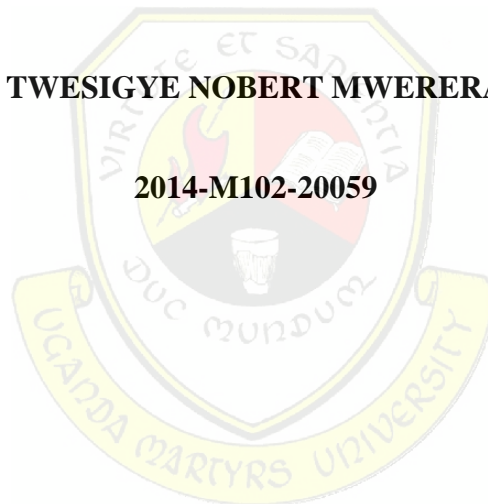


**BUDGET MANAGEMENT AND THE SURVIVAL OF SACCOS IN UGANDA; A CASE  
OF ISSIA SACCO IN WESTERN UGANDA**

**BY**

**TWESIGYE NOBERT MWERERA**

**2014-M102-20059**



**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION OF UGANDA MARTYRS UNIVERSITY**

**NOVEBER 2016**

## **DEDICATION**

This research report is dedicated to my parents Steven Mwerera (RIP) and Stella Mwerera, for their endless support, love and encouragement during my studies.

## **ACKNOWLEDGEMENT**

First of all I would like to thank God almighty who has brought me this far and providing me with strength and knowledge that has helped me to make this research work a reality.

Secondly, I would like to sincerely thank and appreciate the efforts of my supervisors; Mr. Godfrey Bwanika and Mr. Jude Kimera for their selfless dedication and guidance that made this research a success. I would also like to thank the officials of ISSIA Sacco for their cooperation during this research.

Sincere thanks and appreciations go to my friends; Kamisha S I, Ssenkindu E, Ezaru E, Katushabe N, Twongyere F, Namara P, Kambabazi Z, Barinyenka M, Asimwe A, and Ngabirano I, whose efforts cannot go unrecognized.

Lastly I thank my family members Bro Robert Mwerera; Sisters Juliet& Mackline; Uncle Paul Tumwebaze for their encouragement, moral and financial support, for I wouldn't have made it this far without them.

God Bless you

## TABLE OF CONTENTS

DECLARATION & APPROVAL.....	i
DEDICATION.....	ii
ACKNOWLEDGEMENT.....	iii
LIST OF TABLES AND FIGURES.....	vi
ABSTRACT.....	1
CHAPTER ONE: INTRODUCTION.....	2
1.0. Introduction.....	2
1.1. Background to the study.....	2
1.2. Statement of the Problem.....	5
1.3. Purpose of the Study.....	7
1.4. Study objectives.....	7
1.5. Study questions.....	7
1.6. Scope of the Study.....	7
1.7. Justification of the study.....	8
1.8. Significance of the study.....	9
1.9. Definition of key terms.....	9
1.10. Conceptual Framework.....	10
CHAPTER TWO: LITERATURE REVIEW.....	12
2.0. Introduction.....	12
2.1. The research model.....	12
2.2. The Concepts of Budget and Budgeting.....	13
2.3. Review of related literature.....	15
CHAPTER THREE: METHODOLOGY OF THE STUDY.....	30
3.0. Introduction.....	30

3.1.	Research design .....	30
3.2.	Study population.....	30
3.3.	Sample size and selection .....	31
3.4.	Sampling techniques.....	31
3.5.	Data Collection methods.....	32
3.6.	Questionnaire.....	32
3.7.	Data collection instruments .....	33
3.8.	Data management and analysis.....	34
3.9.	Validity and Reliability.....	34
3.10.	Procedure for data collection .....	35
3.11.	Ethical considerations of the study .....	35
3.12.	Limitations of the study .....	36
CHAPTER FOUR: DATA PRESENTATION AND DISCUSSION OF FINDINGS .....		37
4.1.	Introduction .....	37
4.2.	Response Rate.....	37
4.3.	Background information of respondents .....	38
4.4.	ANALYSIS OF FINDINGS.....	43
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....		60
5.1.	Summary of the study findings.....	60
5.2.	Conclusions .....	62
5.3.	Recommendations.....	62
5.4.	Suggestions for further study.....	63
REFERENCES .....		64
APPENDICES .....		68
Appendix i: Respondents Questionnaire.....		68
Appendix ii: Interview Guide for Staff and Sacco Members.....		74

## LIST OF TABLES AND FIGURES

<b>Table 1: Sample size determination .....</b>	<b>31</b>
<b>Table 2: Summary of study response rates.....</b>	<b>37</b>
<b>Table 3: Period of association with ISSIA Sacco .....</b>	<b>41</b>
<b>Table 4: Level of education of respondents .....</b>	<b>42</b>
<b>Table 5: Budget planning in ISSIA SACCO .....</b>	<b>43</b>
<b>Table 6: Effect of budget monitoring on the survival of ISSIA SACCO.....</b>	<b>47</b>
<b>Table 7: Effect of Budget accountability on the survival of ISSIA SACCO .....</b>	<b>51</b>
<b>Table 8: The survival of ISSIA SACCO .....</b>	<b>54</b>
<b>Table 9: Correlation results for budget planning and survival of ISSIA Sacco .....</b>	<b>55</b>
<b>Table 10: Correlation results for budget monitoring and survival of SACCOs.....</b>	<b>56</b>
<b>Table 11: Correlation results for budget accountability and survival of SACCOs.....</b>	<b>57</b>
<b>Table 12: Coefficient of determination .....</b>	<b>59</b>
<b>Figure 1: Gender of respondents.....</b>	<b>39</b>
<b>Figure 2: Distribution of respondents by age.....</b>	<b>40</b>

## **ABSTRACT**

The study examined the effect of budget management on the survival of SACCOs in Uganda with reference to ISSIA Sacco in Western Uganda. The study acknowledges that many SACCOs the world over are putting more emphasis on management and internal controls through budgeting. Despite this, however, most of the SACCOs have been riddled with financial scandals and management problems which have affected their financial performances and survival. Most SACCOs are heavily in debt such that they are not able to promptly and adequately disburse enough loans to their members.

Using a cross-sectional descriptive survey design that employs qualitative and quantitative approaches, the study subjected 116 respondents; Sacco staff, Sacco members and board members, to interview guide and questionnaires. The study was based on three objectives; to examine the effect of budget planning on the survival of ISSIA Sacco, to examine the effect of budget monitoring on the survival of ISSIA Sacco and to examine the effect of budget accountability on the survival of ISSIA Sacco. In the findings, it was established that ISSIA Sacco prepares budgets which are in line with the objectives of the Sacco. However, budget preparation does not involve all stakeholders as most stakeholders do not attend annual budget planning meetings. ISSIA Sacco management ensures that resources are used for their planned purpose. However, management is not actively involved in implementing the budget.

This study concludes that good budget management and regulatory framework are key for survival of SACCOs. The Sacco leaders are transparent and adhere to the rules, guidelines and bi-laws but some leaders are not trained and qualified for their jobs without enough experience to manage a financial institution.

The study recommends that ISSIA Sacco should establish formal training mechanisms which will encourage staff to maximize their contribution towards the organization's objectives and all stakeholders should get involved in budget execution in enhancing the overall budget implementation.

## **CHAPTER ONE: INTRODUCTION**

### **1.0. Introduction**

The study examined the effect of budget management on the survival of SACCOs in Uganda with reference to ISSIA Sacco in Western Uganda. The study was motivated by the fact that whereas most registered SACCOs in Uganda have functional budget management structures aimed at ensuring that internal control systems are adequate, the survival of SACCOs is at stake (Asher, 2007). This chapter comprises the background of the study, problem statement, study objectives, study questions, justification of the study, definition of terms and conceptual framework.

### **1.1. Background to the study**

In the business world, organizations have developed a variety of processes and techniques designed to contribute to the planning and control functions (Kelly, et.al, 2008). One of the most important and widely used of these processes is budgeting (Dunk, 2009). Budgeting is considered to be one of the most important, successful and useful tool or technique used in managerial accounting (Pietrzak, 2013). Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals (Hansen et al, 2003) and is traditionally described as a common accounting tool that organizations use for implementing strategies (Ostergren & Stensaker, 2011).

In the 1920s, budgets were born in order to help managers control costs and cash flows (CIMA, 2007). This concept grew into fixed performance contracts involving future income and expenditure estimations. Budgets were used to drive and evaluate management performance. Furthermore, Rickards (2006) believes the main purpose of budgets is to help implement a firm's strategy, not just controlling and planning. Budgeting arose out of Henry Fayol's Theory of Organization which emphasizes the acronym POSDCORB, which stands for steps in the administrative process: Planning, Organizing, Staffing, Directing, coordinating, Reporting and Budgeting (Hood, 1991) as cited by (Mulindwa, 2013). The changes



in the economic environment and business processes led to evolutions in budgeting. From the initial cash budgets to more modern techniques of zero based budgeting (ZBB) and activity based budgeting (ABB). The purpose of budgeting is to give those targets and plans financial values, making the progress easily measurable and to transform the strategic ideas into understandable operative actions (Hanninen, 2013).

However, in the recent years, budgeting has emerged as a key feature of the New Public Management (NPM) reforms as a solution that would make public sector organisations more accountable, efficient and democratic, which were considered to be the main constraints to service delivery by public sector organisations (Pollitt, 2003). In recent years, budget systems have received more attention and literature on public expenditure management has become more common. Budgetary control systems are universal and have been considered an essential tool for financial planning.

The purpose of budgetary control is to provide a forecast of revenues and expenditures this is achieved through constructing a model of how our business might perform financially speaking if certain strategies, events and plans are carried out (Churchill, 2001). The budget is increasingly recognized as the key tool for economic management (Kiringai, 2002). Most firms use budget management as the primary means of internal controls, which provides a comprehensive management platform for efficient and effective allocation of resources (Dunk, 2009).

Most organizations have adopted broad budgetary control that ensures that the entire budget system is a control system, which it is the formation of a prior, during and after the whole process of control system through the budget preparation, budget evaluation and monitoring of budget execution. With a narrow budgetary control, an organization can prepare a good budget as a basis for performance management and standards on a regular basis in order to compare actual performance with the budget to analyze differences in the results and take corrective measures, which mainly involves the process of budget implementation, evaluation and control (Hokal and Shaw, 2002).

The goals of adopting the budgetary approach were to achieve Fiscal discipline - expenditure by line agencies must adhere to hard budget ceilings in order to remain within aggregate resource constraints (Cornford 2006). Allocative efficiency-expenditure allocation should address national development priorities and Operational (technical) efficiency- public expenditure should achieve explicit outputs at minimum cost by applying performance targets of output relative to inputs. These goals however seem far from being met as public organizations continue to face finance related challenges linked to budgetary controls. This has been evidenced by striking of employees as a result of unmet salary demands and poor working environment. Savings mobilization should be backed by adequate institutional capital which ensures permanency, provide cushion to absorb losses and impairment of members' savings (Evans, 2001). Padachi (2006) established that efficient budget management is important for the success and survival of the enterprise. Atril (2006) observed that many business enterprises poorly manage their budgets which affect business growth.

SACCOs are increasingly gaining worldwide fame as important actors in the microfinance industry (Armendariz and Morduch 2005). The World Council of Credit Unions (WOCCU 2007) notes that 22 Sub Saharan African countries have a total of over 11,849 credit unions with assets of over USD 3 trillion. Saving and credit co-operatives (SACCOs) in both developing and developed countries have been instrumental in contributing to economic development. Clement (2012) asserts that SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks, such as rural or poor areas. These have greatly addressed issues of unemployment and poverty. SACCOs operate in various sectors of the economy including agriculture, transport, housing, banking, finance (Gamba and Komo, 2010).

Many SACCOs the world over (e.g. Kingdom and Mwalimu Saccos in Kenya) are putting more emphasis on management and internal controls. This has led to the increasing attention on the internal audit function, its expanding roles, its establishment in a growing number of organizations and an increase in its size have been observed over recent years (Arena & Azzone, 2007).

The Ugandan Government has put in place a conducive environment for growth and development of co-operatives (BoU, 2007). A comprehensive National Cooperative Policy was passed in 2011. This policy seeks to strengthen the cooperative movement; create a conducive regulatory regime and promote compliance, ensure quality assurance, standards and enhance competitiveness and expand the scope of cooperative enterprises. It also seeks to ensure professionalism in the management of co-operatives, establish a reliable management information system and ensure that co-operatives fully participate in the regional integration programs (Uganda, 2015). Cabinet Passed the Cooperative Societies Act (Amendment Bill 2015) in order to further improve the regulatory environment. The amendments will strengthen regulation and, improve management and operation of co-operatives in the country. To date there are 16,408 registered co-operatives and in 2015 alone a total of 1014 new co-operatives were registered majority of them were SACCOs and Agricultural marketing cooperative societies.

SACCOs are therefore considered as pillars towards economic development (Mugenyi 2010). However, many SACCOs operate without financial control systems and lack budgetary systems. This has led to poor performance. In 2012, the Budget Monitoring and Accountability Unit conducted an evaluation of SACCOs under the rural financial services programme. Only 30 percent of the SACCOs had budget systems, by-laws, constitutions and lending/ credit policies. Further still, less than 20 percent had financial and human resource policies. Hence the study seeks to establish the effect of budget management on the survival of SACCOs in Uganda.

## **1.2. Statement of the Problem**

The success and failures of a business organization depends on the efficiency of budget management practices (Bowen et al, 2009). Padachi (2006) established that efficient management of cash is important for the success and survival of the enterprise. The basic objectives of budgetary control are planning, coordination and control (Arora, 1995). By budgeting, managers coordinate their efforts so that objectives

of the organization harmonize with the objectives of its parts. Control ensures that objectives as laid down in the budgets are achieved (Churchill, 2001).

Most of the registered SACCOs in Uganda have put in place budget management structures charged with responsibilities of re-assuring that internal control systems are adequate and quality processes and systems are in place (Olando et al., 2013). To stimulate the development of this sector, also the government came up with policies which were meant to provide minimum operational regulations and prudential standards required in the sector (MoFPED, 2014).

