

**BUDGETARY CONTROL AND FINANCIAL PERFORMANCE OF COMMERCIAL  
BANKS IN KAMPALA: A CASE STUDY OF NCBA BANK UGANDA**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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**UGANDA CHRISTIAN  
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**DECLARATION**

I Imou Patience Sally hereby declare that this research report has been produced out of my own effort with the guidance of my supervisor and has never been submitted to any other institution for any award.

Signature.....

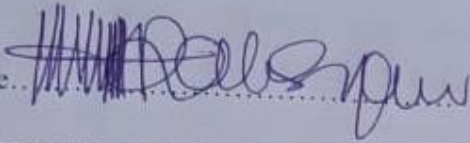
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**APPROVAL**

This research report has been done under my supervision and is hereby submitted with my approval.

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## **DEDICATION**

With special regard, I wish to dedicate this piece of work to my family who have always been there to support me in my education. May the Almighty God richly bless you.

## **ACKNOWLEDGEMENT**

I would like to thank the Almighty God for the gift of life and guiding me throughout my education; it has not been easy but it was possible. My heartfelt gratitude goes to my supervisor, Mr. Agume Anthony Kabisyaki for the tireless efforts and expertise he rendered to me during his supervision.

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## ABSTRACT

The study examined budgetary control and financial performance of commercial banks in Kampala with specific focus on NCBA Bank, Uganda. It specifically focused on; examining the relationship between budget monitoring and financial performance of commercial banks, examining the relationship between budget planning and financial performance of commercial banks, and examining the relationship between budget participation and financial performance of commercial banks.

The study was carried out using a cross-sectional research design where analytical research approach was also used. The data was collected using questionnaires and interviews and during data collection, simple random sampling and purposive sampling methods were used. A sample size of 41 respondents who are employees of NCBA Bank was also used in the study although 33 of these responded to the questionnaires.

The study findings established that budget monitoring, budget planning, and budget participation significantly enhance financial performance at NCBA Bank. Budget monitoring showed a positive relationship with financial performance ( $r = .565^{**}$ ,  $p < .01$ ) and a positive regression influence ( $\beta = 0.100$ ,  $t = 1.587$ ,  $p = 0.000$ ). Budget planning had the most significant correlation ( $r = .776^{**}$ ,  $p < .01$ ) and highest regression impact ( $\beta = 0.459$ ,  $t = 3.514$ ,  $p = 0.000$ ). Budget participation had a significantly positive correlation ( $r = .672^{**}$ ,  $p < .01$ ) and a positive regression impact ( $\beta = 0.284$ ,  $t = 1.862$ ,  $p = 0.000$ ), demonstrating that good budget planning and employee participation lead to better results.

The recommendations for NCBA Bank included the need to adopt a more strategic approach to change management, enhance communication mechanisms, continuously train and provide technical assistance, involve key players, and deal effectively with resistance to change.

. These actions will enhance employee competence, stakeholder commitment, system acceptance, and the effective adoption and implementation of e-procurement systems.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter entails the background to the study, statement of the problem, the objectives of the study, research questions, the scope of the study, justification of the study, significance of the study and the conceptual framework.

### 1.1 Background to the study

This study aims to examine the impact of budgetary control on the financial performance of commercial banks. Budgetary controls are management processes that involve financial planning and implementation in line to set out regulations to ensure that all activities are conducted within set objectives (Nchagwa,2024). Globally, research has shown that budgetary control is a key driver of financial performance as it enables banks to allocate resources efficiently, manage risks and make informed decisions (McKinsey,2022). The adoption of digital technologies has also transformed the banking landscape with banks increasingly investing in digital platforms to enhance customer experience and reduce costs (EY, 2023). In the United States, studies have found that participative budgeting and internal controls are essential for achieving financial stability and profitability in commercial banks (Duschek, 2021). Similarly in Europe, research has shown that budgetary control is a critical factor in determining the financial performance of banks with a focus on risk management and compliance (KPMG, 2022). In Asia, countries like China and India have experienced rapid economic growth leading to an increase in demand for banking services (World Bank, 2023). However, Asian banks also face challenges such as high non-performing loans, low profitability and regulatory pressures (Fitch Ratings, 2024)

The African banking sector has been growing rapidly driven by economic growth and increasing demand for financial services (African Development Bank, 2021). Previous studies have revealed the influence that budgetary control has on the financial performance of commercial banks in Africa. For instance, a study conducted in Rwanda indicated that budgeting is positively associated with the financial performance of banks, noting the significance of budgetary control systems (Kambu, 2020). Nonetheless, African banks have their own challenges such as lack of capital,

expensive cost structure, and regulations (KPMG, 2022). A study conducted in South Africa demonstrates the significance of budgetary control systems by indicating that budgetary management can explain up to 60% of financial performance variance in commercial banks (University of Cape Town, 2024).

Countries such as Kenya, Tanzania, and Uganda in the Eastern part of Africa have undergone rapid economic development which has resulted in a rise in the number of clients requiring banking services (World Bank, 2023). Budgetary control has emerged as a vital component influencing financial performance in commercial banks in the region (FSD Uganda, 2023). It has been observed that budgetary control has a substantial impact on financial performance in several African countries (Muthoni, 2020). For instance, budgeting has been noted to be a critical component influencing financial performance in banks in Kenya (Muthoni, 2020). In the case of Rwanda, budgeting practices in manufacturing companies have played an essential role in improving financial performance (Kambu, 2020). The rise of technology has brought about a shift in the banking industry where most banks have embraced online and mobile banking (FSD Uganda, 2023).

One of the factors seen to be driving the financial performance of commercial banks in Uganda is the budgetary control, where a study indicates that budgetary management accounts for 62.6% of financial performance in commercial banks (UMU Dissertations, 2024). The banks have been expanding over time, providing an important service to economic development (Bank of Uganda, 2021). But Ugandan banks face problems like high amounts of non-performing loans and profitability (Fitch Ratings, 2024). Participative-budgeting and internal controls are essential for achieving financial stability and profitability in Ugandan banks as study suggests. The adoption of digital technologies has also transformed the banking landscape in Uganda with banks increasingly investing in mobile banking and online platforms to enhance customer experience (FSD Uganda, 2023). The central bank has emphasized the need for banks to strengthen their budgetary control systems to manage risks and maintain financial stability (Bank of Uganda, 2021).

Financial performance refers to the evaluation of a company's ability to generate revenue and profit, manage its resources efficiently and sustain growth over time (Kambu, 2020). It refers to the ability of an organization to achieve its financial goals and objectives including profitability, liquidity and solvency. Financial performance is a critical aspect of organizational success as it

enables organizations to invest in growth opportunities, repay debts and reward stakeholders (Kaur & Singh, 2020). Effective budgetary control is essential for achieving good financial performance as it enables organizations and institutions to manage their financial resources efficiently and effectively (Rudiyanto et al, 2023). In Uganda, financial performance is often measured using indicators such as return on assets (ROA), return on equity (ROE) and debt-to-equity ratio (Mwesigwa & Mpeera,2020). Hence good financial performance enables commercial banks to attract investors, provide credit facilities and expand their operations therefore contributing to the country's economic growth and development.

## **1.2 Statement of the problem**

Despite the recognized importance of budgetary control in driving financial performance many commercial banks in Uganda continue to struggle with poor budget implementation leading to significant financial losses (Fitch Ratings, 2024). The banking sector specially has witnessed a rise in non-performing loans which increased to 5.1% in 2024 highlighting the need for effective budgetary control mechanisms (Bank of Uganda, 2024). Furthermore, study has shown that Ugandan commercial banks face challenges in budget planning monitoring and evaluation resulting in reduced profitability and efficiency (Makerere University, 2025). The problem is further stretched by the lack of empirical evidence on financial performance in Ugandan banking sector making it difficult for policymakers and practitioners to develop effective strategies (UMU Dissertations, 2024). However, despite the growing literature on budgetary control, there is a gap in examining the specific mechanisms through which budgetary control influences financial performance in commercial banks (Mligo & Maseko, 2022).

## **1.3 Objectives**

The main objective of this study was to examine the role of budgetary control and financial performance of commercial banks in Kampala.

### **1.3.1 Specific objectives**

The specific objectives were;

- i) To examine the relationship between budget monitoring and financial performance of commercial banks.
- ii) To examine the relationship between budget planning and financial performance of commercial banks.
- iii) To examine the relationship between budget participation and financial performance of commercial banks.

### **1.4 Research Questions**

- i) What is the relationship between budget monitoring and financial performance of commercial banks?
- ii) What is the relationship between budget planning and financial performance of commercial banks?
- iii) What is the relationship between budget participation and financial performance of commercial banks?

