

# Impact of Budgeting On the Profitability of a Manufacturing Company, a Case Study of Harris International

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**Abstract:** *In the locally founded Harris International in Uganda, this study looked at the relationship between budgeting and budgetary management as independent variables and financial success as a dependent variable. It specifically looked at the relationships between budgeting, budgetary management, and organizational financial performance as well as the impact of donor policy on those relationships. Due to requirement to gather both quantitative and qualitative data, it used both quantitative and qualitative methodologies. The survey included 15 humanitarian organizations that were specifically chosen from the Kampala district. 67 participants were deliberately chosen for the sample size out of a total of 210 stakeholders. Quantitative data was analyzed using frequencies, percentages, and correlations, whereas qualitative analysis involved distilling data into insightful themes. Budgetary control and organizational financial achievement were found to have statistically significant positive relationships ( $r = .737$  and  $.660$ , respectively), as were budgetary control and organization's financial performance. After donor policy was in place, these correlations' strengths decreased to  $0.710$  and  $0.612$ , respectively. It was concluded that donor policy compromises the contribution of budgeting and budgetary control on Organizations' financial performance. Thus, it is recommended that organizational should diversify their revenue sources to reduce their dependence on donor funding and also improve their budgeting and budgetary control systems.*

**Keywords:** budgeting and profitability of a Manufacturing company

## Background to the Study

Budget and "Budgeting are concepts traced to the biblical era, specifically the time of Joseph in Egypt, where it was said that "Nothing was handed out of the riches without a written order," according to Akintoye (2018). According to history, Joseph set aside money and hoarded grain so that the Egyptians could survive the 7 years of drought (Ibid: 56).

Johnson (2016) further argued that companies began using budgets to put demands on workers in the 1960s. Performance improvement during that time period was more centered on striking financial goals than it was on efficiency. Companies then had issues in the 1980s and 2017 because they were unwilling to invest money on innovations in favor of sticking to the strict budgets.

Other than simply hitting sales goals, they were no longer convinced with how consumers were treated.

Budgeting in business organizations is formally correlated with the emergence of industrialization during in the industrialization of the eighteenth century, which presented a problem for industrial management, claim Glautier and Underdown (2017: p. 15). They claimed that the rise of the scientific management philosophy, which puts a strong focus on using comprehensive information as a foundation for decision-making, gave management accounting and budgeting approaches a significant boost.

From then to date, budgeting and budgetary controls has involved a number of techniques being introduced to help organizations improve their financial performance.

The basic philosophical theories that served as the foundation for this work were theory . this theory (Chandler, 1962), administration theory (Mooney & Reiley, 1931), and theory of the firm (Di Maggio & Powell, 1983). In theory, these theories look at financial performance of organizations in broad terms, but when looked at in the context of manufacturing enterprises, they aid the researcher in analyzing its trend. According to Di Maggio and Powell (1983), the institutional theories focus on how external influences affect (compromise or improve) organizational behavior. In this case, the external force was the donor influence. The guiding principles of management are highlighted by organization theory (Mooney & Reiley, 1931). These principles were applied to budgetary control in this study since they are components of organizational management.

This theory guided this study in examining Organizations budgeting and budgetary control. Thus, these theories emphasize focus on the variables of the study as has been discussed.

## Statement of the Problem

The leading producer of food and beverages in Uganda is Hariss International Ltd. The manufacture of the both food and beverages has been carried out under the brand name RIHAM since its beginning in 2018. The business, which is based in Kawempe, Uganda, competes with Century Bottling Plant and Crown Beverages, and it has an annual expenditure of more than 2 trillion Ugandan Shillings. (Manual from Harris International, 2020)

The company benefits from having more flexibility because of its large annual budget and departmental budgets, which allow it to fulfill orders from clients, grow its clientele, and invest in new goods and services. It also gives the business a cushion for times when it requires a little more money (Guide, 2018).

A company's ability to fund all of its operations for a given time period without wondering about where the money will come from is evaluated by its budgeting. This helps to the smooth functioning of the business. Budgeting also increases the company's overall effectiveness, which lifestyle that includes operational excellence. One of the firm's goals is to unseat century bottling corporate entity (Coca Cola), which has held the challenger position for a while after relinquishing its position as the market leader (Holmes, 2019).