Despite this however, most of the SACCOs have been riddled with financial scandals and management problems which have affected their financial performances and survival. Most SACCOs are heavily in debt such that they are not able to promptly and adequately disburse enough loans to their members. Previous studies (Agrawal et al., 2002; Adeyemo & Bamire, 2005; Asher, 2007) have shown that lack of growth of SACCOs' wealth has threatened their sustainability such that they have not been able to absorb their operational losses.

ISSIA SACCO, which is based in Ibanda District, uses budget management as a tool for proper management of resources in the organization and its activities. Budget conferences, seminars and workshops have been held to help staff and other stakeholders improve on their budget formulation and implementation but the performance in budgets and work plan is still poor (ISSA Annual Report 2014). ISSIA's 2014/2015 management report indicates that there is continued poor financial performance, incidences of budgets not being followed and cases of non-conformance to rules and regulations on usage of finances. This has put member savings at risk despite investing in the internal audit department (Olando et al, 2013). In addition, Audit reports have always shown anomalies in the management of shareholders' funds and in some instances shareholders have gone for years without earning any dividends from their investments. It is feared that if these challenges are not addressed, ISSIA SACCO's operational practices will be affected while its members will lose confidence in the institution, thereby raising questions on sustainability. It is

against this background that the study seeks to examine the effect of budget management on the survival of SACCOs in Uganda.

### **1.3. Purpose of the Study**

The study set out to examine the effect of budget management on the survival of SACCOs in Uganda, a case of ISSIA Sacco in Ibanda District.

### **1.4. Study objectives**

1. To examine the effect of budget planning on the survival of ISSIA Sacco
2. To examine the effect of budget monitoring on the survival of ISSIA Sacco
3. To examine the effect of budget accountability on the survival of ISSIA Sacco

### **1.5. Study questions**

- i. How does budget planning contribute to the survival of SACCOs?
- ii. How does budget monitoring contribute to the survival of SACCOs?
- iii. How does budget accountability contribute to the survival of SACCOs?

### **1.6. Scope of the Study**

#### **Content scope**

This study was limited to the principles of Budget management (Budget planning, Budget monitoring and Accountability) in the SACCOs. Survival was also studied and this was measured using financial sustainability, Growth and expansion, Loan recovery/Collection performance, Net profit Margin/Surplus and Return on investment. In addition to that also the study looked at the regulatory environment.

#### **Time scope**

The study focused on the period between 2009 and 2013 because during this period, there were many reports of declining or collapse of Saccos (Kairu, 2009). Besides, this period also favours availability of

literature and other relevant sources of information on the subject. Besides, most respondents fall within this period of employment.

### **Geographical scope**

The study was conducted at ISSIA Sacco in Ibanda district which is the main branch of ISSIA Saccos where shareholders/members, SACCO manager and staff were contacted. ISSIA Sacco also has a big membership and the Sacco management report indicates that there is continued poor financial performance, incidences of budgets not being followed and cases of non-conformance to rules and regulations on usage of finance (ISSA Annual Report 2014).

### **1.7. Justification of the study**

Most studies (Kasozi-Mulindwa, 2013, Badu, 2011) conducted on budgeting do not assess actual impact on the survival of SACCOs. Most of the assessment is based on the impact of budgeting on the performance of SACCOs. In addition, most assessment criteria are “fuzzy” and subjective. This study seeks to carry out a comprehensive assessment of how budgeting, planning, monitoring and accountability affect the survival of SACCOs.

Some studies (Kasozi-Mulindwa, 2013, Badu, 2011) on budgeting in Uganda generate good feedback that provides a consistent rationale for a judgment. Similarly, positive feedback generated by such studies is likely to motivate SACCOs to improve performance. This study seeks to provide a way on how to improve budgeting so that SACCOs can be self-sustaining.

It was important to take this study since there have been different reports on many SACCOs collapsing due to poor budgeting systems (Kairu, 2009, Mugenyi, 2010).

## **1.8. Significance of the study**

SACCOs in Uganda can benefit from this study by adopting proper measures of budget control to ensure efficient and effective utilization of available budget. The study, having examined the principle of budgeting; preparation, implementation and control, the other firms will be better positioned in dealing with budgets and budgetary control matters.

The findings of this study will provide more insights to the government and other policy makers in setting policies that encourage other firms to use budgets as a performance evaluation tool.

Researchers and academicians interested in this area or other related topics can use the findings of this study to serve as a good source for further research.

In addition, an examination of the various prerequisites of the budgeting system will enable the reader to better appreciate the use of budget in evaluating performance in relation to predetermined set goals of the organization.

Furthermore, an exploration of the dangers and problems associated with budget will also enhance the readers' knowledge in the use of budget as a performance standard.

## **1.9. Definition of key terms**

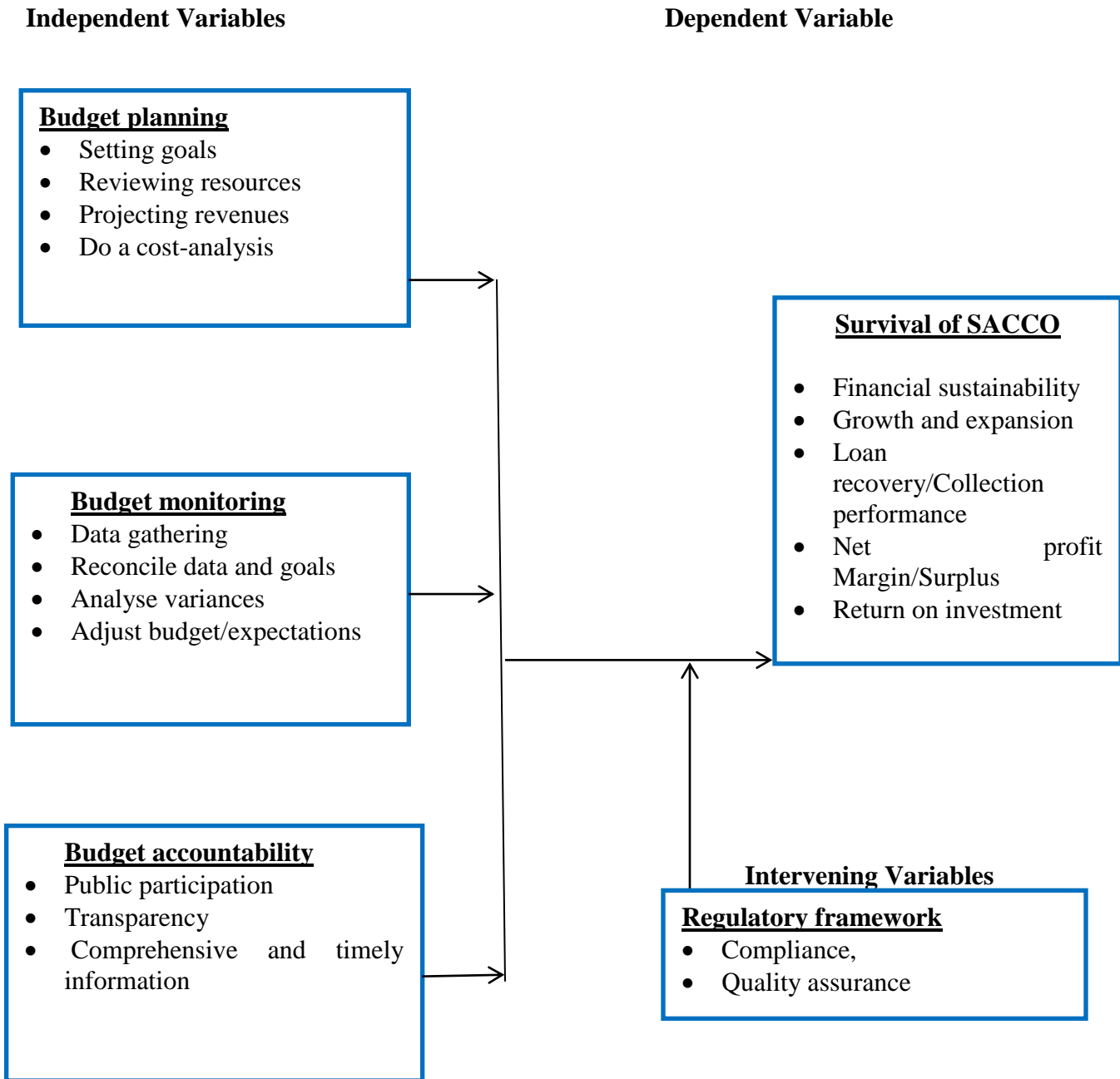
A budget is a detailed annual plan of how much revenue the firm will raise and how that revenue will be spent in line with the local government objectives, needs and priorities.

Budgeting is a process of determining the future revenue of a local government for a given period (say one year) and then allocating that revenue between the firm's needs and priorities.

Budget monitoring is the continuous process by which we ensure the action plan is achieved, in terms of expenditure and income.

Budget planning is the process by which a company or individuals evaluate their earnings and expenses and project their monetary intakes and outtakes for the future.

## 1.10. Conceptual Framework



**Source: adopted with modification from Bartle, J. R. (2008).**

Planning, monitoring and accountability are the key budgeting functions. Budget planning involves drawing up a financial plan that and coordinates an organization's members' activities and efforts in a way that promotes optimal use of the proposed resources. Once annual budgets are decided and allocated, the Sacco needs to have systems in place to monitor performance. The complexity of arrangements for monitoring the



budget will depend on the size of the Sacco and the availability of administrative staff and appropriate systems. The SACCO must review and improve internal budget processes by monitoring the accuracy and timeliness of budget processes to identify areas for improvement. In many ways, transparency in this area is key to transparency and accountability in all other areas. When budgets and budgetary processes are open and transparent, citizens have a chance to participate in their development which can lead to more efficient and effective use of funds. They can also hold the government to account for how those funds are spent.

## **CHAPTER TWO: LITERATURE REVIEW**

### ***2.0. Introduction***

Budgeting is universally used all over the world. Budgets are the most powerful tool for management control, they are the key drivers and evaluators of managerial performance. This chapter presents a theoretical review on budgeting, the Concepts of Budget and Budgeting, Monitoring and Control of Budget Process, Budget planning, Monitoring and accountability.

### ***2.1. The research model***

The study used the budgetary control model:

#### **2.1.1 Budgetary Control Model**

In reference to Robinson and Last (2009), budgeting system is a tool used by the firm as a framework for their spending and revenue allocation. To ensure the firm's resources are not wasted, the organization must be able to come out with an effective budgeting system. This is important as it ensure that the outputs produced and services delivered achieve the objectives. According to this model, a good budgeting system must be able to addresses the efficiency and effectiveness of the organization's expenditure. A good budget is determined by the level of income of the organization (Robinson, 2009).

The organization has to put proper controls that ensure that the budget is properly maintained and allocated. A firm that is able to run its operations efficiently is able to allocate more revenues for the organization. This is achieved through cutting costs in order to increase the quality and quality of goods and service offered by the firm. However, if an organization has lesser income they might have to find a way to fund their estimated budget by borrowing and tax restructuring (Robinson and Last, 2009). That is why the budget is mostly regarded as the control of expenditure. As the total amount of the annual expenditure; the organization must not exceed the allocation of budget.

One of the models of budgeting system is Performance Based Budgeting System. According to Robinson and Last (2009), performance-based budgeting system (PBBS) aims to improve the efficiency and effectiveness of public expenditure. Unlike other budgeting system, PBBS use the resources to ensure that it can help in achieving the expected results and outcome based on the targeted area or planning. In simple words, the PBBS is seen as managing for results (Marc Robinson and Duncan Last, 2009).

Compared to the traditional budgeting system which focuses on the amount of inputs, performance based budgeting system focused more towards the outcome. As the organization spending stretches annually, it is important to understand the nature of spending of the organizations which is always being stated in the budget. It is therefore essential for the organization to understand its budgeting system and give priority to urgent matters that require attention. In order to find out the relationship between the budgeting system and the organizational performance, it is important for the firm to determine the patterns of the expenditure of the organization and its performance (Phyrr, 1970).

## ***2.2. The Concepts of Budget and Budgeting***

### **2.2.1. Budget**

A budget has been defined by scholars as a plan expressed in quantitative terms, resources required to achieve set goals and objectives over a given period of time (Shah, 2007; Ahmad et al., 2003; Awio and Northcott, 2001). The budget provides costed activities to be undertaken to achieve goals and objectives set out in organisational plans. A budget has two components; the revenue side that shows the source of funds, and the expenditure side that shows how the money raised will be spent (Lucy, 1996). There are two types of budget: (1) the recurrent budget that focuses on general spending policies; (2) the development or capital budget that focuses on long term projects or investments.

Conceptually, a budget is the principal mechanism through which the policy intentions of any organisation are translated into concrete actions and results on the ground. In all (developed and developing) countries, the budget is an important policy document through which governments establish their economic and social

priorities and set the direction of the economy. In the public sector, budgets are legal instruments that authorize the levying of taxes and incurring of public expenditure. Therefore, any budgeting process adopted by a public sector organisation should be evaluated on the basis of its effectiveness as a central policy tool to achieve set goals and objectives. Lucy (1996) also concluded that budgets of public sector organisations should reflect fundamental social, political and economic intentions of governments.

The definition of a budget and its relevance as a management tool for organisations is not in contention by scholars. The requirement to have a budget in place for public sector organisations is not an option but a legal requirement, whereas in the private sector it is considered best practice. The process of coming up with a budget is what is referred to as budgeting.

### **2.2.2. Budgeting**

Budgeting is a process that involves planning, allocating resources, and coordinating an organisation's activities. The main purpose of budgeting is to aid planning; coordinate activities; communicate plans to various responsible managers; motivate employees; control activities by comparing actuals with budgets; evaluate performance; and express conformity with social norms (Anthony and Govindarajan, 2001; Preston, 1995, Emmanuel and Otley, 1985; Ezzamel and Hart, 1987; Luft and Shields, 2003). Based on the above listed objectives for budgeting, Uddin (2005) concluded that budgets have an important role in a management control system of both public and private sector organisations. However, it is not clear whether when citizen are involved in the process of budgeting, chances of achieving desired budgeting objectives are enhanced in a decentralised local government system in a developing country.

To ensure that the process of implementing the budget is successful, the management and the employees should work together to ensure that the interests of all stakeholders are fully represented when making key decisions involving budgetary allocations in key projects.