### **1.5 Scope of the study**

#### **1.5.1 Geographical scope**

The study was carried out in a commercial bank in Kampala.

#### **1.5.2 Time scope**

This study was undertaken from September to December,2025.

#### **1.5.3 Content scope**

This research aimed to study how budgetary control practices can affect the financial performance of a commercial bank in Uganda. The study investigated how effective budgetary control practices impact financial performance metrics such as profitability, sales growth and return on investment. By focusing on commercial banks in Kampala, the study aimed to provide valuable insights into

financial management practices of these banks and contribute to the existing literature on budgetary control and financial performance in this specific context.

## **1.6 Justification**

The study on budgetary control and financial performance of commercial banks is essential so as to manage resources, mitigate risks and achieve financial goals. The research helped in understanding the effect of budget control on the performance of the finances which would help commercial banks manage their budgetary processes effectively. Commercial banks in Uganda have difficulty in being profitable, effective, and maintaining quality assets, and conducting this research would help determine how budget control could enhance financial performance hence provide ways of dealing with these problems. Nevertheless, without this study, commercial banks might misallocate their resources hence being unprofitable and ineffective. Inadequate budgetary control may lead to unchecked risks therefore, threatening the stability of commercial banks and the broader financial system. Failure to optimize budgetary control may result in missed opportunities for growth, innovation and improved financial performance. Likewise, the study's findings informed strategies to enhance budgetary control leading to improved financial performance and competitiveness of commercial banks. The study also identified areas for improvement in risk management contributing to the stability of commercial banks and the financial system.

## **1.7 Significance of the study**

The findings of this study would be of great importance to;

The managers, financial controllers and accountants in the manufacturing sector will benefit by gaining insights into effective budgetary control practices, improved financial performance and enhanced resource allocation. This can be through gaining findings that can inform their financial management decisions enabling them to optimize resource utilization, reduce costs and improve profitability.

The central bank, Ministry of Finance, Planning and Economic Development and other regulatory bodies will benefit through gaining informed policy decisions on banking regulations and financial oversight, guidance on best practices for budgetary control in commercial banks enabling them to

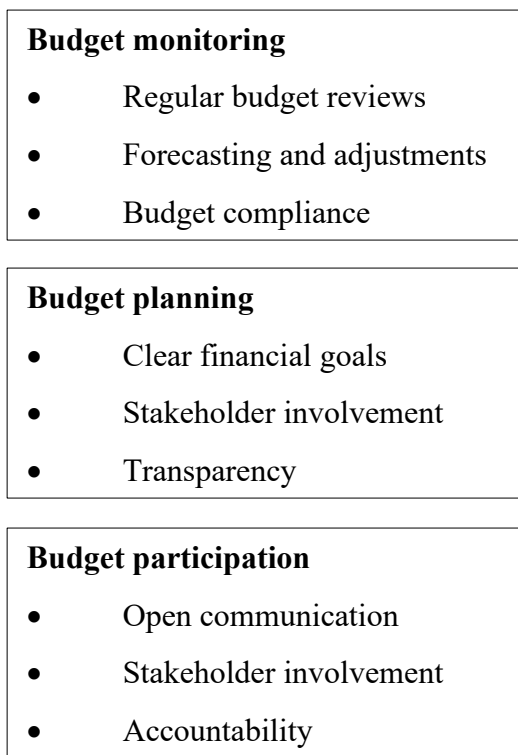
develop effective regulations and guidelines. The study’s findings can enable policy makers in developing policies that support the growth of the banking sector, protect consumers and maintain financial stability hence contributing to the country’s economic development.

Academic researchers, postgraduate students and undergraduates in the fields of accounting, finance, business administration and management studies. The study will be beneficial by providing new knowledge and insights into budgetary control practices and financial performance in the banking sector. This is because the study’s findings can contribute to the existing knowledge providing a foundation for further research and informing further studies.

### 1.8 Conceptual framework

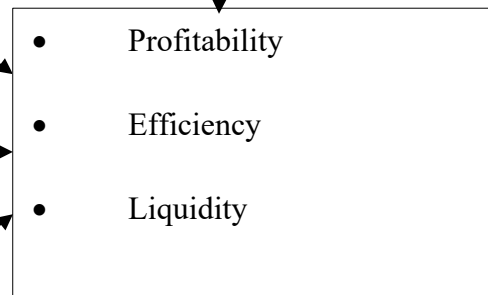
#### Independent variable

#### Budgetary Control



#### Dependent variable

#### Financial Performance



## **Summary**

This chapter has provided an introduction to the research topic, highlighting the importance of budgetary control practices in businesses. The background to the study has underscored the significance of commercial banks in Uganda's economy and the potential challenges they are likely to face. The statement of the problem has identified the research gap in understanding the relationship between budgetary control practices and financial performance. The objectives, research questions and significance of the study have also been outlined. The next chapter is going to review existing literature on budgetary control practices and the financial performance of commercial banks, providing a theoretical framework for the study.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter aims to present an overview of the literature that relates to the topic of study, budgetary control practices and financial performance of commercial banks.

#### 2.1 Budgetary control

Budgetary control is a crucial aspect of financial management that involves planning, monitoring and controlling financial resources to achieve strategic objectives (Kimani, 2022). Effective budgetary control enables organizations to manage financial resources, reduce costs and improve profitability (Oluwatoyin, 2023). Studies have shown that budgetary control has a positive impact on organizational performance enabling organizations to make informed decisions, reduce financial risks and improve financial performance (Mugabi, 2020). The literature highlights several key components of budgetary control including financial transparency, accountability enhancement and strategic planning (Karanja, 2022). These components are essential for organizations to achieve effective budgetary control and improve their financial performance (Ouma, 2023).

In small scale enterprises and organizations, implementing budgetary control has been shown to significantly improve cost control and cost reduction (Mwania, 2022). Theories guiding budgetary control include the idea of budgeting, budgetary manage model and accounting principle in budgetary control (Kimani, 2022). Effective budgetary control involves regular monitoring and reporting of financial performance, identifying variances and taking corrective action (Mwangi, 2023). Studies have demonstrated the importance of budgetary control in various contexts including non-profit organizations and county governments (Kibet, 2022). For instance, a study on budgetary control in non-profit organizations found that sound financial management practices including functional and clear budgetary control procedures are essential for effective financial management (Oluwatoyin, 2023). Similarly, research on county governments has shown that budgeting and budgetary control has a significant impact on financial performance (Mugabi, 2020). Overall, the literature emphasizes the importance of effective budgetary control in

achieving organizational objectives and improving financial performance (Mwangi, 2022). With proper implementation of budgetary control strategies, organizations can maintain financial stability and success (Ouma, 2023).

## **2.2 Financial performance**

Financial performance involves measuring the capabilities of a business organization to earn revenues, profits, and grow over time while managing its financial resources efficiently (Kambu, 2020). Various measures used to assess financial performance include profitability ratios such as net profit margins, liquidity ratios like current ratios, solvency ratios such as debt-to-equity ratio, and operational efficiency ratios like return on assets. Financial performance gives information about the overall financial standing of an organization, whether it has the capability to settle short-term debts, and how it creates value for its stakeholders. Financial performance implies good financial management when it is high; conversely, financial management is likely to be inefficient or poor in cases where financial performance is low (Gleason, 2024). Financial performance refers to how well an organization/entity is able to make profit and deliver value to its various stakeholders. Important financial performance measures include profitability, liquidity, and solvency and efficiency (Telescope, 2022).

Profit ratios like gross profit margin, operating profit margin, and net profit margin measure how effective the company is in earning profits based on their sales revenue and cost of doing business. Liquidity ratios, which include the current ratio and quick ratio, are used to gauge the capability of the firm in meeting its short-term financial requirements, whereas solvency ratios such as debt to equity and interest coverage measure long-term stability. Operational efficiency, often evaluated through metrics like return on assets (ROA) and return on equity (ROE), indicates how effectively a company utilizes its resources effectively (Rubunda,2025). These resources might include physical assets, human capital, technology, financial capital or organizational knowledge (Rubunda,2025).

### **2.3 The relationship between budgetary monitoring and financial performance of Commercial banks**

Monitoring refers to a continuous assessment of project implementation through a process of verification of activities against the organization's set targets (Chepkorir, 2021). Budget monitoring is the process of utilizing the available resources, minimizing expenses and aligning planned activities to actual results (Odongo, 2024). The budgetary monitoring process is characterized by the subsequent stages; setting performance targets or standards to be achieved by the various departments within the organization, informing the relevant stakeholders about the budgetary policy for easy setting of targets and appreciation of the targets that have been set. This will be important as it improves ownership of the performance outcomes at the end of the budgetary period (Chepkorir, 2021). Effective budgetary monitoring enables organizations and institutions to plan, and control cashflows, allocate resources efficiently, coordinate activities and monitor financial position hence improved financial position. Deploying strategic action in budgeting practices such as planning for cashflows, controlling cashflows, resource allocation, activity coordination and monitoring the financial position can improve the financial performance of financial institutions (Mbogo, 2021).

