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THE ROLE OF BUDGETING PROCESS IN FINANCIAL PERFORMANCE: A CASE STUDY OF BUGISU COOPERATIVE UNION LTD MBALE, UGANDA

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ABSTRACT

Purpose: The study examined the relationship between the budgeting process and the financial performance of Bugisu Cooperative union Ltd.

Methodology: Case study research design was applied. The instruments used were given to two experts to comment on the ambiguity, difficulty and relevancy of questions to ensure construct content and face validity. Data was collected using self-administered questionnaires and analyzed using Statistical package for social sciences (SPSS Version 10). Population was selected using the Sloven's formula on 80 staff who actively participates in the budgeting process of Bugisu Cooperative Union Ltd. These were selected using a proportionate stratified and simple random and sampling technique and determined using the data from response to 67 questionnaires.

Results: From the results in the regression coefficient table it was observed that financial performance is influenced by budgeting process. This was indicated by (Beta of 0.268) and (Sig =0.033<0.05), meaning that financial performance is influenced by employee participation by 26.8%. This implies that other factors that affect financial performance are 73.2%.The results suggest that the budgeting process was appropriate, financial performance was acceptable and that there was a positive relationship between the budgeting process and the financial performance.

Unique contribution to theory, practice and policy: Basing on the findings the researcher recommended the following: the level of participation be upheld and strengthened, have regular and periodic meetings to provide feedback, budgeting process for the different units be conducted in a workshop/meeting to enhance participation, much emphasis to be put on the budgetary control and creation of a self-governance frame work that subdivides the hierarchical structure into smaller self-management units

Key Words: Budgeting Process, Financial Performance, Case study research design, Participation of Union staffs

Background

Budgeting process comes from the word budget which is aFrench word meaning(*bougette*, purse).The budgeting process is sometimes referred to as a budget cycle that runs through the entire financial year, and it is a participatory process that involves active participation of all stakeholders. It is either bottom- up or top down approach but the bottom up approach is preferred by BCU Ltd.The budgeting process in public organizations starts with the National Budget Conference (NBC) where all accounting officers and political leaders brainstorm on the national expenditure priorities from which regional budget conferences are conducted at regional levels where all district heads of departments and district chairpersons present budgeting issues papers and get guidance on how to plan following the National Budget Act 2001, Sec 77 of the Local Governments Act 243 in line with Article 190 of the Constitution of the Republic of Uganda. It begins with the review and update of the Medium Term Expenditure Framework (MTEF), and a country Portfolio Performance Review. This is followed by the first Budget consultative workshop that takes place between October and November. After this, all Sector Working Groups begin preparation of Budget Framework Papers (BFPs) and this is followed by Ministerial Consultations, which lead to the preparation of the draft National BFP. Once Cabinet approves the BFP, it is presented to all stakeholders in a national budget workshop called the Public Expenditure Review Meeting.

The final BFP is submitted to parliament by April 1, of each year. This is then followed by the development of the Background to the Budget and the detailed development of budget estimates by each Ministry and institution. The Ministry compiles these into the draft estimates of revenue and expenditure with consultation with the Parliamentary Budget Committee, and starts preparation of the Budget Speech. However in BCU Ltd, the process is initiated by individual departments which compile draft revenue and expenditure estimates to be discussed by the budget committee before approval is done by the Board. Budgets need feedback regardless of whether they are for government or private organizations. Feedback on the budget outcomes is critical as an indicator of success or failure and therefore works as a catalyst for higher performance (Henderson 2001).The sole responsibility of budget management and control lies in the hands of the heads of Departments, however the finance function is explicitly charged with the overall budget management as a financial mechanism of control and accountability (BCU Ltd Approved Policy- Jan, 2011)