## ***2.3.Review of related literature***

### **2.3.1. Budget planning and the survival of SACCOs**

Planning is part and parcel of budgeting (Uddin, 2005). The main purpose of budgeting is to aid planning; coordinate activities; communicate plans to various responsible managers; motivate employees; control activities by comparing actuals with budgets; evaluate performance; and express conformity with social norms (Kasozi-Mulindwa, 2013).

In order to carry out budgetary control, it is necessary to formulate a fully co-ordinated detailed plan in both financial and quantitative terms for a forthcoming period. The duration of the period is usually one year (.Kelly, et.al, 2008). The plan needs to be in line with the long term development strategy of the organization, although in the shorter term of a budget year, conditions may prevail which could dilute this aim. For example a depressed economy could lead to a temporary departure from the long term plans. Therefore, before formulating the budgets, the policy to be pursued during the forthcoming trading period needs to be established (Dunk, et al, 2001).

With regard to Saccos, budgets are valuable tools in planning and controlling the Saccos. Management usually prepares three types of budgets-operating, cash, and capital. Operating budgets are completed each year. The first step is to project revenue sources, an estimate of the sales or income volume in physical units and their values. Next, prepare estimates of variable and fixed costs based on the income projections. Last, calculate net earnings. To obtain maximum benefit of the budget, operating management should compare the actual income and expense against the monthly projections. Where actual results are worse than the projections, corrective actions should be taken. However according to Nikias et al., (2010), many Saccos world over find a process of budget planning difficult. Kakungulu, Mugenyi and Muzigiti (2010), in a study on operations of SACCOs in the Lango sub-region of Northern Uganda, also found that many stakeholders in the management of SACCOs are not directly involved in budget planning. This, they argued, affected the budget formulation in SACCOs. This study, therefore, seeks to assess the extent of stakeholder involvement

during budget planning in Saccos so that adjustments are made to ensure that the Sacco activities are in line with its broad vision, mission and objectives and that the plan is taken by all the stakeholders.

According to Kelly and Rivenbark (2011), once budgets are operating throughout an organization, it is important that feedback is made available to the managers responsible for its operation. This is often done by means of monthly budget reports. These reports contain comparisons between the budget and the actual position and throw up differences which are known technically as variances. The budget plans must be properly co-ordinated in order to eliminate bottlenecks. Individual budgets should be co-ordinated with one another to ensure that the implementation process is conducted effectively in order to save time and costs (Horngren, Forster and Dater, 1997). Scholars' interest mainly lies in examining how citizens' involvement the process of budgeting influences service delivery to the satisfaction of those who participate (Halverson, 2003). Herian (2011) recognises the concept of citizen participation in public financial management, arguing that by allowing citizens to participate in matters that concern them, should not be seen as a means of achieving consensus, but also as an avenue to sensitise and educate citizens, to develop their highest capacities. The concept of participatory budgeting is deeply rooted in the principles of democracy, transparency and accountability (Shah, 2007). However, the study falls short on mentioning the level stakeholder participation in the performance of Saccos, a gap that this study seeks to fill.

To facilitate proper planning in budgeting, the management team should define the patterns of expenditure and revenue over the life of the project or the activity that the organization is undertaking. A predetermined budget of possible costs that was incurred carrying out the activities planned in a project should be made. Realistic planning of finances is key to the implementation of a project or programme (Joshi & Abdulla, 1996). However, according to Shall (2007), a number of challenges have been cited in budgeting in South African SACCOs that include poor communication, different educational background making it difficult to understand documents prepared by technocrats, different social status and petty conflicts between technical staff and political leaders and the perennial shortage of resources. Therefore, the study seeks to examine the role of management in budgeting in ISSIA SACCO.

Hancock (2009) emphasizes the role of evaluation as a key determinant for effectiveness of budget planning. Through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures (Hancock, 2009). The process of developing an evaluation plan in cooperation with an evaluation workgroup of stakeholders will foster collaboration and a sense of shared purpose this highly contributes towards achieving an effective budgetary control (Simiyu, 2002). However, the discussion is general and does not focus on budget evaluation in Saccos, a gap this study seeks to fill.

Schick (1966) as cited in Kasozi-Mulindwa (2013) introduces the concept of Planning Programming Budgeting System (PPBS). According to Solem and Werner (1968:222) as cited in Kasozi-Mulindwa (2013): “The basic objectives of a PPB system are: (a) to define jurisdictional objectives clearly and to relate them to defined needs and goals; (b) to review and analyse existing and new programs to justify their inclusion in the new budget (c) to link the planning and budgeting process through the annual review of multiple year plans; (d) to measure actual and planned performance; and (e) to provide a systematic way of integrating all of these elements in order to arrive at a more effective system for the allocation and management of resources”. PPBS was introduced with an objective of overcoming administrative compartmentalisation and to integrate special programmes and projects into decision making during the budgeting process. This was done by making programmes independent of established organisational structures and affiliation (Harper and Kramer, 1969). Programme budgeting and PPBS-like approaches were attempted repeatedly in many developed countries in the late 1960s and 1970s, but were gradually dropped in the 1980s (Argarwala, 1984). However, this concept has been applied in local governments and does not show how it functions in SACCOs, a gap the study seeks to fill.

### **2.3.2. Budget monitoring and the survival of SACCOs**

Monitoring and control of budget process is a determinant of effectiveness, once the budgets have been implemented they need to be monitored and controlled to ensure effectiveness in aligning budgets over a defined period of time (Horngren *et al.*, 1997). A professional and transparent approach to budget monitoring will help convince investors, development banks and national or international donors to make financial resources available if the organisation implements proper monitoring and control of budget process. This is achieved through ensuring that the estimated budget does not deviate from the actual outcome in order to take appropriate actions where necessary (Otley and Van der Stede, 2003). However, the study falls short of mentioning budget monitoring in Saccos, a gap the study seeks to fill.

Budget monitoring ensures that resources are used for their planned purpose and are properly accounted for to internal or to external bodies. This is to ensure the economic, effective and efficient use of resources and the identification of potential opportunities and/or problems and the taking of corrective action. According to Maritz (2005:17), the basic reason for financial monitoring is to help the management of the organisation to plan and control finances. In this regard, Kennedy (2011:10) points out that the budget is used to monitor how actual performance compares with what was planned (Kennedy, 2011:10). Monitoring, according to Govender *et al.* (2004:46), illustrates the financial responsibility of the finance committee. However, Goto (2004) in a study on the financial management problems faced by SACCOs in Kenya, revealed that lack of skilled manpower and staff systems, favouritism, corruption and limited review of operating system by the supervisory committee led to poor budget performance at Nyati SACCO. According to Sabana (2006), budget monitoring in SACCOs depends on the strength and professionalization of the board that have well defined committees. The extent to which the committee structure is effective depends on the clarity of the committees' responsibilities. In the same vein is the committee member dedication plus the existence of well-defined and clear procedures which empower the members to effectively discharge their roles (Sabana, 2006). For SACCOs the nature of the boards poses many challenges, specifically because of their institutional structure. A strand of literature identifies that governance remains the prime weakness SACCOs



(Kakungulu et al, 2010, Branch and Baker, 2000). Most of the boards are manned by individuals that lack the appropriate skills to govern a financial institution ranging from peasant farmers to primary school teachers. This denies the SACCO establishment the critical board roles of resource provision and monitoring (Kakungulu et al, 2010). However, the literature review is not directed referring to the situation in ISSIA SACCO, a reason for this study.

Arikawe (2009:8) points out that the rationale for budget monitoring involves providing information on the progress of a programme or project as it relates to performance, costs and time schedule relative to the original plan, identifying constraints to performance, their sources and their impacts on the programme/project plan and preparing a report that highlights the findings of the various analyses by presenting a range of logical options requiring decisions by management. It can be averred that the anomalies reported earlier regarding poor budget monitoring would clearly be noticed and identified timely for action to be taken if proper monitoring was undertaken as a matter of course or procedure in the SACCO. The reasons for budget monitoring also indicate the careful and meticulous way in which it must be done. However, Shaw (2003) reveals that a majority of the SACCO frameworks and by-laws are provided by the government without adapting them for the specific needs of their society. Cuevas and Fischer (2006), identify the principal source of failure for SACCOs as deriving from member/owner conflict with management. The growth of a co-operative inevitably expands (or dilutes) ownership and managers become subject to weaker controls. However, these weaknesses are not specific to the Ugandan situation, a reason for this study.

According to Chaves (2008), the decision-making bodies of SACCOs have bypassed the effect that the bond with the members and their participation in the organization's decisions can have in the sense of being a basic asset for budget monitoring in the organization and for its viability. It is revealed that a low level of member participation, also known as membership apathy is a reason for poor budget performance in SACCOS. MOCMD (2008), points out those shareholders in SACCOs must play their role in ensuring that their organizations are well governed. The shareholders in SACCOS are the members who have the supreme

authority in their organizations. The shareholders have to be involved so that they own all the decisions taken in the SACCOS. Their involvement is through attendance of general meetings which meetings could be annual or special. Birchall and Simmons (2001) hierarchically distinguish the following about members as shareholders: giving information, getting information, consultation, taking part in actual decision making, and exercising control. It is not known how this can affect the survival of SACCOs hence need for a research study.

In order to monitor the budget, the budgeted income and expenditure and actual income and expenditure should be tabulated on a budget report to calculate variance. Olandoetal (2012), conclude that growth of SACCOs' wealth depended on financial stewardship, Capital structure and Funds allocation strategy. They further found that SACCOs inadequately complied with their bylaws. It is not known how noncompliance with the bylaws and other policies affects performance. The SACCO board should therefore be inventive in devising policies and practices that can provide vital support to effective strategy implementation and execution as they carry out the governance mandate as stipulated in the law.

According to Conradie (2002:144), when budgeting for income and expenditure, the finance committee must consider all possible sources of income. In this regard, reference could be made to the financial records of the previous year in order to identify as many sources of income as possible. To facilitate a brief budget, similar income sources must be grouped under a single heading with a detailed explanation in a separate schedule, known as an addendum to the budget.

Conradie (2002:144) claims that as budget monitoring is important to adjust variances on a monthly basis, then the annual income should be projected to monthly income.

Budget monitoring is a significant 'checks-and-balances' tool for financial management at schools. Its significance involves many areas of school operations including those detailed in the following subsections. Mestry and Bisschoff (2009:123) gives practical advice by stating that questions should be asked when monitoring the budget and state that "*it will clearly identify problem areas where changes need to take place*". Maile (2002:328) further draws attention to a question that may also be asked namely, "*Are there*

*any specific problems or difficulties in the budget process, for example, late or inadequate information, poor communication or unclear responsibilities”?*

Taking corrective action is part of a cyclic pattern of activities in budget monitoring. It is important to see this as a continuous process that seeks to ensure a balance between the actual financial activities of a school and the projected estimates as reflected in the budget. It must also be emphasised that this process will always be prudently done through monitoring of various budgets such as departmental budgets, administration budgets, and will be reconciled into the whole budget, usually referred to as the master budget. This exercise ensures that all parties involved in the use of funds, do so within controlled and expected parameters of operation.

Budget monitoring facilitates and enhances the process of financial monitoring. In fact, the two concepts are so related that they in many instances overlap in terms of areas for monitoring. The financial monitoring process involves recording, analysing and reporting on the finances of the organisation (Maritz, 2005:16). This is without any doubt the most time-consuming and labour-intensive activity in the financial management process because it is a never ending and on-going activity (Du Plessis, 2012; Naidoo, 2005). Monitoring the budget is also a continuous process that goes on throughout the year. This implies knowing exactly what, when and how to monitor. To be conversant with these requirements, it is important for the SACCO and the finance committee to develop and have a SACCO finance policy. Maritz (2005:17) provides the following as a broad overview of the different areas applicable to the budget and thus, financial monitoring:

- *Record keeping/bookkeeping*: The most important element of financial monitoring is access to accurate and up-to-date information. Every single financial transaction must be recorded for this to happen. Shapiro states that a good bookkeeping system makes it possible for an organisation to be financially accountable to all its important stakeholders.

- *Preparation of financial statements:* Bookkeeping information is used to produce different kinds of financial statements, including a cash flow statement, statement of activities and a statement of the school's financial position.
- *The income statement:* The income statement measures the amount of money that has come into the SACCO's financial system and that has been paid out by the school's financial system over a specific period of time.
- *Financial analysis:* Compares the planned expenses depicted on the SACCO's budget with the actual expenses to see if the spending of the budget is on track.
- *Financial reporting:* If one of the resources which the SACCO has budgeted for are in some sort of financial crisis, the finance committee might require frequent reports. Financial reporting is a legal requirement. Regular meetings requiring financial reports should be held to ensure that effective monitoring takes place. To this end, variance reports will show the difference between actual income and expenditure and budgeted income and expenditure

Weekly, monthly, and quarterly performance reports measure how successful the school has been in achieving its financial goals and objectives. Variances from the budget are typically presented in a performance report so that unexpected results can be quickly identified (Waite, 2010:2). Any reports need to be timely so that the person responsible for an activity becomes aware of variances as soon as possible (Du Plessis, 2012:113). This notion implies that financial monitoring, comprising record keeping, preparing financial statements, financial analysis and financial reporting is a process and should occur in a systematic manner.

### **2.3.3. The Budget Monitoring Process**

A monitoring process, as earlier pointed out, is "*inbuilt in the implementation process in order to identify constraints and devise strategies to overcome them*" and involves "*checks to establish whether the objectives and targets are being met*" (Obondoh et al 2005:28). Being a process therefore, budget monitoring involves a series of actions and procedures executed to achieve the monitoring function –

checking on expected income and expenditure against actual income and expenditure. Nieman and Bennett (2002:117) compiled a monitoring process involving the following basic steps:

- Setting of duties according to formulated objectives.
- Measuring of actual and planned actions.
- Comparing actual actions to planned outcomes.
- Taking corrective action if necessary.

Maile (2002:328) postulates that budget monitoring is a process that is inextricably linked to budget control. An important reason for producing a budget is that management is able to use budgetary control to monitor and compare the actual results. To this end and according to Maile(2002:328), this is so that action can be taken to modify the operation of the business as time passes, or possibly to change the budget if it becomes unachievable. Obondohet *al.* (2006:37) refer to the monitoring process as tracking and postulate that it involves what to track and where and that it relates to resource inflows [expenditure], usage of resources, effectiveness of policies, performance, quality and outcomes of services [impacts], spaces available for participation by parents, effectiveness of participation by educators, children and parents, plans and budgets in terms of process, structure and content, management practices and decision-making processes and the planning and implementation process.

