

**THE EFFECT OF BUDGETING ON THE FINANCIAL PERFORMANCE OF
GOVERNMENT ORGANISATIONS : A CASE STUDY OF KALIRO DISTRICT
LOCAL GOVERNMENT**

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DECLARATION

As per the university core values of integrity and diligence, I have not received any unauthorized assistance while working on this paper. I declare that the work is entirely mine to the best of my knowledge; It contains no traces of plagiarism and unethical practices. The only work used that has already been published by other persons has been purely for reference purposes.

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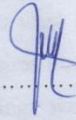
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Date.....17th / 09 / 2024.....

APPROVAL

This research report has been under my supervision and is now ready for submission with my approval.

Signature.....



Dr. Mugisha Henry

Date.....

4/9/2024

4.3 Questionnaire Return Rate

The study administered 40 questionnaires out of which only 30 were fully filled and returned whereas 4 were not returned by the respondents. Interview with 6 was conducted. The response rate was 75% which according to Nkomo (2014) any response rate 70% and above is satisfactory for analysis thus 30 questionnaires were analyzed. The response rate is shown in Table 4.1

Table 4.1: Questionnaire return rate

Response	Frequency	Percentage
Filled and returned	30	75%
Not filled	4	(25%)

4.3 Findings on demographic characteristics of respondents

This section presents the general background information about the respondents in relation to their gender, age, highest level of education, and working experience as shown in the table below:

DEDICATION

I dedicate this research to my family who advised, supported and mentored me throughout my education up to university level. Above all, I thank God for guidance, protection and provision towards completion of this dissertation.

ACKNOWLEDGEMENT

I am greatly indebted to Dr. Mugisha Henry who was my supervisor for his effective supervision, dedication, availability and professional advice.

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Lastly, I thank God who has given me good health and strength to carry out the research right away from the beginning to the end and successfully.

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ABSTRACT

The study examined how budgeting affects the financial performance of government organizations, focusing on the Kaliro District Local Government. Its objectives included assessing the budgeting process, analysing the impact of budget monitoring, determining the influence of budget forecasts, and investigating the role of budgetary participation in financial performance.

Employing a descriptive cross-sectional design, the research integrated both qualitative and quantitative methods to collect data from 34 respondents, achieving a response rate of 89.6%. Data was gathered through questionnaires and interviews with employees and managers.

The analysis utilized the Statistical Package for Social Sciences (SPSS) for quantitative data and content and thematic analysis for qualitative data. The findings revealed a significant connection between accounting information and decision-making, as well as a strong link between the completeness of information and effective decision-making.

These outcomes highlight the importance of structured budgeting and participatory approaches in improving financial performance within government organizations.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Organizations today face rapid changes in their environments, including shifts in production methods, technology, and management practices, all of which affect organizational performance. This report examines the role of budgeting in enhancing organizational performance, emphasizing its importance in achieving strategic goals (Drake & Fabozzi, 2010; Suberu, 2010). Budgeting entails setting goals in advance, monitoring actual performance, and assessing the outcomes against the established targets (Drake & Fabozzi, 2010).

1.1 Background of the study

The concept of budgeting has been around for centuries, with evidence from biblical times showing its use. For instance, during Joseph's time in Egypt, nothing was distributed without written authorization, and his management of grain supplies ensured Egypt's survival through seven years of famine (Genesis 41:34-36). In industrial organizations, the formal adoption of budgeting began in the 1920s as a means of controlling costs and managing cash flows (Bremser, 1988). John (1996) notes that by the 1960s, budgeting practices shifted to emphasize financial targets, sometimes at the expense of innovation and customer satisfaction.

During the 1980s and 1990s, rigid adherence to budgets limited flexibility and led to performance challenges in some organizations (Lucey, 1993). However, budgeting remains a key management accounting tool, enabling efficient resource allocation and informed decision-making (Suberu, 2010). It also serves as a performance measurement tool by setting clear objectives (Drake & Fabozzi, 2010).

Organizational performance is the collective result of efforts from all levels of staff, with a well-crafted work plan helping management control activities. This is reflected in a well-prepared budget (Salbiah & Rizky, 2012). The Kaliro District Local Government (KDLG) has faced challenges with effective budgeting, as monthly forecasts often do not align with actual

outcomes. Aliu and Abdukadir (2009) suggest that government institutions like KDLG should adhere to financial regulations to ensure accountability and efficient resource allocation.

In the public sector, budgeting plays a vital role in promoting good governance and delivering essential services (Maritim, 2013). A well-designed and effectively implemented budget can improve the socio-economic conditions of citizens and support development projects (Adongo, 2013). Conversely, poor budgeting can lead to performance variances, indicating a lack of control within an organization (Bremser, 1988).

Budgeting also helps communicate management's expectations to employees, ensuring that resources are allocated effectively to meet organizational objectives. The extent to which actual results align with the budget reflects the level of control and insight that management has over operations (Lucey, 1993).

In this context, the advantages of budgeting and its potential negative impacts on managers' attitudes and behaviors concerning performance continue to be topics of research within strategic management control systems. Currently, almost all large companies regularly update their forecasts, allowing them to compare actual income and expenses with the budget and projections as the months progress.

1.2 Problem statement

Organizational performance often depends on effective budgeting. However, some organizations have started to move away from traditional budgeting practices. Libby and Lindsay (2010) acknowledge the shortcomings of budgeting but highlight its continued importance in most organizations. The trend of organizations operating without a structured budgeting system is worrying. Budgetary control is essential for preventing financial mismanagement, which can negatively impact performance (Suberu, 2010). Therefore, this study aims to assess the impact of budgeting on the financial performance of KDLG.