It’s worth noting that in the actual implementation, which forms part of the budgeting process of ongoing reviews of budgets, heads of departments approve expenditures, which are significantly below the budget, over the budget or not actually part of the approved budget. Their level of participation in the process or the lack of feedback and control in the whole process would propel this. BCU Ltd has consequently experienced a series of consistent poor financial performance as evidenced by wide budget variances of significantly over 12% as against set standards provided in the BCU Ltd Finance manual (Approved BCU Ltd Financial Statement 2011). The financial statements of the year 2012 indicated travels and board allowance overspent by 92%, capital expenditure under spent by 64% and many other votes giving an overall over expenditure of 56% of an annual budget of UGX 2,018,884,956 (Approved BCU Ltd Financial Statements 2012). In 2010, Bursaries were overspent by 49%, staff welfare by 36% and marketing under spent by 65% giving an overall over expenditure of 33% of an annual budget of UGX 3,324,158,692 (Approved BCU Ltd Financial Statements 2010).

Under spending of departmental items leaves agreed priority plans during budgeting process unaccomplished, while overspending suffocates planned activities in other budget line items. Overall under spending raises question about staff capacity to utilize the budgeting process and risk of budget cuts by the Board while overspending questions the accuracy and appropriateness of the budgeting process and whether the right priorities are set and met. This trend naturally has a negative impact on the achievement of the key strategic objectives and desired goals of the organization. Budget process in BCU Ltd has severely deteriorated. The expected levels in form of objectives and financial performance measures by departments have not been achieved as planned in the policy guidelines (budgets) for several years. In his address on the budgeting process to the board (October 2010), the chairman decried the poor budgeting process over the recent years that has left the once most profitable union in Uganda dilapidated.

Budget process in Bugisu Cooperative Union Ltdhad severely deteriorated. The expected levels in form of objectives and financial performance measures by departments had not been achieved as planned in the policy guidelines (budgets) for several years. There existed persistent budget variations, lack of budget compliance and management will to control spending, there had been delays in paying staff salaries, allowances, tax arrears (VAT,PAYE and WHT) amounting to UGX 723,564,000, many Union activities had stalled, (Annual Audit Reports 2009). These led to serious complaints by concerned members who instituted a number of petitions that led to the suspension of the Board and Management of BCU ltd led by Nathan NandalaMafabi in 2010 (Forensic audit report 2011). Furthermore, Uganda Revenue Authority attached Bugisu Cooperative Union Ltdoperations Account in bank of Baroda (Mbale branch) against a WHT obligation of UGX 523,266,745/= in arrears (963/RCS Commissioner General, (URA June 2011).

The board and management of Bugisu Cooperative Union limited were implicated for misuse of over 430 million shillings through unnecessary travels to China, Canada and the UK (Enquiry reports 2011). The board was accused of operating Union activities without clear processes, policies, procedural manuals, budget manual and guidelines which created inadequacies in systems, monitoring and transparency that led to loss of colossal sums of money amounting to over UGX 967 Million shillings without trace, (forensic audit report 2011).Therefore with the above repeated findings and complaints, the research sought to find an empirical explanation why Bugisu Cooperative Union Ltdhad continued to persistently perform poorly in their operations.

Literature Review

Budgeting Process

According to Linn (2007) a budget is not only a means of planning for various revenue streams, a control mechanism for an administration to keep from spending too much a procedure for controlling its units, a process to coordinate the many activities that an institution undertakes, and a way to communicate to all stakeholders a summarization of the activities that the various units will undertake, but it is also a technique for setting the organization's priorities by allocating scarce resources to those activities that officials deem to be the most important and rationing it to those areas deemed less vital.

According to the Certified Management Accountant Review (1994), a budget is a quantitative planning tool, that helps translate the objectives set out in the plan into financial terms and shows where the money will be got from and how it will be spend in order to achieve the set objectives in the plan. A budget is an objective measure of the financial underpinnings of operations that controls the financial health of the organization (Seer 2000**)** a budget facilitates planning and resource allocation. According to Drury (1992**)** it is a plan of action for the future periods of the organization. Lucy (1996) adds that it is a quantitative expression of a plan of action prepared in advance of the period to which it relates.