Budget monitoring is not an isolated activity in the management of Sacco finances. In fact, the whole monitoring process attains significance in the explication and understanding of budget control. Olken (2007) highlights the limits of increasing monitoring to reduce corruption, noting that in practice, the very individuals tasked with monitoring and enforcing punishments may themselves be corruptible. He also notes that monitoring public projects is a public good, which can lead to free-rider problems. Grassroots monitoring may also be prone to capture by local elites.

Scholars have also voiced concern about the efficiency of enhanced participation and monitoring. For instance, Kaufman (in Ackerman 2004) argues, “although some forms of inclusion, such as partnerships with non-governmental organizations (NGOs) may enhance capacity, others, such as popular assemblies,

may be a step backward in terms of the efficiency, effectiveness, and even the accountability of state organizations.” This tension highlights the lack of a coherent theory of change underlying many budget-related TAIs. Whereas Kaufman may see popular assemblies as inefficient, others would argue that their very existence represents a success, by opening up a previously closed process to popular participation. This tension also manifests itself in the aims and claims made for initiatives like social audits. Whereas some favor constant monitoring, others support monitoring from an instrumental perspective that can help to spur reforms. Another way of framing this debate is whether TAIs should seek to strength vertical and horizontal accountability only, or build mechanisms of co-governance, which might represent public goods in and of themselves.

By setting challenging but realistic targets well designed budgets can play a significant part in motivating managers. The targets must be clear and achievable, and the manager should participate in setting his or her own budget (Hansen et al., 2003).The budget gives senior management a means of judging the performance of their teams. It must be remembered; however, that adherence to the budget alone cannot measure all aspects of a manager’s performance.

For an effective budget implementation, the budget plan should be more clear and accurate, the financial resources should be readily available and enough, both the staff and interested stakeholders should be involved in the budget process, the staff actively involved in the budget should be motivated to facilitate successful implementation of the budget process (Hansen et al., 2003).

#### **2.3.4. Budget accountability and the survival of SACCOs**

The World Bank defines accountability as: “the obligation of power-holders to account for or take responsibility for their actions” (The World Bank, 2006). Goetz and Jenkins (2005) stated that accountability ideally involves both answerability – the responsibility of duty-bearers to provide information and justification about their actions – and enforceability – the possibility of penalties or consequences for failing to answer accountability claims (cited in McGee and Gaventa 2010). Other commonly held distinctions are between ‘vertical’ and ‘horizontal’ forms of accountability, the vertical referring to that

between citizens and the state and the horizontal to internal checks and balances between various branches or organs of the state (O'Donnell 1998, cited in McGee and Gaventa 2010). Accountability can occur after the fact – *ex post* – or can be conceived as *ex ante* accountability, when rules, procedures and plans are made transparent in advance of their execution (McGee and Gaventa 2010).

Goetz and Jenkins (2005) provide a useful framework for thinking about accountability, which can be applied to budgets in order to assess their impact. They first distinguish two important aspects of accountability – answerability, a form of accountability, which entails having to provide information about one's actions, and justifications for their correctness, and enforcement, which entails having to suffer penalties from those dissatisfied either with one's actions or rationale invoked to justify them. They further distinguish between *de jure* and *de facto* accountability, vertical (direct) and horizontal (indirect) accountability, and *ex post* and *ex ante* accountability. In the context of public budgets, Robinson (2006) cites horizontal accountability within state institutions, through which legislatures, auditors-general, parliamentary accounts committees, and anti-corruption agencies provide a check on the executive in terms of both answerability and enforcement. Regarding vertical accountability, he mentions various mechanisms through which citizens can hold decision-makers to account. Ackerman (2004) argues that both vertical and horizontal accountability mechanisms are plagued by structural and contextual problems that limit the ability of citizens and their representative institutions to hold government to account. In light of these difficulties, he advocates a third way: “societal actors can directly oblige government actors to answer for their actions and sanction them for wrongdoing” (p. 449). Scholarship on this emerging topic ranges from “societal accountability” mechanisms (mass mobilization, media exposés, and the use of the courts) to a more “transgressive” approach, which blurs the separation between the state and society. Goetz and Jenkins (2001) trumpet this latter, hybrid form, which they term “diagonal accountability,” in their case studies of civil society activism in India.

Accountability in the budget context can be viewed as answerability of decision makers and implementers with regard to budgetary processes at the formulation, approval, implementation and performance review stages to those whose interests are affected by their actions or inactions. A main challenge facing many SACCOs is over-control and regulation by government (DFID, 2010). Autonomy and freedom from government control is positively associated with success. While government support can be helpful, governments should avoid over-regulation.

One of the most critical elements in budget accountability, according to Akinwunmi (2006) as cited by Kiaritha (2015) is leadership. If there is purposeful leadership, if leaders are transparent, dedicated and truly serving, the SACCO will succeed. A true leader does not cut corners, does not inflate contracts so as to receive kickbacks, does not have favourites among members and does not mismanage the resources. Mudibo(2005)as cited by Kiaritha (2015) raised concerns on the caliber of leaders who run SACCOs noting that since these are voluntary organizations, members can elect anybody they like, who may not necessarily have the skills to run a SACCO. He suggested that before a member is elected, he should have a certain number of shares so that he has something to lose if he mismanages the SACCO.

Another important aspect of budget accountability is the auditing of the budget. Auditing is conducted to ensure that funds were raised as stipulated in the revenue statement and, most importantly, that due processes were observed by the relevant ministries in the disbursement and use of the approved funds (ACPF, 2011).Sufficient member or equity capital and a sound financial position must be maintained that will be acceptable to creditors, suppliers, or buyers of cooperative products. This requires periodic analysis of the cooperative's financial position, its operating efficiency, and proposals for expansion.

Transparency is generally regarded as a key feature of good governance, and an essential prerequisite for accountability in SACCOS (McGee and Gaventa, 2010). According to Kopits and Craig (1998), fiscal transparency is defined as openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government



activities so that the electorate and financial markets can accurately assess the government's financial position and the true costs and benefits of government activities, including their present and future economic and social implications.

Transparency allows the analysis of state policies and facilitates the identification of weaknesses leading to the implementation of improvements needed. Transparency increases trust in the state as well as enables citizens and civil society to hold the government accountable, which they can only do if they have information on budget policies, practices, expenditures and outcomes.

Kopits and Craig (1998) observed, "*Transparency in government operations is an important precondition for macroeconomic fiscal sustainability, good governance, and overall fiscal rectitude.*" Alt and Lassen (2003) confirmed that fiscal transparency is indeed associated with lower public debt and deficits, even taking into account other explanations for public debts and deficits. Kitunzi (2003) argues that fiscal transparency leads to better informed public debate about the design and results of fiscal policy, makes governments more accountable for the implementation of fiscal policy, and thereby strengthens credibility and public understanding of macroeconomic policies and choices. Some of the prerequisites for successful fiscal transparency practices are: political will and commitment, commitment to fighting corruption and mismanagement, citizen participation, freedom of expression and of the media, and access to information.

Though it is very difficult to measure accountability and transparency, a number of organizations and experts have developed some objective, rigorous and technical ways of measuring fiscal accountability and transparency. Some of such initiatives are mentioned below.

1. Public Expenditure Tracking Surveys (PETS) were used as tools to identify irregularities in the process of flow of funds and to measure the degree to which funds trickle down to their intended beneficiaries as well as to identify leakages in the system so that to see how governments are accountable to their responsibilities. PETS was first introduced in Uganda in 1996 and subsequently implemented in Ghana and Tanzania. Uganda was the first country to implement PETS in 1996 to compare the budget allocation to actual

spending through the different levels of government, including frontline service delivery units in both primary schools and clinics.

Perhaps the most well-known is the Open Budget Index (OBI) produced by the International Budget Partnership (IBP). The OBI is particularly notable in that it explicitly incorporates advocacy into its research design, creating a network of civil society experts who conduct the research to inform the Index and then participate in various coordinated advocacy activities based on the OBI findings. In addition, some Saccos have developed measures specific to resource revenue transparency.

More academic efforts to measure budget transparency include Kaufmann and Bellver's (2005) transparency index and Hameed's (2005) indices of fiscal transparency based on IMF fiscal Reports on Standards and Codes (ROSCs) 7. In addition, Rosendorff and Vreeland (2006) operationalize transparency by examining patterns of missing data in the World Bank's compilation of statistics on inflation and employment. Islam (2003) adopts a similar approach, constructing a transparency index based on the frequency with which governments publish information on their real, fiscal, financial and external sectors. More recently, Dabla-Norris et al. (2010) have constructed multi-dimensional indices of the quality of budget institutions, including a measure of transparency.

Budget-related TAIs take a variety of forms and relate to various phases of the budget process – from the planning stages to budget execution to audit and ex-post oversight. This review considers both state-led and citizen-led initiatives. State-led initiatives are typically designed and implemented by national, regional, or local governments. Relevant examples include establishing mechanisms for participatory budgeting, publishing citizens' guides to the budget and conducting Public Expenditure Tracking Surveys (PETS). Citizen-led initiatives typically emanate from civil society organizations or social movements, and may operate in concert with the state (e.g. publishing popular versions of government budget documents) or in confrontation (naming and shaming public officials found guilty of misallocating public funds).

Participatory budgeting (PB) in its various forms represents one of the most prominent state-led initiatives. Goldfrank (2006) provides a highly detailed review of recent PB initiatives in Latin America as well as a

useful discussion of the origins of PB, which he defines broadly as a process by which citizens, either as individuals or through civic associations, may voluntarily and regularly contribute to decision-making over at least part of a public budget through an annual series of scheduled meetings with government authorities.

#### **2.4. Summary of Literature Review**

Budgets are considered to be the core element of the control-process and consequently vital part to the umbrella concept of performance measurement. Research has shown that there is no single approach to budgeting suitable for all businesses. Instead, the suitability of a particular approach is argued to be contingent upon characteristics of a business including its size, strategy, structure, and also management's perception of the uncertainty of the environment within which the business operates to best link its budgetary control procedures that is planning, evaluation, monitoring and control. This is supported by Serem (2013) who explains that there is a weak positive effect of budgetary on survival of SACCOs. The research recommends that employees need to be sensitized on budgeting and the effect on the survival of the organization. From the above literature little has been done in relation to budgeting and the survival of SACCOs. This is however geared to establish whether there is any relationship between budget management and survival of SACCOs.

## **CHAPTER THREE: METHODOLOGY OF THE STUDY**

### ***3.0.Introduction***

The chapter presents the methodology that was used to carry out the study. It presents the research design, the study population, sample size, sampling methods, data collection methods and instruments, procedure for data collection, validity and reliability, data management and analysis, measurement of variables, ethical considerations and limitations of the study.

### ***3.1.Research design***

The study used a cross-sectional survey design using qualitative and quantitative approaches. The cross-sectional survey design was preferred because it helps to gather data from a sample of a wider population at one particular point at a particular time. The design helped the researcher to gather both qualitative and quantitative data that was triangulated to enrich the study.

The qualitative approach focused on obtaining data in form of statements from respondents involved in the research. The analysis of qualitative data provides the basis for in-depth understanding of the situation under study.

The quantitative approach focused on descriptive and inferential statistics obtained from the responses of the sample. This approach produces results in form of tables, figures and graphs which provide the basis for discussion and conclusions about the findings.

### ***3.2.Study population***

Sekaran, (2003) defines a population as the entire group of people or events or things that a researcher wishes to investigate. The total population of the study comprised 140 ISSIA members that constitute employees, that is 20 staff of the Sacco, 10 board members and 140 Sacco members who take loans of

above Shs5 million from the Sacco. According to the ISSIA Human Resource Department report for 2015, there are 20 members of staff. Respondents were selected from different departments of the SACCO because all workers are part of the budgeting system.

### **3.3. Sample size and selection**

The sample size was 116 respondents drawn from the categories of respondents in ISSIA SACCO. The size was determined using the sample size table by Krejcie.R.V and Morgan.D.W. (1970) cited in Amin, (2005).

The details are presented in the table below:

**Table 1: Sample size determination**

<b>Category</b>	<b>Target Population</b>	<b>Sample Size</b>	<b>Sampling Technique</b>
Sacco staff	20	10	Purposive Sampling
Board members	10	10	Census Sampling
Sacco members	110	96	Simple random Sampling
<b>Total</b>	<b>140</b>	<b>116</b>	

**Source: Composed by researcher**

### **3.4. Sampling techniques**

The study used simple random, census and purposive sampling techniques. Census sampling was used to select Board members and the technique helped to identify the key informants for the study. Purposive sampling was used to select Sacco staff since it involves a selection of respondents known to the researcher. The choice of the purposive sampling technique was motivated by the fact that the information on budget

management is specific and therefore an expert with the requisite experience is required in order to achieve data that is reliable.

Simple random sampling technique was also used to select SACCO members. The technique was used in order to avoid bias in the selection of respondents.

### ***3.5.Data Collection methods***

The study used qualitative and quantitative data collection methods. Primary data was obtained using questionnaires and interviews. Secondary data was sourced from reading literature.

### ***3.6.Questionnaire***

A questionnaire is a structured form with targeted questions or queries, designed to obtain subject specific information or information on a series of subjects from a respondent (UBOS, 2012). The use of the questionnaire method in this study was because the target respondents are many and widely spread across the Sub-county (Kothari, 2003). This involved using self-administered questionnaires to respondents. In seeking for quantitative data, closed-ended questionnaires were used. This method was used because it helps to investigate motives and feelings. With the help of research assistants, the researcher administered the questionnaire to respondents in their different work places and places of convenience. They were able to fill the questionnaires at their own convenience.

#### **3.6.1. Interviews**

Amin (2005) defines an interview as an oral questionnaire where the investigator gathers data through direct verbal interactions with participants. This is a method of collecting data in which key informants are asked questions in order to find out what they do, think or feel to enable the researcher solicit information of the subject under study through probing (Burns, 2000). Interviews in this study helped the researcher obtain more information on the contribution of budget management to the survival of SACCOs. This method was

adopted by the researcher because it offers an opportunity to adapt questions, clarify the questions by using the appropriate language, clear doubts and establish rapport and probe for more information (Sekaran, 2003). With a pen and a book, the researcher interviewed respondents in their different work places and places of convenience. They were able to provide answers in an articulate way.

