OPERATIONAL BUDGETING AND FINANCIAL PERFORMANCE
OF NATIONAL ENTERPRISE CORPORATION TRACTOR
HIRE SCHEME LIMITED

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AWARD OF A MASTER’S DEGREE IN BUSINESS ADMINISTRATION
OF KYAMBOGO UNIVERSITY

DECEMBER, 2018
DECLARATION

I, Odongo Godfrey, hereby declare that, this research report titled “Operational Budgeting and Financial Performance of National Enterprise Corporation Tractor Hire Scheme Limited” is my own original work towards the award of a Master’s Degree in Business Administration of Kyambogo University.

Signature:……………………………………… Date:………………………………………

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15/U/14455/GMBA/PE
APPROVAL

We certify that this research report carried out by Odongo Godfrey entitled “Operational Budgeting and Financial Performance of National Enterprise Corporation Tractor Hire Scheme Limited” was carried out under our supervision and is now ready for examination by the Board of Examiners as a requirement for the award of a Master’s Degree in Business Administration of Kyambogo University.

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PRINCIPAL SUPERVISER

Signed:……………………………………….. Date:………………………………………..
DR. JACOB .L. OYUGI
SECOND SUPERVISER
DEDICATION

I dedicate this research to the Almighty God who always blesses me in all my endeavors and to my mother and my lovely wife who have always encouraged me. May the Almighty GOD reward you abundantly.
ACKNOWLEDGMENT

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CVI</td>
<td>Content Validity Index</td>
</tr>
<tr>
<td>EIPP</td>
<td>European Institute for Public Participation</td>
</tr>
<tr>
<td>LM</td>
<td>Line Manager</td>
</tr>
<tr>
<td>MoFPED</td>
<td>Ministry of Finance Planning and Economic Development</td>
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<tr>
<td>NEC</td>
<td>National Enterprise Cooperation</td>
</tr>
<tr>
<td>NECTHSL</td>
<td>National Enterprise Corporation Tractor Hire Scheme Limited</td>
</tr>
<tr>
<td>OAG</td>
<td>Office of the Auditor General</td>
</tr>
<tr>
<td>OB</td>
<td>Operational Budgeting</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PEM</td>
<td>Public Expenditure Management</td>
</tr>
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<td>PFM</td>
<td>Public Finance Management</td>
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<tr>
<td>PwC</td>
<td>PricewaterhouseCoopers</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
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<td>SOEs</td>
<td>State Owned Enterprises</td>
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ABSTRACT
The sole purpose of the study was to examine the effect of “Operational Budgeting on Financial Performance of National Enterprise Corporation Tractor Hire Scheme Limited”. This was guided by the following specific objectives to; examine the effect of budgetary planning on financial performance, ascertain the extent to which budget implementation affects financial performance of and investigate the effect of budget monitoring and review on financial performance of NECTHSL.

The study adopted a case study research design which involved the use of both qualitative and quantitative techniques for data collection and analysis. The target population was 85 respondents. The actual sample of 73 participated in the study. The study tools were questionnaire and interview guides to collect information from different respondents. Data was analysed using descriptive statistics and regression analysis.

The study findings revealed that their existed a significant association between budgetary planning and financial performance of NECTHSL (adjusted $R^2 = 0.002$, $F = 1.128$, $p \leq 0.000$ & $\beta = 0.120$). The study revealed that predictor variable of budgetary implementation explain 5.6% of variations in financial performance of NECTHSL and was established to affect financial performance at ($\beta = 0.265$, $t = 12.994$, $P < 0.000$). Budgetary Monitoring and Review predicts or explains 1.1% variation in financial performance.

The study concluded that Budgetary planning in departmental units deliberate through budget call papers, budget framework papers was hampered by low participation and limited funding. Budgetary implementation was low as activities worthy Ugx. 1,834,989,520.0 were not implemented leading to high food insecurity. Budgetary review to ascertain improper allocation of resources was inefficient.

