income and expenditure against the budgeted income and expenditure need to be done regularly. To do this you need to prepare a variance report. It shows months by month where the firms are overspending, under spending or on target. (Otley, 2014), states that in order to do a variance report and in order to do cash flow projections, they need to break their overall budget into a monthly budget. The monthly breakdown is what becomes the management tool. Drury (2010) notes that the purpose of reporting the managers' budget in Nigeria is to show those of whom they accommodate, or those who are involved in their work, whether or not they are doing the work stipulated to them and whether or not they are going to get the resources they need to complete the work. When they report against their budgets they are reporting on how close the financial planning has been to the actual financial performance.

Schreiner (1999) believes that the variance statement of the budget compares the expected income and expenditure with the actual income and expenditure. The variance statement gives an overview of what has happened during the reporting time (1 month, 3 months). It also gives the overview of the financial performance of the year. A variance statement shows whether there are many trends that are developing in the financial performance about which shareholders should be aware. It gives an opportunity to take action to correct problems. So for example, if the variance statement shows that they are repeatedly spending a lot on stationery each month, then they could keep a tight control on stationery, recognize that they have under budgeted stationery and either shift money from somewhere else in the budget to stationery or try to raise more money to cover the short falls has its done in most of the firms in Ugandan.

Akinosi (2012) gave the roles of budgeting as planning orientation. The process of budgeting takes managers off the short-term, day-to-day management to the business and forces it to think long-term. Probability review. It's easy to lose sight of where the company is making most of its money during the scramble of day-to-day management. Assumptions review. The budgeting process forces management to think about why the company is in business, as well as its key assumptions about its business environment. Performance evaluation. You can work with employees to set up their goals for a budgeting period and probably also tie other incentives of how they are to perform. Funding planning. A properly structured budget should derive the amount of cash that will spend off or which will have needed to support the operations.

Batra & Muhmood, (2014) asserts that once the business is in operation, its essential is to plan and tightly manage its financial performance. Creating a budgeting process is the most effective way to keep businesses the United States and their finances on. This guide outlines the advantages of business planning and budgeting and explains how to go about it. It suggests action to help the business owners manage their business financial position more effectively and plans are practical.

Planning is the first and foremost basic of management functions and other managerial functions which reflect and depend on planning (Kyogabiirwe, 2011). He also added that planning involves selecting organization objectives and department goals and determining ways of reaching them. Moreover, decision making is at the core of planning, so effective strategies and policies should contribute to the objectives and plans. The more policies and strategies are clearly understood the more consistent and effective the framework of the company plans will be. Thus planning is deciding what, when how and who is to do it. Planning bridges the gap from where we are and where we want to go, and without planning, events are left no chance. Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purposes, facts and considered estimates (Pefa, 2011).

2.4.4 The relationship between budgetary control and financial performance.

According to Drury (2010), in the government of Canada, Strengthening accountability for public expenditures has been an important part of reform efforts in the last decade. These efforts have focused on bringing the achievement of results and associated expenditures to the forefront of the parliamentary appropriations process and now, in the management core enabling process such as procurement. This is a fundamental change in culture and accountability and while progress has been mad, much remains to be done including implementing a new Accountability Act currently before Parliament (Ghiselli, et at., 2011).

According to Lucey (2010), new small business owners in India run their businesses in a relaxed way and may not see the need to budget. However, if you are planning for your business' future, you will need to fund your plan. Budgeting is the most effective way to control your cash flow, allowing you to invest in new opportunities at the appropriate time. If your business is growing, you may not be able to be hands-on with every part of it. You may have to split your budget between different areas such as sales, production, marketing etc. you will find that money starts to move in many different directions through your organization budgets are a virtual tool in ensuring that you stay in control of expenditure.

According to the study carried out in Afghanistan by Drury (2010). He found out that financial statements are usually prepared by management and presented to the Board of Directors. However, the, managers are responsible for making sure that the financial statement presents a full and accurate position of the organization's financial statements are not just used to monitor how things are going. They are essential for borrowing money and reporting to many stakeholders including owners and funders.

2.5 Research Gaps

John Wiley (2013) identified a gap that has to be bridged. He states that MFI that do not manage their resources may be backward; while the statement is indisputable, its acceptability is not just enough. It is therefore of paramount importance for an organization to budget for its resources achieve high performance levels. In this therefore calls for an urgent investigation into the role of budgeting on to financial performance of microfinance institutions in Uganda.

Budgeting provides useful information for superiors to evaluate firm performance and inform financial allocation strategies across various components of a firm (Horngren, et al, 2015). However over the years, companies have undertaken various attempts to improve their budgetary control policies with the objectives of achieving greater fiscal discipline on management agencies of both private and public institution which has not been fully attained due to limited information and studies to address the relationship that lies between budgetary control tools and mechanisms with financial performance of microfinance institutions. This therefore calls for further studies regarding budgetary control tools.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter covers research design, area of the study, population of the study, sample size, sources of data, research tools, data analysis and presentation, presentation of data, validity and reliability of instruments and limitations to the study.

3.1 Research design

The research was based on the case study. Saunders, et al., (2013) defined a case study as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence". This fits well with the author's intentions to investigate a real life issue through a variety of data collection methods.

Pefa (2011) suggests the appropriateness of a case study when they focus on a set of issues in a single organization. The qualitative research design was descriptive in nature and enabled the researcher to meet the objectives of the study. A statement was used to assign variables that were not adequately measured using numbers and statistics. The quantitative research design was used in form of mathematical numbers and statistics assigned to variables that were not easily measured using statements. These approaches were adopted to enable the researcher get and analyses relevant information concerning people's opinions about the role of budgetary control in financial performance of microfinance institutions.

3.2 Area of the study

The study was focused on the role of budgetary control and financial performance of microfinance institutions with specific reference to Pride Microfinance Limited, Ishaka Branch, along Kitagata – Ishaka Road in Ishaka – Bushenyi Municipality. The researcher chose Pride Microfinance, because they performed budgeting but its financial performance seemed not to have improved.

3.3 Population of the study

The research was conducted in pride microfinance, which had a population of 60 workers (2019).

The study population included bank employees in the department of; human resource, procurement, Marketing, Operations which consisted of a population of 52 workers where 13 were from human resource, 5 procurement, 12 operations, 19 marketing, 3 finance department therefore the researcher used 52 employees.

The researcher used a sample size selected from the study population as representative sample representing the entire study population of 60 elements. This selection of sample size was to help the researcher minimize resources such as time and money in addition to other resources.

3.4 Sample size

The sample size comprised of a representative sample of 52 (60) employees in total with a sample selection of 13 from the human resources, 5 procurement, 12 operations, 19 marketing and 3 finance department from various departments.

Table 3.1: showing Sample Size

Category	**Target population**	**Sample size**	**Sampling technique**
Human Resource	16	13	Purposive sampling
Finance Department	4	3	Purposive sampling
Procurement	6	5	Purposive sampling
Operations	16	12	Simple Random Probability
Marketing	18	19	Simple Random Probability
Total	**60**	**52**	

Source: Primary data, 2019

Solven's formula

It states that, given a population the minimum sample size is given by the;

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

Where; n = the sample size

N = total production of targeted respondents

e= the level of significance

$$n = \frac{60}{1+60(0.05)^2}$$

$$n = \frac{60}{1+60(0.0025)}$$

$$n = \frac{60}{1.15}$$

n = 52 people

3.5 Sources of data

This research to be enriched required the use of both primary and secondary data approaches.

3.5.1 Primary data

Primary data are the new/ original data that was generated by this research (Kothari, 2006). Primary data was collected using two major techniques of data collection. These was in- depth semi-structured interviews and observation. All these techniques assisted in examining the role of budgetary control and performance of Microfinance institutions in Uganda: a case study of Pride Microfinance Limited, Ishaka Branch.