### **3.6.2. Document review**

This method was used in sourcing for secondary data in all relevant documents in relation to determinants of budget management. Data was sourced from journals, text books and other relevant reliable sources. The advantage of this method is that it enables the researcher access data at her/his convenient time, obtain data that are thoughtful in that the informants have given attention in obtaining them and enabled the researcher obtain data in the language of the respondent (Oso & Onen, 2008).

## ***3.7. Data collection instruments***

### **3.7.1. Questionnaire**

This instrument contained both open-ended and close-ended questions. Prior to the data collection exercise, the questionnaires (tools) were pretested to confirm their effectiveness and usability. With the help of a research assistant, selected respondents were interviewed using the pretested questionnaires.

### **3.7.2. Interview guides**

The choice of the method is that it's flexible and it is an easy way of finding information out. It also helped the researcher to ask more complex questions and it takes into body language. It also provides probing in case responses are not clear. An interview guide containing open-ended questions was used to answer the questions of the three objectives of the study. This method was adopted by the researcher because it offers an opportunity to adapt questions, clarify the questions by using the appropriate language, clear doubts and establish rapport and probe for more information (Sekaran, 2003).

### ***3.8.Data management and analysis***

Data was analysed using both qualitative and quantitative data analysis techniques. Data from semi-structured questionnaires was analysed using descriptive statistics such as using univariate and cross tabulations (bivariate) to get percentages, means and proportions; and inferential statistics which included the use of correlation analysis. Descriptive statistics was used to describe the demographic information of the respondents in the study like age, marital status, education level and period of stay with the organization. These were presented through frequency counts and percentages using SPSS and Excel.

Qualitative data from Interviews and document review was analysed using thematic data analysis techniques involving content analysis, narrative analysis, discourse analysis, and grounded theory analysis. Essential stages in analysis of qualitative data included transcribing, familiarizing, coding, theme development, review and refining theme and finally interrelation. In certain instances, direct quotes, from respondents were used.

### ***3.9.Validity and Reliability***

The researcher ensured that the data collection tools contained questions that were accurate, understandable by the respondents and in line with the objectives of the study.

#### **3.9.1. Validity**

Validity looks at how accurately the variables of the study are represented (Mugenda 2003). To ensure content validity of instruments, the researcher constructed the instruments with all the items that measure variables of the study. The researcher also consulted the supervisor for proper guidance before data collection. During the discussion with the supervisor ambiguous questions were removed or polished so as to remain with the finest questionnaire.



### **3.9.2. Reliability**

Reliability is the measure of the consistency of the data collection tools used in the study. This is done by piloting the tool on a small number of population in order to find out whether the instruments are able to work (Kombo and Tromp, 2006). The study pretested the data collection tools by administering the instruments to the group of people that resembles the study population.

The pretested data was analysed using SPSS and the results based on to make adjustments in the data collection tools to fit the study. The results were also used to benchmark the findings of the study. The overall reliability coefficient of data collection instruments was 0.832 against the recommended 0.6. As recommended by Mugenda (2003), the instruments were considered reliable.

### ***3.10. Procedure for data collection***

On getting a letter of introduction from the university, the researcher proceeded to the SACCO and requested for authorization to carry out the study. After this authorization, the researcher recruited and trained one research assistant to assist in the collection and editing of data from the one group of respondents (SACCO members). The researcher then pretested the instruments and named the sample.

### ***3.11. Ethical considerations of the study***

Ethics is important in the research process because the researcher dealt with human subjects and therefore had to seek their informed consent to participate in the study. The interviews also had a section which guaranteed the respondent's privacy and anonymity where need be.

The researcher strived to avoid bias in data interpretation, personal decisions, grant writing and other aspects of research where objectivity was expected or required.

Exercise confidentially. The researcher protected confidential communications such as papers or grants submitted for publication and personal records.

### ***3.12. Limitations of the study***

Some information relating to financial transaction was not availed to the researcher. Despite these limitations, the result of the research provided a meaningful basis for filling the gap and make recommendations that can be used by management to improve performance of SACCO.

The study touched sensitive areas of social concern which raised suspicions, but clearance of the protocol and building rapport restored respondents' confidence.

The number of respondents was limited (few), given that not all staff and SACCO members would be interviewed. Care was, however, taken to get as much secondary data as possible to complement the primary data collected. Scheduling, timetabling, and mobilizing personal resources safeguard the researcher against time and financial constraints.

Locating respondents was one of the major challenges that hindered the smooth running of this research. Most of the respondents are business men and farmers who travel a lot and tracing them for the study was hard and time consuming. However, the researcher tried by all means to look for guides in the community in order to locate the respondents with ease.

## CHAPTER FOUR: DATA PRESENTATION AND DISCUSSION OF FINDINGS

### 4.1. Introduction

This chapter presents the findings of the research project examining the impact of budget management on the survival of SACCOs in Uganda with reference to ISSIA Sacco in Western Uganda. The results of the analyses are presented per study objective and described in tables where stated. Once the respondents answered the questionnaire, data was then coded and analyzed using SPSS. The section presents the response rate, the social demographic characteristics of the respondents and the actual findings on budgeting planning, budgeting monitoring, budget accountability and their effect on the survival of SACCOs.

### 4.2. Response Rate

The study targeted 116 respondents in collecting data. Table 3 below presents the response rate of this study.

*Table 2: Summary of study response rates*

Category	Targeted respondents	No. actually involved	Percentage of response rate
Sacco staff	10	09	90
Sacco members	96	90	93.75
Board members	10	09	90
<b>Total</b>	<b>116</b>	<b>108</b>	<b>93.1</b>

**Source: Primary data**

Of the 10 Sacco staff targeted for the study, 09 responded, representing 90%. 09 out of 10 board members participated in the study, representing 90% response rate. Out of the 96 Sacco members targeted for the

study, 90 participated in the study, representing 93.75%. This is representative enough for the study. Only one staff was not interviewed as she was on maternity leave. This high percentage in response rate is attributed to the commitment of the members, Sacco staff and managers to the Sacco objectives and activities as well as being interested in the area of study. The high participation in the study also indicates the high level of commitment by Sacco staff to their work. This agrees with the ISSIA Sacco manual where staff commitment and punctuality is highly emphasized.

According to information from the Sacco, members are always responsive when called upon on anything connected to the Sacco and their savings.

Therefore, out of 116 respondents targeted in the study, 108 respondents returned filled questionnaire and were interviewed, representing a response rate of 93.1%. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% response rate is good and above 70% rated very good. This also concurs with Kothari (2004) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertions; the response rate in this case of 93% is very good. This means that a big number of respondents participated in the study and the research collected enough data to measure the relationship between budget management and survival of Saccos.

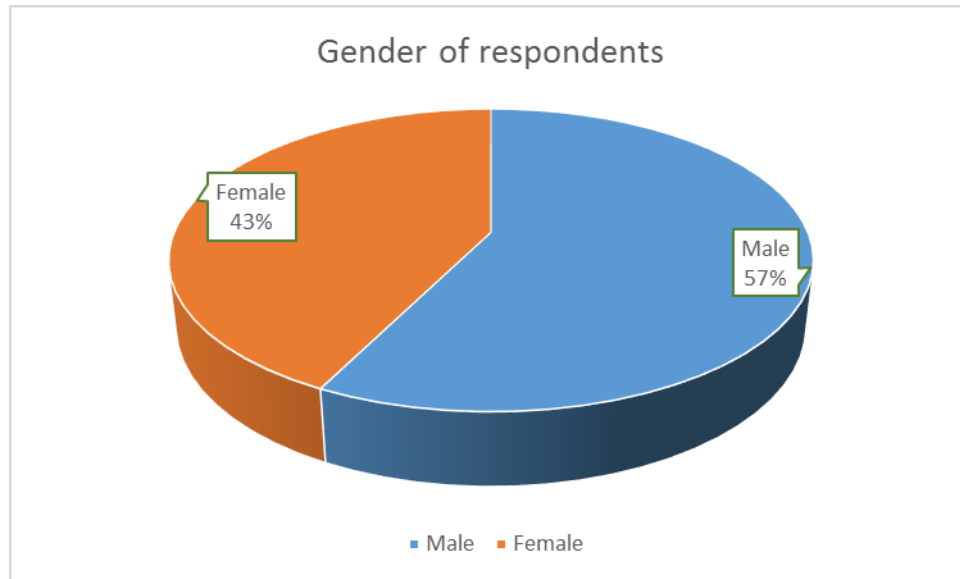
### ***4.3. Background information of respondents***

Background characteristics such as gender of respondents, age, education level and period spent in the organization were observed and findings are presented in the following sub-sections:

#### **4.3.1. Gender of respondents**

The gender of respondents was considered because this affects or influences the rate at which they comply or understand budget management. The findings are presented in figure 2 below.

*Figure 1: Gender of respondents*

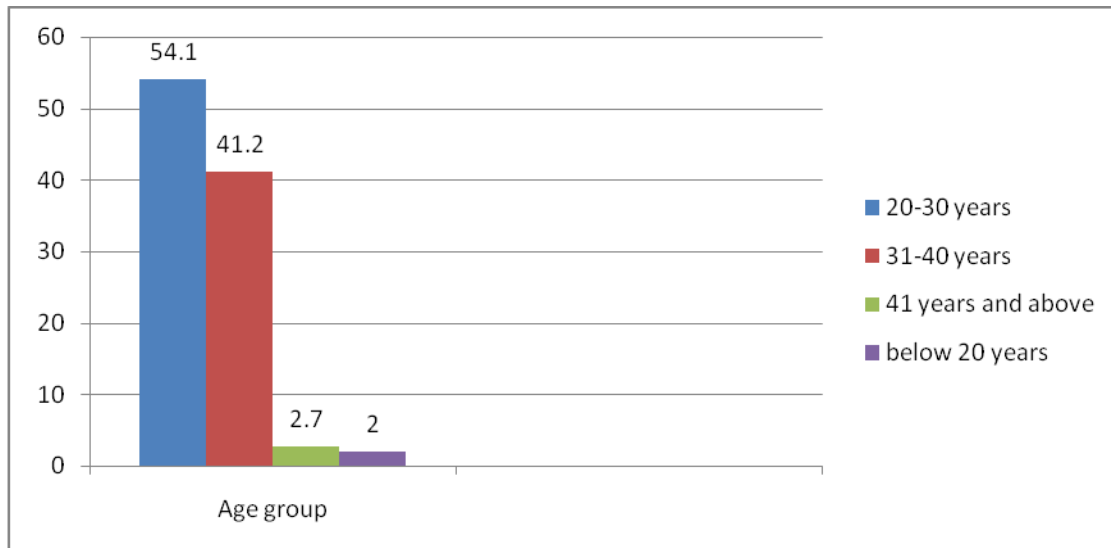


In figure 2 above, 57% of respondents that participated in the study were male whereas 43% were female. This is perhaps because the organization employs more males than females due to the more field activities such as loan assessment and collections that involve riding motorcycles into hard to reach areas thus requiring more males. This means that the Sacco has enough and required manpower to achieve its targets but the Sacco needs to employ more females who are naturally known to be good managers and who will in turn lobby and encourage more females to join, save and benefit from the Sacco. Despite the disparity in gender characteristics, the study was representative enough since both male and female employees were studied. According to Nadkarni & Herrmann (2010), gender of respondents influences study findings since the views of males and females always differ. In the Ugandan setting, households are normally headed by the males.

#### **4.3.2. Age of respondents**

The age of respondents in the study was also included because the study sought to ascertain the age of the respondents that participated in the study. The age may also affect or influence the rate at which respondents comply or understand budget management. The findings are presented in figure 3 below.

**Figure 2: Distribution of respondents by age**



**Source: Primary Data**

Figure 4.1 shows that 2% of the respondents were aged below 20 years, 54.1% were aged between 20 and 30 years, 41.2% were aged between 31 and 40 years. Only 2.7% were aged above 41 years and this happened to be in the category of the seniors Sacco staff. Therefore, the majority (95%) of the respondents were aged between 20 and 40 years, with a bigger proportion (54.1%) falling below the 30 age bracket. This could be attributed to the nature of the Sacco activities and work that require energetic employees such as working long hours, riding motorcycles in hard-to-reach areas to access loan defaulters, etc. This also means that most of the Sacco staff are still in their youthful stage and energetic to execute their duties. These findings also agree with information gathered from the ISSIA Sacco's human resource department where most of their staff and members are male.

### 4.3.3. Period of association with the SACCO

The study sought to determine number of years the respondents has been in operation. This was to enable the researcher to get vital information with regard of the SACCO's use of a budget as a tool of financial performance.

*Table 3: Period of association with ISSIA Sacco*

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
Less than one year	17	15.7
2-4 years	46	42.5
5-7 years	37	34.3
More than 7 years	08	7.5
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Primary data**

Based on the analysis of the findings, it can be depicted that majority (76.8%) have worked between 2 and 7 years, indicating that most respondents had worked with the Sacco, long enough to provide information about budget management as a tool for financial performance. This trend could be attributed to the Sacco's good human resource practices and benefits such as food allowances, housing allowance, medical insurance, and bonuses on targets reached among others, which keep the staff motivated to stay with the Sacco. The longer period of stay at the Sacco also indicates that the Sacco has a good staff retention practice which is a good indicator for any growing organization.

#### 4.3.4. Level of education of respondents

The study also sought to find out the education of respondents that participated in the study. The findings are presented in table 3 below.

*Table 4: Level of education of respondents*

<b>Level of education</b>	<b>Frequency</b>	<b>Percentage (%)</b>
O-Level	1	0.9
A-Level	3	2.7
Diploma	11	9.8
Bachelor's Degree	61	54.5
Master's Degree	36	32.1
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Primary data 2015**

From the above findings, 0.9% of the respondents had completed O-level, 2.7% had completed A-level and 9.8% had completed Diploma. Others are Bachelor's Degree (54.5%) and Master's Degree (32.1%). The high level of education of staff could be attributed to availability of qualified applicants for the positions, the ability of the Sacco to remunerate staff with such qualifications as well as the desire to grow the Sacco with skilled staff. This implies that majority of respondents that participated in the study were degree holders and have enough knowledge about budget management. Education is one of the most important characteristics that might affect the person's attitudes and the way of looking at and understanding any particular social phenomena.