## Objectives of the Study

It was guided by the following set of objectives:

1. To examine the relationship between budgetary controls and organizational financial performance.
2. To examine the relationship between financial control and organizational performance.

3. To examine the effect of resource identification & accessibility organizational performance.

### Research Questions

1. What is the relationship between budgetary controls and financial performance of Riham International?
2. What is the relationship between financial control and organizational performance of Riham International?
3. What is the effect of resource identification & accessibility on organizational performance of Riham International?

### Hypothesis of the study.

Ho: There is no relationship between budgetary controls and financial performance of Riham International

Ha: There is a relationship between budgetary controls and financial performance of Riham International

Ho: There is no relationship between financial control and organizational performance of Riham International

Ha: There is a relationship between financial control and organizational performance of Riham International

Ho: There is no relationship between the effects of resource identification & accessibility on organizational performance of Riham International

Ha: There is a relationship between the effects of resource identification & accessibility on organizational performance of Riham International

## METHODOLOGY

### Research Design

The research design for the study was descriptive correlational, cross-sectional, and case study survey. To determine whether there is a substantial association between advertising and customer behavior, the descriptive correlational design was used. Because respondents were asked questions on events that had already occurred, the ex-post facto design must be applied. Because a variety of respondents may be chosen at once to take part in the study, a cross-sectional design was used.

### Quantitative Design

Quantitative design was used to process data which can be quantified and is numeric in nature. For example the respondents' age, income, and number of times they have purchased a given product in a given period of time, etc. According to Creswell et al. (2017), quantitative research helps in getting an in-depth analysis of the problem under investigation.

### Qualitative Design

This was used to describe qualitative data which cannot be quantified in numbers. This included respondents' opinions and ideas. Qualitative research also applied in order to describe current conditions or to investigate relationships, including effects and relationships. In addition, it helped in answering questions concerning the current state of the subject under study

### Study Population

The study population constituted mainly the staff and customers of Harris International, Kawempe especially those working in the Advertising and selling departments. According to the Human Resource officer, this population amounts to 210 staff. This population was chosen because it was assumed to have adequate knowledge of the subject under investigation and the research variables under investigation.

### **Sample Size**

The sample size was 67 respondents of which include marketing staff, selling staff and customers of Harris International, Kawempe.

### **Sampling Technique**

The study employed both probability and non-probability sampling techniques. The researcher used the probability sample since the research is focused on the entire Riham population. Employees employed in the beverages company was eligible to participate in the study.

#### **Probability sampling**

##### **Random Sampling**

A probability sampling method is any method of sampling that utilizes some form of random selection. In order to have a random selection method, you must set up some process or procedure that assures that the different units in your population have equal probabilities of being chosen. The probability sampling approach involves selecting a sample in such a way that all the elements in the population have same chances of being selected (Amin, 2019). The simple random sampling technique was also used such that all population elements are accorded a proportionate likelihood of being nominated within the sample.

##### **Cluster sampling method**

Cluster sampling is a probability sampling technique where researchers divide the population into multiple groups (clusters) for research. Here, the researcher grouped the respondents into different clusters of employees, and owners of small and medium sized enterprises. This helped the researcher to easily identify the respondents and apply the right data collection instruments upon the right respondents.

#### **Non Probability sampling**

##### **Purposive sampling**

This is a non-probability approach where the items in the population do not have a well-defined chance of being selected (Amin, 2019). Purposive sampling was used whereby the researcher used his own decision and experience to determine which participants have in-depth information to take part in the study. Thus the selection of the respondents was based on the researchers understanding with the respondents' possession of the required information. Therefore, purposive sampling was conducted for the top managers and operational staff within Riham.

#### **Sampling procedure**

This study shall employ purposive sampling, cluster sampling and simple random sampling procedures. Purpose sampling shall be used to identify respondents like the Harris International, Kawempe managers who are few and hard to access. Cluster sampling shall be used to classify the respondents according to the relevant departments like Marketing and clients. Then simple random sampling shall be used to identify respondents in the different clusters thus the staff and customers.