3.5.2 Secondary data

In order to successfully address the research questions, the research required secondary data that was collected. The main purpose was to better understand the background of key issues to be examined. Secondary data are exiting data or information collected for a purpose other than that of the study (Kothari, 2006). Secondary data was mainly qualitative in nature from administrative records or management data. Other sources of secondary data included pride microfinance profile reports, magazines and local newspaper journals.

3.6 Research tools

This involved the instruments that were used during the study in Pride microfinance.

Questionnaires

According to Mugenda & Mugenda (2010), a questionnaire is commonly applied to research, designed to collect data from a specific population. Questionnaires are commonly used as research instruments because of the distinct advantages they yield (Drury, 2010). The researcher therefore chose a descriptive research methodology and design questionnaires to collect the required data. The questionnaires were divided into two sections. The first section was intended to provide demographic information that provided a clear understanding of the sample attributes of the research objectives.

Interview guide

The researcher employed interview guide which was administered to the respondents. The interview guide was a tool used to collect data from Pride microfinance employees who were selected from the study population. The interview guide tool of data collection was chosen because it was cheap to administer to the respondents who were scattered over different departments.

3.7 Data analysis and Presentation

3.7.1 Data analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information gathered (Mugenda & Mugenda, 2010). The instruments yielded both qualitative and quantitative data. The major difference between qualitative and quantitative data typically consists of words while quantitative data consists of numbers (Pefa, 2011). After collecting all the necessary data, the data was coded and edited, analyzed and rephrased to eliminate errors and ensure consistency. It involved categorizing, discussing, classifying and summarizing of the response to the end.

Coding is an analytical process in which data, in either quantitative form (such as questionnaires results) or qualitative form (such as interview transcripts) are categorized to facilitate analysis.

Editing, this is defined as the process involving the review and adjustment of collected survey data. The purpose is to control the quality of the collected data. Data editing can be performed manually, with the assistance of a computer or combination of both.

3.8 Presentation of data

This refers to the organization of data into tables or graphs, so that logical and statistically conclusion can be derived from the collected measurements. Data was presented using tables.

3.9 Validity and Reliability of instruments

3.9.1 Validity of instruments

Validity is the extent to which the instruments use during the study measure the issues they are intended to measure (Amin, 2005). To ensure validity of instruments, the instruments were developed under close guidance of the supervisor. After designing the questions, the researcher used a pre-tested. This helped to identify ambiguous questions in the instruments and enabled me to re-align them to the objectives. The questionnaires were given to the supervisor to judge the validity of questions according to the objectives. After the assessment of the questionnaire, the necessary adjustments were made bearing in mind the objectives of the study.

3.9.2 Reliability of Instruments

Reliability is the extent to which the measuring instrument produced consistent scores where the same group of individuals is repeatedly measured under the same conditions. The researcher administered one type of questionnaire to all the participants. As well, the researcher used Cronbach's alpha. The components reliability takes into account that indicators have different loadings and can be interpreted in the same way as Cronbach's alpha (that is, no matter which particular reliability coefficient is used, an internal consistency reliability value above 0.70 is regarded as satisfactory, whereas a value below 0.60 indicates a lack of reliability).

3.10 Ethical Considerations

Consent was sought from the respondents to fill the questionnaire and participate to the interview. Respondents were also assured by the researcher that the study was purely for academic purposes and that the information was used for that reason and held confidential. An introduction letter from the University was presented to every respondent as evidence that the research is purely for academic purposes. This assured the respondents that no information reveal the identity of any individual was included in the final report or any other communication prepared in the course of the study, unless, the individual concerned gives a written consent to its inclusion.

CHARPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter focuses on the presentation, analysis and discussion of the major findings of the study. This chapter has been arranged in relation to the study objectives which were;

To examine the impact of budgeting on the financial performance of microfinance institution in Uganda.

To establish the relationship between budgeting and financial performance of microfinance institutions in Uganda.

To find out whether budgeting is a measure of financial performance of microfinance institutions in Uganda

4.1 Bio data for respondents

4.1.1 Gender of respondents

The study required to establish the gender composition of the respondents so as to draw conclusions about female and male views.

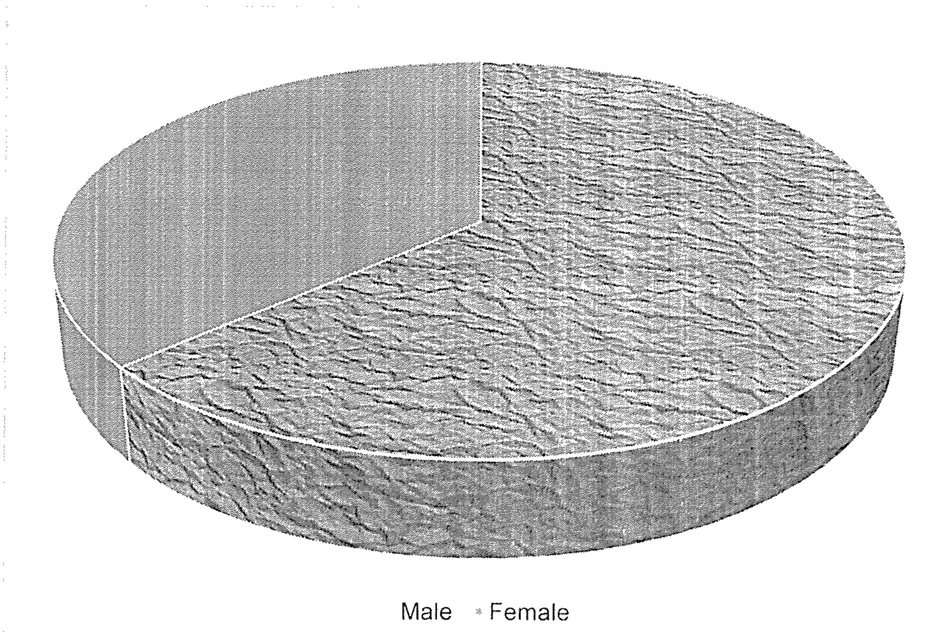
Table 4.1 showing Sex of respondents

Sex	Frequency	Percentage
Male	38	63%
Female	22	37%
Total	**60**	**100%**

Source: Primary data, 2019

Table 4.1, 38 respondents with 63% were male, 22 respondents were female with 37%, making a total of 30 respondents. This indicates that Pride Microfinance Bank employs more males compared to the females due to the fact that most of the operations in the company need energetic personnel.

Figure 4.1 showing sex of respondent



4.1.2 Age of the respondents

This part shows the age groups of the respondents.

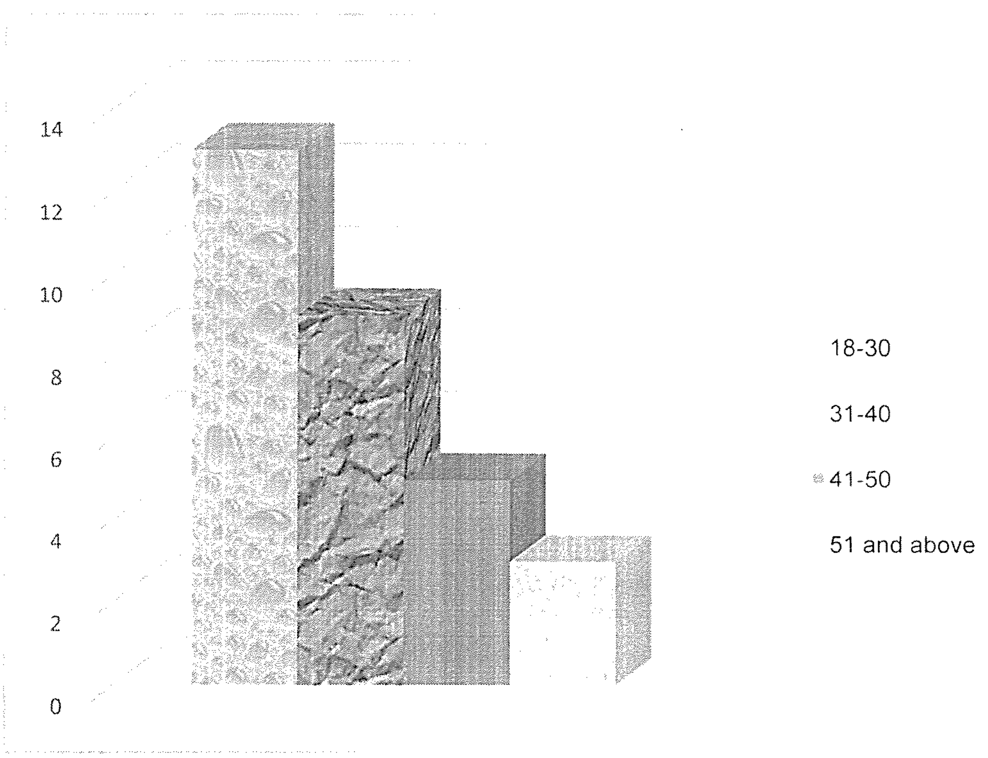
Table 4.2 showing the age groups of the respondents