These findings also corroborate with the studies by King and McGrath (2002) who indicated that in today's constantly fluctuating business environment, education was one of the factors that impact positively on



growth of SACCOs. The results of the question which was posed to the respondents of this study and the literature findings support the view that education is important for firm performance.

#### **4.4. ANALYSIS OF FINDINGS**

##### **4.4.1. Budget planning in ISSIA SACCO**

The study sought to establish the effect of budget planning on the survival of ISSIA SACCO. Descriptive results from the questionnaire were obtained in form of mean that ranged from 1-5 to represent the values in the likert scale (1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree, 5=Strongly Agree). The findings are presented below;

*Table 5: Budget planning in ISSIA SACCO*

	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
ISSIA SACCO prepares budgets	4.52	.848	108
Budget preparation involves all stakeholders	2.54	.457	108
The Final budget is communicated to all stakeholders	3.33	.719	108
All activities are considered during budget preparation	2.28	.456	108
The budgets are in line with the objectives of the SACCO	4.12	.828	108
SACCO managers receive budget feedback on time	2.04	.408	108
Budget preparation helps management to project revenues	3.72	.770	108
Management defines the patterns of expenditure and revenue over the life of the SACCO	1.77	.303	108

Budget appraisal is done in cooperation with all stakeholders	2.33	.449	108
There is enough training to implement the budgeting system	2.28	.426	108
<b>Valid N (list wise)</b>			<b>108</b>

The study established that ISSIA Sacco prepares budgets as indicated by mean=4.52, which shows a high response rate. This could be attributed to having competent managers and staff who are skilled in budget preparation and monitoring, transparent, accountable and focused to Sacco objectives as well as high level of stakeholder involvement in management. Respondents say their departments prepare various types of budgets. They said the cash budget for example is prepared to cater for cash inflows and outflows for the budget year. Labour budget is prepared to cater for remuneration of personnel while the capital budget is prepared to plan for projects to be undertaken during the budget year. ISSIA Sacco prepares Budgeted income statement to summarise all the departmental cash budgets into a single budget called the master budget. This agrees with earlier findings by Olando et al., (2013) who said most of the registered SACCOs in Uganda have put in place budget management structures charged with responsibilities of re-assuring that internal control systems are adequate and quality processes and systems are in place.

On whether budget preparation involves all stakeholders, many respondents disagreed (mean=2.54), which indicates that most respondents do not support the budget preparation methods at the Sacco. The reporting structure between the management and the board of directors is still weak in the Sacco as no written evidence of the meetings exists. The results indicated that most respondents did not attend annual budget planning meetings. The results further indicated that majority of respondents held less than 5 budgetary planning meetings in a year yet ten are supposed to be held annually. This agrees with earlier findings by Kakungulu, Mugenyi and Muzigiti (2010), who also found that many stakeholders in the management of

SACCOs are not directly involved in budget planning which the argued that it affects the budget formulation in SACCOs.

Majority of respondents (mean=3.33) agreed that the Final budget is communicated to all stakeholders. It was established that the budget is often read out to staff and other stakeholders in different fora. Evidence on decision making and implementation of key strategic issues as validated from SACCO records (board minutes) indicate board resolutions are implemented. However what is clear is that the board committees are either dysfunctional or keep no records. The above findings concur with the study findings by Oakley, (2004) that budgetary review in an organization enables effective management of its cash flow and identify the needs to be achieved in the next budgeting period

Whether all activities are considered during budget preparation, majority disagreed (mean=2.28). Poor database for planning and budgeting statistical data collection for planning and budgeting, according to majority of the respondents who are in management, is difficult and existing data for planning and budgeting is about inaccurate. This makes budget formulation quite difficult. This agrees with earlier findings by Mugenyi (2010) who observes that many SACCOs operate without financial control systems and lack budgetary systems, which has led to poor performance.

Most respondents (mean=4.12) agreed that the budgets are in line with the objectives of the SACCO. This agrees with the Budgetary Control Model which says that a good budgeting system must be able to addresses the efficiency and effectiveness of the organization's expenditure (Robinson, 2009).

On whether SACCO managers receive budget feedback on time, majority (mean=2.14) disagreed. Interviews revealed dominance of few individuals in the affairs of the board. Opinions of a particular character on the board not necessarily the chairperson dominate the grounds for decisions making indicating the power imbalance in decision making in the boards. This contradicts findings by Kelly and Rivenbark (2011), who assert that once budgets are operating throughout an organization, it is important that feedback

is made available to the managers responsible for its operation. This is often done by means of monthly budget reports.

Most respondents agreed that budget preparation helps management to project revenues as indicated by mean=3.37. Moreover, those who agreed were indicated by budgets being used as a communication medium for organization plans and objectives. It was noted that the budget for the SACCO covers a 12 month period. Muleri (2001) in his survey of budgeting practices among development organizations have adopted budgetary approaches and philosophies that are modern and can act to reduce financial mismanagement. Budgets are used to achieve cost effectiveness, in planning, for operations, coordinating activities, motivating performance, communicating plans and operations and in evaluation and audits. The study revealed that budgets are normally prepared using such method as zero based or priority based budgeting.

Most (mean=2.33) disagreed that budget appraisal is done in cooperation with all stakeholders. Strongly relevant was indicated by thinking that there is need for consultation with other officers of the Sacco while preparing the budget. There isn't enough training to implement the budgeting system (mean=2.28). The respondents who did not agree said lack of in-depth knowledge on the budget implementation hampered proper implementation of budgets at the Assembly and various departments. The other reason is that people with expertise were not involved in the implementation of budgets .Mago et al (2013) revealed that untrained managers and lack of political will were some of the reasons for the poor capacity in SACCOs.

#### 4.4.2. Budget monitoring in ISSIA Sacco

The study sought to establish how Budget monitoring in ISSIA SACCO is carried out. Descriptive results from the questionnaire were obtained in form of mean that ranged from 1-5 to represent the values in the likert scale (1= Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree, 5=Strongly Agree). The findings are presented below;

*Table 6: Effect of budget monitoring on the survival of ISSIA SACCO*

	Mean	Std. Deviation	N
Management ensures that resources are used for their planned purpose	4.19	.828	108
Management is actively involved in implementing the budgets	2.74	.257	108
Budgets help management to make adjustments and control the finances	3.71	.619	108
ISSIA Sacco has well-defined and clear procedures to monitor budget	4.18	.816	108
Staff are well trained on budget monitoring system	2.25	.428	108
There is enough manpower to monitor the budget	2.10	.408	108
Continuous budget monitoring helps in improving Sacco performance	3.72	.770	108
Monthly budget reports are given to stakeholders	2.17	.403	108
These reports contain comparisons between the budget and the actual position of SACCO	2.34	.414	108
Budget variances are analyzed and rectified in time	2.12	.437	108
Budget monitoring is supported by bi-laws	4.51	.919	108
There is measuring of actual performance and planned actions	4.77	.619	108
<b>Valid N (list wise)</b>			108

On whether management ensures that resources are used for their planned purpose, majority agreed (mean=4.19) which could be attributed to involving stakeholders in management, having skilled and transparent managers as well as audit of financial performance. The mean of 4.19 indicates a high level of

agreement. However, most respondents said management is not actively involved in implementing the budget (mean=2.74) indicating that other than the operational manager being in the best position to understand day-to-day activities, risks and opportunities that drive the Sacco, other managers are not actively involved in the budget implementation. This confirms earlier findings by Shall (2007) who says a number of challenges have been cited in budgeting in SACCOs that include poor communication. Warue (2012) revealed that the causes of loan delinquency (loan default risk) in SACCOs were lateness in meetings, poor leadership, group conflicts, refusal to participate in group activities and poor record keeping. Majority (mean3.71) agreed that budgets help management to make adjustments and control the finances. Majority of the respondents agreed that the retained earnings have been growing annually from 2005 to 2009 and that the Sacco has also been contributing to retained earnings. It was also revealed that majority of the respondents disagreed that their Sacco had been making a surplus every year from 2005 to 2009, their Sacco had been declaring dividends for the last five years and that dividends per share had been increasing in the last five years. This is an indicator that SACCOs consistently grew their wealth.

ISSIA Sacco has well-defined and clear procedures to monitor budget (mean-4.26). Boards of Directors in SACCOs are empowered to make decisions they believe will benefit the organization. They must be held accountable and responsible for performance results. There are policies in use that guide the boards on investments, human resource, loans, education and training, values, and risk management. This agrees with Maritz (2005:17), who says the basic reason for financial monitoring is to help the management of the organisation plan and control finances. In this regard, Kennedy (2011:10) points out that the budget is used to monitor how actual performance compares with what was planned. This is also consistent with Odera (2012) observations that well-defined institutional rules of governance, internal controls, service adequacy, prudential management disciplines and external supervision produce a stable and balanced financial intermediary.

Staff are not well trained on budget monitoring system (mean=2.25). The study established that one of the challenges was that the personnel involved in the budgeting process were mostly not qualified in the field. This includes the board members and the committee members. Some also asserted that the budgets are not sufficient. The above findings are in line with the finding by Krylova (2007) in her survey of Ukraine's experience in participatory budgeting, established that failure by government to mobilize citizens, unavailability of materials for training, and information asymmetry among key player in the budgeting process were responsible for poor participation in the budgeting process by stakeholders in Ukraine. Goto (2004) in a study on the financial management problems faced by SACCOs in Kenya revealed that lack of skilled manpower and staff systems led to poor budget performance at Nyati Sacco.

There isn't enough manpower to monitor the budget (mean=2.10). There are also challenges when it comes to implementation of the budgets. The study noted that there was unwillingness to follow up the budget strictly in some of the SACCOs. Thus, some SACCOs spend way beyond the budget. Kakungulu et al, (2010) said most of the boards are manned by individuals that lack the appropriate skills to govern a financial institution ranging from peasant farmers to primary school teachers.

Continuous budget monitoring helps in improving Sacco performance (mean=3.72). From the research findings, majority of the respondents agreed that regular monitoring of expenditure is essential; not just to verify expenditure against target but also to identify changing patterns or circumstances that need corrective action. It was noted that the use of budgets for monitoring purposes was high in the SACCOs which uses previous years' results as performance measurement indicators. This agrees with findings by Arikawe (2009:8) who points out that the rationale for budget monitoring involves providing information on the progress of a programme or project as it relates to performance, costs and time schedule relative to the original plan, identifying constraints to performance, their sources and their impacts on the programme/project plan and preparing a report that highlights the findings of the various analyses by presenting a range of logical options requiring decisions by management.

Monthly budget reports are not given to stakeholders (mean=2.17). From the research findings, majority of the respondents agreed that waiting until the end of the year to make corrections could have a negative effect on the final budget outcome. Respondents said budgetary review on a monthly basis helps to identify and make correction on overspending or modification to the budget if needed, budgetary review in an organisation enables effective management of its cash flow and identifies the needs to be achieved in the next budgeting period as shown by a mean of 1.75 in each case. Survey conducted by Ambetsa (2004) of budgeting practices by Saccos indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in preparation of the budget together with lack of top management support.

Budget monitoring is supported by bi-laws (mean=4.51). Respondents agreed that there are policies in use that guide the boards on investments, human resource, loans, education and training, values, and risk management. This agrees with earlier findings by Shaw (2003) who reveals that a majority of the SACCO frameworks and by-laws are provided by the government

There is measuring of actual performance and planned actions (mean=4.47). This agrees with Conradie (2002:144) who explains that when budgeting for income and expenditure, the finance committee must consider all possible sources of income. In this regard, reference could be made to the financial records of the previous year in order to identify as many sources of income as possible. To facilitate a brief budget, similar income sources must be grouped under a single heading with a detailed explanation in a separate schedule, known as an addendum to the budget

The other challenge was the bureaucracy in procurement procedures. The respondents also cited that there were challenges in collection of data used to prepare budgets, analysis of the same data as well as performance of market surveys. Sebhatu (2011) revealed that weak organizational arrangement and governance problems, policy and regulatory environment, weak institutional capacity, affected the growth and outreach of SACCOS in Ethiopia.



#### 4.4.3. Budget accountability in ISSIA SACCO

The study sought to establish how Budget accountability in ISSIA SACCO is carried out. Descriptive results from the questionnaire were obtained in form of mean that ranged from 1-5 to represent the values in the likert scale (1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree, 5=Strongly Agree). The findings are presented below;

*Table 7: Effect of Budget accountability on the survival of ISSIA SACCO*

	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
SACCO leaders are transparent and dedicated to work	3.39	.748	108
The leaders are trained and qualified for their job	2.74	.457	108
The leaders adhere to the rules governing the SACCOs	3.33	.739	108
Management makes periodic accountability reports to stakeholders	2.13	.456	108
The reports are jointly discussed with all stakeholders	2.25	.328	108
There is jointly agreed course of action	2.00	.308	108
There is shareholder participation in the budgeting process.	2.22	.417	108
There is periodic auditing of the budgets	2.17	.503	108
Complete and timely budget information is readily available	2.33	.394	108
Accountability meetings are always conducted in ISSIA	3.94	.668	108
Budget accountability meetings help to improve SACCO performance	2.86	.632	108
<b>Valid N (listwise)</b>			<b>108</b>

Study findings indicate that Sacco leaders are transparent and dedicated to their work as indicated by mean=3.39. This could be attributed to the fact that the Sacco employs qualified and skilled staff with diplomas, degrees and a few masters who are transparent and honest with good leadership and management.

Respondents said further the staff is committed in the discharge of their duties in budget preparation. This agrees with earlier findings by Akinwunmi (2006) who says that one of the most critical elements in budget accountability is leadership. He says if there is purposeful leadership, if leaders are transparent, dedicated and truly serving, the SACCO will succeed.

However, majority of the respondents disagreed that the leaders are trained and qualified for their job (mean=2.27). Most respondents involved in budget preparation said they encounter problems, arguing that it is difficult to meet requirements in the various departments in terms of experienced personnel, incentives, appropriate inputs from the various departments and computers. Most respondents said they don't attend many budget trainings in a year. A few of the respondents indicated that they held between 1-3 trainings while majority did not hold any training. Raj and Sindhu (2013) revealed that lack of training inhibited the effectiveness of credits risk management for some of public banks staffs in India. Mudibo (2005) as cited by Kiaritha (2015) raised concerns on the caliber of leaders who run SACCOs, noting that since these are voluntary organizations, members can elect anybody they like, who may not necessarily have the skills to run a Sacco. He suggested that before a member is elected, he should have a certain number of shares so that he has something to lose if he mismanages the Sacco.