Budget monitoring offers several key benefits including financial risk mitigation, improved efficiency and productivity and data-driven business decisions. By continuously monitoring results against budgets, companies and financial institutions can identify potential financial problems and risks early on, taking proactive measures to mitigate them (Wann, 2023). Expense and goal tracking on a consistent basis facilitates effective management of resources to avoid wastage, thus enhancing productivity and efficiency (Prasad, 2023). Budgetary control involves such measures that can help create a culture of accountability for financial management in an organization (Wann, 2023). Budgetary monitoring also enables entities to respond promptly to changes in the market or business environment (Prasad, 2023). In Uganda, Banks that implement budgetary control systems can better manage their finances, reduce costs and increase efficiency. Budgetary monitoring provides a framework for measuring performance against targets enabling managers to identify areas for improvement and take corrective action when necessary (Desai, 2023). This helps organizations and institutions achieve better financial outcomes by managing expenses, increasing revenues and improving overall financial performance. In Uganda, the banking sector

has remained resilient with improved liquidity, declining non-performing loans and solid earnings (Bank of Uganda, 2025). A study on commercial banks has highlighted the importance of financial awareness, regulatory compliance and risk management in enhancing financial resilience in Ugandan banks (Nguyen et al, 2020) (Anyanzwa,2024). Likewise, the need for financial literacy and inclusion to promote financial stability and growth (Bank of Uganda, 2021).

The benefits of budgetary monitoring on the financial performance of commercial banks may include; identifying and addressing financial performance improving financial performance (Kaur & Singh, 2020), facilitates better decision-making enabling banks to allocate resources more efficiently and maximize returns (Mwangi, 2022). Likewise, by monitoring budgetary performance, commercial banks can adjust their strategies to respond to changes in the market hence being competitive (Namusonge,2023). Budgetary monitoring also promotes transparency and accountability enhancing stakeholder trust and confidence in the bank (Bank of Uganda, 2021). However, budgetary monitoring can also have some limitations like it can be time consuming and resource intensive, diverting attention from core banking activities (Kasaija, 2021), over emphasis on budgetary monitoring can lead to rigidities and inflexibility hindering innovation and growth (Nguyen et al, 2020). Similarly, budgetary monitoring systems can be prone to errors and biases leading to inaccurate financial data and poor decision making (Anyanzwa,2024).

Therefore, budgetary monitoring is essential for the financial performance of commercial banks because it enables organizations to track financial performance, identify variances and take corrective actions (Alhasnawi, Said, Daud & Muhamad, 2023). Studies show that budgetary monitoring leads to improved financial performance, increased efficiency and better risk management (Kaur & Singh, 2020). By prioritizing budgetary monitoring, commercial banks can drive financial success and achieve their strategic objectives.

## **2.4 The relationship between budget planning and financial performance of commercial banks**

Budget planning is an essential part of financial performance management which entails the process of developing a comprehensive financial plan within a specific period of time usually one financial year (Rubunda,2025). It defines financial expectations such as expenses, revenues, and goals in relation to the company's goals. The main purpose of budget planning is to manage and make sure that resources are allocated efficiently and financial operations are in line with organizational goals. Budget planning acts as a guide to decision making and an evaluation of the organization's financial performance (Machania,2024). Budget planning starts by identifying organizational financial goals in conjunction with the organization's goals. This includes projections of revenues and costs. Each department or unit prepares its own budget, which is then summarized to form an overall budget for organizational resources. This budget covers expected income and expenditures that allow the organization to make appropriate plans in terms of future financial requirements and distribution of resources as required. After developing the budget, it is examined and approved by the management. This process allows for the realization of budgeting and ensures proper performance evaluation. Budget planning should be done in coordination with other departments in order to meet financial requirements effectively (Paul, 2024).

A good budget plan makes a significant contribution to the overall financial performance of an organization. Financial targets and limits are set through budget planning. It provides a benchmark for measuring actual performance against planned objectives, enabling organizations to identify variances differences between budgeted and actual figures. Regular monitoring and analysis of these variances allow organizations to take corrective actions to address any deviations and improve financial outcomes (Machania, Journal of Financial Management, 2020).

Effective budgetary planning enables organizations to allocate resources efficiently, prioritize investments and make informed decisions hence leading to improved financial performance (Nyaega et al, 2025). Likewise budgetary planning helps in better risk management by identifying and mitigating financial risks, reducing the likelihood of financial crises and improving financial stability. One strong point in the budget plan is great communication with the different departments within a company (Chau, 2025). Whenever departments know their financial boundaries and the wide goals of the company, they can be relied upon to team up and as a result, inculcate a culture

of resourcefulness and accountability (Chau, 2025). Budgetary planning also enhances employee engagement since employees are involved in budgeting and are more likely to be motivated and committed to achieving financial goals hence improved financial performance (Alhasnawi, Said, Daud & Muhamad, 2023).

Budgetary planning is a crucial aspect of financial management in commercial banks and its benefits on financial performance are numerous. Effective budgetary planning enables commercial banks to set clear financial goals and objectives hence guiding decision making and resource allocation (Kaur & Singh, 2020) and anticipate and mitigate financial risks reducing the likelihood of financial distress (Mwangi, 2022). Budgetary planning facilitates better allocation of resources allowing banks to prioritize high return investments and optimize financial performance (Lyons et al, 2020). Likewise, by setting financial targets, budgetary planning motivates employees and management to work towards the common goals enhancing overall performance (Namusonge, 2023). Budgetary planning also promotes transparency and accountability enabling stakeholders to track financial progress and make informed decisions (Bank of Uganda, 2021).

However, budgetary planning can have some limitations towards the financial performance of commercial banks like being time consuming and costly hence diverting resources from the core banking activities (Kasaija, 2021), overemphasis on budgetary planning can lead to inflexibility making it difficult for banks to adapt to changing market conditions (Nguyen et al, 2020). Likewise, budgetary planning also relies on forecasts and assumptions which may not always be accurate leading to unrealistic targets (Anyanzwa,2024). Budgetary planning may not capture non-financial metrics providing an incomplete picture of a bank's overall performance (FSD Uganda, 2024). On the other hand, there is limited accuracy since budgetary planning relies on forecasts and estimates which may not always be accurate hence financial mismanagement (Rudiyanto et al, 2023). Likewise, there might also be over emphasis on short term financial goals neglecting long term strategic objectives (Kaur & Singh, 2020). Budgetary planning can also lead to lack of participation of all relevant stakeholders leading to low commitment to the company's financial goals (Alhasnawi, Said, Daud & Muhamad, 2023). These limitations highlight the need for manufacturing entities to strike a balance between budgetary planning and flexibility ensuring that financial planning supports long term strategic objectives.

Therefore, the relationship between budget planning has a significant positive impact on the financial performance of commercial banks. Effective budget planning enables organizations to allocate resources efficiently, manage costs and achieve financial goals (Alhasnawi, Said, Daud & Muhamad, 2023). Budget planning also leads to more accurate financial forecasting, better resource allocation and improved risk management hence leading to increased profitability (Kaur & Singh, 2020). Additionally, budget planning promotes transparency, accountability and employee engagement, all of which are critical aspects in improving financial performance of financial institutions (Mwesigwa & Mpeera,2020). By prioritizing budget planning, financial institutions can drive financial success and achieve strategic goals.

## **2.5 The relationship between budget participation and financial performance of manufacturing entities**

Participative budgeting or budget participation is a process in which employees create and manage a company's budget (Wann, 2023). It also refers to a budgeting process in which the people who are in the lower levels of management are involved in the budget preparation process (Schmidt). This approach is becoming increasingly popular in different organizations including financial institutions due to the many benefits it can provide (Wann, 2023). By involving employees in the budgeting process, financial institutions can gain valuable insights into their operations and engage their workforce, increasing motivation, creativity and productivity. The adoption and implementation of a participatory budgeting system can have a significant impact on budgetary process within entities. The participation of subordinates in the elaboration of budgets influences a multitude of factors which in turn will affect the efficiency of the budgetary system of the economic entity. Thus, participatory budgeting influences the budgetary process by promoting the exchange of information between subordinates and superiors that leads to obtaining more realistic budgets, through the ability of the participatory system to motivate employees to also the level of dedication of employees towards the entity and its objectives (Bulau, 2024). Budgetary participation is measured by the indicators: involvement of all level employees: Company each levels of employees are involved in the preparation of the budget; Training and experience: It is important to know that company employees are well trained and experienced in budget preparation; Contribution: To identify how the employees' participation in the budget contributes to successful budget preparation; Values and appreciations: Employees' ideas are valued in the

budgeting process; Flow of information: Company budget participation improving flow of information between superiors and subordinates; Discussions and reviewing: Company all level employees are participated in budget related discussions (Yapa, 2023).