1.3 Purpose of the study

The aim of the study is to determine how effective budgeting is on the performance of Kaliro District Local Government, particularly in managing revenue and operating costs. This effectiveness is assessed through activity planning, inter-departmental coordination and communication, resource allocation, motivation toward objectives, evaluation of results, and performance assessments of departments or managers.

1.4 Research objectives

1.4.1 Main objective

The general objective of the study will be to investigate the effect of budgeting on the performance of an organization.

1.4.2 Specific objectives

- (i) To investigate the budgeting process on the performance of KDLG.
- (ii) To analyze the effect of budget monitoring on the performance of KDLG.
- (iii) To establish the effect of budget forecast on the financial performance of KDLG.
- (iv) To examine the effect of budgetary participation on the performance of an organization.

1.5 Research questions

- (i) What is the effect of budget process on the financial performance of KDLG?
- (ii) What is the effect of budget monitoring on the financial performance of KDLG?
- (iii) What is the effect of budget forecast on the financial performance of KDLG?
- (iv) What is the effect of budgetary participation on the performance of KDLG?

1.6 Scope of the study

This looked in three dimensions.

1.6.1 Content scope

The content of study focused on the three objectives of the study which includes investigating the budget process on the performance of KDLG, the effect of budget monitoring on the financial performance of KDLG , the effect budget forecasting on the financial performance of KDLG.

1.6.2 Study scope

This study was focused on performance as the dependent variable and budgeting as the independent variable. The researcher aimed to explore the strategies employed in budgeting and how these strategies impact the organization's performance.

1.6.3 Geographical scope

The study was carried out in Kaliro, at Kaliro District Local Government along Bwa

1.6.4 Time scope

The study was based on budgeting and budgetary control reports with the organization from 2020 -2023. This was because through looking at performance statements and audit reports produced by organizations in the previous years, secondary data will easily obtained.

1.7 Significance of the study

The study aimed to determine the relationship between budgeting and organizational performance to help managers enhance their operational efficiency. Additionally, it sought to contribute to the existing literature on budgeting and organizational performance, providing valuable insights for future researchers and serving as a reference for further study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Budget monitoring, and budget forecasting on the financial performance of organizations.

This chapter reviews scholarly insights on the effects of the budgeting process, the effect of budgetary control, the effect of budget monitoring on the financial performance of an organization.

2.1 Over view

A budget is described as a comprehensive and coordinated financial plan for an organization's operations and resources over a specified future period. It acts as a formal statement outlining the financial resources designated for specific activities, thereby aiding in the coordination of organizational tasks. Omolehinwa (1989) defines a budget as a monetary plan created by key individuals within an organization, which is influenced by constraints from participants and the environment, outlining how available resources can be utilized to achieve the organization's priorities.

Lucy (2003) states that a budget is a quantitative representation of an action plan prepared for the entire business, specific departments, or functions such as sales and production, as well as financial resources like cash, capital expenditures, and manpower. Kamukama (1992) adds that a budget is a plan of action expressed in quantitative terms, prepared and approved before a defined period to meet specific organizational objectives.

2.2 Budgeting

The Tennessee Board of Regents (2006) defines budgeting as the process whereby the plans of an institution are translated into an itemized, authorized and systematic plan of operation, expressed in dollars for a given period. Budgeting at both management level and operation level looks at the future and lays down what has to be achieved. Control checks whether the plans are being realized and out into effect corrective measures, where deviation or short fall is occurring (Egan, 1997).

2.3 Budgeting control

Budgetary control refers to the practice of managing financial activities by preparing revenue and expenditure budgets in advance of an accounting period. This process involves continuously comparing actual outcomes with the budget to ensure that targets are met or to provide a basis for revising strategies (Collis & Hussey, 2007). The Chartered Institute of Management Accountants (CIMA) defines budgetary control as the process of establishing budgets, assigning responsibilities, and comparing actual results with budgeted expectations to guide or revise organizational policies.

2.3 Variances

A variance refers to the difference between planned or forecasted costs/revenues and actual outcomes. Collis & Hussey (2007) explain that unfavorable variances, also known as adverse variances, occur when actual figures are worse than expected.

2.4 Performance measurement Performance measurement involves setting benchmarks to assess the progress of programs, investments, and acquisitions towards achieving organizational goals. This assessment often relies on statistical data to measure success (Collis & Hussey, 2007).

2.5 Business

Jewel (1995) defines a business as any entity involved in commercial, industrial, or professional activities, typically aiming to generate profit by providing goods or services. It may refer to an organization engaged in trade or production for profit.

2.6 Types of Budgets

Budgets are generally classified into operating and cash budgets. Operating budgets cover various departments or functions such as sales, production, material purchases, and labor. Cash budgets, on the other hand, project future cash inflows and outflows, showing anticipated cash balances at specific intervals (Jewel, 1995). Additionally, expenditure budgets, often long-term and strategic, cover major investments in non-current assets and large-scale projects.

2.7 The effect of budget process on the financial performance of an organization

Batra and Mahmood (2003) emphasize that effective budgeting helps organizations stay aligned with their financial objectives. Pefa (2005) found that improved budgeting practices in Sierra Leone have enhanced internal communication, enabling employees to understand their performance targets and promoting departmental coordination. Pilkington and Crowther (2007) argue that budgeting effectiveness is shaped by the external environment, with stable conditions fostering more accurate and useful budgeting practices. A World Bank (2002) study highlights the importance of strategic planning and budgeting in helping organizations define long-term goals and operational plans.

Kanyeezi (2000) notes that in Uganda, budgeting helps management coordinate operations, identify biases, and address weaknesses. However, Kanyeezi also emphasizes the need for all levels of management to be cost-conscious and cooperative to align short-term actions with long-term goals. Kyogabiirwe (2002) underscores that budgeting plays a significant role in strategy

development and implementation, serving as a tool for management to communicate objectives and evaluate performance.