Age groups (years)	Frequency	Percentage
18-30	13	43.7%
31-40	9	30%
41-50	5	16.7%
51 and above	3	10%
Total	30	100%

Source: Primary data, 2019

According to table 4.2, it showed that 13 of the respondents with 43.7% were in the age group of 18-30 years, which forms the highest percentage of the respondents. respondents 9 with 30% of the respondents were in the age group between 31- 40 years, 5 of the respondents who were41-50 of the respondents were in the age group between and had a percentage of 16.7%. 51 and above years had a percentage of 10%. This indicates that most of the employees in pride micro finance were in the age of 18-30 years of age, this is because this age group mostly involves energetic youth who can easily handle the activities within the organization, however, the respondents who had the least percentage were those of 51 and above with a percentage of 10% which implied that this age group consisted of the top managers.

Figure 4.2 showing the age groups of respondents



4.1.3 Marital status

The researcher required to know how many of the respondents were married, single, widow(er) or separated.

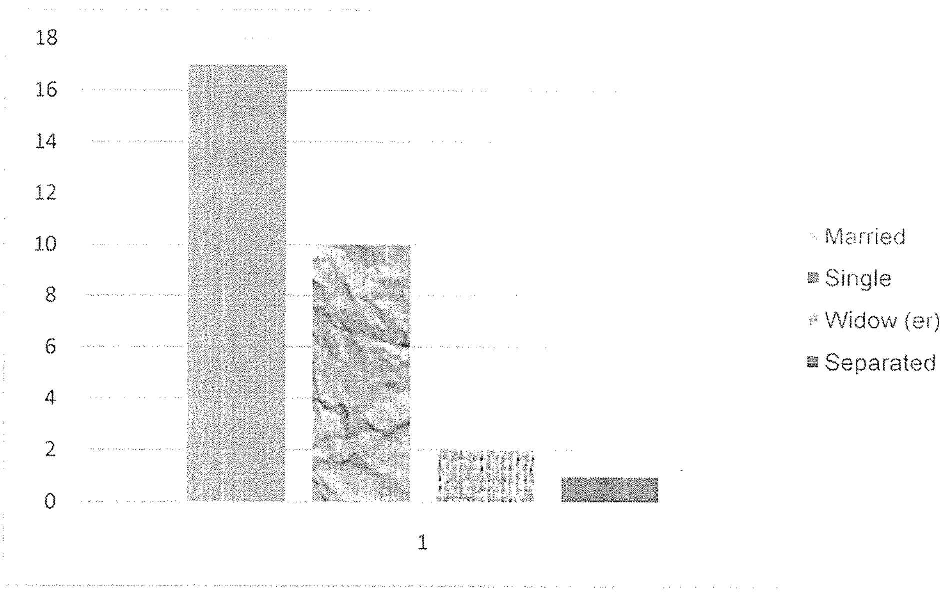
Table 4.3 showing marital status of the respondents

Marital status	Frequency	Percentage
Married	34	56.7%
Single	20	30.3
Widow (er)	4	6.7%
Separated	20	3.3%
Total	**60**	**100%**

Source: Primary data, 2019

From table 4.3, 34 of the respondents found a percentage of 56.7% were married. The singles were 20 and had a percentage of 30.3%, the widowed were 4 and had a percentage of 6.7%. The separated were 2 and a percentage of 3.3%. This implies that the factory employs mostly married people because it forms the highest percentage of people. This due to the fact that these people are usually not stressed and can easily work towards achieving the organizational goals and objectives of the firm.

Figure 4.3 showing marital status of the respondents



4.1.4 Educational level

This part shows the educational level of the respondents as per category provided in the questionnaire.

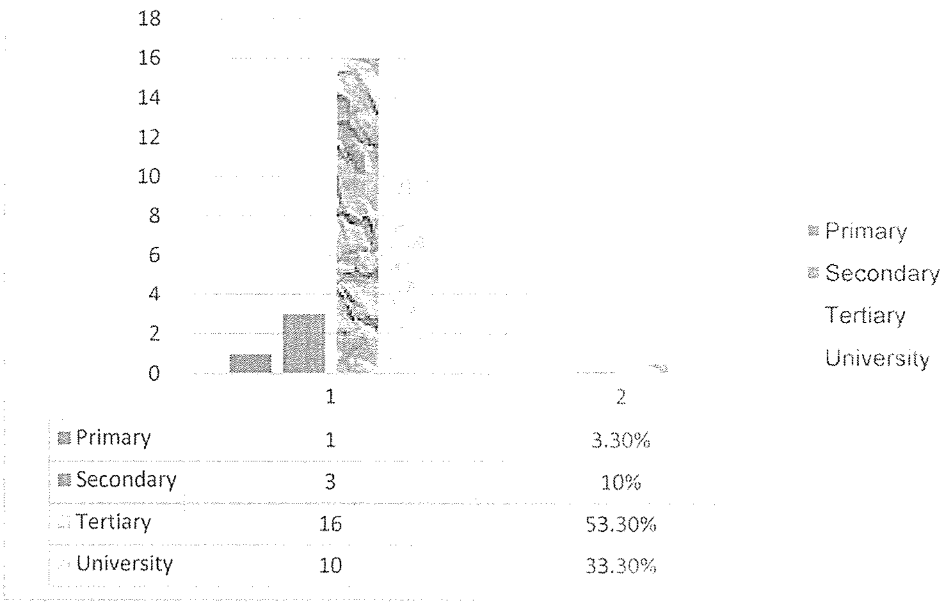
Table 4.4 showing education level of the respondents

Educational level	Frequency	Percentage
Primary	2	3.3%
Secondary	6	10%
Tertiary	32	53.3%
University	20	33.3%
Total	**60**	100%

Source: Primary data, 2019

Table 4.4 above, revealed that 32 respondents had reached tertiary level and formed a percentage of 53.3% followed by 20 respondents who had reached the level of university and formed a percentage of 33.3% and 6 respondents who had completed secondary level forming a percentage of 10% and 2 respondents who was at the primary level with a percentage of 3.3%. This implies that the company employs more graduates than the other levels of education.

Figure 4.4 showing education level of respondents



4.1.5 Length of the service in the services in the company

This indicates the length of services of the respondents who have worked in the company.