Budget participation has been shown to have a positive impact on financial performance on commercial banks. When employees are involved in the budgeting process, they are more likely to be motivated and committed to achieving financial goals leading to improved financial performance (Alhasnawi, Said, Daud & Muhamad, 2023). Improved financial planning which allows employees to provide input on financial plans ensuring that budgets are realistic and achievable (Alhasnawi, Said, Daud & Muhamad, 2023). Budget participation also leads to clearer budget goals enabling organizations to manage resources more effectively and achieve set goals more efficiently. Budget participation enables organizations and institutions to leverage the knowledge and expertise of employees and stakeholders leading to more informed financial decisions (Mwesigye & Mpeera,2020). Likewise, involving employees in budgetary decisions promotes ownership and accountability therefore reducing the likelihood of financial mismanagement (Mwangi, 2022). Budgetary participation facilitates better communication and coordination among departments leading to more effective financial planning (Lyons et al, 2020). Participatory budgeting also allows for more accurate forecasting and resource allocation enabling banks to respond to changing market conditions (Namusonge,2023).

Although budget participation has several benefits, there are also some drawbacks associated with budget participation that could adversely affect the company's financial performance. Budgeting itself is quite time-consuming and expensive since it requires substantial resources and efforts to be expended. Additionally, budget participation can lead to budget to conflicts between different departments or stakeholders particularly if there are competing interests or priorities. Furthermore, budget participation can also lead to budget slack, where employees and stakeholders intentionally underestimate revenues or overestimate costs to create a buffer (Kaur & Singh, 2020). Budgetary participation may not always lead to optimal financial decisions as individual biases and interests may influence the process (Anyanzwa,2024). Likewise, participatory budgeting requires significant training and capacity building which can be a challenge for some banks (FSD Uganda, 2023).

Despite the disadvantages the net impact of budget participation on financial performance is positive. Therefore, the benefits of budget participation outweigh the costs leading to improved financial performance and increased competitiveness in organizations and financial institutions (Alhasnawi, Said, Daud & Muhamad, 2023). By fostering a culture of collaboration and inclusivity, commercial banks can leverage budget participation to drive financial success and achieve their strategic objectives. Likewise, there is increased profitability whereby budget participation has been linked to improved profitability in organizations (Kaur & Singh, 2020) and improved resource allocation (Rudiyanto et al, 2023).

## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter entails the research design, study population, sample size, sampling techniques, data collection procedure, the validity of data collection instruments as well as data processing and analysis and ethical consideration.

#### 3.1 Research design

This study aimed to adopt a cross-sectional research design, allowing the collection of both qualitative and quantitative data at a single point in time. A descriptive research design was used to systematically analyze and interpret the gathered information, providing a comprehensive understanding of the subject matter. Additionally, an analytical research approach was integrated to examine relationships between variables and derive meaningful insights.

#### 3.2 Study population

This study targeted a population of 41 respondents, primarily the accountants, managers and the staff. This population was selected to ensure relevant insights into the study's objectives, as these individuals' poses first-hand experience and knowledge about the research topic.

#### 3.3 Sample size

The sample size for quantitative data will be determined using the Yamane's (1967) formula as shown below;

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

“n” is sample size, “N” is population, “e” is error (0.05) or level of confidence 95%

“N” (population) = 45 employees from the different departments in NCBA Bank

$$n = \frac{45}{1 + 45(0.05)^2}$$

$$n = \frac{45}{1 + 45(0.0025)}$$

$$n = \frac{45}{1 + (0.1125)}$$

$$n = \frac{45}{1.1125}$$

n = 40.5

n = 41 respondents

### **3.4 Sampling Techniques**

There are mainly two sampling approaches that is to say probability and non-probability sampling techniques. In probability sampling technique, all elements in the population have a chance of being selected. The study used simple random sampling technique. In using this, the rotary approach was used whereby names of the respondent were written on tags and one picked at a time until a required number was reached.

Non-probability approach, here the elements in the population don't have a well-defined chance of being selected. In this study the research used purposive sampling which involves the researcher using his/her own judgment regarding the respondents from whom the information was collected and basically, its research on the judgment of the respondents' possession of the required information.

### **3.5 Data Sources**

This study used both primary and secondary data. Primary data was collected using questionnaires and interviews gathering information for the specific purpose of the study. Secondary data was collected from exiting literature, reports and databases to provide background information on budgetary control and financial performance of commercial banks.

### **3.6 Data Collection Methods and Tools**

The following data collection methods were used for the study;

### **3.6.1 Questionnaire survey method**

It involves use of questionnaires to collect data from a specific group by asking them a structured set of written questions. The questionnaire was designed to collect quantitative data from commercial banks in Kampala. The questionnaire included questions on budgetary control mechanisms, financial performance and demographic characteristics of the institution.

### **3.6.2 Questionnaires**

A structured research questionnaire was designed and administered to collect quantitative data from commercial banks in Kampala. The questionnaire included questions on budgetary control mechanisms, financial performance and demographic characteristics of the financial institution.

### **3.7 Data collection procedure**

The researcher obtained an introductory letter from the School of Business at Uganda Christian University, after which permission was sought from the management of NCBA Bank to use as a case study. The researcher approached several participants to distribute the questionnaires after obtaining consent from them.

### **3.8 Validity**

For quality control, a pre-test of the research instruments to establish their validity was done. The tools were given to the research supervisor in order to let him give his opinion and scores on the relevance of the questions in relation to the study. Using the Content Validity Index (CVI), I assessed the scores of questions in the instrument and made a judgement on each variables taking only those scoring above 0.70.

The Content Validity Index was arrived at using the formula below;

$$\text{CVI} = \frac{\text{Total Number of items declared valid}}{\text{Total number of items}}$$

### 3.9 Data processing and Analysis

Analysis is the application of reasoning to understand and interpret the data that has been collected. By definition, qualitative data analysis is the range of processes and procedures whereby one moves from qualitative data that has been collected into some form of explanation, understanding or interpretation of the people and the situation being investigated. In this study, I used a judgmental practice which was a suitable method for analyzing qualitative data and a representation of financial performance.

The primary data that was collected was edited, coded and analyzed to identify the relationship between budgetary control and financial performance of manufacturing entities. Data was derived from questionnaires, analyzed using statistical package for Social Science (SPSS), computer program. Descriptive and Inferential statistics were produced in table forms. Since the study was running a correlation analysis, inferential statistics including Pearson and regression correlation were processed. Correlation helped establish the relationship between the study variables while the multiple regressions were used to establish the impact of budgetary control on financial performance. Likewise, simple characteristics were processed to generate frequencies and percentages.

### 3.10 Ethical consideration

Ethical considerations refer to a set of principles that guide research designs and practices (Bhandari, 2024). The research adhered to UCU REC ethical standards. The key considerations included;

**Informed consent:** Researcher obtained voluntary and informed consent from all participants within the manufacturing entity before data collection.

**Confidentiality and Anonymity:** This was due to the sensitive nature of financial data hence the need to ensure confidentiality of both the participating individuals and the organization.

**Data accuracy and integrity:** This involved data collected to be recorded and reported accurately without manipulation to fit a desired outcome. Likewise, avoiding bias in data analysis and presentation of findings ensuring that the study's conclusions genuinely reflect the evidence gathered

**Plagiarism and proper citation:** All sources whether from academic literature or data collection process were properly acknowledged and cited.

**Data security:** Data was stored safely and was only used for academic purposes.

## CHAPTER FOUR

### PRESENTATION AND INTERPRETATION OF RESULTS

#### 4.0 Introduction

This chapter presents and interprets the results of analysis that has been done to look at the specific objectives of the study and in relation to the reviewed literature. The study was carried out using questionnaires with employees of NCBA Bank, Uganda. The findings are presented with the help of tables for purposes of clarity and interpretation.