The study recommends that refresher courses be accorded to different Heads of Subsidiary levels to enhance capacity development on indicative planning figures. NECTHSL needs to seek for funding from diversified sources other than awaiting for government subventions. Further research should be conducted to examine the relationship between budgeting systems and cash flow management in financial institution.
CHAPTER ONE
INTRODUCTION

1.0 Introduction
The focus of this study was to examine the effect of operational Budgeting on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited (NECTHSL). Operational budgets covers sales budget, production budgets, direct labour budget, direct material budget, manufacturing overhead budget, stock budgets, cost of goods sold budget, marketing budget, distribution budget and administrative budget (Goode & Malik, 2011). Budgeting in state enterprises however, has become an issue of great concern in most public entities because of variance between planned activities and actual output (OECD, 2014). This seems to ruin profitability, sales growth, return on investments, and return on assets across National and International state enterprises. Hence this chapter presents the background to the study, statement of the problem, purpose of the study, objectives, research questions, scope of the study, significance of the study, conceptual framework and definition of operational key terms used in the study.

1.1 Background to the Study
The background to this study is divided into four perspectives. They include historical, theoretical review, Conceptual Perspective and contextual.

1.1.1 Historical Perspective
Budgeting came from the French word “prevoyance” meaning output of the process that include both a forecast of how environmental variables change and together with a manifestation of the decisions made by management on what exactly a budget should be. It is also noted that budgeting was a success story for a short time after World War II and is still considered an important management tool (Rosanas, 2016).

Budget and budgeting notions are traced way back from the biblical period of Joseph in Egypt (Odour & Jagongo, 2013). It was stated that nothing was given out of the treasure without a written instruction or order from the person responsible. History has it that Joseph budgeted and managed grains which took the Egyptians throughout the seven years of famine.
In the 19th century, budgeting was quite different from the way it is understood and practiced presently. There was an annual statement of what the Central Government had done with revenues in the preceding year, including whether there was a surplus or deficit, but no unified, proper suggestion for the coming year and slight consideration for spending as a whole (Jeremy & Fraser, 2003). Proper budgets were first introduced in the 1920s as instruments to manage costs and cash flows. The rise of scientific management practices, laid emphasis on detailed information as a base for taking decisions thus leading to incredible development of budgeting techniques (Bartle, 2008).

In the 1970s, financial performance improvement was built on meeting financial goals rather than effectiveness of organizations. In the 1980s and 1990s when they were not keen to spend money on innovations so as to stay with the stiff budgets, they were no longer worried about how clients were being served or treated, but they were only concerned with meeting sales targets (Abigail, 2015). Since the 1990s, a number of African countries such as Ethiopia, Uganda, Ghana among others have placed more emphasis on budgeting process with the assistance of World Bank initiatives (World Bank, 2003). At an initial stage of growth, budgeting focused on preparing and presenting reliable information to legitimize accountability and to allow correct financial performance evaluation (Isaboke & Kwasira, 2016).

In an attempt to ensure better financial performance, the Government of Uganda has conducted a number of public financial management reforms, such as proper use of the funds allocated in the budget, proper accountability and efficiency in the management of public resources to ensure better financial performance (Ministry of Finance Planning and Economic Development, 2015). These include the enactment of the Budget Act, 2001; Public Finance and Accountability Act (PFAA), 2003; the Public Procurement and Disposal of Public Assets (PPDA) Act, 2003; the Public Finance and Accountability Regulations, (PFAR), 2003; the Treasury Accounting Instructions (TAI), 2004 and the Public Finance Management Act (PFMA), 2015 (MOFPED, 2015).