McBain (1999) argues that budgeting alone cannot improve performance without considering the human resources element. Adedeji (2004) highlights that budgeting promotes communication and integration within organizations by establishing clear financial targets. Similarly, Webster (2001) and Srinivasan (1987) stress that budgeting is a key tool for performance evaluation and feedback, which ultimately improves performance. Anderson (1993) and Weisenfield & Tyson (1990) also support the view that budgeting, along with variance analysis, is effective for measuring and enhancing organizational performance.

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

On the other hand Kanyezi(2000) also argued that all levels of management must be cost conscious, and possess cooperative attitudes toward budgetary control. Budgeting helps bring and keep short range steps in line with all long range goals. Therefore, long range planning (strategic planning) is often affected either directly by budgetary information or indirectly by the thinking developed from dealing with budgets. Still that budgeting, clarify the relationships between current and future policies. The short range policies adopted by management must be modified whenever the assumptions may change, supply or demand may fluctuate, competitors may leave the market, consumer taste may change, or technological innovation may occur. For instance, increased competition may enforce a firm to lower its prices and increase its sales volume in an effort to train the level of revenue specified in a budget. Budgets assist managers adjust their operations to

unexpected changes by providing a framework or measure against which to evaluate the consequences of the change (Baskheka, 2007).

In addition, study done by Kyogabiirwe (2002) in Uganda established the following as reasons for budgeting; Management Communications Strategies and Employee Relations: Budgets affect directly or indirectly the formulation of overall enterprise strategies and policies and then assist to implement them. Effective strategies and policies (classified by their sources as; originated, appealed, implied, and extremely imposed) represent a powerful tool of management. To make strategies and policies effective, certain guidelines can be used presented briefly as; Strategies and policies should contribute to objectives and plans, Strategies and policies should be consistent, Strategies and policies should be flexible, policies should be distinguished from rules and procedure, policies should be in writing, policies should be taught, Strategies and policies should be controlled.

That profit budget is used by top management in two ways: First, budget reports, comparing actual results with budget, together with analyze of variances, an explanation of the causes of variances, an explanation of any corrective actions being taken, and a current annual forecast are used to keep management informed on what is happening in the divisions. It acts as an early warning so that management can take appropriate action when necessary. Second, the budget system is used to assist top management appraise the performance of the individual manager.

Planning is the first and most basic of management functions and other managerial functions (organizing, staffing, directing, and controlling) reflect and depend upon planning (Kyogabiirwe, 2002). He added that, planning involves selecting company objectives and departmental goals and determining ways of reaching them. Moreover, decision making is at the core of planning, so effective strategies and policies should contribute to objectives and plans. The more strategies and policies are clearly understood, the more consistent and effective will be the frame work of company plans. Thus planning is deciding in advance what, how, when, and who is to do it. Planning bridges the gap from where we want to go, and without planning events are left to chance.

Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, facts and considered estimates (Pefa, 2005) asserts that, budgets formulate

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

According to McBain,(1999), budgeting is not a substitute for effective decisions making. Most budgets provide only for finances and specify where and how it should be spent, they do not provide for people (McBain,1999). People think, perform, have competence, need finances to be sure, however without the people, finance alone is insufficient in arriving at an improved performance of any organization, in essence managers should also look into human resource budgeting and see how improvement in this results in better performance.

In addition to being the managers planning tool, budgeting is also one of the most effective tools of communication and integration. It shows how each part of the organization relates to the end and needs of the whole. Budgeting therefore requires that the manager in charge of the whole and each person in charge of parts discuss the budget jointly in order to arrive at better result (Adedeji,A.O.2004). Budgeting sets clear financial goals for the organization. Webster (2001) indicates that budgeting provides a basis for judging performance of the organization(Webster,2001). Feedback is an important role of budgeting for attaining the expected quality and standards in planning, control and leadership and staffing.

According to Cook (1968), feedback is generally positively associated with budget performance feedback focuses on the extent to which employees have expected levels of work during a specified time period. Budgets being a standard for performance are also used to evaluate managerial performance (Srinivasan,1987). Similarly, Douglas (1994) used case study approach and found that budgeting places a high importance on the budget to actual comparison for performance evaluation purposes both at the corporate and the subsidiary levels.

Anderson (1993) also supported this view , stating that in most US companies the development of budget is still used as the main performance measurement system. Weisen field and Tyson

(1990), in a sample of 68 US managers from two companies, found that budgeting and variance analysis can be positive tools, if the accounting information/ communication process is functioning appropriately. A total of 90 percent of the respondents indicated that variances were a good way to measure their performance. All of them agreed that variance reports positively influenced them to improve performance and increase their bonuses.

CHAPTER THREE

RESEARCH METHODOLOGY

2.1 Introduction

This chapter offers a context for the data collection, outlining various methodological aspects of the study. it sets the stage for understanding the findings by describing the survey population, research design, data collection techniques, analysis process, and limitations encountered.

2.2 research design

The research study employed a case study approach within a specific time series of a cross-sectional research framework. Both qualitative and quantitative research methods were utilized. The qualitative approach was applied to gather information from account records, while the quantitative method was employed to collect data from the management and employees of the Kaliro District Local Government, facilitating an analysis of the effects. This approach also allowed the researcher to assess the respondents' attitudes towards budgeting. Data was examined from the latter half of 2018, and a stratified sampling technique was used, focusing particularly on staff within KDLG.

2.3 Study Population

The study population consisted of 40 employees organized into the accounting, loan, and procurement departments, along with other support sections involved in budgeting. By selecting various categories of staff, the researcher was able to observe how different departments

approached the budgeting process and gather diverse perspectives on the significance of budgeting for organizational performance.