#### 4.1 Response rate

**Table 1: Response rate for questionnaires**

Response Rate	Sample Size	
	Frequency	Percentage (%)
Questionnaires filled	33	80.5%
Questionnaires not filled	8	19.5%
Total number of questionnaires issued out	41	100.0%

**Source:** *Primary data*

According to the response rate in table 1 above, out of the 41 (100.0%) of the questionnaires that were issued out to the employees of NCBA Bank, Uganda, 33 questionnaires were fully filled giving a 80.5% response rate, whereas 8 (19.5%) of the questionnaires were not filled. The response rate of 80.5% was excellent to give valid and reliable data. The reason as to why the researcher was unable to collect from the one of the respondents was because there was limited time to collect data since the researcher had to beat the deadline of report submission yet some of these respondents were delaying to give response.

#### 4.2 Findings on demographic characteristics of respondents

This section presents the general background information about the respondents in relation to their gender, age, current position held in the bank, department and years of service in NCBA Bank, Uganda as shown in the table below;

**Table 2: Background Information about the respondents**

<b>Item</b>	<b>Description</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender	Male	17	51.5
	Female	16	48.5
	<b>Total</b>	<b>33</b>	<b>100.0</b>
Age	18-25 years	5	15.2
	26-35 years	20	60.6
	36-45 years	6	18.2
	46 years & above	2	6.1
	<b>Total</b>	<b>33</b>	<b>100.0</b>
Current position in NCBA Bank	Assistant	5	15.2
	Officer	16	48.5
	Manager	9	27.3
	Others	3	9.1
	<b>Total</b>	<b>33</b>	<b>100.0</b>
Departments	Operations	8	24.2
	Administration	1	3.0
	Sales/Marketing	20	60.6
	Others	4	12.1
	<b>Total</b>	<b>33</b>	<b>100.0</b>
Years of service in NCBA Bank	Less than 3 years	17	51.5
	4-7 years	9	27.3
	8-12 years	4	12.1
	More than 12 years	3	9.1
	<b>Total</b>	<b>33</b>	<b>100.0</b>

**Source:** *Primary data*

From the results obtained, it is clear that the majority of the respondents were male at 51.5%, while female respondents accounted for 48.5%. The result shows that the gender distribution of the respondents was relatively equal, although men slightly outweighed women in the survey. This

ensures that views and opinions expressed by both men and women workers were equally considered during data analysis.

The predominant age group among the respondents comprised individuals between the ages of 26 and 35 years, accounting for 60.6% of the respondents. Next came those within the age range of 36 and 45 years, making up 18.2%, followed by those aged between 18 and 25 years, forming 15.2% of the respondents. Finally, there were respondents aged 46 years and above, accounting for 6.1%. The findings show that the respondents were predominantly young adults, implying that the respondents were mainly productive employees.

Findings show that respondents who were officers accounted for the greatest number of respondents with 48.5%, then managers accounted for 27.3% of the respondents, after which came assistants with 15.2% of respondents, while others accounted for 9.1% of respondents. This finding implies that many of the respondents were officers whose activities include the day-to-day operations of the bank and execution of the budget.

In terms of respondents, there was a larger number of sales/marketing respondents accounting for 60.6% of the total, then Operations department respondents accounting for 24.2%, other department respondents accounting for 12.1%, while administration respondents account for 3.0% of total respondents. It is clear that many of the respondents belonged to the sales and marketing department, meaning that the study got its insights mainly from departments generating revenue.

From the analysis conducted, it is evident that about 51.5% of the people surveyed had worked for less than three years, 27.3% had worked for between four and seven years, 12.1% had worked for between eight and twelve years, and the remaining 9.1% had worked for more than twelve years. The majority of the people surveyed can be considered to be relatively new workers, possibly a result of recent recruiting or hiring process.

### 4.3 Relationship between budget monitoring and financial performance of NCBA Bank

Table 3 summarizes respondents' responses the relationship between budget monitoring and financial performance of commercial banks by using a Likert scale where SA (Strongly Agree), A (Agree), N (Neutral), D (Disagree) and SD (Strongly Disagree).

**Table 3: Relationship between budget monitoring and financial performance**

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	N	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Actual performance is regularly compared with the budget (e.g., monthly/quarterly)	16 48.5%	12 36.4%	3 9.1%	2 6.1%	00	4.27	0.876
Variance reports are prepared and discussed with responsible managers	12 36.4%	16 48.5%	3 9.1%	1 3.0%	1 3.0%	4.12	0.927
Corrective actions are taken immediately when major variances are identified	7 21.2%	15 45.5%	9 27.3%	2 6.1%	00	3.82	0.846
Budget monitoring has helped reduce unnecessary expenses	8 24.2%	16 48.5%	4 12.1%	4 12.1%	1 3.0%	3.79	1.053
Regular budget monitoring has improved our net profit margin	7 21.1%	15 45.5%	6 18.2%	5 15.2%	00	3.73	0.977
We use software/tools to track budget performance in real time	6 18.2%	14 42.4%	8 24.2%	4 12.1%	1 3.0%	3.61	1.029

**Source:** *Primary data*

Table 3 above represents an analysis conducted on the correlation between budget monitoring and the financial performance of commercial banks based on mean and standard deviation results from the application of the Likert scale. Results where respondents indicated "Strongly Disagree" and "Disagree" were classified under scores, 0 to 2.4; scores that indicated "Neutral" were classified as scores ranging from 2.5 to 3.4; and scores which indicated "Strongly Agree" and "Agree" were scores that ranged from 3.5 to 5.0.

Results from Table 3 have shown that on the average, most of the respondents agreed that there is a regular comparison of actual performance against the budget (e.g. monthly/quarterly) which is represented in the result of (Mean = 4.27; Std. Dev. = 0.876). This shows that regular comparisons against budgetary targets are common financial management practices that assist managers make more effective financial decisions.

It was also found from the research study that the respondents on average agreed with the preparation and discussion of the variance report with responsible managers represented by (Mean = 4.12; Std. Dev. = 0.927). It shows that the concept of variance analysis and communication is widely used in the bank. The relatively high mean score indicates that managers are always actively engaged in monitoring budget variances, which helps build effective control and accountability systems.

In addition, it was found from the research study that on average, a large number of the respondents agreed that corrective measures are immediately undertaken in the event of material variance represented by (Mean = 3.82; Std. Dev. = 0.846). It implies that the bank immediately addresses any variance and helps reduce financial inefficiencies.

Further, it was found that on average, most of the respondents believed that budget monitoring had reduced unnecessary expenditures, as evidenced by the fact that (Mean = 3.79; Std. Dev. = 1.053). This means that budget monitoring is an important process in managing the expenditure and avoiding wastage of finances. It is noted that the results show that the monitoring process improves cost management in the organization.

Additionally, the study found out that on average, most of the respondents believed that frequent budget monitoring had increased the bank's net profit margin as indicated by the (Mean = 3.73; Std. Dev. = 0.977). This means that there exists a positive correlation between budget monitoring and profitability. In addition, frequent budget monitoring ensures financial planning and proper management of costs, thus improving financial performance.

Finally, it was found out that on the average, a large number of the respondents were in agreement that the bank uses software/tools in order to monitor its budget performance in real-time, as indicated by (Mean=3.61; Std. Dev.=1.029). This means that despite the presence of such digital monitoring systems, there still seems to be an area where further improvement could be done.

#### 4.4 Relationship between budget planning and financial performance of NCBA Bank

Table 4 summarizes respondents' responses on the relationship between budget planning and financial performance of commercial banks by using a Likert scale where SA (Strongly Agree), A (Agree), N (Neutral), D (Disagree) and SD (Strongly Disagree).

**Table 4: Relationship between budget planning and financial performance**

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	N	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Our organization prepares detailed annual budgets before the financial year begins	17 51.5%	11 33.3%	2 6.1%	3 9.1%	00	4.27	0.944
Budgets are based on realistic scales and production forecasts	11 33.3%	12 36.4%	4 12.1%	5 15.2%	1 3.0%	3.82	1.158
All departments are involved in preparing their own departmental budgets	11 33.3%	11 33.3%	4 12.1%	7 21.2%	00	3.79	1.139
Budget planning helps us control costs and improve profitability	13 39.4%	15 45.5%	1 3.0%	4 12.1%	00	4.12	0.960
Effective budget planning has increased our return on assets (ROA)	9 27.3%	17 51.5%	5 15.2%	2 6.1%	00	4.00	0.829
Our budgets are revised/updated when there are major changes in organization	5 15.2%	15 45.5%	8 24.2%	5 15.2%	00	3.61	0.933

**Source:** *Primary data*

Table 4 above presents an analysis on the relationship between budget planning and financial performance of commercial banks using means and standard deviations derived from the use of a Likert scale. Scores of Strongly Disagree and Disagree = a mean score of 0 to 2.4; Scores of Neutral = a mean score of 2.5 to 3.4; Scores of Strongly agree and Agree = a mean score of 3.5 to 5.0.