1.1.2 Theoretical Review
This study was guided by the Agency Theory by Wiseman, et al, (2012) and Meckling (1976) and Ross (1973) cited in Panda (2017). Agency Theory involves the segregation of ownership and
control of the activities of an organization so as to ensure better management practices. Agency theory entails a firm(s) going into contracts where the principal appoints the agent to execute a service on his or her behalf with the delegation of some decision-making power to the agent (Wiseman, et al., 2012). With the aid of agency theory, SOEs are able to institutionalise good governance strategies intended to provide the best input for improved implementation of operations/activities aimed at financial performance optimisation (Costello et al., 2013).

In agency theory, the separation of powers and responsibilities between board chairperson and the CEO may improve an enterprise’s financial performance (McNulty, et al., 2013). The concept of separation of duties and succession politics hampers the smooth operations as a result, conflicts between board members and the managing director or the CEO should be discouraged (Krause & Bruton, 2014). In state owned enterprises, the appointment of board members tend to interrupt the governance structure which breeds corruption and may be one of the major causes of poor financial performance and failure of SOEs. Such acts may culminate into divestiture and sale of state assets if they begin to post losses (Krause & Bruton, 2014). Caron, et al, (2012) found that a well-funded operational budget must be enforced by corporate governance structure of responsibilities and authorities of various stakeholders at different levels.

Bernier (2011) favored the transformation of governance of public enterprises through operational budgeting to improve financial performance. However, the extent to which divesture should be done to improve the efficiency and effectiveness of SOEs is still a substance of consideration (Arocena & Oliveros, 2012 and Bernier, 2011). This agency theory provides a basic perspective through which the researcher views operational budget as a tool for influencing financial Performance (Isaboke & Kwasira, 2016)

1.1.3 Conceptual Perspective

An operational budget is a short term quantitative statement expressed in terms of revenues and expenses needed to facilitate the smooth running of a business enterprise of a private or public nature (Business Dictionary, 2018). An operational budget is a well thought forecast of revenues and expenses needed for the running of a business enterprise for a given or upcoming financial or
fiscal year. It records the expected cash flows from the firm’s trading activities and their effects on the financial statement (Woodruff, 2018).

Operational budgeting is a process that entails the enactment of financial plans of revenues and expenditures for the organization, usually for a shorter period of time. It may be prepared monthly or quarterly or yearly so as to anticipate cash needs and expected operating costs and for comparing actual experience with planned activities (Yang, 2010). It is usually aggregated into a comprehensive master budget that requires planning, implementation and monitoring of all phases of the operation: sales, marketing, manufacturing, engineering and general administration (Fuior & Gutan, 2015). In Uganda, budget process is guided by the budget Act, 2001 (Ministry of Finance Planning and Economic Development, 2009).

Operational budgeting provides budget construct that clearly defines the role of budgets for formal performance evaluation in the work unit. It also considers whether rolling forecasts may enhance the outcomes from budgetary planning, control and evaluation (Sivabalana, et.al., 2009). Operational budgeting increases organization’s efficiency by enabling the planning, implementation and co-ordination of activities as well as promoting learning and control through comparison of actual results to plans (Henttu-Aho, 2016). Operational budgeting encourages the integration of strategic planning to attract adequate funding for activities intended to implement the set goals. It comprises of more detailed budgets that allow operational managers to reallocate resources within the entity as the situation may require (Rickards, 2006).

As postulated by OECD (2014), operational budgeting procedures should be well coordinated, coherent, simple and consistent across all levels of an entity. Moreover, budgeting is not a standalone process, but is supported by many stakeholders that support, the various pillars of modern public governance such as integrity, openness, public participation, accountability and a strategic approach to planning and achieving overall objectives for sound, stable and effective public governance (Kopits, 2013).
Financial performance describes a subjective measure of how well a firm can use assets from its primary mode of business to generate internal revenues to finance its activities (Krause & Bruton, 2014). It is also a general measure of a firm’s overall financial health over a given period of time and thus can be used to compare firms across the same entity or sectors in aggregation. To substantiate Era, et al, (2010), the importance of financial stability ranges from enabling an organization to have sufficient resources for maximizing the potential of quality service delivery, enhancing the ability to pay staff, vendors and creditors on time and maintenance of good credit risk. Chiang (2011) emphasized the various measures of financial performance ratios such as return on sales liquidity, Profitability, return on assets (ROA) and return on equity (ROE).

