

Examining Budgetary Control and the Financial Performance of private organisations, Empirical Studies of MTN Uganda Kabale Centre

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Abstract: *The study was examining Budgetary Control and the financial Performance of Private organisations, in MTN Uganda Kabale. The research study was guided by these objectives; to establish the constraints to budget control in private institutions, to offer necessary suggested solutions to the problems identified, to find out the roles of budget control on the financial performance of private institutions with specific reference to MTN-Uganda. The study used explanatory research design where casual links between the variables were explained. The methods used in data collection involved questionnaire and interview guide and 90 respondents were considered during the study. The study found out that there a great relationship between Budgeting control and financial performance of Private organisations with particular reference to MTN Uganda Kabale Centre. The study recommended that; budgeting helps in enhancing efficiency and effectiveness within the organization and helps in enabling an enterprise to increase productivity which is important for enhancing financial performance and organization growth.*

Keywords; budgetary control, business performance, Private organisations

1.0 Background of the Study

Schick J (2000) stated that the budgeting system has been in operation for some time, there is a tendency for next year's budget to be justified by reference to the actual levels being achieved within a specific period of time. The budgeting control puts into consideration the analysis of the prevailing economic situations in order to be able to make a proper estimate of the costs of goods and services. This hence forth enables an enterprise to make reliable and dependable decisions that enhance financial performance and organization growth. This is done by using such an analytical base, to enable institutions draw historical comparisons, and particularly the current level of constraints on resources, which can inhibit really innovative changes in budgets. Thus, if changes are not started in the budget period, it will be difficult for the organization to make the progress necessary to achieve longer term objectives.

The concept of performance is an old phenomenon in a working environment especially in the private sector. It is defined as a measure that is related to output and service delivery in line with the needs and requirements of the customers.

Armstrong and Baron (1998), defines the term performance as a process, which entails a number, or series, of behaviors, directed towards the achievement of some predetermined goal. The Oxford English dictionary defines performance as the "accomplishment, execution, carrying out, and working out of anything ordered or undertaken

Palmer's (1993), asserts that the literature on performance measurement in private institutions is starting to address issues of strategic linkages with operational performance and this is consistent with the literature on the dimensions of performance in general. However the literature on PM in local government is less strategic in focus. It is still largely grounded in operational concepts of efficiency, with a lower emphasis on the dimensions.

Kabale MTN Centre is located along Kabale – Kisoro road, Central Division Kabale Municipality Kabale District. It provides services to all customers of MTN Mobile services within Greater Kabale District that is Rubanda, Rukiga and Kabale Districts. The budgeting controls have not been fully adopted at MTN Kabale Centre which has greatly negatively affected financial performance. Therefore it was upon this back ground that the researchers saw it necessary to conduct a research study that required documentation for the growth and efficiency of private organisations in Uganda.

2.0 LITERATURE REVIEW

2.1 Constraints to budget control in private organisations

According to Kato Theonest (2016); the constraints are;

Uncertainty:

Budgeting includes a considerable amount of forecasting and this activity involves a considerable amount of uncertainty. The business environment keeps on changing and this makes the entire budgeting exercise very hard.

Behavioral Bias:

This problem involves a variety of behavioral conflicts that are created when the budget is used as a control device. This is brought by personality traits which leads to the disagreements thereby affecting budgeting.

Costs:

This problem or limitation is that budgeting requires a considerable amount of time and effort. In case of increased expenditure in terms of cost. Then the budgeting exercise is likely not to be successful or implemented.

Budgeting Slack

Budgetary slack or padding the budgets as managers will intentionally blow up their budget figures for fear of top management's reprimanding them;

2.2 Solutions to the problems faced by budget control in private organisations

The Tennessee board of Regents (2006) defines budgeting as the process whereby the plans of an institutions are translated into an itemized, authorized and systematic plan of operation, expressed in dollars for a given period. Budgeting, at both management level and operation level looks at the future and lays down what has to be achieved.

Pandey I.M (1998:231), expresses that budgeting is an attempt at the beginning of the year or any other period to plan the profit and loss account for the year and aim for a definite balance sheet at its end, instead of relying upon chance. This may be realized by ensuring proper forecasting to avoid over exaggeration of the costs which may lead to resource misappropriation. Forecasting is a process of predicting or estimating future events and their effects on the budget. It comes to an end after mere estimating. It can be made by an organization for purposes other than budgeting, such as a forecast general business conditions

Gahigana G (2006), says that, a budget is a statement setting out the monetary, numerical or non-quantitative aspects of an organization's plans for the coming week or month or year. Budgetary control is the analysis of what happened when those plans came to be put into practice, and what the organization did or did not do to correct for any variations from these plans.

2.3 Contribution of budget control on the performance of private organisations

Diamond J (2002), states that budgeting helps in reinforcement of the management process such as planning ahead. In fact, budget compels the managers to think and anticipate future challenges, and formulate strategies so as to achieve the desired company's goals. A budget is in reality a set of plan. This plan is created by all the relevant managers to create a course of action for future action(s).

Theonest K (2006), suggests that it Create a basis for Performance Evaluation of Managers' performance. Incentives are based on how much has been achieved against the budgeted figures. Hence, if budgets are set up realistically they will assist to motive manager and employees positively. It also aids in resource planning and allocation; Key or scarce resources or capital expenditure are carefully reviewed during the establishment of the budgets.