The findings presented in Table 4 revealed that on average, the majority of the respondents agreed that the organization prepares detailed annual budgets before the financial year begins represented

by (Mean = 4.27; Std. Dev. = 0.944). This implies that proactive financial planning is emphasized in the bank, which enhances financial discipline and supports effective allocation of financial resources, thereby improving financial performance.

The study findings also indicated that on average, most of the respondents agreed that budgets are based on realistic sales and production forecasts represented by (Mean = 3.82; Std. Dev. = 1.158). These findings mean that realistic forecasts make it easier for budget variance management as well as accurate financial planning, and this improves financial performance.

In addition to this, the research findings revealed that the number of respondents who believed that most departments were responsible for drawing up their own budgets was very high (Mean = 3.79; Std. Dev. = 1.139). It means that department participation in budget planning results in a greater sense of responsibility.

Moreover, the research findings highlighted that on average, the majority of the respondents were in agreement that budget planning facilitates cost containment and profitability as indicated by (Mean = 4.12; Std. Dev. = 0.960). This means that efficient budget planning facilitates the effective utilization of financial resources, thus ensuring financial sustainability and profitability of the bank.

Furthermore, the research results revealed that on average, the majority of the respondents were in agreement that effective budget planning had facilitated the increase in the return on assets (ROA) of the bank as indicated by (Mean = 4.00; Std. Dev. = 0.829). This means that efficient budget planning ensures effective utilization of assets, hence higher returns.

Finally, the research results revealed that on average, a large number of the respondents were in agreement that budgets were adjusted in cases where there are significant changes in the organization as shown by (Mean = 3.61; Std. Dev. = 0.933).

#### **4.5 Relationship between budget participation and financial performance of NCBA Bank**

Table 5 summarizes respondents' responses on the relationship between budget participation and financial performance of commercial banks by using a Likert scale where SA (Strongly Agree), A (Agree), N (Neutral), D (Disagree) and SD (Strongly Disagree).

**Table 5: Relationship between budget participation and financial performance**

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	N	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Lower and middle level employees are involved in setting budget targets	2 6.1%	5 15.2%	7 21.2%	12 36.4%	7 21.2%	2.48	1.576
Employee suggestions and ideas are considered during budget preparation	2 6.1%	11 33.3%	6 18.2%	12 36.4%	2 6.1%	2.97	1.504
Participative budgeting increases employee commitment to achieving targets	12 36.4%	7 21.2%	10 30.3%	3 9.1%	1 3.0%	3.79	1.139
Budget participation has reduced budget slacks	6 18.2%	9 27.3%	10 30.3%	8 24.2%	00	3.39	1.559
When employees participate in budgeting, overall financial performance improves	11 33.3%	9 27.3%	10 30.3%	3 9.1%	00	3.85	1.004
Budget participation has improved cooperation between departments	4 12.1%	13 39.4%	11 33.3%	5 15.2%	00	3.48	1.506

**Source:** *Primary data*

Table 5 above presents an analysis on the relationship between budget participation and financial performance of commercial banks using means and standard deviations derived from the use of a Likert scale. Scores of Strongly Disagree and Disagree = a mean score of 0 to 2.4; Scores of Neutral = a mean score of 2.5 to 3.4; Scores of Strongly agree and Agree = a mean score of 3.5 to 5.0.

The findings presented in Table 5 revealed that on average, the respondents were not sure or moderately disagreed that lower and middle-level employees are involved in setting budget targets as represented by (Mean = 2.48; Std. Dev. = 1.576). This suggests that budgeting decisions are largely centralized at higher management levels, which may reduce employee ownership and commitment to budget implementation, potentially affecting financial performance.

The study findings also indicated that on average, the respondents were not sure that employee suggestions and ideas are considered during budget preparation represented by (Mean = 2.97; Std.

Dev. = 1.504). This means that the involvement of employees in idea contribution for budgeting is moderately involved. It is likely that the low mean score means that the involvement of limited consultation can result in a demotivated workforce and poor budget effectiveness, which will adversely affect financial performance.

In addition, according to the results of this research study, the mean response for the statement that participative budgeting fosters employee commitment to meeting objectives in the form of (Mean = 3.79; Std. Dev. = 1.139) was relatively high. The fact that the mean score was very high implies that the respondents believed that participative budgeting fosters employee commitment.

Furthermore, according to the results, it was found that, on average, the respondents were uncertain that budget participation has had a significant effect in minimizing budget slacks (Mean = 3.39; Std. Dev. = 1.559). It can therefore be concluded from the results that there is no conclusive evidence about whether budget participation reduces budget slack.

Besides, from the study, it was also observed that, on average, the respondents strongly agreed that employee participation in the process of budgeting increases overall financial performance (Mean = 3.85; Std. Dev. = 1.004).

Finally, the study indicated that generally speaking, the participants did not feel sure that budget participation had enhanced coordination among departments (represented by Mean = 3.48; Standard Deviation = 1.506). It shows that even though budget participation can promote coordination, it does not seem to be sufficient enough, and better forms of budget participation are required.

#### **4.6 Correlation analysis on budgetary control and financial performance of NCBA Bank**

This study was set to investigate the relationship between budgetary control and financial performance of NCBA Bank. This was done by running a correlation analysis using Pearson Product Moment Correlation Coefficient between budgetary control and financial performance as indicated in the conceptual framework. A correlation to be considered significant, the P-value (Sig. (2.tailed) values must be less than 0.05 (for 95% confidence level) or less than 0.01 (for 99% confidence level) and the findings are shown in Table 6 below;

**Table 6: Pearson's Correlation Matrix**

Variables	Mean	Standard Deviation	1	2	3
1. Budget monitoring	3.93	.772	1		
2. Budget planning	3.89	.730	.754**	1	
3. Budget participation	3.63	.830	.679**	.590**	1
4. Financial performance	3.91	.821	.565**	.776**	.672**

**Note:**

a) 1= Budget monitoring; 2= Budget planning; 3= Budget participation; and 4= Financial performance

b) \* $P < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$  level of Significance

**Source:** *Primary data*

In regards to budgeting and financial performance of NCBA Bank, the findings, as presented in Table 6, show that there is a statistically significant positive association between budget monitoring and financial performance of commercial banks, according to  $r = .565^{**}$ ,  $p < .01$ . It means that enhanced budget monitoring processes like performance comparison, variance analysis, and taking corrective measures can significantly impact financial performance. Additionally, the findings suggest that by improving budget monitoring processes, the financial discipline of the bank can be improved, unnecessary expenses can be reduced, profits can be increased, and financial resource utilization can become efficient.

Moreover, findings from Table 6 showed a strong positive correlation between budget planning and financial performance of commercial banks evidenced by ( $r = .776^{**}$ ,  $p < .01$ ). This means that successful budget planning techniques, including proper annual budgeting, realistic forecasting, involvement of departments, and proper revision of budgets, contribute to the improvement of financial performance. The findings show that improving budget planning contributes to efficient resource management, cost control, profits, and asset management. Therefore, this contributes to sustained financial performance for commercial banks such as NCBA Bank.

Ultimately, it was found out through the analysis provided in Table 6 that there is a strong positive correlation between budget participation and financial performance in commercial banks ( $r =$

.672\*\*,  $p < .01$ ). This means that engaging employees in budget preparation, taking into account their suggestions, and implementing participatory budgeting are factors that have close ties with better financial performance. The findings also show that when budget participation increases, there is a tendency for employee commitment, coordination between departments, budget accountability, and target ownership in finances to be improved as well.

#### 4.7 Multiple regression analysis on budgetary control and financial performance in NCBA Bank, Uganda

The overall model made a significant contribution, accounting for 60.9% of the variability in financial performance of NCBA Bank, Uganda (Total  $\Delta R^2 = .609$ ,  $p = .000$ ). The table below importantly shows the R-Square ( $R^2$ ) and R-Square Change ( $\Delta R^2$ ) for each model, showing its contribution to the overall model. These values are interpreted alongside the ANOVA table providing the F values for each model together with the levels of significance.