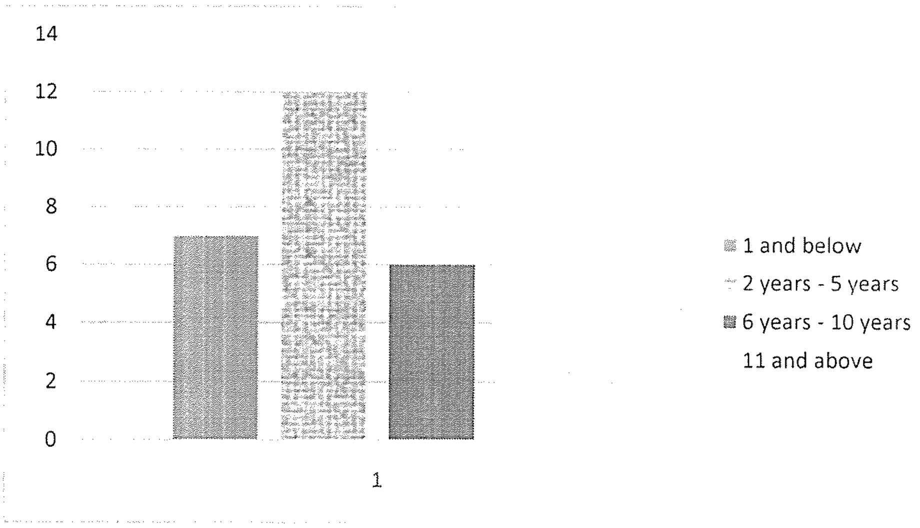
Table 4.5 showing length of services in the company

Years of service	Frequency	Percentage
1 year and below	14	23.3%
2 years–5 years	24	40%
6 years–10 years	12	20%
11 years and above	10	16.7%
Total	**60**	**100%**

Source: Primary data, 2019

From table 4.5, 24 respondents formed a percentage of 40% and had worked with the company for a period between 1 and 5 years, it was followed by those respondents who had worked with the company for less than a year who were 14 an d had a percentage of 23.3%. those who had worked with the company for a period between 6 and 10 years were 12 and formed a percentage of 20% and for those who had worked with the company for 11 years and above where 10 and formed a percentage of 16.7%. This implies that most of the employees had worked for the company for more than a year but less than 5 years which shows that most of the employees are experienced enough to enable the organization go through with its objectives.

Figure 4.5 showing length of service in the company



4.1.6 Department of operation

This section shows the different departments where the respondents belonged. These included Finance, Human Resource, Procurement, Marketing and operations departments.

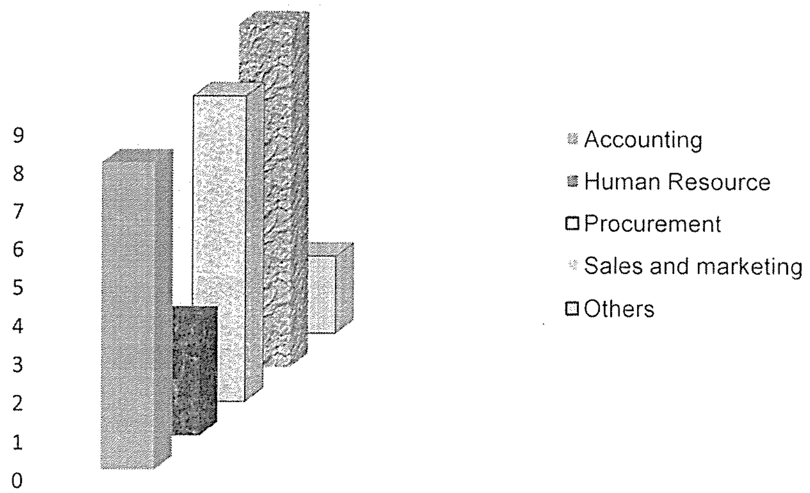
Table 4.6 showing department of respondents

Department	**Frequency**	**Percentage**
Finance Department	16	26.7%
Human Resource	6	10%
Procurement	16	26.7%
Marketing	18	30%
Operations	4	6.7%
Total	**60**	**100%**

Source: Primary data, 2019

From 4.6 table, 18 respondents from the Marketing formed a high percentage of 30% followed by Finance and Procurement with 16 respondents forming a percentage of 26.7% for operations department had 4 respondents getting a percentage of 6.7%. This implies that most respondents who had the highest percentage were in the Marketing department which is the major source of revenue of the microfinance institution.

Figure 4.6 showing departments of operation



4.2 The role budgeting in financial performance

I this section, the researcher intended to examine the role of budgeting on the financial performance of micro finance institutions.

4.2.1 Findings on whether the company practiced budgeting

The respondents were asked whether the company they work for practiced budgeting and below were their responses.

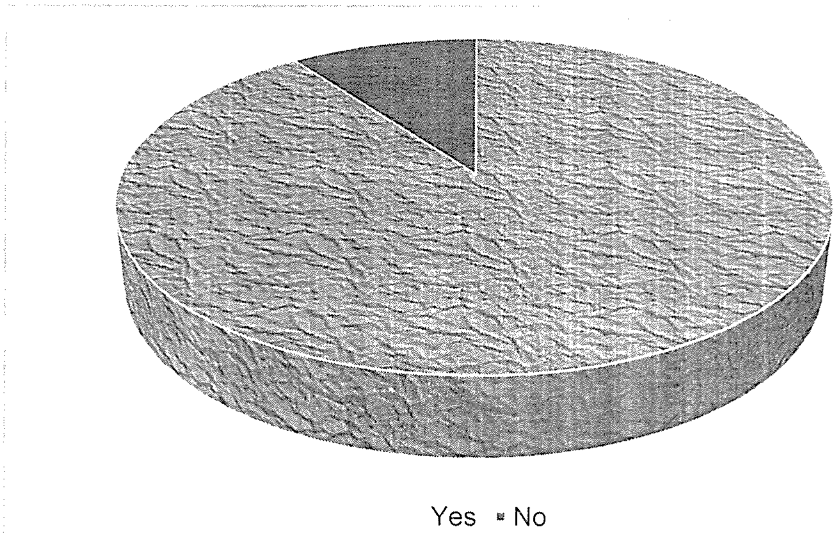
Table 4.7 showing that the company practiced budgeting

Respondents	**Frequency**	**Percentage**
Yes	54	90%
No	6	10%
Total	60	100%

Source: Primary data, 2019

From table 4.7, 54 respondents that formed a percentage of 90% knew that the company practiced budgeting while 6 respondents that had a percentage of 10% did not know whether the company practiced budgeting. This implies that the company practices budgeting evidenced by the highest percentage of respondents who said yes when asked to express their opinion on whether the company practices budgeting or not.

Figure 4.7 showing whether the company practiced budgeting



4.2.2 Findings on how the company practices budgeting

Findings of the study revealed that Pride microfinance practices budgeting in the following ways.

Profitability review.

Performance evaluations.

By recording all transaction books of accounts.

The company draws the annual budget it is from this where the company depends to run their activities.

Funding planning.

Planning for the available resources.

By prioritizing needs.

By allocating resources and giving priorities to items.

Improved budgeting.

They plan for income and expenditures.

Budgeting is practiced because all the company's resources need to be accounted and budgeted for, however some of the respondents revealed that the company did not practice budgeting. This is evidenced by the 10% when they expressed their opinion on whether the company practices budgeting. However, these respondents never had any views as to why the company never practiced budgeting.

4.2.3 Findings on whether the respondents understand the term budgeting

The respondents were asked whether they knew the meaning of budgeting and below were their responses.