#### **Data Collections Instruments**

##### **Survey Questionnaires**

This research used self-administered questionnaires for the respondents. These were distributed among the staff in their respective departments. The justification for using this instrument is that questionnaires are easy to quantify and analyze. In addition, the questionnaire was used because the study focused on opinions, attitudes, feelings and perceptions of the respondents.

##### **Interviews**

An interview guide consisting of structured questions was designed and administered to the customers of Harris International, Kawempe. Information solicited by this instrument helped the researcher enhance responses from the self-administered questionnaires and this made it possible for the researcher to cross examine some key issues in the research. The choice of this

instrument was made because it was considered a good method for producing data which deals with the topic in depth. Interviewing was a good method for producing data based on informants' priorities, opinions and ideas. Informants had the opportunities to expand their ideas, explain their views and identify what they regard as the crucial factors.

**Data Analysis, Interpretation and Presentation**

Data was analyzed using SPSS. It was presented in form of tables, graphs, pie charts and triangulation

Qualitative data analysis was done by narrative as shall be recorded during face to face interview and through observation. The researcher used a quick impressionist summary in analyzing qualitative data; he summarized key findings by noting down the frequent responses of the respondents during the interview on various issues concerning advertising and how the whole process of advertisements affects the consumer behavior.

**RESULTS**

**Organizational General Information**

The study collected data was on organization's source of income and tenure. Such data are useful in explaining the budgeting, budgetary control and financial performance of the organizations (Sekaran, 2003; Amin, 2005).

**Organization's Income and Tenure**

Data presented in Table 2 shows that most respondents (62%) who participated in the study said the organization had tenure of 6 years and above and volume of income of over 100,000,000/- per years (for more details including the frequencies and percentages, see Appendix 6). This implies that it is more likely that those organizations that have been around for a long time, have learnt through experience how to budget and control their funds and as such they realize more income than those that have stayed for a short period.

**Table 3: Tenure of organization and volume of income**

Tenure of organization	Volume of income				Total
	Less than 50,000,000/-	50,000,000-100,000,000/-	Over 100,000,000-150,000,000	Over 200,000,000/-	
Less than 6 years	4%	4%	4%	4%	16%
6-10 years	0%	0%	12%	22%	34%
11-15 years	14%	6%	4%	22%	46%
16-20 years	2%	0%	0%	2%	4%
Total	20%	10%	20%	50%	100%

*Source: Primary data, 2022*

**Organizations' Major Source of Income**

Data contained in Table 3 below shows that 100% of the board members, program coordinators, local accountants and executives responded that the organization's major source of income was from donors while 0% said that it was self-generated. This was also evidenced in the documents reviewed which, showed that of organization's major source of income is from donors. The explanation for this is that organizations whose major source of income is donor funded are likely to experience budgeting and budgetary control problems since donors' income comes with strings attached like accounting policies, reporting procedures, percentages of expenditure on overheads, source of procurement of certain assets and so forth. This can adversely affect such organizations' financial performance

**Table 4: Organizations' Major Source of Income**

Major source of income	Frequency	Percent
Donor	50	100.0
Self-generated	0	0

<b>Total</b>	<b>50</b>	<b>100.0</b>
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Source: Primary data, 2022

**Table 5: Sampled respondents in selected Riham International**

<b>Local Manufacturing Companies</b>	<b>Frequency</b>	<b>Percent</b>
1. Action on Disability and Development (ADD)	3	6.0
2. Hope After Rape (HAR)	4	8.0
3. Save Foundation	3	6.0
4. Uganda Women Writers Association (FEMRITE)	3	6.0
5. HUYS Link Community Initiative (HUYSLINCI)	3	6.0
6. African Centre for Treatment & Rehabilitation of Tortured Victims (ACTV)	4	8.0
7. Feed the Children Uganda (FTCU)	3	6.0
8. Platform for Labor Action (PLA)	3	6.0
9. Good Will Fraternity (GWF)	3	6.0
10. Reach the Youth Uganda (RYU)	4	8.0
11. Human Rights Concern (HURICO)	3	6.0
12. Africa for Christ (AFC)	4	8.0
13. Uganda Development Trust (UDT)	3	6.0
14. Uganda Anti-Corruption Coalition Unit (ACCU)	3	6.0
15. Build Uganda for Strategic Options (BUSO)	4	8.0
	<b>50</b>	<b>100</b>