SOEs are likely to remain an important instrument for societal and public value creation given the right context (PricewaterhouseCoopers, PwC, 2015). State ownership can destroy value if best practices in ownership and management are not applied for instance budgeting is a key in improving financial performance of state enterprises by focusing on operations and finances, not just to limit spending (Kowalski, et al., 2013). Effective financial performance of state enterprises require scaling up of the quantity and quality of all resources. Effective financial Performance of state enterprises therefore is rendering services that correspond to the public’s desires, needs and expectations (Wiseman, et al., 2012). The other effects of budgets on financial Performance is that without losing its control and accountability mechanisms, operational budget can better support financial performance management by integrating known financial outcomes with frequent re-forecasting of the budget and linking it to analysis of financial performance trends so as to measure the budget targets (Olagunju, 2012).

1.1.4 Contextual Review
National Enterprise Corporation Tractor Hire Scheme Limited (NECTHSL) is a subsidiary of NEC. It was established in 2009 to extend tractor hire services to farmers in selected districts. NECTHSL was established by the National Enterprise Corporation Act (Cap.312). The main objectives of establishing NECTHSL were to: deliver affordable tractor hire services with efficient after sales services at the community level, promote expansion of farmland which will ultimately result in increased food security for Uganda and the Great Lakes region, transform the agricultural production process by making it faster through mechanization and post-harvest activities and
finally improve the efficiency of agricultural process by ensuring all year round production through irrigation and timely transportation of the produce to the market centers (OAG, 2016).

Despite government’s efforts to capitalize NECTHSL with Ugx.1, 733,032,690 since 2010, the entity made losses of Ugx. 304, 321,615(35.13%) in 2016, Ugx. 477,454,173(24.43%) in 2015 and Ugx. 187,437,641(15.03%) in 2014. Hitherto, no additional investments have been made. The entity has outstanding total receivables of Ugx.166, 956,699 and payables of Ugx. 365,582,999 (OAG, 2016). Government loses 31 billion as NEC operates under losses for 30 years (Kyeyune, 2017). Further still, out of the thirteen (13) tractors owned by the Tractor hire scheme, only one tractor is in working condition. Two other tractors require minor repairs. The remaining ten (10) tractors are in the Tractor Project yard lined up for major repair (OAG, 2015). It is not clear as to whether poor operational budgeting at NECTHSL characterizes by failure to implement activities leading to unrealized revenue of 91.9% (Ugx. 4,128,427,750/=) which greatly affected the financial performance of NECTHSL.