Jack (2002), exemplified that the more complex the organization and the more complex the processes within that organization, the greater the number and variety of interrelationships that any budget for that organization is bound to contain. The following diagram takes a general view of some of the interrelationships found in organization.

Bruns & Waterhouse, (1975), stressed out that Budgets control provide a basis for directing and evaluating the performance of individuals or segments of organizations and also structure the decision-making environment (so they appear to be appropriate as control devices impacting performance of organizations.

Van der Stede, (2000), emphasizes the function of budgeting in management control processes and sought to explore the influence of budgetary controls on organizational behavior. For example, Bruns & Waterhouse (1975), explore the interaction and relationships of budgets with *organizational structure*. They find a clear positive relationship: those working in highly structured organizations 7 participate more in budget planning and appear to be more satisfied with the organizational goals they accomplished. In this kind of research, attention is paid traditionally to *budgetary participation*, as one of budgetary control factors.

3.0 METHODOLOGY

3.1 Research Design

The research study used an analytical research and explanatory research with the aim of understanding the prevailing phenomenon and measuring the causal relationships between the research variables.

3.2. Study Area and Population

The target Population used in the study was 90 respondents including all the interested stakeholders at MTN Uganda Kabale center.

3.3 Sample size

This was done as stipulated here under;

Table 1: Showing Sample size and Sample Study Collection

Department	Frequency	Percentage	Sampling method
Finance and Accounting	10	11	Stratified sampling
Marketing	23	26	Purposive sampling
Selling and distribution	18	20	Purposive sampling
IT Department	12	13	Stratified sampling
Customers	27	30	Simple random sampling
Total	90	100	

Source: Primary Data September 2022

3.4 Data Collection Methods

The research used the following instruments such as questionnaire and interview guide in the process of collection of data.

3.5 Source of Data

The sources of data were primary and secondary sources.

3.6. Data Analysis and Presentation

Data was edited, coded and tabulated for easy analysis and presentation.

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE STUDY FINDINGS

4.1 Gender Composition of the Respondents

Table 1: Gender Composition of the Respondents

Gender	Frequency	Percentage
Male	42	47
Female	48	53
Total	90	100

Source: Field Data September 2022

From the findings above it is noted that 53% of the respondents were females and 47% were males.

4.2 Marital Status of the Respondents

Table 2: Marital Status of the Respondents

Marital status	Frequency	Percentage
Married	40	44
Single	35	39
Divorced	13	14
Widow/Widower	02	2
Total	90	100

Source: Field Data September 2022

As stated in the in the figure above, 44% of the respondents were married, 39% single, 14% were divorced and 2 % were widowed.

4.3 Education Level of the Respondents

Table 3: Education Level of the Respondents

Education level	Frequency	Percentage
Secondary	20	22
Diploma	45	50
Bachelor degree	25	28
Total	90	100

Source: Field Data September 2022

From the table above it is noted that 50% of the respondents were Diploma level holders, 28% were Bachelor's degree and 22% were secondary level holders.

4.4 Constraints to budget control in private organisations

Table 4: Constraints to budget control in private organisations

Response	Frequency	Percent (%)
Uncertainty	38	42
Unrealistic budget	24	27
Behavioral bias	28	31
Total	90	100

Source: Field Data 2022.

As presented in the table above, 42% of the respondents stated that the degree of uncertainty greatly influences budgeting control, 27% came up with an unrealistic budget and 31% stated behavioral bias as a constraint that affects budgeting control.4.5 Solutions to the problems faced by budgetary controls in private organisations

Table 5 : Showing solutions to the problems faced by budgetary controls in private organisations

Response	Frequency	Percent (%)
Motivation of employees	32	36
Proper auditing	28	31
Seeking financial assistance	30	33
Total	90	100

Source: Field Data September 2022

The table above shows the number of solutions that may be used to address the constraints that affect budgeting control. 36% of the respondents stated that motivation of the employees can be used to address issues relating to budgeting control, 31% came up with proper auditing and 33% stipulated that seeking financial assistance may be used to easily implement and execute budgeting.

4.6 Role of budget control on the performance of private organisations

Table 6: Showing the contribution of budget control on the performance of private organisations

Response	Frequency	Percentage (%)
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Reinforce management practices	35	39
Ensuring provision of services to customers	32	36
Promoting social and economic development	23	26
Total	90	100

Source: Field Data September 2022

As seen above budget control contributes greatly in as far as performance of private organisations are concerned. 39% of the respondents stipulated that budgeting control helps in reinforcement of management practices, 36% stipulated that it assists in ensuring provision of services to clients and 26% put forward that budgeting control helps in promoting social and economic development.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study found out that there is a big and significant relationship between budgeting and performance of private organisations. The research study further established that the entire process of budgeting is characterized by a number of constraints such as uncertainty, unrealistic budget and the behavioral bias and that these can be addressed through motivating the staff, ensuring proper Auditing and seeking financial Assistance in order to ease the budgeting process.

The study also found out that budgeting control plays many core roles on financial performance of private institutions such as enhancing provision of services to customers, reinforcement of management practices and promoting social and economic development.

5.2 Recommendations

The research study recommends the following; motivation of staff to control staff turnover, regular auditing to control fraud and embezzlement of funds and also enhance supervision of staff to increase efficiency and effectiveness.

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