Source: Primary data, 2022

The data presented in the Table 4 above show the number of respondents involved in the study from each of the 15 selected local Manufacturing Companies in Uganda. The findings show that the study managed to select at least three respondents from each of the Riham International. The implication is that the researcher's sample size was a good representative of the entire population from which the sample was drawn.

#### **Category of Respondents**

This section shows the type of respondents employed in the study by position. It is shown that 30% of the board members and program coordinators/officers participated in the study while 20% of the Executive directors/program managers and accountants responded to the research questions. The implication is that the study was able to get the intended categories of respondents involved in budgeting, budgetary control, donor policies and financial performance of the Riham International as stated in the methodology section. Table 5 below shows the different categories of respondents as per their designation.

**Table 6: Respondents Position/Designation**

<b>Category of respondent</b>	<b>Frequency</b>	<b>Percent</b>
Board Members	15	30.0
Program Coordinators/Officers	15	30.0
Executive Directors/Program Managers	10	20.0
Accountants	10	20.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

Source: Primary data

#### **Budgeting and financial performance in the Local Manufacturing Companies in Uganda**

The American Psychological Association (APA) advises that when presenting the results of statistical tests, the researcher should give descriptive statistics before the corresponding inferential statistics (Plonsky, 2007). In other words, the researcher should give

frequencies, means and/or percentages, standard deviations before talking about the results of any statistical tests performed. Thus, in this chapter, this advice has been adopted and descriptive statistics used included frequencies and percentages, which are used to describe the four variables (that is; budgeting, budgetary control, donor policies and financial performance of local Manufacturing Companies) the study focused on. The following are the descriptive results:-

### Local Manufacturing Companies Budgeting

In the questionnaire, respondents were requested to respond to 13 items about Riham International budgeting. They were supposed to either “Strongly disagree”, or “Disagree”, or “Neither agree or disagree”, or “Agree”, or “Strongly agree”. The items are presented in the first column of Table 6 and the proportion of the respondents to each of the items is presented in form of percentages in the remaining columns of the table. The analysis and interpretation of the findings follow after the presentation in Table 7.

**Table 7: Local Manufacturing Companies Budgeting: Descriptive Statistics**

Items about Riham International budgeting	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. Board members are key in formulating budgetary Policies	28%	4%	0%	32%	36%	100%
2. My organization has strategic plan to support budgeting	22%	8%	0%	32%	38%	100%
3. Duty Bearers/ CRPs involved Riham International works are involved in budgetary planning	36%	6%	2%	36%	20%	100%
4. Project Coordinators/ Officers are involved in guiding stakeholder in budgeting process	6%	6%	0%	36%	52%	100%
5. Executive Directors approve budgets of my organization	6%	2%	0%	36%	56%	100%
6. Executive Directors often share budget information with stakeholders	24%	2%	2%	28%	44%	100%
7. My organization has budget policies & guidelines for stakeholders	38%	38%	0%	0%	24%	100%
8. Budget objectives of my organization are always achieved in time	38%	38%	4%	10%	10%	100%
9. Project objectives are in line with organizational policies	34%	6%	0%	38%	22%	100%
10. Organizational strategies to achieve budget objectives are adequate	38%	12%	2%	32%	16%	100%
11. My organization finds difficulty in mobilizing resources	10%	16%	2%	38%	34%	100%
12. Budget activities are properly implemented according to schedule	38%	14%	0%	38%	10%	100%



13. Budget activities are properly evaluated in my organization	36%	6%	2%	36%	20%	100%
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Source: Primary data, 2022

To analyze the findings, the total of the respondents who strongly agreed and agreed were combined into one category who concurred to the items. In addition, the total of the respondents who strongly disagreed and disagreed were also combined into one category who were opposed to the items. The percentages of the categories who neither agreed nor disagreed were then compared to aid in the analysis of the findings.