1.2 Statement of the Problem

Ideally, Budgets aid attainment of efficient, effective and prudent utilization of scarce resources by providing direction to realization of an entity’s strategic short term, medium and long term goals. Hence public entities that fail to plan, plan to fail and thus cannot obtain Government subvention with no proper and clear approved budgets of any financial year. With no exception of NECHTSL, State enterprises in Uganda have for long been posting losses. Out of the twenty two state enterprises in Uganda, only ten made profits, seven enterprises had debt ratios of more than 50%(OAG, 2016). NECTHSL made losses of Ugx. 664,891,814.00 (74.59%) between 2014 and 2016 (OAG, 2016). NECHTL registered a Return on Assets (ROA) of -40.41% in 2016 and 7% in 2017(OAG, 2017). Government loses 31 billion as NEC operates under losses for 30 years of which over 10% arise from NECHTSL (Kyeyune, 2017). In the financial year 2014/2015, NECTHSL had budgeted to generate UGX: 4,489,927,750 through its operational activities (3,963,527,750/=) and capitalization (526,400,000/=) but realized UGX.0/= (0%) from operational activities and realized UGX: 361,500,000/= (68.7%) from capitalization. This thus means that unrealized revenues from operational activities was at 100% and from capitalization was at 31.3% and overall unrealized revenues was at 91.9%. This resulted into poor financial performance as the
company reported a net loss of UGX: 477,454,173/=.
Consequently, the company failed to meet its statutory obligation of unpaid National Social Security Fund (NSSF) and Pay as You Earn (PAYE) of UGX: 119,402,190/= (OAG, 2015). Consequently persistent decline in financial performance will result into lack of expansion of farmland, compromising transformation of agricultural mechanization, leading to food insecurity spilling to hunger, starvation and death in the country. It is not clear as to whether poor budgetary planning, implementation as well as failure to monitor and review operational budget execution are the major causes of unrealized revenue of 91.9% (Ugx. 4,128,427,750/=) of NECTHSL (OAG, 2015). It is against this background that the researcher sought to investigate the effect of operational budgeting on financial performance of state Enterprises using NECTHSL as a case study.

1.3 Purpose of the Study
The main purpose of the study was to establish the effect of operational budgeting on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited as a case study.

1.4 Objectives of the Study
The study was guided by the following specific objectives:

i. To examine the effect of budgetary planning on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited

ii. To ascertain the extent to which budgetary implementation affects financial performance of National Enterprise Corporation Tractor Hire Scheme Limited

iii. To investigate the effect of budgetary monitoring and review on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited.

1.5 Research Questions
The study was guided by the following specific research questions:

i) What is the effect of budgetary planning on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited?

ii) To what extent does budgetary implementation affect financial performance of National Enterprise Corporation Tractor Hire Scheme Limited?

iii) How does budgetary monitoring and review affect financial performance of National
1.6 Scope of the Study
The scope of this study covers subject scope, geographical scope and time scope as explained below;

1.6.1 Subject Scope
The study focused on examining the effect of operational budgeting on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited as a case study. The study specifically looked at operational budgeting as the independent variable which was measured by Budgetary planning, Budgetary Implementation, budgetary Monitoring and Review while Financial Performance was the dependent variable and was measured by looking at Profitability, Liquidity and Return on Assets. NECTHSL was selected because its financial performance had been reported to be poor in the last five years (2013, 2014, 2015, 2016 and 2018), it was therefore considered a key source of information for this study on operational budgeting and financial performance.

1.6.2 Geographical Scope
The study was conducted from National Enterprise Corporation Tractor Hire Scheme Limited (NECTHSL) located in Bugolobi on plot 2 Muwesi road, Nakawa division, Kampala district. P O Box 3145, Kampala. (nec@nec.ug, telephone: +256 414 254 201, fax: +256 414 233 469)

1.6.3 Time scope
Financial performance as a problem under investigation was examined for a period of the past five financial years (2013 – 2017). This was because the financial performance within this period had been reported to be poor and the literature within the past 15 years was applicable for purposes of revealing new and reliable information. The study took nineteen months (February 2017 to November, 2018).

1.7 Significance of the Study
The study findings would divulge the best operational budgetary practices and financial performance at NECTHSL and might be useful to different stakeholders in the following ways;
**Policy Makers:** The study findings exposed the causes of budget deficit financing at National Enterprise Corporation Tractor Hire Scheme Limited and offer practical solutions to these shortcomings. This would enable policy makers to review sources of funding, investment and evaluate the best portfolio opportunities aimed at profit maximization.

**Management of National Enterprise Corporation Tractor Hire Scheme Limited:** The study should provide a broader knowledge on the best practices of budgetary implementation to be used by National Enterprise Corporation Tractor Hire Scheme Limited so as to aid budgetary committees to plan effectively and become more efficient in their operations, but to build a socially responsive institution; to go beyond building infrastructure, but infrastructure that is climate change responsive and enhances cities resilience; not only promote accountability and transparency, but build meaningful channels for inclusive engagement and growth. Achieving these aspirations would help National Enterprise Corporation Tractor Hire Scheme Limited as a sustainable and resilient commercial wing of the armed forces.