2.4 Sample Size and Sample Techniques

2.4.1 Sample size

The researcher relied on a sample population of 40 respondents out of a population of 34 people estimated under this study. The study used Kish and Lesheie formula to determine the required sample, where a population of 40 respondents were relied on using a sample size of 34 respondents to be considered during data collection process and triangulation. This was determined using a formulation as below;

The sample size as bellows

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

Where

n - Sample population

E - Error or confidence level

N -Total population

Therefore, given the study population (40) or error (e) is 0.05, and then the sample size was;

$$n = \frac{40}{1 + 40(0.05)^2}$$

$$n = \frac{40}{1 + 40(0.0025)}$$

$$n = \frac{40}{1 + 0.3}$$

$$n = 34$$

2.4.2 Simple Random Sampling

In the study, a random sampling technique was employed to collect data from the staff members of KDLG. According to Creswell (2005), random sampling involves selecting a subset of individuals randomly from a larger population. This method was used to ensure that respondents could provide answers to the questionnaires. Kothari (2004) notes that this sampling technique is advantageous because it ensures adequate representation of relevant subgroups within the population.

2.4.3 Purposive sampling

Kothari (2004) states that purposive sampling is useful for identifying key individuals in various leadership roles related to the topic being studied, thereby enhancing the relevance of the findings. The researcher utilized this technique to engage with different budgeting committees, as they possess in-depth knowledge of the budgeting process and its impact on the financial performance of an organization like KLGD.

2.5 Data Sources

The study used both primary and secondary data.

2.5.1 Primary Data

Data was collected using both the primary and secondary sources of data through the use of personal interviews, direct observation, and self-administered questionnaires with respondents. Secondary sources of data were got from the business records that includes among others, cash books, ledgers and financial statements.

2.5.2 Secondary Data

Secondary data sources are primarily utilized to enhance primary data, providing the researcher with additional insights into the topic. This information was obtained by reviewing existing literature on budgeting systems, including textbooks, magazines, management reports, operational guidelines, and other relevant research studies.

2.6 Data instruments

Creswell (2005) asserts that no single technique or instrument is sufficient on its own for collecting valid and reliable data. Consequently, two primary tools were employed to gather comprehensive and dependable information for this study: interviews and both structured and semi-structured questionnaires. This research utilized these data collection methods, including interviews and questionnaires.

3.6.1 Questionnaire

The researcher employed a combination of closed-ended and a limited number of open-ended questionnaires. These questionnaires were directly distributed to employees and managers. Respondents were given one week to complete the questionnaires, after which the researcher personally collected them for data analysis. This self-administered approach facilitated further probing and clarification of any unclear points.

3.6.2 Interview guide

The researcher used an interview guide to carry out different interview with the different stakeholder particularly the top management these were in position to provide relevant information on the topic of study since these were in position to provide on the topic of study since these were in position to provide in depth views.

2.7 Data quality control

2.7.1 Reliability

To enhance the reliability of the data, the questionnaire underwent pre-testing, allowing for necessary modifications prior to administration. This process ensured consistency and relevance throughout the survey by preventing changes to the questionnaire during data collection. A

triangulation approach was utilized, incorporating questionnaires, interviews, and literature into the study. The researcher collaborated with the supervisor to review the questionnaire, making adjustments as needed before finalizing the draft. Additionally, a data entry format was created and refined in Excel to reduce entry errors before analysis.

3.7.2 Data Validity

Validity of a questionnaire refers to the extent to which it measures what it claims to measure (Mugenda and Mugenda, 2003). Best and Khan (2006) define validity as the quality of a data gathering instrument or procedure that enables it to measure what is supposed to measure. In justifying the validity of this study, number of steps was taken. In testing validity, the researcher prepared questionnaires the supervisor then scrutinized and find it valid for data collection.

Cronbach Alpha was evaluated for every variable which forms the scale, the overall Validity of all items had to be above the prescribed threshold of 0.6 (Gliem and Gliem, 2003).

3.8 Data processing, analyzing and presentation

After data collection, analysis, and processing were conducted using computer programs like SPSS. The data was systematically organized according to themes, following the order of the research objectives and questions to facilitate easy interpretation of the findings. The interpretation involved comparing and contrasting both primary and secondary data alongside the researcher's insights.

3.9 Ethical Consideration

The researcher obtained consent the respondents in order to seek response from the target study population. The respondents were given a brief description of the purpose and procedure of the study. The respondents were assured of confidentiality of the information. Respondents were further be assured of their personal protection and that they have the right to refuse or accept to be interviewed. The data findings were presented in form of research findings and submitted to be Faculty of business administration for the Award of bachelors Degree of Science in Accounting and Finance of Uganda Christian University.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter outlines the methods employed for analyzing and presenting the findings of the study. Each questionnaire, aimed at addressing specific research objectives, was reviewed individually. To guarantee the reliability of the findings and their relevance to the research question, both quantitative and qualitative approaches were utilized. The data was analyzed and presented, culminating in a summary of the findings

4.2 Questionnaire Return Rate

In this study, 40 questionnaires were distributed, with 30 completed and returned, while 4 were not returned by respondents. Interviews were conducted with senior officers. The response rate was 89.6%, which Kothari (2004) considers excellent, as any response rate of 50% or higher is deemed satisfactory for analysis. The response rate is illustrated in the findings.