**Analysis of Table 7: Statistical Findings**

From the statistical data presented in Table 7 on the previous page, the following analytical observations can be made; 32% of the respondents did not concur that board members were key in formulating budgetary policies compared to 68% who concurred. 30% of the respondents however, rejected the idea that their organization had and used strategic plan to support budgeting compared to 70% who concurred. On involvement of duty bearers/CRPs at Riham International works especially in the area of budgetary planning, 42% opposed the idea compared to 56% who concurred while a very small percentage (2%) neither opposed nor concurred. Very few respondents (12%) opposed that project coordinators/officers were involved in guiding stakeholders in budgeting process compared to 88% who concurred. Very few respondents (8%) opposed that executive directors approved budgets of their organizations compared to 92% who concurred. Few respondents (26%) opposed that executive directors often shared budget information with stakeholders compared to 72% who concurred while a small percentage (2%) neither opposed nor concurred. Most respondents (76%) opposed that their organization had budget policies and guidelines for stakeholders compared to 24% who concurred. Most respondents (76%) opposed that budget objectives of their organization were always achieved in time compared to 20% who concurred while a very small percentage (4%) neither opposed nor concurred. Few respondents (40%) opposed that project objectives were in line with organizational policies compared to 60% who concurred. Half of the respondents (50%) opposed that organizational strategies help to achieve budget objectives compared to 48% who concurred while a small percentage (2%) neither opposed nor agreed. Few respondents (26%) opposed that their organization found difficulty in mobilizing resources compared to 72% who concurred while a small percentage (2%) opposed not agreed. More respondents (52%) opposed that budget activities were properly implemented according to schedule compared to 48% who concurred. Few respondents (42%) opposed that budget activities were properly evaluated in their organizations compared to 56% who concurred while a small percentage (2%) neither opposed nor concurred.

**Riham International Financial performance:**

**Descriptive Statistics**

**Table 8: Riham International Financial performance: Descriptive Statistics**

Financial performance indicators	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. The organization has difficulty in raising funds to support its activities	10%	0%	0%	6%	84%	100%
2. The organization does not experience income fluctuations every year	60%	34%	0%	6%	0%	100%
3. The organizational programs are implemented according to planned activities	64%	6%	4%	16%	10%	100%

Source: Primary data, 2022

To analyze the findings, the total of the respondents who both strongly agreed and agreed were computed into a single category who



concurred to the items. In addition, the total of the respondents who strongly disagreed and disagreed were computed into one category who were opposed to the items. The percentages of the categories (who concurred, who neither agreed nor disagreed and who opposed) were then compared to assist in the analysis of the findings. The above statistical data were analyzed as below:

Few respondents (10%) opposed that the organization had no difficulty in raising funds to support its activities compared to 90% who concurred. Few respondents (6%) however, opposed that organizations do not experience income fluctuations every year compared to 94% who concurred. Most respondents (70%) opposed that the organizational programs were implemented according to planned activities compared to 26% who concurred while a very small percentage (4%) neither opposed nor concurred.

The above analysis and interpretation of statistical data seem to confirm the hypothesis that there is a relationship between budgeting and financial performance in the locally founded Riham International in the country. However, given the divide in theory and literature about the authenticity of such a relationship, the study tested its null form; that is the position that: There is no relationship between budgeting and financial performance in the Riham International.

**Testing first Hypothesis:**

**There is no significant relationship between Budgeting and Financial performance**

	Budgeting	Financial performance
Budgeting	R = 1.000 p = 0.05 n = 50	
Financial performance	r = .737 p = .000 n = 50	r = 1.000 p = 0.05 n = 50

There is a strong positive correlation coefficient (0.737) between budgeting and financial performance and this is statistically significant at 95% level of significance since the p-value (0.00) is less than the critical value 0.05 and therefore we reject the null hypothesis and conclude that there is a relationship between budgeting and financial performance.