According to Kavulya (2006**)** Budgeting involves the process of identifying, costing and allocating revenue to the resources and activities that allow the objectives of the organization to be achieved. Essential preliminaries established before effective budgeting include: preparation of an organizational chart which shows the functional responsibilities of each member of the management team; establishment of budget centers; establishment of adequate accounting record to facilitate the recording and analysis of transactions in the organization; establishment of budget committees; budget timetable to enable timely flow of information; and the budget manual which shows budgetary procedures including budget centers and timetables Balunywa (2005**).** Over the course of the fiscal year that is being reviewed, reforecast and reallocated, the aim is to make the best use of the available financial resources **(**Seer, 2000**).**

According to Lega and Vendramini (2008**)** Budgeting is a management control tool. The average budgeting process is composed of five distinct phases, which include budgeting guidelines that represent the starting point and the boundaries of the budgeting process; budget preparation; budget negotiation where managers develop a meeting of the minds so that resources are allocated accordingly; budget review where targets are tweaked during the budgeting year to adjust to new, emerging conditions; budget assessment where accountable centers are assessed to check if targets have been met. Leading scholars suggest that this phase is not considered merely the end point of the process but should be starting base of the following year's budget.

Budgeting process is means through which people plan and formally express their plans in quantitative terms. It is a tool that management uses to achieve the plan **(**Amanya Jennifer, 1999**).** Budgeting serves functions of financial and management control. Financial control results to the control of financial resources while management control ensures that the activities of the parts of the enterprise are co-ordinated(Otley 1987). Budgeting produces budgets which perform a number of functions. Budgets are produced to aid the planning of annual operations. A budget provides a plan of action over a period of time, which aids the operations **(**Drury, 1992**).**

Budgets co-ordinate the activities of the parts of the organization, through this, the objectives of the organization harmonize with objectives of the parts. Budgets facilitates co-ordination through communication of information about plans to managers and employees **(**Nassolo, 1997**)**. Budgets perform the function of control, which is the art of comparing where you are (actual performance) to where you are supposed to be (plans), so that corrective action can be taken. It is necessary to ensure that plans as laid down in the budgets are being achieved. Through control, organizational activities are monitored and performance is evaluated **(**Sebbi, 1994; Lewis, 1996**).**

Budgeting at the local level is intended to improve service delivery by shifting responsibility from policy implementation to the beneficiaries and promotion of locals' skills. This is intended to place emphasis on transparency and accountability in the management of public affairs (Danilo 2002**).** On the other hand, if the budget is insufficient to complete a piece of work, additional funds should be availed so that the project or work is completed. Additional funds of supplementary estimates should be availed so long as satisfactory reasons are given. This will facilitate completion of projects on time. It will also reduce wastage of resources on uncompleted projects. There is need to plan for changing business conditions in order toappropriately take action that can deal with changes that occur should any of the plans be affected by such changes. This is the implication of having contingency plans available to deal with changes, which were unforeseen at the time when the budget was originally prepared **(**ParasuramanandZeithml, 1994).

Financial Performance

Financial performance(profitability and growth) is used, in the vast majority of existing studies, to measure business performance (Murphy et al., 1996). However, the use of financial performance measures to evaluate organizational effectiveness has been criticized for being too narrowly focused. In a pioneering work by Hopwood, he explored the role ofreliance on accounting performance measures (RAPM) accounting data in performance evaluation and pointedout five negative aspects.

Firstly, not all the relevant dimensions of performance are included in an accounting report, for example managerial activity. Secondly, an organization's economic cost function is rarely known precisely and an accounting system can only attempt to approximately represent its complexity. Thirdly, the accounting data are primarily concerned with representing outcome, however, managerial activity in an organization is concerned with the detailed process resulting in the final outcomes. If there are factors that limit the reported efficiency of the process, despite the quality of the manager's performance, the accounting data will be an inadequate reflection of his performance. Fourthly, the main emphasis in accounting reports is on short-term performance, without more long term considerations. Finally, accounting reports can fail to perfectly satisfy the requirements for any single purpose, since the reports are used to serve many purposes.