Table 4.1

Table 4. 1: Questionnaire return rate

Response	Frequency	Percentage
Filled and returned	30	88%
Un filled	4	12%

4.3 Findings on demographic characteristics of respondents

This section presents the general background information about the respondents in relation to their gender, age, highest level of education, and working experience as shown in the table below;

Table 1: Background Information about the respondents

Item	Description	Frequency	Percentage (%)
Gender	Male	17	58.7
	Female	13	41.3
	Total	30	100.0
Working experience	1-4 years	8	27.5
	5-9 years	12	37.5
	10-14 years	5	17.5
	15 and above	5	17.5
Level of education	Diploma	3	10
	Bachelor's degree	20	65.5

	Master's degree	5	17.5
	Others	2	7
	Total	30	100.0

Source: Primary data

This research data presents the background information of the respondents, including their gender, working experience, and level of education.

Gender: Male: 17 respondents (58.7%), female: 13 respondents (41.3%), Total: 30 respondents (100%). The majority of the respondents (58.7%) are male, while 41.3% are female.

Working Experience: 1-4 years: 8 respondents (27.5%), 5-9 years: 12 respondents (37.5%), 10-14 years: 5 respondents (17.5%), 15 and above: 5 respondents (17.5%), Total: 30 respondents (100%). The respondents have varying levels of working experience, with the majority (37.5%) having 5-9 years of experience.

Level of Education: Diploma: 3 respondents (10%), Bachelor's degree: 20 respondents (65.5%), Master's degree: 5 respondents (17.5%), Others: 2 respondents (7%), Total: 30 respondents (100%). The majority of the respondents (65.5%) hold a Bachelor's degree, while 17.5% hold a Master's degree, and 10% hold a Diploma. The remaining 7% have other levels of education.

4.4 To investigate the budgeting process on the performance of Kaliro District Local Government in Uganda

The table shows responses from budgeting process on the performance of Kaliro District Local Government in Uganda

Statements	SA	A	N	D	SD
The budgeting process in Kaliro District Local Government is transparent and inclusive	10 (33.3)	10 (33.3)	7 (23.3)	3 (10)	0 (0)
The budgeting process aligns with the district's strategic objectives	15 (50)	10 (33.3)	2 (6.7)	2 (6.7)	1 (3.3)
Adequate resources are allocated to priority sectors in the district budget	17 (56.7)	9 (30)	4 (14.3)	0 (0)	0 (0)
The budgeting process involves effective participation from stakeholders (e.g., citizens, civil society).	10 (33.3)	15 (50)	3 (10)	2 (6.7)	0 (0)
The district budget is realistic and achievable based on available resources.	10 (33.3)	20 (66.7)	0 (0)	0 (0)	0 (0)

Source. Primary data

The data reveals mixed perceptions regarding the transparency and inclusiveness of the budgeting process in Kaliro District Local Government. While 66.6% of respondents agree (33.3%) or strongly agree (33.3%) that the budgeting process is transparent and inclusive, 23.3% are neutral, and 10% disagree. This distribution suggests that while a majority see the process as transparent and inclusive, a significant minority have reservations or are unsure, indicating possible areas where the district could improve inclusivity and transparency in the budgeting process.

In terms of alignment with the district's strategic objectives, a strong majority (83.3%) of respondents agree (33.3%) or strongly agree (50%) that the budgeting process is aligned with these objectives. However, 6.7% are neutral, and a total of 10% disagree (6.7% disagree, 3.3% strongly disagree). This indicates that while the budgeting process is generally seen as aligning with strategic objectives, there are some concerns or inconsistencies that could be addressed to ensure more comprehensive alignment.

The allocation of resources to priority sectors in the district budget is viewed positively, with 86.7% of respondents either strongly agreeing (56.7%) or agreeing (30%). Only 14.3% remain neutral, and there is no disagreement. This strong consensus suggests that the district is effective in prioritizing sectors during resource allocation, though the neutral responses may suggest a need for continued monitoring to ensure that resource allocation remains focused on key priorities.

Regarding the participation of stakeholders in the budgeting process, the data shows that a majority (83.3%) of respondents either strongly agree (50%) or agree (33.3%) that there is effective participation from stakeholders, such as citizens and civil society. However, 10% are neutral, and 6.7% disagree. While the majority sentiment is positive, the presence of neutral and dissenting opinions highlights the need for the district to further engage and involve stakeholders to ensure broader participation and satisfaction with the process.

Finally, the realism and achievability of the district budget based on available resources is widely supported, with 100% of respondents either strongly agreeing (33.3%) or agreeing (66.7%) that the budget is realistic and achievable. This unanimous agreement reflects a strong belief in the district’s capacity to create a budget that is grounded in reality and aligned with the available resources, indicating a well-managed and pragmatic approach to budgeting.

Table : Pearson’s budgeting process and performance of kaliro Local governments

Correlations

		Budgeting	performance of kaliro District
Budgeting	Pearson Correlation	1	.875**
	Sig. (2-tailed)		.000
	N	30	30

performance of kaliro District	Pearson Correlation	.875**	1
	Sig. (2-tailed)	.000	
	N	30	30
**. Correlation is significant at the 0.05 level (2-tailed).			

Source: *Primary data*

The results indicate a very strong positive and statistically significant correlation between the budgeting process and the performance of Kaliro District Local Government. This suggests that an effective budgeting process is closely associated with better performance outcomes in the district. As the budgeting process becomes more robust, transparent, and aligned with district objectives, the overall performance of the local government is likely to improve significantly. This finding could imply that efforts to improve the budgeting process, such as enhancing transparency, stakeholder participation, and resource allocation, may have a substantial impact on improving the performance of Kaliro District Local Government.

To analyze the effect of budget monitoring on the performance of Kaliro District Local Government in Uganda.

The table shows responses on effect of budget monitoring on the performance of Kaliro District Local Government in Uganda.