There was a belief that leaders adhere to the rules governing the SACCOs (mean=3.33). The survey results show that managers admit the importance of budgets in planning, controlling and performance measuring activities and disagree that budgets lead to dysfunctional behaviour and provides little or no value. Acquah and Addo (2011) revealed that in urban Ghana groups with good leadership and training and those which experienced working in groups had the highest probability of repaying the loans, indicating that training and group cohesion acted as a credit risk mitigation techniques for the group.

However, most respondent said management does not make periodic accountability reports to stakeholders (mean=2.13). Warue (2012) revealed that the causes of loan delinquency (loan default risk) for self-help groups in Kenya were lateness in meetings, poor leadership, group conflicts, refusal to participate in group

activities and poor record keeping. The study asserted that weak group leadership contributes to loan delinquency because the group officials will not be willing to make loans follow-up. Also the leaders' conflict have led to weak poor cohesion and hence loan default. The study further argued that abiding by constitution's rules and practicing democracy enhance groups' solidarity and this has positive impacts on good loans repayment performance. This disagrees with earlier findings by Srinivasan, (1987) who asserts that budgetary practices as a standard for performance are used to evaluate managerial performance. Similarly, Douglas (1994) use a case study approach and found that budgeting practices place high importance on budget-to-actual comparison for performance evaluation purposes both at corporate and subsidiary levels.

Most respondents also disagreed that the reports are jointly discussed with all stakeholders (mean=2.23) and that there is a jointly agreed course of action (mean=2.00). This contradicts with earlier findings by Pollanen (2000) who revealed that budgetary participation, control and task ambiguity directly affects performance.

Respondents also disagreed that there is shareholder participation in the budgeting process (mean=2.13) and that there is periodic auditing of the budgets (mean=2.17). This finding contradicts studies conducted by Hilton, et al (2000) which established that most people will perform better and make greater attempts to achieve a goal if they have been consulted in setting the goal. The idea of participative budgeting is to involve employees throughout an organization in the budgetary process. It is also similar to that of Joshi et al., (2003) who posited that budgetary participation is expected to be a crucial channel to improve the information exchange and sharing among all levels of management and when this process is pursued by a firm, it is expected that the realization of the set target is improved.

Complete and timely budget information is not readily available (mean=2.33). Accountability meetings are always conducted in ISSIA (mean=3.94). However, Budget accountability meetings don't improve SACCO performance (mean=2.86). This agrees with the observations by Diamond & Kehemani (2006) who found out that budget execution and accounting processes were either manual or supported by very old and inadequately maintained

software applications and hardware. Hancock (1989) in his thesis said that there is also threat of loss of credibility among SACCOs due to lack of accountability, transparency and low impact. SACCOs face the risk of becoming less cost effective.

#### 4.4.4. The survival of ISSIA SACCO

The study sought to establish how Budget management contributes to the survival of ISSIA SACCO is carried out. Descriptive results from the questionnaire were obtained in form of mean that ranged from 1-5 to represent the values in the likert scale (1=Strongly Disagree, 2=Disagree, 3=Not Sure, 4=Agree, 5=Strongly Agree). The findings are presented below;

*Table 8: The survival of ISSIA SACCO*

	Mean	Std. Deviation	N
ISSIA Sacco is financially sustainable due to good budget management	4.29	.878	108
ISSIA Sacco has experienced growth and expansion to other areas	3.24	.758	108
The Sacco has experienced excellent loan recovery in the past years	4.33	.837	108
The Sacco makes profits because of good budget management	4.23	.736	108
ISSIA Sacco has continuously registered returns on investment	3.25	.648	108
<b>Valid N (list wise)</b>			<b>108</b>

Study findings indicate that ISSIA Sacco is financially sustainable due to good budget management as indicated by mean=4.29, hence the survival of the Sacco. Good Budget management has ensured ISSIA’s growth and expansion to other areas as indicated by mean=3.24. The Sacco has also experienced excellent loan recovery (mean=4.33), high profits (mean=4.23) and has continuously registered returns on investment (mean=3.25). This could be attributed to the commitment of employees and shareholders to the objectives of the Sacco as well as the business environment that increases the Sacco’s revenues through borrowing.

#### 4.4.5. Relationship between budget planning and survival of ISSIA Sacco

Correlation analysis was applied to find out the contribution of budget planning and survival of ISSIA Sacco. Table 4.8 below presents the correlation results for the two variables.

*Table 9: Correlation results for budget planning and survival of ISSIA Sacco*

<b>Correlations</b>			
		Budget planning	Survival of Sacco
Budget planning	Pearson Correlation	1	.253**
	Sig. (2-tailed)		.002
	N	108	108
Survival of Sacco	Pearson Correlation	.253**	1
	Sig. (2-tailed)	.002	
	N	108	108

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The results in table 4.8 show that budget planning contributes to survival of ISSIA Sacco. The correlation between them is  $r= 0.253$ , with  $p=0.002$ . The researcher concludes that there is sufficient evidence; at the 5% level of significance that budget planning significantly contributes to survival of ISSIA Sacco. According to these results it can be concluded that budget planning, if done transparently basing on capabilities and performance, can contribute significantly to survival of ISSIA Sacco. This finding agree with findings by Horngern et al (2000) who argued that if administered wisely, budgeting drives management planning, provides best framework for judging performance and promotes effective communication and coordination among various segments of business organizations. Similar observations were made by Yang (2010).

#### 4.4.6. Relationship between budget monitoring and survival of ISSIA Sacco

Correlation analysis was applied to find out the contribution of budget monitoring to survival of SACCOs.

Table 4.10 below presents the correlation results for the two variables.

*Table 10: Correlation results for budget monitoring and survival of SACCOs*

Correlations			
		Budget monitoring	Survival of Sacco
Budget monitoring	Pearson Correlation	1	.278**
	Sig. (2-tailed)		.001
	N	108	108
Survival of Sacco	Pearson Correlation	.278**	1
	Sig. (2-tailed)	.001	
	N	108	108

\*\* . Correlation is significant at the 0.01 level (2-tailed).

According to the correlations results for budget monitoring and survival of SACCOs, there is a significant relationship between the two variables. The correlation between them is  $r = 0.278$ , with  $p = 0.001$ . The researcher concludes that there is sufficient evidence; at the 5% level of significance that budget monitoring significantly contributes to survival of SACCOs.

This agrees with earlier findings by Acquah and Addo (2011) who revealed that good leadership manifested in budget monitoring created the highest probability of repaying the loans. Likewise, Cull et al (2009) found out that supervision is negatively associated with MFIs profitability meaning that as the costs of staffing increases profitability of MFI decreases. It implies that supervision increased the costs of operations. However, the study didn't expose clearly the relationship between supervision and credits risks management

because usually in banks regulations are associated with good credits risks management and high profitability.

#### 4.4.7. Correlation results for budget accountability and survival of SACCOs.

Correlation analysis was applied to find out the contribution of budget accountability to survival of SACCOs. Table 4.12 below presents the correlation results for the two variables.

*Table 11: Correlation results for budget accountability and survival of SACCOs*

<b>Correlations</b>			
		<b>budget accountability</b>	<b>survival of SACCOs</b>
budget accountability	Pearson Correlation	1	.241**
	Sig. (2-tailed)		.003
	N	108	108
survival of SACCOs	Pearson Correlation	.241**	1
	Sig. (2-tailed)	.003	
	N	108	108
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlations results for budget accountability and survival of SACCOs showed that there is a significant relationship between the two variables. The correlation between them is  $r = 0.241$ , with  $p = 0.003$ . The researcher concludes that there is sufficient evidence; at the 5% level of significance that budget accountability significantly contributes to survival of SACCOs. This agrees with previous research that has shown a high positive relationship between budget controls and performance, for example, Silva & Jayamaha (2012) who evaluated budgetary process of apparel industry in Sri Lanka and see whether budgetary process has significant impact on performance of such industry and found a high positive relation at correlation of 77.4%. Others like Brownell (1982) suggests that when budgetary control is high, budgetary participation should increase accordingly. In his findings, budget application that includes budgetary control

has no direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.

#### 4.4.8. Regression Analysis

A regression analysis was run to establish the predictive qualities of dependent variable (Survival of Saccos in Uganda) in relation to the independent variable (budget management).

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779 <sup>a</sup>	.606	.590	.41025

- a. Predictors: (Constant), budget planning, budget monitoring and budget accountability
- b. Dependent Variable: Survival of Saccos in Uganda

The model summary table above revealed that correlation coefficient<sup>®</sup>, using predictor budget management, is 0.799 and the R<sup>2</sup> (0.590). This implies that 59% (0.59\*100) variations in Survival of Saccos in Uganda are explained by budget management while the remaining 41% is explained by other factors. This implies that budget management is a critical factor in explaining Survival of Saccos in Uganda, but there are also other factors which influence Survival of Saccos in Uganda such as government policies on SACCOs.

#### Correlation Coefficient

In determining the relationship between budget management and Survival of Saccos in Uganda, the study conducted a multiple regression analysis to determine the nature of relationship between the variables. The regression model specification was as follows;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon.$$

Where; Y= survival of Saccos

X<sub>1</sub>= provisions for budget planning, X<sub>2</sub>= budget monitoring and X<sub>3</sub>= budget accountability

α=constant,

ε= error term,

β=coefficient of the independent variable.



The study applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. The findings are presented below;

*Table 12: Coefficient of determination*

Un-standardized Coefficients		Standardized Coefficients		t	Sig.
Model	B	Std. Error	Beta		
Constant	3.276	.826		3.61	.000
Budget planning	0.742	.0312	0.218	1.81	.0012
Budget monitoring	0.855	.864	0.359	8.41	.0008
Budget accountability	0.678	.68	0.142	4.56	.0018

From the regression findings, the substitution of the equation

$(Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon)$  becomes:

$$Y = 3.276 + 0.742 X_1 + 0.855 X_2 + 0.678 X_3 + \epsilon$$

Where Y is the dependent variable (survival of Saccos), X1 is the provisions for budget planning, X2 is the budget monitoring variable, X3 is the accountability variable. According to the equation, taking all budget management aspects constant at zero, survival of Saccos will be 3.276. The data findings also show that a unit increase in provisions for budget monitoring will lead to a 0.855 increase in survival of ISSIA Sacco; a unit decrease in budget planning will lead to a 0.742 increase in survival of the Sacco while a unit increase in budget accountability will lead to a 0.678 increase in survival of ISSIA Sacco.

This means that the most significant budget management aspects are monitoring followed by planning and then accountability. At 5% level of significance and 95% level of confidence, budget monitoring had a 0.0008 level of significance; budget planning had a 0.0012 level of significance while accountability had a 0.0018 level of significance, implying that the most significant budget management aspect is monitoring followed by planning and accountability

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### ***5.1. Summary of the study findings***

This research examined how budget management affects survival of SACCOs. A total of 116 respondents comprising Sacco staff, Sacco member and Board members were subjected to questionnaires and interview guides. Data was analysed using the statistical package for social sciences (SPSS 17.0) where descriptive statistics were employed in the research to investigate the relationship between the budget management and survival of SACCOs. The study findings are presented below;

#### **Budget planning in ISSIA Sacco**

It was established that ISSIA Sacco prepares budgets. However, budget preparation does not involve all stakeholders as most stakeholders do not attend annual budget planning meetings. The budgets are in line with the objectives of the Sacco. The study further revealed that the fixed/static budget is prepared whereby the process starts from managerial level in semi-annually basis. The budget is used in decision making and it is a management tool.

However, Sacco managers do not receive budget feedback on time. There isn't enough training to implement the budgeting system. Lack of in-depth knowledge on the budget implementation hampered proper implementation of budgets at the Assembly and various departments.

#### **Budget monitoring in ISSIA SACCO**

ISSIA Sacco management ensures that resources are used for their planned purpose. However, management is not actively involved in implementing the budget. Other than the operational manager being in the best position to understand day-to-day activities, risks and opportunities that drive the Sacco, other managers are not actively involved in the budget implementation.

The budget helps management to make adjustments and control the finances. ISSIA Sacco has well-defined and clear procedures to monitor budgets. However, Staff are not well trained on budget monitoring system. There isn't enough manpower to monitor the budget. There are also challenges when it comes to implementation of the budgets. The study noted that there was unwillingness to follow the budget strictly in some of the SACCOs.

Continuous budget monitoring helps in improving Sacco performance. It was noted that the use of budgets for monitoring purposes was high in the SACCOs which uses previous years' results as performance measurement indicators.

Monthly budget reports are not given to stakeholders. There is measuring of actual performance and planned actions. The other challenge was the bureaucracy in procurement procedures. The respondents also cited that there were challenges in collection of data used to prepare budgets, analysis of the same data as well as performance of market surveys.

### **Budget accountability in ISSIA Sacco**

ISSIA Sacco leaders are transparent and dedicated to their work. However, the leaders are not trained and qualified for their job.

There was a belief that leaders adhere to the rules governing the SACCOs. The survey results show that managers admit the importance of budgets in planning, controlling and performance measuring activities and disagree that budgets leads to dysfunctional behavior and provides little or no value. However, management does not make periodic accountability reports to stakeholders.

Reports are not jointly discussed with all stakeholders and there is no jointly agreed course of action. There is no shareholder participation in the budgeting process. There is no periodic auditing of the budgets

Complete and timely budget information is not readily available. Accountability meetings are always conducted in ISSIA.

## ***5.2. Conclusions***

This study concludes that good budget management and regulatory framework are keys for survival of SACCOs. ISSIA Sacco considers budget planning as crucial for the effectiveness management of the Sacco as budgets are prepared annually. However, there is limited involvement of all stakeholders and some activities are annually left out. This agrees with Kakungulu et al (2010) who also found that many stakeholders in the management of Saccos are not directly involved in budget planning which affects the budget formulation in Saccos.

ISSIA Sacco has clear procedures for budget monitoring, and practices budget monitoring ensuring that resources are used for the planned purposes. However the Sacco lacks enough manpower to effectively monitor the implementation of the budget. This agrees with findings of Goto (2004) who reveals that lack of skilled man power and staff systems led to poor budget performance at Nyati Sacco in Kenya.