**Table 7: Multiple Regression Analysis Results**

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.804 <sup>a</sup>	.646	.609	.519	
ANOVA <sup>a</sup>						
Model		Sum of squares	df	Mean Square	F	Sig.
1	Regression	14.250	3	4.750	17.635	0.000 <sup>b</sup>
	Residual	7.811	29	0.269		
	Total	22.061	32			
Coefficients <sup>a</sup>						
Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.616	.521		1.184	.246
	Budget monitoring	.114	.194	.100	1.587	.000
	Budget planning	.509	.202	.459	3.514	.000
	Budget participation	.284	.153	.284	1.862	.000
a. Dependent Variable: Financial performance in NCBA Bank, Uganda						

b. Predictors: (constant), Budget monitoring, Budget planning, Budget participation

$P \leq 0.01$

**Source:** *Primary data*

Table 7 shows a coefficient of determination (R-square) of 0.646 at a significance level of 0.000, suggesting that 64.6% of the variability in financial performance of NCBA Bank Uganda is explained by the independent variables: budget monitoring, budget planning, and budget participation, with a standard error of estimate of 0.519. The correlation coefficient ( $R = 0.804$  or 80.4%) indicates a strong positive association between the predictors and financial performance. The figure of 0.609, which is equivalent to 60.9%, is the adjusted  $R^2$ , indicating the portion of the variation in financial performance that can be accounted for by the independent variables after considering the effect of sample size and independent variables in the regression equation. This leaves 39.1% to be attributed to factors that were not incorporated into this regression model.

According to the standardized coefficient statistics, budget monitoring greatly impacts financial performance, where ( $\beta = 0.100$ ,  $t = 1.587$ ,  $p = 0.000$ ). This means that any one-unit improvement in the effectiveness of budget monitoring procedures such as variance analysis, performance comparison, and remedial measures will have a corresponding 10.0% improvement in financial performance.

Additionally, budget planning had the most significant effect on financial performance with ( $\beta = 0.459$ ,  $t = 3.514$ ,  $p = 0.000$ ). This implies that an increase by one unit in budget planning leads to 45.9% improvements in financial performance. This underscores the need for developing a budget, making realistic estimates, engaging all departments in the process, and modifying the budget whenever required to improve resource allocation, cost management, and efficiency of assets, hence ensuring profitability at NCBA Bank.

Lastly, budget participation had a strong effect on financial performance with ( $\beta = 0.284$ ,  $t = 1.862$ ,  $p = 0.000$ ). This suggests that an increase by one unit in budget participation improves financial performance by 28.4%. This emphasizes the necessity of incorporating employees in the budgeting process to ensure better organizational performance.

The Analysis of Variance (ANOVA) test is also shown in Table 7. The data reveals a very significant model at large with an F-value of 17.635 and a p-value of 0.000. Given that the value of the p-value is less than the level of significance (0.05), then it can be concluded that the entire regression model is statistically significant. Therefore, it is evident that all three variables significantly affect the financial performance of NCBA Bank Uganda.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter includes the discussion of findings in relation to the literature. It also summarizes all findings reported in chapter four according to questions of the study, draws conclusions, suggests recommendations and also proposes some areas for further study.

#### **5.1 Summary of findings**

The study findings revealed that most of the respondents agreed that actual performance is regularly compared with the budget, variance reports are prepared and discussed, corrective actions are promptly taken, unnecessary expenses are reduced, net profit margin is improved, and software/tools are used for real-time tracking, with all mean scores above 3.5. These findings show

that budget monitoring procedures such as performance comparison, variance analysis, corrective measures, cost management, and use of computerized technology are common and believed to improve financial efficiency, accountability, and profitability. In addition, the Pearson correlation analysis confirmed a strong positive correlation between budget monitoring and financial performance ( $r = .565^{**}$ ,  $p < .01$ ). This means that the more budget monitoring procedures are enforced, the higher the chances of good financial performance. The regression analysis indicated a positive effect of budget monitoring on financial performance ( $\beta = 0.100$ ,  $t = 1.587$ ,  $p = 0.000$ ).

In addition, results have indicated that majority of the respondents strongly agreed that the bank develops detailed annual budgets, develops budgets based on realistic forecast of sales and productions, all departments of the organization are involved in developing budgets, uses budgeting for controlling expenditures and achieving profitability, improves ROA, and reviews budgets when there are any organizational changes, with all mean scores greater than 3.5. Therefore, it is clear that there are good budgeting practices that involve detailed budgeting, realistic forecasting, departmental involvement, cost control, and reviews that are being utilized in NCBA Bank. Correlation analysis indicated a strong positive relationship between budgeting planning and financial performance ( $r = .776^{**}$ ,  $p < .01$ ). This means that there is a strong relationship between budgeting practices and financial performance. The results from regression analysis indicated that budget planning had the greatest impact on financial performance ( $\beta = 0.459$ ,  $t = 3.514$ ,  $p = 0.000$ ).

Lastly, the findings indicated that the majority of respondents either felt uncertain or disagreed moderately with the statement that lower and middle-level staff participate in determining budget objectives and that their views are taken into consideration in preparing budgets, implying low adoption of participative budgeting within these levels. On the other hand, the majority of respondents agreed with the idea that participative budgeting leads to higher employee commitment to achieve goals and financial success while the effect on budget slacks reduction and cooperation between departments was inconclusive. Pearson's correlation coefficient further pointed to a significant positive relationship between budget participation and financial performance ( $r = .672^{**}$ ,  $p < .01$ ). Furthermore, regression analysis indicated that there is a significant effect of budget participation on financial performance ( $\beta = 0.284$ ,  $t = 1.862$ ,  $p = 0.000$ ).

## 5.2 Discussion of findings

### 5.2.1 Relationship between budget monitoring and financial performance

The study results showed that most respondents thought that effective budget monitoring techniques at NCBA Bank include regular comparison of actual performance with the budget, variance reports preparation and discussion, and quick corrective measures taken. The results support Okafor and Adebayo's (2025) hypothesis that constant performance reviews and quick corrective action are essential for enhancing financial results in Nigerian commercial banks. Obieze et al. (2024) discovered likewise that thorough budget tracking and variance analysis help to improve managerial supervision, responsibility, and general financial performance. On the other hand, Mismiwati et al. (2022) maintained that although many banks have budget monitoring in place, its application is sometimes uneven and does not always result in increased profitability, which somewhat contradicts the strong positive impression shown in this research.

Furthermore, discovered by the research was that strict application of budget monitoring techniques including cost control measures and the use of real-time tracking software/tools was thought to improve financial effectiveness, openness, and profitability. The results support Isibor et al. (2022), who underlined how effective resource management and profitability in financial institutions greatly depend on including digital solutions for budget monitoring and expenditure control enforcement. On the contrary, Temba et al. (2023) found that in some Tanzanian banks, despite the availability of budget tracking systems, a lack of consistent enforcement and employee engagement reduced the effectiveness of these practices, suggesting that technology alone is insufficient without proper implementation and monitoring culture.

Lastly, the study results revealed a strong positive correlation between financial performance and budget monitoring ( $r = .565^{**}$ ,  $p < .01$ ), and regression analysis revealed that budget monitoring positively affects financial performance ( $\beta = 0.100$ ,  $t = 1.587$ ,  $p = 0.000$ ). The results connect to Okonkwo (2025), who showed that effective budget monitoring improves financial discipline, lowers waste, and boosts profitability in Nigerian business banks. Obieze et al. (2024), meanwhile, underlined that better financial results depend mostly on well-organized budgetary control systems. However, Mismiwati et al. (2022) argued that in some sharia-compliant banks, other elements including governance and profit management moderate the link between budget control

and financial performance, therefore suggesting that simply monitoring budget may not always ensure better financial outcomes.

### **5.2.2 Relationship between budget planning and financial performance**

The study results showed that most respondents concurred that NCBA Bank creates thorough yearly budgets before the beginning of the financial year, bases budgets on realistic sales and production predictions, and includes every department in budget preparation, with mean scores above 3.5. The findings confirm those by Mligo & Maseko (2022) in that thorough budgeting and involvement of departments contributed to financial prudence, responsibility, and overall performance of the commercial banks in Tanzania. According to Mutai & Miroga (2023), forecasting and proper planning led to better financial decision making in commercial banks in Kenya. Contrary to the findings of Tinh et al. (2022) in that despite having comprehensive budget plans, banks did not make more profits due to lack of effective monitoring systems, the outcomes realized at NCBA Bank were positive.

An examination of the survey findings further revealed that the respondents believed that proper budgetary planning will assist in keeping costs low, improving profitability, and increasing ROA. The findings corroborate the studies by Nguyen et al. (2023), who observed that in Vietnamese commercial banks, proper budgetary planning plays an essential role in ensuring efficient allocation of resources, controlling costs, and maintaining profitable operations. In addition, Saeed et al. (2023) discovered that profitability was positively influenced by incorporating financial management techniques such as budgeting and cost control. However, according to Nanda (2024), the efficiency of budgeting preparation is limited if technology is not applied to the budget process, such as artificial intelligence for treasury management; hence, the best budgeting planning practices at NCBA Bank would benefit immensely from digitization.