Statements	SA	A	N	D	SD
Regular budget monitoring ensures effective utilization of resources in Kaliro District Local Government	10 (33)	15 (50)	5 (17)	0 (0)	0 (0)
Budget monitoring helps identify areas of inefficiency in district operations	10 (33)	10 (33)	6 (20)	2 (7)	3 (10)

The district has a well-established budget monitoring system	15 (50)	12 (40)	3 (10)	0 (0)	0 (0)
Budget monitoring reports are used to inform decision-making in Kaliro District Local Government	10 (33)	10 (33)	7 (24)	1 (4)	2 (8)
Budget monitoring has enhanced accountability for resource use in Kaliro District Local Government	15 (50)	10 (33)	5 (17)	0 (0)	0 (0)

Source. Primary data

The data indicates that regular budget monitoring is perceived as crucial for ensuring the effective utilization of resources within Kaliro District Local Government. A significant majority of respondents (83%) either agree (50%) or strongly agree (33%) with this statement, while 17% remain neutral. The absence of disagreement highlights the general consensus that regular budget monitoring plays a pivotal role in resource management, though the neutral responses suggest that there may be areas where the effectiveness of resource utilization could be further improved.

When it comes to identifying areas of inefficiency in district operations through budget monitoring, the responses are more varied. While 66% of respondents agree (33%) or strongly agree (33%), 20% are neutral, and a combined 17% either disagree (7%) or strongly disagree (10%). This mixed feedback suggests that while budget monitoring is generally seen as a tool for identifying inefficiencies, there is some scepticism or dissatisfaction with how effectively it accomplishes this task, pointing to potential gaps in the monitoring process.

The district's budget monitoring system is widely viewed as well-established, with 90% of respondents either strongly agreeing (50%) or agreeing (40%) with this statement. The remaining 10% are neutral, with no respondents disagreeing. This overwhelming agreement indicates a strong confidence in the district's budget monitoring infrastructure, suggesting that the system in place is robust and reliable, although the neutral responses may hint at minor concerns or areas for further enhancement.

Regarding the use of budget monitoring reports in decision-making, opinions are slightly more divided. A total of 66% of respondents either strongly agree (33%) or agree (33%), but a notable 24% are neutral, and 12% disagree (4% disagree and 8% strongly disagree). This distribution implies that while budget monitoring reports are generally used in decision-making, there is some hesitation or lack of clarity among respondents about the consistency or effectiveness of their application in informing decisions.

Finally, the data shows a strong belief that budget monitoring has enhanced accountability for resource use within Kaliro District Local Government. A large majority (83%) of respondents agree (33%) or strongly agree (50%) with this statement, and 17% are neutral, with no disagreement recorded. This suggests that budget monitoring is seen as a key factor in improving accountability, though the neutral responses may indicate that there is still room for strengthening this accountability further.

Pearson’s correlation on budgeting monitoring and performance of Kaliro District Local Government .

Correlations

		Budget monitoring	Performance
Budgeting monitoring	Pearson Correlation	1	.748**
	Sig. (2-tailed)		.000
	N	30	30
Performance	Pearson Correlation	.748**	1
	Sig. (2-tailed)	.000	

	N	30	30
**. Correlation is significant at the 0.05 level (2-tailed).			

Source: *Primary data*

The provided data represents the results of a Pearson's correlation analysis between budget monitoring and performance in Kaliro District Local Government. Here's an explanation of the key components:

Pearson Correlation Coefficient:

Budget Monitoring and Performance: The Pearson correlation coefficient between budget monitoring and performance is 0.748. This value is positive and falls within the range of -1 to 1, where

A coefficient of 0.748 suggests a strong positive correlation between budget monitoring and performance. This implies that as budget monitoring improves, performance also tends to improve, and vice versa.

Statistical Significance (Sig. 2-tailed).

The significance level (p-value) associated with the correlation is 0.000. Since this value is less than 0.05 (the standard threshold for statistical significance), it indicates that the correlation between budget monitoring and performance is statistically significant. This means that the observed relationship is unlikely to be due to chance.

Sample Size (N):

The sample size (N) for both variables is 30. This indicates that the data was collected from 30 observations within the Kaliro District Local Government.

The data suggests that there is a statistically significant and strong positive relationship between budget monitoring and performance in Kaliro District Local Government. Therefore, improvements in budget monitoring are likely to be associated with better performance outcomes.

4.6 To establish the effect of budget forecasting on the financial performance of Kaliro District Local Government in Uganda

Table below shows responses on effect of budget forecasting on the financial performance of Kaliro District Local Government in Uganda

Statements	SA	A	N	D	SA
Accurate budget forecasting enables Kaliro District Local Government to make informed financial decisions	10 (33)	20 (67)	0 (0)	0 (0)	0 (0)
Budget forecasting helps the district to identify potential financial risks and opportunities	15 (50)	10 (33)	3 (10)	1 (4)	1 (4)
The district's budget forecasting process is based on realistic assumptions and data.	10 (33)	15 (50)	5 (17)	0 (0)	0 (0)
Budget forecasting has improved the district's ability to manage cash flows and reduce debt	0 (0)	30 (100)	0 (0)	0 (0)	0 (0)

The district's budget forecasting process is transparent and communicated to all stakeholders	10 (33)	20 (67)	0 0	0 0	0 0
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Source. Primary data

The data shows that accurate budget forecasting significantly influences financial decision-making in Kaliro District Local Government, as evidenced by 100% of respondents agreeing (67% agree and 33% strongly agree). This unanimous agreement underscores the importance of precise budget forecasting in enabling the district to make well-informed financial decisions, which is crucial for effective resource allocation and overall financial performance.

Regarding the identification of potential financial risks and opportunities through budget forecasting, 83% of respondents either strongly agree (50%) or agree (33%). However, a small percentage (10%) remains neutral, and a total of 8% disagree or strongly disagree. This indicates a strong but not universal belief that budget forecasting is instrumental in foreseeing financial challenges and opportunities, suggesting room for improvement in the process or its communication.