The ISSIA Sacco leaders are dedicated to their work, compliant to bi-laws and adhering to guidelines mostly set by apex bodies like Uganda Cooperative Alliance (UCA) and Uganda Credit and Savings Cooperative Union (UCSCU). However, most leaders are not qualified. This agrees with earlier findings by Akinwunmi (2006) who points out leadership as one of the critical element in budget accountability. He says that if there is transparency among leaders, the Sacco will succeed.

## ***5.3. Recommendations***

The study recommends that all stakeholders should get involved in budget execution in enhancing the overall budget implementation and there should be two-way flow of information and other facets of a properly organized budgeting system to help in promoting a coalition of interest and to increase motivation. ISSIA Sacco should establish formal training mechanisms which will encourage and empower staff to maximize their contribution towards the organization's objectives and monitoring of the implementation process. Through this, the Sacco will develop a clear policy on budget monitoring and control process.

The study also recommends that Saccos should employ qualified and skilled managers to manage the Saccos for more transparency and accountability, rather than the members selecting anybody they like or has the majority shares to run the Sacco even if he/she does not have the required skills. However, in the meantime ISSIA Sacco can develop the skills of their managers through capacity building.

#### ***5.4. Suggestions for further study***

The study has therefore opened up avenues for further research since budget management was confined to one Sacco. Therefore similar studies need to be conducted in other cooperatives in order to assess whether the study can yield similar findings regarding effect of budget management on the survival of SACCOs as well as their financial performance.

A further study should be carried out to determine the challenges facing SACCOs in implementation of government financial regulations.

The study finally recommends that a study should be conducted to establish the relationship between capital and investment regulations on financial performance of SACCOs, to offer a broad analysis on impact of regulations on financial performance of SACCOs in Uganda.

## REFERENCES

- ACKERMAN, J. (2004). Co-Governance for Accountability: Beyond 'Exit' and 'Voice'. *World Development* Vol. 32, No. 3, pp. 447–463
- ADEYEMO, R. & BAMIRE, A. S. (2005). Saving and investment Patterns of Co-operative farmers in Southwestern Nigeria. *Journal of Social Science*, 11(3): 183-192.
- AGRAWAL, A. & COOPER, T. (2007). *Corporate governance and accounting scandals Evidence from Top Management, CFO and Auditor Turnover*. Tuscaloosa: Culverhouse College of Business.
- BIS (2010): Microfinance Activities and the Core Principles for Effective Microfinance Supervision, Retrieved August 18, 2011 from: (<http://www.bis.org/publ/bcbs167.pdf>).
- CHURCHILL, G.A. (2001). *Marketing Research: Methodological Foundations*. Fort Worth: The Dryden Press.
- CLEMENT, O., & MARTIN, O. (2012). Financial Practice as a Determinant of Growth of Savings and Credit Co-Operative Societies' Wealth. *International Journal of Business and Social Science* Vol. 3 No. 24 [Special Issue – December 2012].
- DOUGLAS, B.R. (2004). The budget process in a multinational firm. *The Multinational Business Review*.2, 58-63.
- DUNK, A.S. (2009). Budget Emphasis, Budgetary Participation and Managerial Performance: A Note. *Accounting, Organization and Society*, 14(4):, 321- 324.
- GOETZ, A. AND JENKINS, R. (2001). Hybrid Forms Of Accountability: Citizen Engagement in Institutions of Public-Sector Oversight in India, *Public Management Review*, 3(3): 363–383.

- HIRST, M.K. (1987). *The Effects of Setting Budget Goals and Task Uncertainty on Performance: A Theoretical Analysis*. *The Accounting Review*, 62(4), 774-784.
- HOGGE, B. (2010). "Open Data Study," commissioned by the Transparency and Accountability Initiative.
- KARANJA, G. (2011). The effect of budgetary control process in Nyeri county SACCOS, *Unpublished MBA*, University of Nairobi.
- KASUMBA, S. (2009) *Accounting for Local Government Reforms: A Case Study of the Changes in Budgetary Practices in Uganda*, Unpublished PhD Thesis, Essex Business School, University of Essex.
- KAUFMANN, D. AND BELLVER.A. (2005). *Transparency: Initial Empirics and Policy Applications*. World Bank Policy Research Paper
- KELLY, J., RIVENBARK, M. AND WILLIAM, C. (2008) Budget Theory in Local Government: The Process-Outcome Conundrum, *Journal of Public Budgeting, Accounting & Financial Management*, 20(4): 457-481, available at <http://www.allbusiness.com/government/government-bodies-offices-regional/134826.html> Accessed on 28 September 2010.
- KIRINGAI, J. A (2002). *Budget Reforms and Medium term expenditure framework in Kenya* , KIPPRA ,working, Nairobi, . Nairobi: Kenya Institute for Public policy , Research and Analysis.
- MWAURA, N. (2010). The relationship between budgetary participation and financial performance of companies quoted at the Nairobi Stock Exchange, *Unpublished MBA*, University of Nairobi.
- MOFPED (2012) *Annual budget for Financial Year 2012/2013*, Kampala: MOFPED.
- MOFPED (2000) *Medium-Term Competitive Strategy for Private Sector (2000-2005)*, Entebbe: Government Printer.
- NAIDOO, G. (2005). Budget monitoring and control as an aspect of financial management in Township schools on the West Rand of Gauteng. Johannesburg: UJ. (Dissertation – M.Ed.).
- NICKSON, J., & MEARS S. (2012). Budgetary Control and Performance, *Journal of Finance*, 7(3):78-98

OECD. 2008. "Governance, Taxation and Accountability: Issues and Practices," *DAC Guidelines and Reference Series*.

POLLITT, C. (2003). *The Essential Public Manager*. Blackwell: Open University Press.

ROBINSON, M. (2006). Budget analysis and policy advocacy: The role of non-governmental public action. IDS Working Paper 279, Institute of Development Studies.

ROBINSON, M., & LAST, D. (2009). Budgetary Control Model: The Process of Translation. *Accounting, Organization and Society*, 16(5/6), 547-570.

RUBIN, I. (1990) Budget Theory and Budget Practice: How Good the Fit? *Public Administration Review*, 50(2): 179-189.

SEREM, K. (2013). Effect Of Budgetary Control On Performance Of Non-governmental Organizations In Kenya, *Unpublished MBA*, University of Nairobi.

SHAH, A. (2007) *Participatory Budgeting*, Washington, D.C.: The World Bank

SHAPIRO, J. (2011). Budgeting. [Web:] <http://www.civicus.org/new/media/budgeting.pdf>. Date of access: 05 Apr. 2011.

SIMIYU, T. (2002). Participatory Budget Setting and Budget Commitment. *Unpublished MBA Project*, University of Nairobi.

SRINIVASAN, U. (2005). *Current Budgeting Practices in Us Industry*. New York, NY: Quorum Books.

UNCCD (2007), Budget processes and financing instruments in Uganda: Towards increased financing for the implementation of the United Nations Convention to Combat Desertification.

Kombo, D.K., & Tromp, D .L. (2006): *proposal and thesis writing: an introduction*. Nairobi: Paulines publications Africa.

Cornford (2006): Principles for Corporate Governance and the Financial Sector



John H. Evans III, R. Lynn Hannan, Ranjani Krishnan, and Donald V. Moser (2001): *Honesty in Managerial Reporting*. The Accounting Review: October 2001, Vol. 76,

Padachi, K (2006), *Trends in Working Capital Management and its Impact on Firms' Performance: An Analysis of Mauritian Small Manufacturing Firms*, International Review of Business Research Papers, 2(2): 45-58.

Armendáriz de Aghion, Beatriz and Jonathan Morduch (2005): The Economics of Microfinance

Gamba, P. and Komo, I. (2010): *Evolution, growth and decline of the cooperative sector*. A paper prepared for the Centre for Governance and Development

*Arena & Azzone*, 2009: Identifying Organizational Drivers of Internal Audit Effectiveness

Atrill p, 2006: Financial management for decision makers

Michel, S., Bowen, D. and Johnston, R., 2009. Why service recovery fails: Tensions among customer, employee, and process perspectives. *Journal of Service Management*, 20(3), pp.253-273.

Kasozi Mulindwa 2013: The Process and Outcomes of Participatory Budgeting in a Decentralised Local Government Framework: A Case in Uganda

Hancock B., Windridge K., and Ockleford E (2009): An Introduction to Qualitative Research.

## APPENDICES

### *Appendix i: Respondents Questionnaire*

Dear respondent,

I am a student of Uganda Martyrs University pursuing a Master's degree in Business Administration. I am conducting a study on **Budget Management and the Survival of SACCOs in Uganda; A Case of ISSIA SACCO in Western Uganda**. This questionnaire has been designed purposely for data collection on Budget Management and the Survival of SACCOs.

You have been selected to participate in this study because of the knowledge and information you have in the related study topic. Please kindly spare some of your valuable time to complete the questions that follow. The information I am seeking is purely for academic purposes and you reserve a right of refusal to fill this questionnaire while at the same time I guarantee utmost confidentiality.

Thank you

.....

TWESIGYE NOBERT MWERERA

Researcher/ Student

**SECTION A: BACKGROUND CHARACTERISTICS OF THE RESPONDENTS**

*Please tick the most appropriate answer in the corresponding box*

1. Age of the respondents

i. 20 years and below  ii. 21-30 years  iii. 31-40 years  iv. 41 and above

2. Sex

Male  female

3. Period working with ISSIA

i. Less 1 year  ii. 2-7years  iii. 8-13 years  iv. More than 14 years

4. Level of education:

i. Primary Level  ii. "O" level  iii. A' Level  iv. Diploma Level  v. Bachelor's Degree Level   
 vi. Master's Degree  vii. Others (specify) .....

**QUESTIONNAIRE GUIDE FOR SACCO STAFF AND BOARD MEMBERS**

**2.1.1. SECTION B: BUDGET PLANNING AND THE SURVIVAL OF SACCOS**

Please, use the scale below to answer the questions that follows by ticking the number that corresponds to your opinion.

1	2	3	4	5
Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree

	<b>BUDGET PLANNING IN ISSIA SACCO</b>	1	2	3	4	5
1	ISSIA SACCO prepares budgets					
2	Budget preparation involves all stakeholders					
3	The Final budget is communicated to all stakeholders					
4	All activities are considered during budget preparation					
5	The budgets are in line with the objectives of the SACCO					
6	SACCO managers receive budget feedback on time					
7	Budget preparation helps management to project revenues					
8	Management defines the patterns of expenditure and revenue over the life of the SACCO					
9	Budget appraisal is done in cooperation with all stakeholders					
10	There is enough training to implement the budgeting system					

Do you have any comment(s) you would wish to make on the way Budget planning is carried out in ISSIA SACCO? Please specify

.....

**2.1.2. SECTION C: BUDGET MONITORING AND THE SURVIVAL OF SACCOS**

Please, use the scale below to answer the questions that follows by ticking the number that corresponds to your opinion.

1	2	3	4	5
Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree

	<b>BUDGET MONITORING IN ISSIA SACCO</b>	1	2	3	4	5
1	Management ensures that resources are used for their planned purpose					
2	Management is actively involved in implementing the budgets					
3	Budgets help management to make adjustments and control the finances					
4.	ISSIA Sacco has well-defined and clear procedures to monitor budget					
5	Staff are well trained on budget monitoring system					
6	There is enough manpower to monitor the budget					
7	Continuous budget monitoring helps in improving Sacco performance					
8	Monthly budget reports are given to stakeholders					
9	These reports contain comparisons between the budget and the actual position of SACCO					
10	Budget variances are analyzed and rectified in time					
11	Budget monitoring is supported by bi-laws					
12	There is measuring of actual performance and planned actions					

Do you have any comment(s) you would wish to make on the way budget monitoring is carried out in ISSIA SACCO? Please specify

.....

**2.1.3. SECTION D: BUDGET ACCOUNTABILITY AND THE SURVIVAL OF SACCOS**

Please, use the scale below to answer the questions that follows by ticking the number that corresponds to your opinion.

1	2	3	4	5
Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree

	<b>BUDGET ACCOUNTABILITY IN ISSIA SACCO</b>	1	2	3	4	5
1	SACCO leaders are transparent and dedicated to work					
2	The leaders are trained and qualified for their job					
3	The leaders adhere to the rules governing the SACCOs					
4	Management makes periodic accountability reports to stakeholders					
5	The reports are jointly discussed with all stakeholders					
6	There is jointly agreed course of action					
7	There is shareholders’ participation in the budgeting process.					
8	There is periodic auditing of the budgets					
9	Complete and timely budget information is readily available					
10	Accountability meetings are always conducted in ISSIA					
11	Budget accountability meetings help to improve SACCO performance					

Do you have any comment(s) you would wish to make on the way budget accountability is carried out in ISSIA SACCO? Please specify

.....

Thank you for your time to fill this questionnaire.

**2.1.4. SECTION E: THE SURVIVAL OF ISSIA SACCO**

Please, use the scale below to answer the questions that follows by ticking the number that corresponds to your opinion.

1	2	3	4	5
Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree

	<b>THE SURVIVAL OF ISSIA SACCO</b>	1	2	3	4	5
1	ISSIA Sacco is financially sustainable due to good budget management					
2	ISSIA Sacco has experienced growth and expansion to other areas					
3	The Sacco has experienced excellent loan recovery in the past years					
4.	The Sacco makes profits because of good budget management					
5	ISSIA Sacco has continuously registered returns on investment					

Do you have any other comment? Please specify

.....

## ***Appendix ii: Interview Guide for Staff and Sacco Members***

Position.....

Years with the SACCO.....

4. Do you think budget planning has an effect on the survival of SACCOs? How is planning done in ISSIA SACCO? How are you involved in the planning process? How often is planning carried out? Are there any challenges faced during budget planning and implementation? How are they overcome? How can budget planning be improved?
  
5. In your own opinion, comment on budget monitoring in relation to the survival of SACCOs. What is the budget monitoring process in ISSIA? How are you involved in budget monitoring? Is the budget information shared with all stakeholders? Challenges faced during budget monitoring? How are they overcome? How can budget monitoring be improved in ISSIA SACCO?
  
6. How does budget accountability contribute to the survival of SACCOs? Comment on transparency and accountability of management. How are you involved in budget accountability? What challenges are faced during accountability? How are they overcome? How can budget accountability be improved in ISSIA SACCO?

Thank you for your cooperation.



**Appendix iii: Table for Determining Sample Size from a Given Population**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: “N” is population size

“S” is sample size.

Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970.