Following Hopwood, a lot of researchers have continued the work on RAPM. For instance, Chakravarthy (1986) states that accounting performance measures are considered necessary, but not sufficient to define overall effectiveness. Bento and White in 2001 also mention the limitations of using accounting data in a small organization. They explain that accounting based performance measures for SMEs research suffer from two key drawbacks: firstly, the non-homogeneity of data (for example, resulting from the use of different depreciation and stock evaluation methods) or different measures and reporting standards used by different organizations; and secondly, the non-availability of data for smaller firms. The latter is particularly pertinent in Uganda, where Cooperatives will not open their financial information to the public. Mckiernan and Morries in 1994 claim that 'overall' performance measures with a set of multidimensional measures are more appropriate. So, more subjective criteria might be better to gain insight into the performance in cooperatives and would seem to be more closely aligned with the determinants of performance identified by Keats and Bracker (1988) and Lumpkin and Dess (1996) in their conceptual frameworks for assessing performance in Cooperative Unions. Many studies (e.g. Brownell, 1982; Brownell &Hirst, 1986; Frucot&Shearon, 1991;

Gul et al., 1995) relating to relationships between budgeting and performance have incorporated *non-financial measures* such as job satisfaction, job related tension, organization goals. Brownell (1982) examines the interaction between supervisory evaluative style and budgetary participation impacting job satisfaction. The results indicate that supervisory evaluative style and budgetary participation exert "a substantial positive" impact on job satisfaction. Brownell and Hirst (1986) test whether budgetary participation (BP) and task uncertainty effect managerial performance or job related tension (JRT). The statistical results show that substantially lower JRT results from the use of BP in low task uncertainty situations. However, "no coefficient of any significance" is yielded between BP and managerial performance. Nevertheless, quite a number of studies adopt this multiple metrics into Cooperative organizations' research. Therefore, the wide use of multiple dimensions of performance in Cooperative Unions' budgeting research has to be reinforced in future research to more appropriately evaluate the budgeting and performance nexus.

The development of a performance budget is a simultaneous top-down and bottom-up process. Senior planners and policy officials must articulate program goals and objectives. They also must outline the levels of resources that they anticipate allocating to support those goals and objectives. These same officials should identify outcome measures that determine whether goals, objectives, resource levels and outcome measures must be developed and validated by lower level managers. This study therefore shows how Bugisu cooperative Union Limited evaluates its budget in relation to the set objectives and goals in a bid to measure whether the limited resources have been spent effectively.

The Relationship between Budgeting Process and Financial Performance

Participation of subordinates in budgeting process improves financial performance as extensively noted in behavioral accounting literature (Nouri and Parker 1998**).** It is argued that the act of participation in the budgeting process serves as a function by inducing subordinates to accept and commit to their budget goals **(**Merchant 1981**).** Furthermore, it is suggested that budgeting process participation also serves as an informational function whereby subordinates can gather, exchange, and disseminate job-relevant information to facilitate their decision-making process and to communicate their private information to organizational decision makers **(**Topper, 2007).

The empirical studies that examined the informational role of budgeting process participation have, in general, produced consistent and fairly well established results (Magner, 1996**).**However, the empirical evidence on the motivational role of budget participation on financial performance has been mixed **(**Murray 1990**),** for a comprehensive theoretical discussion).

Parkinson and Taggar **(**2000) for example, have relied on expectancy theory to examine the relationship between participation in budgeting process to financial performance. Their results are in conflict with those of earlier studies (Merchant 1981**)** that found a positive association between budgeting process participation and motivation, hence financial performance. Parkinson and Taggar (2000**)** were unable to verify the intervening role of motivation using an expectancy theory framework. A possible explanation for the inconclusive results of Parkinson and Taggar (2000) and other studies on the motivational role of budgeting process participation on performance could be due to inadequate theoretical framework adopted by those studies.

Parkinson and Taggar (2000**)** acknowledged "expectancy models have sometimes shown a rather weak relationship to effort and performance, raising question about their validity in empirical use." Thus, further research may rely on an alternative motivation theory, such as goal- setting theory, to examine the budgeting process participation and performance linkage (Murray

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1990**).**Managers' Participation in budgeting process has a number of positive behavioral outcomes, such as reduced stress, improved motivation and job commitment, and enhanced financial performance. Conversely, managers' inadequate Participation in budgeting process may cause dysfunctional behavior, which may lead to anxiety, stress and low performance (Reid, 2002).