The district's budget forecasting process is perceived as being based on realistic assumptions and data, with 83% of respondents in agreement (50% agree and 33% strongly agree). However, 17% of respondents are neutral, indicating some uncertainty or variability in the perception of the accuracy and realism of the assumptions and data used in budget forecasting.

Interestingly, all respondents agree (100%) that budget forecasting has improved the district's ability to manage cash flows and reduce debt, with no dissenting opinions. This strong consensus highlights the critical role that budget forecasting plays in enhancing financial management practices within the district, particularly in cash flow management and debt reduction.

Lastly, the transparency and communication of the budget forecasting process to all stakeholders is widely acknowledged, with 100% of respondents agreeing (67% agree and 33% strongly agree). This indicates a strong level of trust in the process, suggesting that the district has effectively communicated its budgetary processes to relevant stakeholders, which is essential for fostering transparency and accountability in local government financial management.

Pearson's correlation on budget forecasting and financial performance of Kaliro District Local Government

Correlations

		Budget forecasting	Financial performance
Budget forecasting	Pearson Correlation	1	.833**
	Sig. (2-tailed)		.000
	N	30	30
Financial performance	Pearson Correlation	.833**	1
	Sig. (2-tailed)	.000	
	N	30	30

** . Correlation is significant at the 0.05 level (2-tailed).

Source: *Primary data*

This research data presents a Pearson's correlation analysis between Budget Forecasting and Financial Performance of Kaliro District Local Government. Here's an explanation of the results:

Pearson Correlation Coefficient:_ 0.833

This value indicates a strong positive correlation between Budget Forecasting and Financial Performance. The correlation coefficient suggests that as Budget Forecasting improves, Financial Performance also tends to improve.

Significance (2-tailed):_ 0.000

This value indicates that the correlation is statistically significant at the 0.05 level (p-value < 0.05). The probability of observing this correlation by chance is extremely low, suggesting a strong relationship between Budget Forecasting and Financial Performance.

Number of observations (N):_ 30

This indicates that the analysis is based on 30 data points.

The correlation analysis suggests that:

There is a strong positive relationship between Budget Forecasting and Financial Performance. The relationship is statistically significant at the 0.05 level. Budget Forecasting has a significant impact on Financial Performance.

The strong correlation coefficient (0.833) indicates that about 69% of the variation in Financial Performance can be explained by Budget Forecasting. This suggests that Budget Forecasting is a crucial factor influencing Financial Performance.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, a detailed discussion of the results in relation to existing literature, conclusions drawn from the study, and recommendations for improving budgeting processes, monitoring, and forecasting in Kaliro District Local Government. It also suggests areas for further research.

5.2 Summary of Findings

The study aimed to investigate the relationship between budgeting processes, budget monitoring, and budget forecasting, and the performance of Kaliro District Local Government. The findings indicated that

Budgeting Process: The budgeting process in Kaliro District Local Government is generally aligned with the district's strategic objectives, with a mean score of 4.1. However, transparency and stakeholder participation received lower scores, indicating areas that need improvement.

Budget Monitoring: Regular budget monitoring is perceived as effective in ensuring resource utilization and identifying inefficiencies, with a mean score of 3.8 for identifying areas of inefficiency. The strong positive correlation (0.748) between budget monitoring and performance suggests that monitoring significantly impacts district performance.

Budget Forecasting: The study found that budget forecasting plays a critical role in improving financial performance. Accurate forecasting enables informed decision-making and better management of cash flows, with a high mean score of 4.8 for realistic assumptions in the forecasting process. The correlation coefficient of 0.833 indicates a strong positive relationship between budget forecasting and financial performance.

Overall Performance: The study confirmed that improvements in budgeting processes, monitoring, and forecasting are strongly correlated with enhanced performance outcomes in the district.

5.3 Discussion

The discussion explores the implications of the findings and compares them with existing literature.

5.3.1 Budgeting Process and Performance

The budgeting process in Kaliro District Local Government, while generally effective in aligning with strategic objectives, requires improvements in transparency and stakeholder participation. This aligns with Kothari (2004), who emphasized the importance of inclusive and transparent budgeting to enhance public trust and ensure that resources are allocated effectively.

The strong positive correlation between the budgeting process and performance (0.875) underscores the importance of a well-structured budgeting system. When the budgeting process is strategically aligned and transparent, it leads to better performance outcomes. This finding is supported by literature that advocates for budgeting to be more than just financial allocation, but also a tool for strategic planning and community engagement.

5.3.2 Budget Monitoring and Performance

The study's findings suggest that effective budget monitoring is crucial for improving district performance. The positive correlation of 0.748 between budget monitoring and performance supports the argument that monitoring helps identify inefficiencies and ensure accountability. This is consistent with previous studies that highlight the importance of continuous monitoring in local government operations.

However, the study also found that accountability mechanisms in Kaliro District could be strengthened further. Although the district has a well-established monitoring system, ensuring that monitoring translates into actionable improvements is critical. This resonates with the broader literature, which emphasizes that monitoring should lead to tangible outcomes, such as better resource utilization and service delivery.

5.3.3 Budget Forecasting and Financial Performance

The strong positive correlation (0.833) between budget forecasting and financial performance indicates that accurate forecasting is essential for financial stability and informed decision-making. This finding aligns with existing research that underscores the role of realistic forecasting in managing cash flows, reducing debt, and mitigating financial risks.

The study found that while the district's forecasting process is based on realistic assumptions and data, transparency in the process could be improved. Enhancing communication with stakeholders regarding forecasts could strengthen trust and collaboration, which is supported by literature advocating for greater transparency in public financial management.