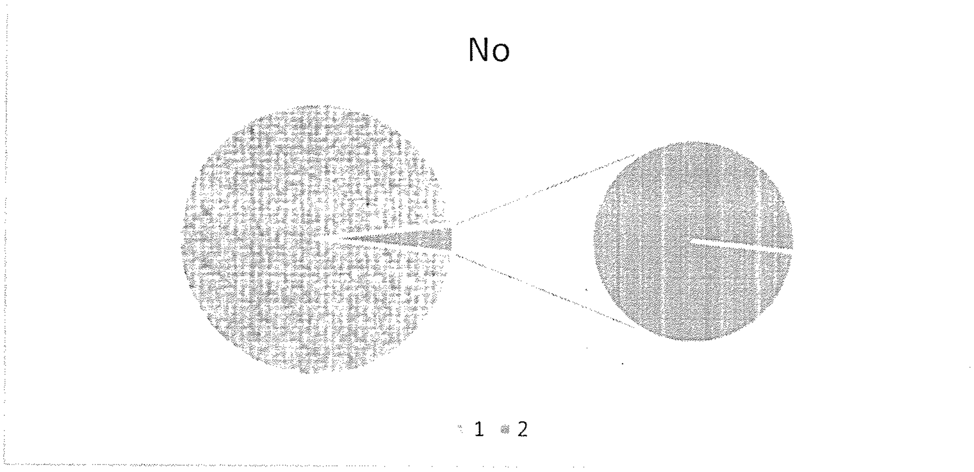
Table 4.8 showing respondents knowing the meaning of budgeting

Respondent	Frequency	Percentage
Yes	56	93.3%
No	4	6.7%
Total	**60**	**100%**

Source: Primary data, 2019

In table 4.8, it was found out that 56 respondents with 93.3% of the respondents knew the meaning of the term budgeting. The 4 respondents with 6.7% did not know the term budgeting. This was evidence that the respondents could give sufficient information for the subject matter under the study.

Figure 4.8 showing respondents knowing the meaning of budgeting



4.2.4 Findings on the meaning of the term budgeting

The respondents were asked whether they knew the meaning of budgeting and below were their responses, the following were their views on the meaning of budgeting as put in the questionnaire.

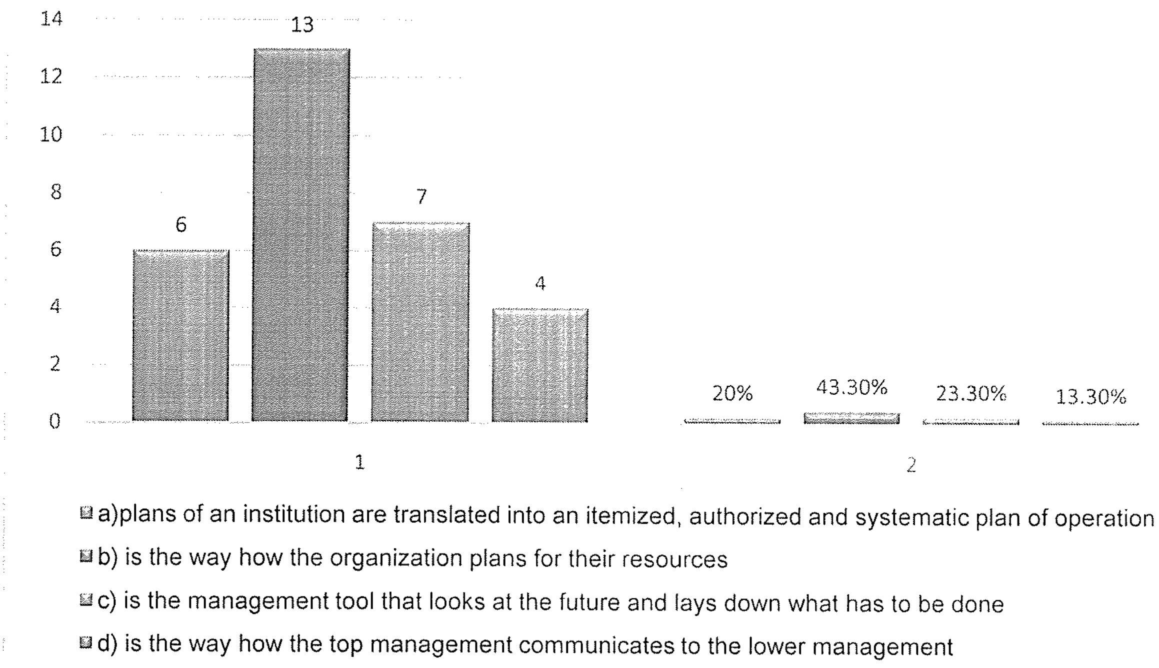
Table 4.9 showing the meaning of budgeting

Meaning of budgeting	Frequency	Percentage
a) plans of an institution are translated into an itemized, authorized and systematic plan of operation	12	20%
b) is the way how the organization plans for their resources	26	43.3%
c) is the management tool that looks at the future and lays down what has to be done	14	23.3%
d) is the way how the top management communicates to the lower management	8	13.3%
Total	**60**	**100%**

Source: Primary data, 2019

Table 4.9 shows that 26 respondents with 43.3% knew that budgeting is the way organizations plan for their resources, 14 respondents with 23.3% knew that budgeting is the management tool that looks at the future and lays down what has to be done, 12 respondents knew that budgeting are the plans of an institution are translated into an itemized, authorized and systematic plan operation and 8 respondents knew that budgeting is the way how the top management communicates to the lower management. This implies that the term budgeting is the way how organizations plan for their resources.

Figure 4.9 showing the meaning of budgeting



4.2.5 Findings on whether there is any role played by budgeting in the financial performance of microfinance institutions

The respondents were asked if they knew the roles played by budgeting in the financial performance of microfinance institutions. It showed that 56 of them knew about the roles played by budgeting in the financial performance of microfinance institutions while 4 people didn't know about them the table below show they responded.

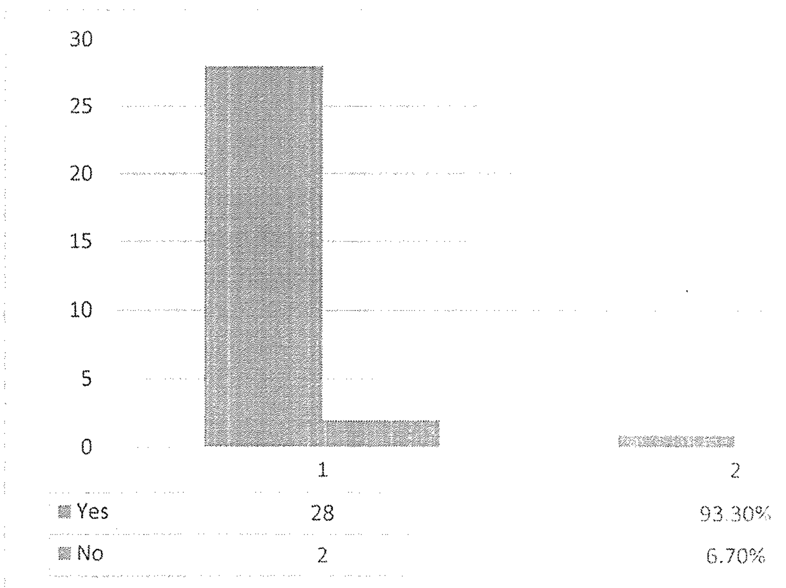
Table 4.10 portraying the role played by budgeting in the financial performance of microfinance institutions

Respondents	Frequency	Percentage
Yes	56	93.3%
No	4	6.7%
Total	60	100%

Source: Primary data, 2019

Table 4.10 shows that 56 respondents with 93.3% knew about the roles played by budgeting in the financial performance of microfinance institutions while 4 with 6.7% didn't know about the roles played by budgeting in the financial performance of microfinance institutions which implies that the highest percentage knew about the roles played by budgeting in the financial performance of microfinance institutions. This implies that 93.3% of the respondents were familiar with the role played by budgeting in the financial performance of microfinance institutions.

Figure 4.10 showing the role played by budgeting in the financial performance of microfinance institutions



4.2.6 The roles played by budgeting in the financial performance of microfinance institutions

The respondents were asked whether they knew the roles played by budgeting in the financial performance of microfinance institutions. The following were their responses as put the questionnaire, they are summarized in the table 4.11.