Finally, the findings of the research indicate that major changes within an organization prompt budget changes or upgrades that reflect flexibility and adaptability within budget planning. The findings are consistent with Mligo and Maseko (2022), who indicated that flexible budget planning helps banks cope with new conditions of the market, reduce risks associated with finances, and maintain stability. In addition, regression analysis revealed that budget planning plays the biggest role in improving financial performance ( $\beta = 0.459$ ,  $t = 3.514$ ,  $p = 0.000$ ), meaning that effective

budget planning processes positively affect financial performance. However, Think et al. (2022) argued that for some commercial banks, the financial benefits from the adoption of new approaches do not occur due to economic constraints, so it is crucial to use additional financial management approaches for the best results.

### **5.2.3 Relationship between budget participation and financial performance**

The survey results showed that most respondents either somewhat disagreed or were unsure whether lower and middle-level workers help to create budget targets or whether employee ideas are taken into account when the budget is being prepared. The results support Budding et al. (2022), who found that, particularly at lower organizational levels, participative budgeting is frequently restricted in reality, therefore possibly lowering employee ownership and commitment. Park et al. (2023) similarly found that inadequate participation of workers in participatory budgeting might limit the efficiency of fiscal planning. These results, nevertheless, do not quite agree with Riyadh et al. (2023), who asserted that companies with well-organized participative processes often guarantee active employee involvement throughout all levels, therefore pointing up a contradiction with the policies at NCBA Bank.

Further analysis of the data indicated that most survey participants thought participatory budgeting helps to raise general financial performance and employee commitment to reaching goals. These results support Silva et al. (2023), who discovered that participative budgeting raises employees' trust, job satisfaction, and budget goal commitment, therefore boosting organizational performance. Likewise, Irawan (2023) said that staff involvement in budgeting boosts responsibility and drive, which translates into better financial performance. On the other hand, Alhasnawi et al. (2024) found that in some companies participative budgeting does not automatically lead to better performance if staff members lack the ability or power to affect budget decisions, therefore implying that the favorable impacts are dependent on the situation.

The study results ultimately showed that, while Pearson's correlation and regression analysis indicated a strong positive correlation between budget participation and financial performance, responses were unclear on how budget participation affected reducing budget slacks and enhancing interdepartmental cooperation. The results align with those of Riyadh et al. (2023); Silva et al. (2023); who found that more employee participation in budgeting boosts coordination,

responsibility, and commitment, therefore promoting sustainable financial performance. Nevertheless, this contrasts with Budding et al. (2022), who observed that participatory budgeting might be ineffective in facilitating organizational coordination and reducing budget slack without proper systems. This highlights the importance of having robust systems of participation to reap maximum financial gains.

### **5.3 Conclusions**

It is clear from the study that at NCBA Bank, financial performance is mainly influenced by budgetary monitoring processes. Comparison of performance, variance analysis, taking necessary steps, cost minimization, and application of real-time tracking mechanisms help in enhancing financial performance through financial discipline, minimizing inefficiencies, and improving responsibility, hence profitability.

Moreover, the study shows that effective budgeting preparations significantly influence financial performance. Budgeting preparations are the key element of what the bank does to ensure efficiency in using its resources for maximizing profitability and optimizing its utilization of resources. Moreover, proper budgeting processes contribute towards sustained profitability.

Finally, it is clear that while participative budgeting is partially practiced, it has positive impacts on financial performance. Even though employee budgeting improves responsibility, accountability, and coordination, participation of junior and mid-level employees is quite limited. Their contributions are given little attention, thus indicating that participative budgeting is not fully institutionalized.

### **5.4 Recommendations**

From the findings of the study, the following recommendations become relevant to be considered as necessary measures regarding the issue of budgetary control and financial performance in case of commercial banks operating in Kampala especially NCBA Bank.

It is recommendable to the NCBA Bank the adoption of improved budget monitoring practices by conducting frequent performance analysis, variance analysis, and implementation of corrective measures in all divisions of the bank. The bank will become able to increase its financial discipline, minimize inefficiencies, and maintain the highest possible profit margins through ensuring any

budget discrepancies get identified and acted upon in good time. The use of effective digital monitoring systems will facilitate this.

Another recommendation from the study concerns the adoption of improved budget preparation practices such as the development of annual budgets based on realistic sales and production expectations of the firm and participation of all bank divisions in budget preparations.

Furthermore, the study recommends the need for NCBA Bank to use flexible and adaptive budget correction strategies. By promptly changing budgets in response to significant organizational or market events, the bank will be able to react effectively to the ever-changing business climate, lower financial risks, and maximize profitability, therefore ensuring that financial objectives remain attainable and pertinent all through the fiscal year.

In addition, the study recommends the need for NCBA Bank to improve staff participation in budgeting, especially involving lower and middle-level workers in generating ideas and setting budget goals. Better general financial performance can result from more participation budgeting, which also boosts employee engagement, ownership, responsibility, and interdepartmental cooperation.

Lastly, the study recommends that NCBA Bank should fund staff training on budgetary and financial management to improve their skills. Effective budget monitoring, planning, and participation training will boost employees' confidence and competence in financial decision-making, lower mistakes, promote accountability, and aid better financial results across the board of the company.

## **5.5 Areas for further research**

Since this study aimed at examining the role of budgetary control and financial performance of commercial banks in Kampala; a case of NCBA Bank, Uganda, the study recommends that; similar study should be done on other areas concerning this topic and these areas of further research needed include the following:

The study recommends further research on the impact of digital and automated budgetary control systems on financial performance in commercial banks.

Furthermore, the study suggests further investigation into the influence of participative budgeting at lower and middle management levels on employee motivation and organizational performance.

Finally, the study recommends that future research should focus on examining the combined effect of budgetary control and other financial management practices, such as risk management and investment planning, on the overall financial performance of commercial banks.

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## APPENDICES

### Appendix 1: Questionnaire

**Dear Respondent,**

My name is Imou Patience Sally, currently studying my final year at Uganda Christian University majoring in Business Administration (Accounting and Finance).

The purpose of this survey is to collect primary data to analyze the following topic: “Budgetary control and financial performance of Commercial Banks in Kampala.”

Your answers will be strictly confidential and used exclusively for the purpose of this research.

This survey will take you about 8-10 minutes to complete.

Thank you for your cooperation.

#### SECTION A: Demographic Information (Please tick the appropriate box)

**1. Gender**

a) Male                       b) Female

**2. Age Bracket**

a) 18-25 years                       b) 26-35 years                       c) 36-45 years   
d) 46 years above

**3. Current position in the Organization**

a) Assistant                       b) Officer                       c) Manager   
d) Operations Manager

Other (specify).....

**4. Department or Section**

a) Finance/Accounting                       b) Operations                       c) Administration   
d) Sales/Marketing

Other (specify).....

**5. Years of Service in the Organization**

a) Less than 3 years                       b) 4-7 years                       c) 8-12 years   
d) More than 12 years

## SECTION B: Budgetary Control practices and financial performance

Please indicate your level of agreement with each statement by ticking the appropriate number (Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree, 5=Strongly Agree)

S/NO	STATEMENTS	SCALE				
		1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<b>Budget planning and financial performance</b>					
1	Our organization prepares detailed annual budgets before the financial year begins					
2	Budgets are based on realistic scales and production forecasts					
3	All departments are involved in preparing their own departmental budgets					
4	Budget planning helps us control costs and improve profitability					
5	Effective budget planning has increased our return on assets (ROA)					
6	Our budgets are revised /updated when there are major changes in the organization					
	<b>Budget Monitoring and financial performance</b>					
1	Actual performance is regularly compared with the budget (e.g., monthly/quarterly)					
2	Variance reports are prepared and discussed with responsible managers					
3	Corrective actions are taken immediately when major variances are identified					

4	Budget monitoring has helped reduce unnecessary expenses					
5	Regular budget monitoring has improved our net profit margin					
6	We use software/tools to track budget performance in real time					
	<b>Budget participation and financial performance</b>					
1	Lower and middle level employees are involved in setting budget targets					
2	Employee suggestions and ideas are considered during budget preparation					
3	Participative budgeting increases employee commitment to achieving targets					
4	Budget participation has reduced budget slacks					
5	When employees participate in budgeting, overall financial performance improves					
6	Budget participation has improved cooperation between departments					
	<b>Overall Financial performance (Please use the same scale)</b>					
1	Our organization's profitability has improved in the last 3 years					
2	Return on Assets (ROA) and Return on Equity (ROE) have been satisfactory					
3	Effective budgetary control practices are the main reason for our good financial performance					

**SECTION C: Open-ended Questions (Please write brief answers)**

- a) In your opinion, what is the biggest challenge your organization faces in implementing effective budgetary control?
- b) What one improvement in budgetary control practices would most improve the organization's financial performance?

THANK YOU VERY MUCH FOR YOUR TIME AND HONEST RESPONSES