Conclusion on Literature Review

From literature review, it was found out that budgeting process is a managerial process that sets direction for management improvement and efficiency. Efficient budgeting process management is important for smooth financial performance of any organization. This research is set out to examine the relationship between the variables stated in the Union due to evidence in the background to the study showing the weaknesses in budgeting process management and financial performance of Bugisu Cooperative Union Ltd. Budgeting process management is a managerial process that assimilates and ties together a wealth of financial data. It is a marketing process by which the organization or institution sells its programmes and services.

Finally, it is an accountability process through which the organization communicates its decisions, priorities and expected financial performance. In this respect, it was found out that the budgeting process planning at Bugisu Cooperative Union is reflective assumptions to a certain extent, support review and decision making, the planning and budgeting process proposals are prepared and presented in a transparent fashion. The budget process at Bugisu Cooperative Union focuses on financial performance information which is in a way related to achieving missions and results of the Union.

The findings and discussion

Budgeting Process

The first objective was to determine the budgeting process of Bugisu Cooperative Union. The budgeting process was measured in terms of level of participation and the level of feedback and control. These were examined using the factor analysis, frequency tables, and the goodness of fit Chi-square test as shown in tables 4.8 to 4.11. The goodness of fit Chi- Square test was used to test for the level of significance of the study variables, at 99% (P-Value <0.01) and 95% (P-Value <0.05) confidence levels, perceptions of the respondents on the study variables are significantly positive.

Level of Participation: Table 4.6**:** Level of Participation

	Frequency	Percentage
Disagree	01	1
Not sure	09	14
Agree	44	65

Strongly Agree	13	20
Total	**67**	**100**

Source: Primary Data

As indicated in Table 4.6 above, there were significant positive perceptions of the employees of Bugisu Cooperative Union ltd in regards to the level of participation. 65% had positive perceptions that management ensured that all units are involved in the budgeting process; the level of involvement was beneficial and widely consultative. Further, employees' perceptions indicated that their ideas formed part of the budget priority areas, had a sense of ownership of their units' budget and that management listened to employees' ideas about ways to change or improve the budget estimates or forecast, 14% were not sure of the level of participation and only 1% had a negative perceptive. This implied that the budgeting process of Bugisu Cooperative Union Ltd was participatory.

Factor Analysis of the Budgeting Process: Factor analysis was used to extract and confirm the most important components that measured the study variables (With Eigen Value greater than 1).

Table 4.7: Budgeting Process Varimax Rotated Component Analysis

	COMPONENT	
	Level of Budgetary control	**Level of Participation**
Level of Participation		
1.Management ensures that all units are involved in the budgeting process		0.715
2. The units find the level of involvement in the budgeting process beneficial.		0.744
3. The budgeting process is a widely consultative exercise.		0.712
4. The consultative exercise is adequately used to Value to the budgeting process.		0.562
5. All employees are involved using a participatory approach.		0.496
6. Employees have a sense of belonging or ownership of their units' budgets.		0.589
7. Employees ideas are valued in the budgeting process		0.677
8. Ideas generated during the budgeting process form part of the budget priority areas.		0.619
9. Management listens to employees' ideas about ways to change or improve the budget estimates or forecast.		0.414

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10. Budget estimates and forecasts in your Unit area a result of your suggestions.		0.444
Section c: Budgetary Control		
1. Organizational resources are effectively utilized to achieve its goals and objectives.	0.724	
2. Planned activities at beginning of the financial year are accomplished within the specified time frames	0.508	
3. The quality of goods and services provided by the union conforms to original specifications at the planning stage.	0.499	
4. There is no significant over expenditure in the majority of the department's budget line items.	0.699	
5. Planned budgets are regularly referred to when reviewing the budgets	0.721	
6. There is no significant under expenditure in the majority of the management's budget line items	0.601	
7. The budget review recommendations are effected in the subsequent budget adjustments	0.632	
8. The majority of the organization budget line expenditure is within the budget line	0.631	
9. BCU Ltd's transactions strive to achieve value for money	0.785	
10.The Union consistently keeps the cost of business at a minimum in all the dealings	0.708	
Eigen Values	6.194	5.211
% Variances	**17.204%**	**14.474%**