**Table 10: Budgeting and Financial performance: Regression Analysis**

Model Summary					
R	0.737				
R Square	0.543				
Adjusted R Square	0.533				
Std. Error of the Estimate	2.847				
Observations	50				
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig. (p)
Regression	461.41	1	461.41	56.93	0.000
Residual	389.01	48	8.10		
Total	850.42	49			

**Ho:** There is no relationship between budgeting and financial performance

**Ha:** There is a relationship between budgeting and financial performance

Keeping other factors constant, a one percent increase in budgeting would on average lead to 461.41 increase in financial

performance and this statistically significant at 95% level of significance since the P-value (0.00) is less than the critical value 0.05 and therefore we reject the null hypothesis and conclude that there is a relationship between budgeting and financial performance.

### Budgetary Control and Financial performance in locally founded Riham International in Uganda

Budgetary Control:

Descriptive Statistics

**Table 11: Budgetary Control: Descriptive Statistics**

Budgetary control items	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. Board members monitor organizational budget quarterly	38%	12%	2%	34%	14%	100%
2. Accountants identify budget variances for corrective actions	22%	8%	0%	38%	32%	100%
3. Accountants give feedback to stakeholders about budget Variances	24%	8%	2%	22%	44%	100%
4. Project Coordinators participate in financial control during activity Implementations	6%	2%	0%	50%	42%	100%
5. Project Coordinators give feedback to Directors & Accountants about budget Variances	14%	6%	0%	36%	44%	100%
6. Executive Directors use budgets as management tool for planning & coordinating	24%	38%	0%	0%	38%	100%
7. Executive Directors communicate budget salient issues to Stakeholders	42%	4%	0%	34%	20%	100%
8. As a stakeholder, I am informed when revising organizational plans & budgets	34%	0%	0%	50%	16%	100%
9. The staff often consult Board Members when making budget Revisions	38%	8%	4%	30%	20%	100%
10. The staff often consult donors when making budget revisions	4%	2%	8%	54%	32%	100%
11. The staff often consults the Duty Bearer while making budget revisions	44%	4%	2%	40%	10%	100%

**Source: Primary data, 2022**

From the descriptive statistics in the Table 11 above, the following is the analysis of the findings can be made:

Half of the respondents (50%) opposed that board members monitored organizational budget quarterly compared to 48% who concurred while a small percentage (2%) neither opposed nor concurred. Few respondents (30%) opposed that accountants identified budget variances for corrective actions compared to 70% who concurred. Few respondents (32%) opposed that accountants gave feedback to stakeholders about budget variances compared to 66% who concurred while a small percentage (2%) neither opposed nor concurred. Very few respondents (8%) opposed that project coordinators participated in financial control during activity implementations compared to 92% who concurred. Few respondents (20%) opposed that project coordinators gave feedback

to directors and accountants about budget variances compared to 80% who concurred. More respondents (62%) opposed that executive directors used budgets as management tool for planning and coordinating compared to 38% who concurred. Few respondents (46%) opposed that executive directors communicated budget salient issues to stakeholders compared to 54% who concurred while a small percentage (2%) neither opposed nor concurred. Few respondents (34%) opposed that as a stakeholder, they were informed when revising organizational plans and budgets compared to 66% who concurred. Few respondents (46%) opposed that the staff often consulted board members when making budget revisions compared to 50% who concurred while a small percentage (4%) neither opposed nor concurred. Few respondents (6%) opposed that the staff often consulted donors when making budget revisions compared to 86% who concurred while a small percentage (8%) neither opposed nor concurred. Few respondents (48%) opposed that the staff often consulted the duty bearer while making budget revisions compared to 50% who concurred while a small percentage (2%) neither opposed nor concurred.

**Testing Hypothesis:**

Ho: There is no significant relationship between Budgetary Control and Financial performance in locally founded Riham International in Uganda

Ha: There is no significant relationship between Budgetary Control and Financial performance in locally founded Riham International in Uganda

**Table 12: Budgetary Control and Financial performance: Pearson Correlation**

	Budgetary control	Financial performance
Budgetary control	r = 1.000 p = 0.05 n = 50	
Financial performance	r = .660 p = .000 n = 50	r = 1.000 p = 0.05 n = 50

There is a strong positive correlation coefficient (0.660) between budgetary control and financial performance and this is statistically significant at 95% level of significance since the p-value (0.00) is less than the critical value 0.05 and therefore we reject the null hypothesis and conclude that there is a relationship between budgetary control and financial performance.