**State Enterprises:** The study should enhance Public sector agencies with adequate and reliable data that would enhance realization of the benefits of operational budgetary practices in order for them to achieve their set financial goals effectively.

**Academics and scholars:** The study would help academics and scholars to build on research knowledge so as to form a good source of information and reference notes for further studies in the subject by academics.
1.8 Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
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<tr>
<td><strong>Operational Budgeting</strong></td>
<td><strong>Financial Performance</strong></td>
</tr>
<tr>
<td>- Budgetary planning</td>
<td>- Profitability</td>
</tr>
<tr>
<td>- Budgetary Implementation</td>
<td>- Liquidity</td>
</tr>
<tr>
<td>- Budgetary Monitoring and Review</td>
<td>- Return on Assets</td>
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**Extraneous Variable**
- Political influence

*Figure 1: Conceptual framework model on operational Budgeting and financial Performance of State Enterprises.*

*Source: Adapted from Ian Hawkesworth and Knut Klepsvik (2013)*

Figure 1 indicates that operational budgeting the independent variable directly affects the financial performance of state enterprises as a dependent variable. It indicates that operational budgeting constructs such as budget planning, Implementation process, as well as budget monitoring and Review affect the level of financial performance of state enterprises in terms of profitability, liquidity and growth. NECTHSL’s Profitability measures such as return on assets (ROA) and the rate of return on equity (ROE) show the extent to which it generates profits from the factors of production: labor, management and capital. Liquidity measures the ability of the NECTHSL to meet its financial obligations such as creditors as they come due, without disrupting the normal, ongoing operations of the business. However, political influence as an extraneous variable affects both the independent and dependent variables. This was held constant by adopting a suitable case study design and adhering to the specific research questions when collecting data and analyzing results.
1.9 Definition of key Terms

A budget as an economic tool for achieving set goals and objectives of an organization within a given period of time (Kimunguyi, et al, 2015).

Operational budget, is a short term approximations of revenues and expenditures related to the operations of an organization. It includes administrative costs, labor costs, manufacturing costs, marketing costs (Investor words, 2018).

Financial performance is the measurement of an investment returns from the entities operations. It is measured by ROA, ROE and profitability of the entity (Ngumi & Njogo, 2017).

Conclusion

Chapter one above has provided the general background to the problem, following the study variables provided in the topic, specific objectives well conceptualized in the framework. Therefore, it formed a basis for reviewing literature in the preceding chapter.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter presents the literature reviewed in relation to variables and the research objectives. The information is a combination of extracts, paraphrased statements from textbooks, pamphlets, journals, magazines, websites, publications and other official reports related to operational budgeting and financial performance. The following literature review contains a critical analysis and synthesis of existing literature related to the theoretical framework and the study’s variables (budget planning, budget implementation, budget monitoring and financial performance of state owned enterprises).

2.1.0 Theoretical Review
The study of budgeting and financial performance requires the backing of a theoretical foundation that acts as a lens through which the research problem and research questions were evaluated. Theories were formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions (Green, 2014). Hence this study was grounded by Agency Theory as the most suitable applicable theory from which information was used to conduct and evaluate the study results as explained below;