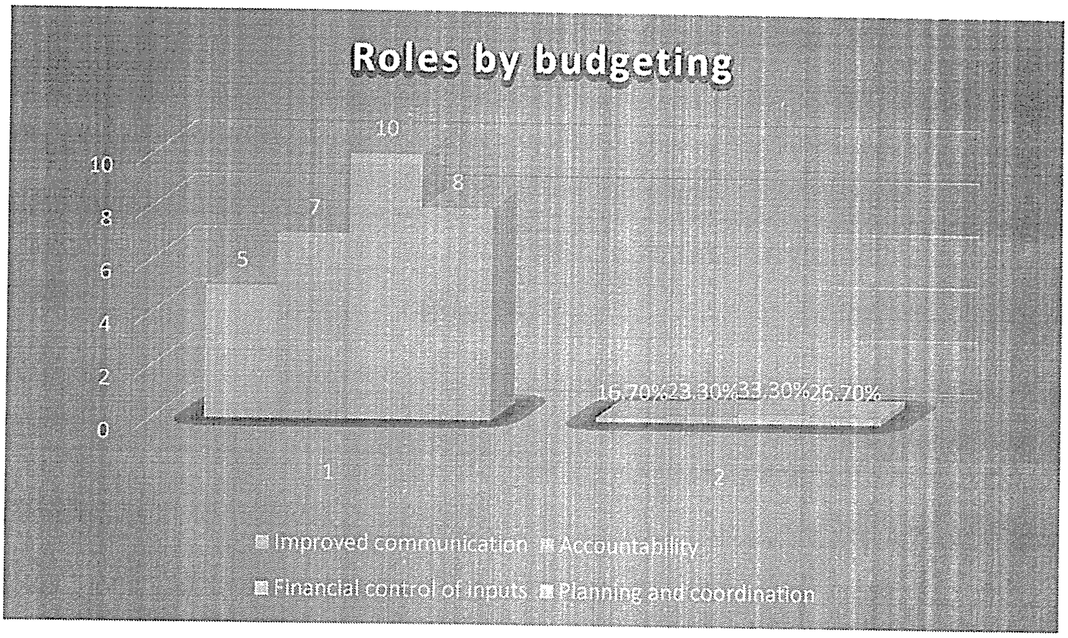
Table 4.11 showing the roles played by budgeting in the financial performance of microfinance institutions

Role of budgeting	Frequency	Percentage
Improved communication	10	16.7%
Accountability	14	23.3%
Financial control of inputs	20	33.3%
Planning and coordination	16	26.7%
Total	60	100%

Source: Primary data, 2019

According to table 4.11, 10 respondents with 16.7% said that budgeting improved communication, 14 with 23.3% said that it was for accountability, 20 with 33.3% said that budgeting helped I financial control of inputs, and 16 with 26.7% said that it was for planning and coordination. This implies that financial control of inputs is the main role played by budgeting in the financial performance of microfinance institutions.

Figure 4.11 showing the roles played by budgeting in the financial performance of microfinance institutions



4.2.7 Other roles played by budgeting towards financial performance of microfinance institutions

The respondents were required to give the researcher about the other roles played by budgeting in the financial performance of microfinance institutions apart from those that were stated in the questionnaire.

Their views were the following: -

Improved engineering department.

Increase profits.

Reduces wastage of resources.

Improved transportation.

It regulates on the expenditure of a firm that are outside the budget.

Generation of income.

Planning for future saving of income.

Helps to explain the details of the firm, for example wages, expenditure.

4.3 Budgeting as a measure of financial performance of microfinance institutions in Uganda

In this section, the researcher intended to find out whether budgeting is a measure of financial performance of microfinance institutions in Uganda.

4.3.1 Findings on whether budgeting is viewed as a measure of financial performance of microfinance institutions in Uganda

The respondents were asked whether they knew if budgeting was a measure financial performance of microfinance institutions in Uganda.

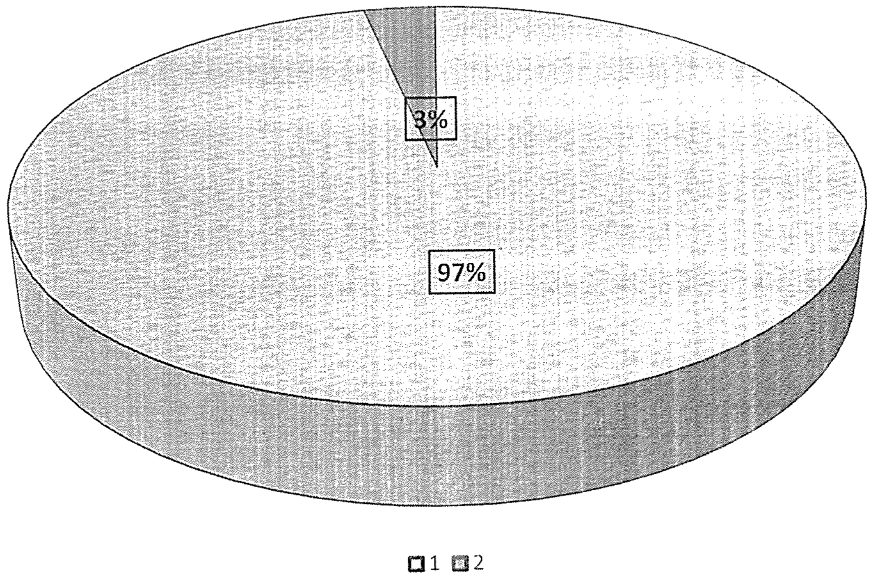
Table 4.12 showing budgeting being a measure of financial performance of microfinance institutions in Uganda

Respondents	Frequency	Percentage
Yes	52	86.7%
No	8	13.3%
Total	30	100%

Source: Researcher's own construction, 2019

From the table 4.12, 52 or the respondents with 86.7% said that budgeting was a measure of financial performance of microfinance institutions while 8 with 13.3% said they did not know whether budgeting was a measure of financial performance of microfinance institutions in Uganda. This implies that budgeting is a measure of financial performance of microfinance institutions in Uganda.

Figure 4.12 showing budgeting being viewed as a measure of financial performance of microfinance institutions in Uganda



4.3.2 Other measures financial performance of microfinance institutions

The respondents were asked of working capital, profitability, investor ratio repayment capacity which of the elements best describes the other measure of financial performance of microfinance institutions. The following were their responses as put in the questionnaire and they were summarized in table 4.13.

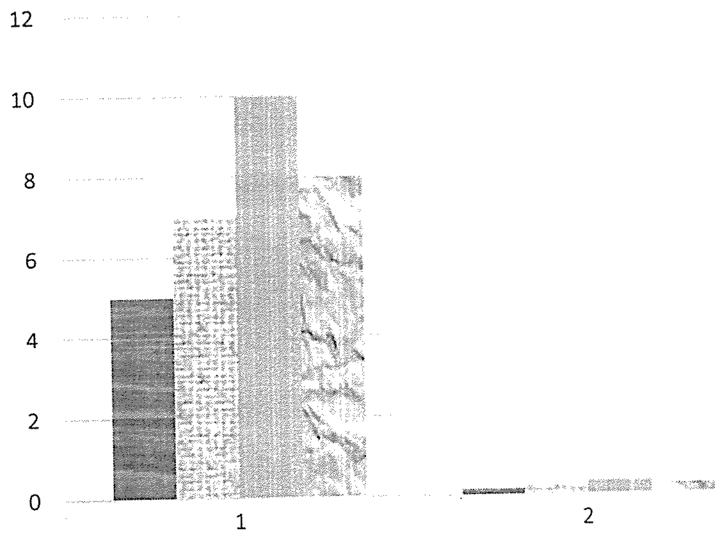
Table 4.13 showing other measures of financial performance of microfinance institutions

Measure of financial performance	Frequency	Percentage
Working capital	10	16%
Profitability	14	23.3%
Investor ratio	20	33.3%
Repayment capacity	16	26.7%
Total	**60**	**100%**

Source: Primary data, 2019

Table 4.13 indicates that 10 respondents with 16.7% knew that working capital is a measure of financial performance, while 14 knew that profitability is a measure of financial performance, 20 respondents with 33.3% also knew that investor ratio is a measure of financial performance and 16 of the respondents knew that repayment capacity is also a measure of financial performance. This implies that investor ratio is more of a measure of financial performance of microfinance institutions than the other factors.