**Table 13: Budgetary Control and Financial performance: Regression Analysis**

Model Summary					
R	0.660				
R Square	0.436				
Adjusted R Square	0.424				
Std. Error of the Estimate	3.162				
Observations	50				
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig. (p)
Regression	370.60	1	370.60	37.07	0.000
Residual	479.82	48	10.00		
Total	850.42	49			

**Ho:** There is no relationship between budgetary control and financial performance

**Ha:** There is a relationship between budgetary control and financial performance

Keeping other factors constant, a one percent increase in budgeting would on average lead to 370.60 increase in financial performance and this statistically significant at 95% level of significance since the P-value (0.00) is less than the critical value 0.05 and therefore we reject the null hypothesis and conclude that there is a relationship between budgetary control and financial performance.

**Donor Policy in the Riham International Budgeting, Budgetary Control and**

**Table 14: Donor Policy: Descriptive Statistics**

Donor policy items	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. Riham International must present sustainability plans to donors before funding	0%	2%	0%	34%	64%	100%
2. Local Manufacturing Companies must use financial systems developed by donors for accountability	0%	4%	2%	34%	60%	100%
3. Organization's budgeted administrative costs must not exceed donors' fixed percentage	0%	0%	4%	40%	56%	100%
4. Donors demand for local contributions from local Riham International	2%	12%	0%	30%	56%	100%
5. Donors demand Riham International to procure assets from particular sources or countries	2%	12%	4%	34%	48%	100%

**Source: Primary data, 2022**

To facilitate the required analysis, the total of the respondents who strongly agreed and agreed were combined into one category who concurred to the items. In addition, the total of the respondents who strongly disagreed and disagreed were also combined into another category opposed to the items. The percentages of the categories (who concurred, who neither agreed nor disagreed and who opposed) were then compared to enhance the analysis whose output runs as follows:

Very few respondents (2%) opposed that Riham International must present sustainability plans to donors before funding compared to 98% who concurred. Very few respondents (4%) opposed that local Manufacturing Companies must use financial systems developed by donors for accountability compared to 94% who concurred while a small percentage (2%) neither opposed nor concurred. No respondent (0%) opposed that organization's budgeted administrative costs must not exceed donors' fixed percentage compared to 96% who concurred while a small percentage (4%) neither opposed nor concurred. Few respondents (14%) opposed that donors demanded for local contributions from local Manufacturing Companies compared to 86% who concurred. Few respondents (14%) opposed that donors demanded Riham International to procure assets from particular sources or countries compared to 82% who concurred while a small percentage (4%) neither opposed nor concurred.

**Testing third Hypothesis:**

**There is no significant influence of donor policies on the relationship between Budgeting, Budgetary Control and Financial performance of locally founded Riham International in Uganda.**

**Table 15: Budgeting, Budgetary Control, Donor Policy, and Financial performance: Pearson Coefficient Analysis**

Inclusion of other Variables		Budgeting	Budgetary control	Financial performance
Donor policies	Budgeting	r = 1.000 p = 0.05 df = 0		
	Budgetary Control	r = .823 p = .000 df = 47	1.000 p = 0.05 df = 0	
	Financial performance	<b>r = .710</b> <b>p = .000</b> <b>df = 47</b>	<b>r = .621</b> <b>p = .000</b> <b>df = 47</b>	r = 1.000 p = 0.05 df = 0

Comparing the bolded correlation ratings in Table 15 above with those in Table 9 and 12, it is shown that the correlation between budgeting and financial performance of local Manufacturing Companies decreased from (0.737) to (0.710). That of budgetary control and financial performance of local Manufacturing Companies also dropped from (0.660) to (0.612). These findings were subjected to a test of significance and it was found out that the significance of the correlations ( $p = .000$ ) were still less than the recommended significance at (0.05).