Source: Primary Data

Using the principal component analysis and Varimax method, two factors of budgeting process were extracted explaining 32% of the budgeting process. The first component was level of budgetary control at 17%, and level of participation at 15% as shown in the table 4.7 above. This implied that the level of budgetary control and that of participation measured and explained in Bugisu Cooperative Union Ltd was 32%.The findings showed that there were significant positive perceptions of staff in regard to level of participation and that level of participation measured and explained 65% of the budgeting process.

These findings shared the same view with most of the management accounting literature advocates, who submitted that participative budgeting provides a sense of belonging; "this is our Budget" view and therefore explaining the budgeting process. Further, most recent literature also appears to assert that participation measures the level of financial performance and this is very important in the budgeting process as implied in the principal stages of the budgeting process.

However, prior studies on budgeting and participation found that a participative budgeting approach had a negative impact on the process and the performance (Cherrington and Cherrington, 2001).

Fisher (2000) had divergent views; he suggested that participation provided opportunities for Managers to create budgeting slack, whereas low participation resisted such opportunities. The study confirms and is in agreement with recent literature and further states that participation explains 14% of the budgeting process and thus a key indigent in the process.On the object of budgetary control, the findings according to table 4.8: Budgeting Process using Varimax Rotated Component Analysis above,17% was on the component of budgetary control.

This finding is in line with the current popular belief that budgetary control concerning the degree to which budget goals have been achieved is another important variable in the budgeting process. This view was earlier held by Henderson (2001) and Pauline Weetman et al 2002 also emphasized it in his submission of the principal stages of the budgeting process noting that on-going reviews and budgetary control were critical to the budgeting process. Lukka 2004, also stated that budgetary control on financial performance when presented in a constructive objective and unbiased manner, has been shown quite important in giving reliable estimations in the budgeting process. Although Henderson (2001) mentioned the importance of budgetary control for improving the process and performance, they did not investigate how the disclosure of such information affects other managerial behavior.Notwithstanding the fact that in most literature participation is perceived as very key in the budgeting process, it's interesting to note that of the variables studied; budgetary control had the strongest influence on the budgeting process and contributing least of the variables studied.

The Role of Budgeting Process in Financial Performance

The third objective was to determine the Role of Budgeting Process in Financial Performance of Bugisu Cooperative Union Ltd which was determined by the level of financial performance. Financial performance was measured in terms of profitability, growth, and liquidity. These were examined using frequency tables and chi square tests as shown in subsequent tables

Information about budget adjustments to Employees:

Table 4.8: Employees are informed of their unit's budget adjustments and changes

	Frequency	Percentage
Disagree	04	6
Not sure	17	26
Agree	41	61
Strongly Agree	05	7
Total	**67**	**100**

Source: Primary Data

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Table 4.8 above shows that Employees are informed of their unit's budget adjustments and changes. 61% of the respondents had positive perceptions that the Union consistently informs its employees about the changes made in the budget during the financial year. 26% of the respondents were not sure, while 13% disagreed with the statement. This means that there was good communication between the management and the employees about any changes in budgeting.

Management's instruction to work to words budget targets: Table 4.9**:** Management instructs departments to work to words budget targets

	Frequency	Percentage
Disagree	54	80
Not sure	02	04
Agree	10	15
Strongly Agree	01	01
Total	**67**	**100**

Source: Primary Data

Table 4.9 above shows that 81% of staff disagreed about whether the management instructs departments to work to words budget targets in Bugisu Cooperative Union. 04% were not sure, while 15% agreed of the statement. This means that there were no instructions about strict implementation of the budget in Bugisu Cooperative Union.