Figure 4.13 showing other measures of financial performance of microfinance institutions



	1	2
Working capital	5	16%
Profitability	7	23.30%
Investor ratio	10	33.30%
Repayment capacity	8	26.70%

4.3.3 Other measures of financial performance of microfinance institutions in Uganda

The respondents were asked whether they knew other measures of financial performance of microfinance institutions in Uganda. The following were their views:-

The size of the market of the product for the firm in terms of consumers. This means that when the market is big for a certain product, it implies increased sales this means that it's a measure of financial performance of micro finance institutions in Uganda.

The demand of the product of a given firm in the market. This is where by when the product is highly demanded in the market, it means that high sales will be gained and hence a measure of financial performance of microfinance institutions in Uganda.

The profit of the firm released at the end of the year. Firms with high profit levels realized at the end of the financial year, also indicates financial performance of microfinance institutions in Uganda.

Other views included;

Total population.

Accountability of income.

4.4 Relationship between budgeting and financial performance of microfinance institutions

In this section, the researcher intended to find out whether there is a relationship between budgeting and financial performance of microfinance institutions. The following were their views.

4.4.1 Whether there is a relationship between budgeting and financial performance of microfinance institutions

The respondents were asked whether there is a relationship between budgeting and financial performance of microfinance institutions and the following were their views.

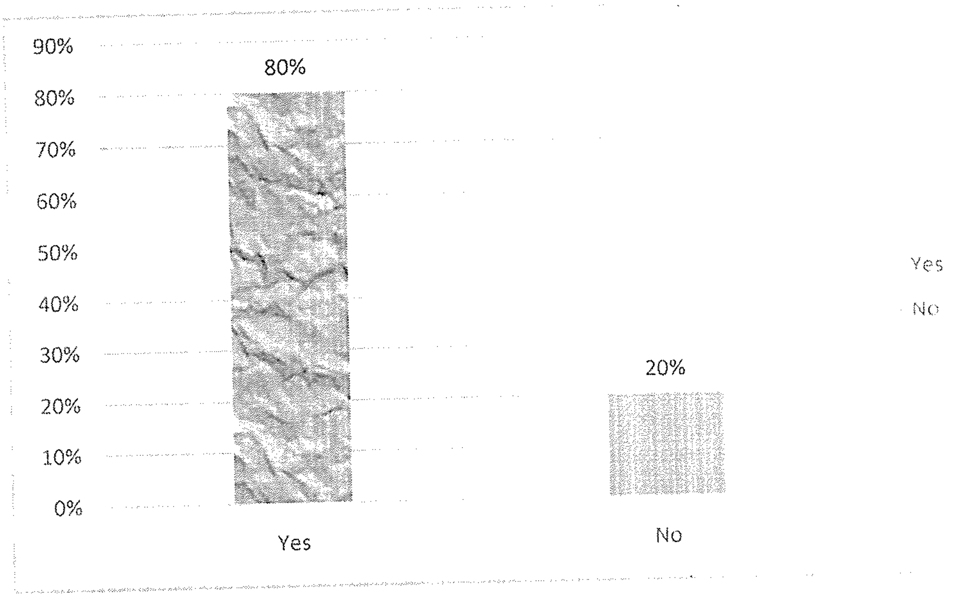
Table 4.14 showing relationship between budgeting and financial performance of microfinance institutions

Respondents	Frequency	Percentage
Yes	48	80%
No	12	20%
Total	**60**	**100%**

Source: Primary data, 2019

The findings of the study revealed that 48 respondents with 80% of the respondents knew that there is a relationship between budgeting and financial performance of microfinance institutions while 12 respondents with 20% said no. This indicates that there is a relationship between budgeting and financial performance of microfinance institutions.

Figure 4.14 showing relationship between budgeting and financial performance of microfinance institutions



4.5 Ways of improving financial performance in microfinance institutions

The respondents came up with the following ways of improving financial performance in microfinance institutions;

Ensuring accountability. Financial performance of microfinance institutions should be improved by ensuring accountability. For example, any payment made in terms of wages, salaries of the workers should be accounted for in order to improve the financial performance of microfinance institutions.

Improved communication and coordination between the top management and the lower management of an organization where by effective communication in an organization can reduce on the employee turnover, conflicts within the organization which later helps in improving the financial performance of microfinance institutions.

Financial control of inputs, this can be through proper usage of resources within an organization which reduces on defects that can be created on the inputs hence increasing the operating costs. This also improves the financial performance of microfinance institutions

Ensuring proper budgeting in organization, budgeting as the process whereby the plans of an organization translated into an itemized, authorized and systematic plan of operation, expressed in dollars for a given period of time.

Minimizing of production costs for example proper handling of equipment, ensuring quality supply of inputs, avoiding excessive use of resources which also improves the financial performance of microfinance institutions.

4.6 How budgeting influences the financial performance of microfinance institutions in Uganda

The respondents were asked if there are ways how budgeting influences the financial performance of microfinance institutions.

Through acting as a planning tool for an organization, which ensures that proper expenditure is made hence positively, influencing the financial performance of microfinance institutions in Uganda.

Through encouraging efficiency. This is because through budgeting there will be proper resource allocation, utilization, and hence influencing the financial performance of microfinance institutions in Uganda.

Through helping the organization to meet its goals and objectives in case when there is budgeting, there is proper flow of business activities.

Ensuring a high transparence level in the expenditure of budgeted cash at hand and cash at bank.

Conclusions on the role of budgeting in the financial performance of microfinance institutions in Uganda.

It was concluded that budgeting is a tool that is used for planning and coordination purposes, a measure of increased profitability of the company, is a policy for proper resource allocation and helps in proper management of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS TO THE FINDINGS

5.0 Introduction

In this chapter the researcher presents the summery, conclusion and recommendations for a study conducted with the role of budgetary control and financial performance institutions in Uganda using case study of Pride microfinance limited. The objectives of the study included the following;

i. To assess the role of budgetary control on the financial performance of microfinance institutions in Uganda.

ii. To find out whether budgetary control is a measure of financial performance of microfinance institutions in Uganda.

iii. To establish the relationship between budgetary control and financial performance of microfinance institutions in Uganda.

5.1 Summary of the major findings

5.1.1 The role of budgeting in the financial performance of microfinance institutions in Uganda

The findings showed that Pride microfinance limited practices budgetary control on whatever transaction they were making, it was therefore summarized that improved communication, budgeting, financial control of inputs, planning and coordination were the roles played by budgeting. Increased profits, reduces wastage of resources, and the other roles played by budgeting in microfinance institutions.

5.1.2 To find out whether budgeting is a measure of financial performance of microfinance institutions in Uganda

The study revealed that budgeting was a tool used to measure financial performance of microfinance institutions. The descriptive measures included: total liabilities. Owner's equity and total assets. It was therefore summarized that budgeting is a tool to measurer financial performance of microfinance institutions in Uganda. It was further revealed that working capital, Profitability, Investor ratio and Repayment capacity were the other measures of financial performance of microfinance institutions.

5.1.3 To establish the relationship between budgeting and financial performance of microfinance institutions

It was summarized that there is a relationship between budgeting and financial performance of microfinance institutions, this is because few respondents denied that this relationship never existed.

The findings revealed that ensuring proper accountability, improved communication and coordination in the organization, financial control of inputs, ensure proper budgeting in the organization, and therefore, it was summarized that there is a relationship between budgeting and financial performance of microfinance institutions.