**Table 16: Budgeting, Budgetary Control, Donor Policy, and Financial performance: Regression Analysis and ANOVA Test**

Model Summary					
R	0.741				
R Square	0.549				
Adjusted R Square	0.519				
Std. Error of the Estimate	2.888				
Observations	50.00				
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig. (p)
Regression	466.70	3	155.57	18.65	0.000
Residual	383.72	46	8.34		
Total	850.42	49			
Coefficients					
	Un-standardized Coefficients		Standardized Coefficients	t	Sig. (p)
	B	Std. Error	Beta		
Budgeting	0.19	0.06	0.66	3.39	0.001
Budgetary control	0.15	0.07	0.42	2.62	0.003
Donor policies	-0.13	0.11	-0.31	-2.56	0.049

Findings show a linear relationship ( $R = .741$ ) between donor policy, budgeting, budgetary control and financial performance in

the local Manufacturing Companies in Uganda. The “Adjusted R Square” (Adjusted R Square = 0.519) when expressed as percentage becomes 51.9%. This shows that donor policies, budgeting and budgetary controls accounted for 51.9% of the financial performance of local Manufacturing Companies.

The ANOVA statistics show that the significance ( $p = .000$ ) of the Fisher’s Ratio ( $F = 37.07$ ) was less than the recommended critical significance at 0.05. This further confirms the relationship between donor policy, budgeting, budgetary control and financial performance in Riham International obtained in the previous analyses and tests.

In the final analysis, it can also be observed that the coefficient results further reveal even the magnitude and nature of the effect of each of the independent variables; budgeting and budgetary control, moderating variable; donor policy, on the dependent variable; financial performance, in the local Manufacturing Companies. The magnitude and effect of the various variables of the study as per the findings can be observed as follows: firstly, budgeting has the most significant effect on the financial performance of local Manufacturing Companies because it has the highest Beta value (Beta = .066), t value ( $t = 3.39$ ) and lowest significance level ( $p = .001$ ). Secondly, budgetary control affects local Manufacturing Companies financial performance with the next most intensive impact by virtue of its Beta value (Beta = .042), t value ( $t = 2.62$ ) and second lowest significance level ( $p = .003$ ). Donor policies has the least effect on financial performance of local Manufacturing Companies because it had the lowest Beta value (Beta = .031), t value ( $t = 2.56$ ) and highest significance level ( $p = .049$ ).

### **Conclusions**

There was a strong positive relationship between budgeting and financial performance of local Manufacturing Companies whereby an improvement in budgeting would lead to a great improvement in the financial performance of the local Manufacturing Companies, and vice versa. Most local Manufacturing Companies budgeting was below the standard and this contributed to their poor financial performance.

There was also strong positive relationship between budgetary control and financial performance of the local Manufacturing Companies whereby an improvement in budgetary control was related to a great improvement in the financial performance of local Manufacturing Companies, vice versa. Most local Manufacturing Companies budgetary controls were below the standard and this contributed to their poor performance.

Local Manufacturing Companies lack autonomy in their operations and as such, donor policies weakened the strength of the relationships between budgeting, budgetary control and financial performance of local Manufacturing Companies.

### **Recommendation**

In order to improve their financial performance, local Manufacturing Companies should improve their budgeting by focusing on the following major drawbacks that most Riham International experience in budgeting. They should have: budget policies and guidelines for all their stakeholder;

Their budget objectives should always be aimed at organizational objectives; their strategies to achieve budget objectives should be adequate; and diversification of their income resource base and budget activities should be properly accorded to schedule.

Furthermore, local Manufacturing Companies should improve their budgetary controls by diversifying from relying on mainly internal financial controls. In addition, all accountants should identify budget variances and take prompt corrective actions.

Local Manufacturing Companies should diversify their resource mobilization given that the dependence on donor funds has negative consequences such as loss of autonomy in their operation, delayed funding, to mention but a few. Local Manufacturing Companies should set up their own income generating activities and mobilize funds from internal fundraising drives and improve on organizational membership

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