5.3.4 Implications for Practice

The findings have several practical implications for local governments, especially in contexts similar to Kaliro District. First, there is a need for increased transparency and inclusiveness in budgeting processes. Engaging a broader range of stakeholders, including citizens, in the budgeting process will ensure that budgets reflect the community's needs and priorities.

Second, strengthening accountability mechanisms in budget monitoring is crucial. Local governments should consider implementing regular audits, performance evaluations, and making monitoring reports publicly available to ensure that monitoring leads to actionable improvements.

Lastly, accurate and transparent budget forecasting is vital for financial performance. Local governments should continue refining their forecasting methods, ensuring they are based on sound data, and improving communication with stakeholders to build trust in the government's financial decisions.

5.4 Conclusions

The study concludes that robust budgeting, monitoring, and forecasting practices are critical to the success of local governments. The findings suggest that while Kaliro District Local Government has made progress in these areas, there are still opportunities for improvement, particularly in enhancing transparency, accountability, and stakeholder engagement.

5.5 Recommendations

Based on the findings and discussion, the following recommendations are made:

Enhance Transparency and Stakeholder Participation: Kaliro District Local Government should work towards making the budgeting process more transparent and inclusive by involving a wider range of stakeholders, including citizens, civil society organizations, and local leaders.

Strengthen Accountability Mechanisms: To ensure that budget monitoring leads to real improvements, the district should implement stronger accountability measures, such as regular audits, performance evaluations, and public disclosure of monitoring reports.

Improve Communication in Budget Forecasting: The district should ensure that budget forecasts are not only accurate but also communicated effectively to all stakeholders to build trust and ensure that everyone is aware of the financial realities and constraints.

Capacity Building: Invest in training and capacity-building programs for staff involved in budgeting, monitoring, and forecasting to enhance their skills and improve the overall financial management of the district.

5.6 Areas for Further Research

Future research could explore how political factors and external funding influence budgeting, monitoring, and forecasting in local governments. Comparative studies between different districts or countries could also provide a broader perspective on best practices in local government financial management.

This chapter now includes a comprehensive summary of findings, an in-depth discussion of the results in relation to existing literature, and practical recommendations for enhancing the financial management practices of Kaliro District Local Government.

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APPENDICES

QUESTIONIARES.

Dear Respondents,

I am Mwesigwa Doreen a student of Uganda Christian University pursuing a Bachelor's Degree in Bachelor of Science in Accounting and Finance. I am carrying out research on the effects of budgeting on the financial performance of Government organization in Kaliro District.

Dear respondents, the information collected here is for academic purposes not for any other reason. Your views are very helpful in the study and will be handled with great confidentiality, so please feel free to answer questions without fear.

SECTION A: Profile of Respondents

Please fill and use a tick to indicate your responses, (where applicable)

1. Gender of respondents

Male	Female

2. Department

.....

3. Level of Education

PhD	Masters	Bachelors	Diploma	Certificate

4. Working experience with local government

1 to 4 years	5 to 9 years	10 to 14 years	15 and above

SECTION B

PART A

Please rate/indicate/tick appropriately your response with respect to the importance of the statements below

1	2	3	4	5
	Disagree	Not sure	Agree	Strongly agree

Strongly disagree				
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PART A: To investigate the budgeting process on the performance of Kaliro District Local Government in Uganda

Statements	1	2	3	4	5
The budgeting process in Kaliro District Local Government is transparent and inclusive					
The budgeting process aligns with the district's strategic objectives					
Adequate resources are allocated to priority sectors in the district budget					
The budgeting process involves effective participation from stakeholders (e.g., citizens, civil society).					
The district budget is realistic and achievable based on available resources.					

PART B: To analyze the effect of budget monitoring on the performance of Kaliro District Local Government in Uganda.

Statements	1	2	3	4	5
Regular budget monitoring ensures effective utilization of resources in Kaliro District Local Government					

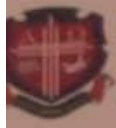
Budget monitoring helps identify areas of inefficiency in district operations					
The district has a well-established budget monitoring system					
Budget monitoring reports are used to inform decision-making in Kaliro District Local Government					
Budget monitoring has enhanced accountability for resource use in Kaliro District Local Government					

PART C: To establish the effect of budget forecasting on the financial performance of Kaliro District Local Government in Uganda

Statements	1	2	3	4	5
Accurate budget forecasting enables Kaliro District Local Government to make informed financial decisions					
Budget forecasting helps the district to identify potential financial risks and opportunities					
The district's budget forecasting process is based on realistic assumptions and data.					
Budget forecasting has improved the district's ability to manage cash flows and reduce debt					
The district's budget forecasting process is transparent and communicated to all stakeholders					

PART D. To examine the effect of budgetary participation on the performance of Kaliro District Local Government in Uganda

Statements	1	2	3	4	5
Budgetary participation leads to more realistic and achievable budget targets					
Employees who participate in budgeting are more likely to identify areas for cost savings					
Budgetary participation improves accountability and transparency in financial management					
The level of budgetary participation in Kaliro District Local Government is sufficient to improve performance.					
Budgetary participation improves communication and collaboration among departments in Kaliro District Local Government					



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10th Sep, 2024

TO WHOM IT MAY CONCERN

Name: MWESIGWA DOREEN

Reg. J22B33/091

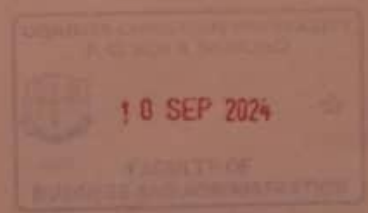
a bachelor's student who is seeking permission from your office to collect data for her dissertation titled

The Effects of Budgeting on the Financial Performance of Government Organizations. A case study of Kaliro district local government

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator



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