Level of feedback: Table 4.10:Level of feed back

	Frequency	Percentage
Disagree	03	4
Not sure	17	26
Agree	41	61
Strongly Agree	06	9
Total	**67**	**100**

Source: Primary Data

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Table 4.10 above indicates that there were significant positive perceptions of staff in respect to the level of feedback. 61% of the staff had positive perception that employees were informed of their units budget adjustments and changes as a feedback mechanism as regards management provision of information on the rationale behind the budget target decisions, variances in the budget targets were regularly explained, investigated and control measures instituted, regular and deliberate periodic budget reviews, and review recommendations were effected in subsequent budget adjustments. 26% were not sure and only 4% indicated that there was no Feedback and control in the budgeting process of Bugisu Cooperative Union.

Variances in the budget targets: Table 4.11: Variances in the budget targets are regularly explained in the management meetings

	Frequency	Percentage
Disagree	34	52
Not sure	27	39
Agree	01	01
Strongly Agree	05	08
Total	**67**	**100**

Source: Primary Data

Table 4.11 above indicates that 52% of the respondents had significant negative perceptions on variances in the budget targets in Bugisu Cooperative Union Ltd, 39% were not sure while 9% agreed that Variances in the budget targets are regularly explained in the management meetings. This implied that the Union continuously carried on budgeting year after year without paying attention to what could have caused budget variance in the previous year.

Periodic Budget Review: Table 4.12: Periodic Budget Reviews

	Frequency	Percentage
Disagree	00	0
Not sure	19	29
Agree	43	64
Strongly Agree	05	7
Total	**67**	**100**

Source: Primary Data

Table 4.12 above indicates that 71% of the respondents had significant positive perceptions on variances in the budget targets in Bugisu Cooperative Union, while 29% were not sure whether Variances in the budget targets are regularly explained in the management meetings. This implied that the Union continuously carried on budgeting year after year without paying attention to what could have caused budget variance in the previous year.

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Correlation Analysis

Spearman's correlation coefficient was used to determine the degree of relationship between the budget process and the budget performance because of the categorical variables and qualitative nature of data analyzed. Table 4.13: Correlation Matrix

	1	2	3
Participation	1.000		
Budgetary controls	0.602**	1.000	
Financial performance	0.494**	0.595**	1.000

Source: Primary Data ** Correlation is significant at the 0.01 level (2-tailed)

The relationship between budgeting process and financial performance was determined using Spearman's correlation coefficient as shown in the correlation Matrix table 4.13above. Table 4.13 indicates that there was a significant positive relationship between the level of participation and Financial performance (r= 0.494, P-Value<0.01). This implied that participation in the budgeting process enhanced financial performance. The table further indicates that there was significant positive relationship between the level of Budgetary control and financial performance (r=0.595, P-Value<0.01). This implied that budgetary control played a positive role in the performance of budgets in Bugisu Cooperative Union Ltd.

On the overall, the budgeting process was moderate and significant in the performance of budgets in terms of level of participation and level of budgetary control.This view is in line with most of the current literature. Merchant (2001), Brownell (2002) and Covaleski*et al* (2003) all found a positive relationship between budget participation and financial performance. It's noteworthy that earlier studies on relationship between participation and performance lead one to conclude that, even when participation in the budgeting process is seen as being correct, its value would be situation specific; there may be some organizations in which it is not necessarily a key performance driver.

Cherrington and Cherington's (1973) study found that the "top-down" imposition of budget targets actually led to higher performance amongst the recipients as opposed to those managers who more or less set their own targets. Again, the study indicates that there was significant positive relationship between level of budgetary control and financial performance(r=0.595, P-Value<0.01). This implies that budgetary control plays a positive role in the financial performance of budgets in Bugisu cooperative union ltd. This view was also advanced by studies by Henderson (2001), whose hypothesis proffered that control on budget results would indicate success or failure and thus an incentive for higher performance.