5.2 Conclusion of the findings

5.2.1 The role of budgeting on the financial performance of microfinance institutions

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

5.2.2 To find out whether budgeting is a measure of financial performance of microfinance institutions in Uganda

The researcher concluded that budgeting was a measure of financial performance of microfinance institutions. The descriptive measures included total liabilities, owner's equity and total assets. It was therefore concluded that budgeting is a measure of financial performance of microfinance institutions in Uganda.

5.2.3 To establish the relationship between budgeting and financial performance of microfinance institutions

It was concluded that there is a relationship between budgetary control and financial performance of microfinance institutions, this is because few respondents denied the fact that the relationship was there. The findings revealed that ensuring proper budgeting, improved communication and coordination in the organization, financial control of inputs all connected to budgeting therefore the researcher concluded there is a relationship between budgeting and financial performance of microfinance institutions.

5.3 Recommendations of the findings

The researcher made the following recommendations

Embracing external completion in order to promote innovation by not protecting local microfinance institutions.

Societies support for microfinance institutions should be continued because support is critical in improving motivation for potential investors.

The government should give tax holidays to emerging microfinance institutions to encourage many people to open up their own microfinance institutions.

5.4 Areas of further study

The researcher proposes the following areas of further study

Budgeting and profitability of higher institutions of learning.

The role of financial regulation on the performance of the microfinance institutions in Uganda.

Inventory control and profitability of manufacturing firms.

5.5 Limitations to the Study

The researcher faced the following challenges:

Some respondents did return their questionnaires complete while others incomplete, and glaring nconsistence in the data filled in the questionnaire by the respondents. More follow-up were herefore done by the researcher, to stream line the inconsistencies.

The cost of this research was too high since it involves stationery, printing costs, photocopying, binding, transport, telephone charges, among other expenses. This was overcome by soliciting on-job assistance from parents, friends, relatives and well-wishers and some respondents were required to go and read the questionnaires at their leisure time so that they do not affect the schedule for the completion of the report.

It was not easy to access data especially from textbooks and magazines which explicitly talked about the variables under study. This problem was solved by visiting a number of libraries and internet.

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APPENDICES

APPENDIX 1: RESPONDENTS' QUESTIONNAIRE

I am NAKAJJA CLARE, a student of Kampala International University offering Bachelor's Degree in Business Administration as part of the requirements for the award of Bachelor's Degree in Business Administration of Kampala International University. I am carrying out a study on the **"Budgetary control and financial performance of microfinance institutions in Uganda: a case study of Pride Microfinance Limited, Bushenyi District"**, I therefore humbly request you to be part of my study by answering a set of questions in this questionnaire as freely as possible. The information you give only be used for academic purpose and will be kept confidential.

SECTION A: DEMOGRAPHIC INFORMATION

Answering mode; Tick the appropriate answers or write in the space provided.

1. Gender
   a. Male ☐
   b. Female ☐
2. Age of the respondent
   a. 20-30 years ☐
   b. 31-40 years ☐
   c. 41-55 years ☐
   d. 55 and above ☐
3. Marital status
   a. Married ☐
   b. Single ☐
   c. Widow(er) ☐
   d. Separated ☐

4. Educated Level

   a. Primary ☐

   b. Secondary ☐

   c. Tertiary ☐

   d. University ☐

   e. Others (specify)...

5. Length of services in the company (years)

   a. Less than a Year ☐

   b. 1-5 years ☐

   c, 6-10 years ☐

   d. 11 and above ☐

6. Department of service

   a. Human Resource Department ☐

   b. Finance Department ☐

   c. Procurement Department ☐

   d. Operations Department ☐

   e. Marketing Department ☐

SECTION B: COLLECTING DATA ON INDEPENDENT VARIABLES

SECTION B1: The role of budgetary control on financial performance.

8. Is there any role played budgetary control towards financial performance of microfinance institutions in Uganda?

   a. Yes ☐

   b. No ☐

9. a) If yes, explain the role

……

……

b) If no, explain why

……

……

10. Do you understand the term budgeting?

a. Yes ☐

b. No ☐

11. If yes, which one of the following reflects the meaning of budgeting?

a. Budgeting is the process whereby the plans of an institution are translated into an itemized, authorized and systematic plan of operation.

b. Budgeting is the management tool that looks at the future and lays down what has to be done.

c. Budgeting is the way how organizations plan for their resources.

d. Budgeting is the way how the top management communicates to the lower management.

12. Is there any role played by budgetary control on the financial performance of microfinance institutions?

a. Yes ☐

b. No ☐

13. If yes, which one of the following best reflects the role played by budgeting in the financial performance of microfinance institutions?

a. Improved communication ☐
b. Accountability ☐
c. Financial control of inputs ☐
d. Planning and coordination ☐

14. Which other roles do you think budgeting plays in the performance of microfinance institutions?

....

....

SECTION B2: Budgeting as a measure of financial performance of microfinance institutions in Uganda.

15. Is budgeting a measure of financial performance of microfinance institutions in Uganda?

a. Yes ☐

b. No ☐

16. How does budgeting influence the financial performance of microfinance institutions?

....

....

17. Is there a relationship between budgetary control and financial performance of microfinance institutions?

a. Yes ☐

b. No ☐

18. Explain how budgeting influences financial performance of microfinance institutions.

....

....

19. Briefly, explain the relationship between budgetary control and microfinance institutions in Uganda.

....

....

THANKS FOR YOUR COOPERATION

APPENDIX II

Budget for Proposal and Report writing

ITEM	**QUANTITY**	**RATE**	**TOTAL COST**
Ream of paper	3	14,000/=	42,000/=
Pens	10	700/=	7,000/=
Proposal Typing and Printing	3 copies	20,000/=	60,000/=
Transport	-	-	120,000/=
Research Assistants	2	50,000/=	100,000/=
Dissertation typing, printing and binding	4	40,000/=	160,000/=
TOTAL			**489,000/=**

APPENDIX III

TIME FRAME

May 2019- July, 2019 **Time Frame**

Activity	**May**	**June**	**July**	**August**
Preparation • Identifying the topic • Choosing a case study •				
• Visiting the case study • Literature Reviewing • Designing the study methodology • Designing the questionnaires and interviews				
• Proposal writing • Printing • Printing 1st draft • Submitting Report proposal				

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E-mail:josephk@gmail.com,

COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE

17th/07/2019

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR NAKAJJA CLARE 1163-05014-05965

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration Accounting and Finance, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

TOPIC: - BUDGETARY CONTROL AND FINANCIAL PERFORMANCE OF MICROFINANCE INSTITUTIONS IN UGANDA

CASE STUDY: - PRIDE MICROFINANCE LIMITED, BUSHENYI DISTRICT

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

DR. JOSEPH B.K. KIRABO
HOD – ACCOUNTING AND FINANCE
0772323344

PRIDE MICROFINANCE

PRIDE MICROFINANCE LIMITED

High Street, Bushenyi
P.O. Box 7566 Kampala
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Email: pml@pridemicrofinance.co.ug
Website: www.pridemicrofinance.co.ug

TO WHOM IT MAY CONCERN

25th July, 2019

Dear Sir/Madam

RE : ACCEPTANCE LETTER FOR NAKAJJA CLARE REG. NO. 1163-05014-05965 TO CONDUCT HER FIELD RESEARCH WITH US.

This is to inform you that Nakajja Clare with Registration Number **1163-05014-05965** has been given the opportunity to conduct her field study in Pride Microfinance Limited, Bushenyi Branch under the topic: **"Budgetary Control and Financial Performance of Microfinance Institutions in Uganda, A Case Study of Pride Microfinance Limited, Bushenyi Branch"**. She is expected to conduct her research while collecting data in line with her set questionnaires.

As she joins Pride Microfinance Limited, Clare will be attached to the Branch Offices where she will effectively get integrated into the department.

However while at the Branch Offices, she will be required to meet her personal expenses.

Yours faithfully

PRIDE MICROFINANCE LTD.
25 JUL 2019
BUSHENYI BRANCH

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Branch Manager, Bushenyi