Regression Analysis

Regression analysis was used to predict financial performance as shown in table 4.14 below. Table 4.14: Regression Model

	Un standardized	**Standardized**

Regression Model	**Coefficients**		**Coefficients**		
	B	Std Error	Beta	Time	Significant
Constant	2.091	0.440		4.756	0.000
Level of Participation	0.304	0.105	0.268	1.162	0.033
Budgetary control	0.398	0.103	0.360	2.966	0.004
R-Square=0.207, Adjusted R-Square=0.115, F=7.056, Sig =0.000					

Source: Primary Data

There was a linear relationship between budgeting process and financial performance

(F=7.056, Sig=0.000). Budgetary control and participation in the budgeting process, explained 12% of the Financial Performance in Bugisu Cooperative Union. Budgetary control (Beta=0.360) explained more of financial performance and participation (Bata= 0.268).

Model; P=2.091+0.304LP+0.398LF.

A unit change in the level of participation led to a 0.396 positive increase in performance and a unit change in level of budgetary control led to a 0.398 positive increase in performance.

The first objective of the study was to establish the level to which the employees had participated in budgeting process in Bugisu Cooperative Union. The findings indicate thatthere was significant positive involvement of staff in regard to participationin budgeting process. Therefore the Budgeting process of Bugisu Cooperative Union was participatory with appropriate budgetary control in the process.

Objective two of the study sought to ascertain whether budgetary controls are carried out in Bugisu Cooperative Union. The findings indicated that there were significant positive budgetary controls in the Union. This means that Bugisu Cooperative Union does not only indulge in Budgeting process, but it also go an extra mile to ensure that the necessary controls are put in place to see that every activity is done according to the budget.

From the findings of the study, there is a strong positive relationship between budgeting process and financial performance in Bugisu Cooperative Union. The findings reveals the significant correlation of Budgetary control of (Beta=0.360) which explained more of financial performance and participation (Beta=0.268).The general findings indicate that there was a significant positive relationship between the level of participation and financial performance, and this implies that participation in the budgeting process enhanced budget performance.

Conclusion

Research findings indicated that there were significant positive involvement of respondents in regard to the budgetary control and full employee participation and therefore these measured and explained the budgeting process of Bugisu cooperative union ltd. The budgeting process of

Bugisu cooperative unionltd was therefore appropriate. On the budgetary control of Bugisu cooperative unionltd, research findings indicated significant positive perceptions of respondents in terms of the budgetary control which on the overall was 71% acceptable. Finally, research findings indicated a significant positive relationship between the budgeting process and financial performance.

Recommendations

There is need for regular meetings at head office, departmental and sectional level with an objective of providing intentional budgetary control on budgeting in terms of quarterly financial performance indicating budget changes in performance regarding profit, liquidity and growth with detailed explanations of variances from plans and recommended controls to manage budgets better in the year.

It should be mandatory that budgeting process for the differentdepartments are conducted in a departmental meeting settings so as to enhance participation of all the staff in the respective budgeting units and a requirement for all participating staff to endorse on their unit's budget document as evidence of their participation. These would be enforced by a change in the budgeting guidelines or policy. Although full employee participation is important in the budgeting process, emphasis needs to be put on the level of feedback and control in budgeting process of Bugisu cooperative union as the research revealed that this explained more of the budgeting process.

The Union should create a self-governance framework that subdivides the hierarchical organizational structure into smaller self-managing units with managers that have authority to run their units as they see fit. Because the self –managing units are small, the organizational structure is less complicated and therefore more flexible. Enhance accountability for dynamic outcomes, where staffs are responsible for achieving competitive results, not for achieving pre-set targets for a department and set relative targets aimed at countering the competition, not last year's budget.

Areas for Further Study

Other variables notably Union politics, Motivation, ownership and their effect on budget performance that the study did not examine would warrant further study.Since budgetary controls and full participation in the budgeting process, explained only 12% of the budget performance in Bugisu cooperative union other factors other than studied variables that influence and contribute the remaining 88% of the budget performance which include among others; Motivation, staff attitude, Union politics need to be paid attention too.Organizational Culture and learning have implications not only for decision-making but also performance of the organization in general. This is yet another area of further research.

The research was based on a Cooperative Union and the results need to be compared and tested with similar research in other organization.

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