2.1.1 Agency Theory
This study was guided by Agency Theory advanced by Wiseman, et al, (2012) Meckclling (1976) and Ross (1973) cited in Panda (2017). The underlying premise of the theory is that if both parties in a principal-agent relationship seek to maximize utility function, the agent will not always act in the best interest of the principal. This study analyzes the public sector as an integrated set of secretariats, departments and a diversity of public agencies that carry out different contractual arrangements, where the principal delegates activities (principal) to the agent to execute them. This point of view based on contracts, portrays problems and costs involved in these relationships, which are discussed by the agency theory and other theoretical frameworks originated in the New Institutional Economics (Clara & Joaquim, 2017).
The study was based on principal-agent relationships. State Owned Enterprises are essentially controlled by Line Ministries (LMs) (for instance NECTHSL is a subsidiary of NEC which is under the Ministry of Defense) or assimilated bodies by the Ministry of Finance Planning and Economic development, which is supposed to represent the public interest. NECTHSL, NEC and Ministry of Defense are the agents of the MoFPED (the principal) because they are required to produce a certain level of public output (financial performance) including the quality of this output-in exchange for their budget appropriation (Leruth & Paul, 2006).

A number of government operations can be assimilated to principal-agent relationships. For example, one could consider that the minister (who is the head of the ministry, but also a political appointee) heading the Line Ministry is a principal whose objective is to make sure that his agents (the civil servants) implement what he has promised to do (Horner & Valenti, 2012). One could also consider that the parliament is the principal, whose objective is to make sure that the government (the executive) implements the government’s program. Yet another example would be to model the central government as the principal, while the subnational governments are the agents (Gailmard, 2012).

In another argument by Panda and Leepsa (2017) budget appropriation can be interpreted as the two components of the contract between the MoFPED and the SOEs. The objective of the MoFPED is to induce the SOEs into implementing their expenditure programs, while the SOEs pursue their own objectives. This relationship entails both hidden actions (e.g., the productive “effort” of the civil servants, possible perquisite consumption, or corruption) and hidden information (for example the exogenous productivity of that particular sector of the economy), with the agents having the informational advantage over the principal. Hidden information could also refer to poor program design, which would lead to inefficiency and would be difficult to dissociate from the inefficiency originating from a weak Public Expenditure Management (PEM) system (World Bank, 2014).

Looking at principal-agent framework, Ahmad, Tandberg and Zhang (2002) analyzed the incentive structures that best force SOEs to truthfully reveal their ability to implement national programs. An important element of any principal-agent model is to specify an observable that will be the
main element of the contract. When an agent is reporting to the Line Ministry, measurement of both budget and financial performance should ideally be based on a mix of indicators including output and impact. Such information is usually difficult to obtain, and although simply measuring inputs is clearly not satisfactory, it is often the only variable for which adequate data are available (McCue & Prier, 2014). However, the contract comprises both: the required “output” to be produced by the LM (in terms of provision of public goods and services) and transfer of some part of its budget appropriation to the agent. However the agency theory operates on assumption that the SOEs are required to operate with their existing capacities; but, under a more optimistic assumption (the country receives more debt relief, or the economy experiences higher growth), the SOEs could make additional investments (Gailmard, 2012).

Considering SOEs’, Claessens and Yurtoglu (2013) a combination of factors that can be good and bad, including, on the one (good) hand, an efficient and equitable allocation of resources, fiscal transparency measures, and quality of services provided; and, on the other (bad) hand, corruption, consumption of perquisites, mismanagement, and nepotism in the choice of staff or suppliers. The line ministry could allocate some resources to unproductive areas or divert monies, if it thinks that the MOFPED could be led to believe that the state of nature was low (Namazi, 2012).

Some leaders of SOEs intentionally sometimes run deficits to secure budget increases or support showing bad leadership (Mulili & Wong, 2011). Governance of SOEs is one of the major issues and the topic of discussion in some developing countries (Batley et al., 2012). Lack of good governances, management skills, regulation, and transparency are some of the problems facing SOEs in their operations in bid to realize desirable financial performance. A good restructuring can help a failed SOEs, instead of adopting privatization as a solution (Bernier, 2011). The three ethical issues of trust, good governance, and ethical actions in budget processes cause corruption, poor financial performance as well as poor financial performance in state owned enterprises (Salminen & Ikola-Norrbacka, 2010).

Famba, et al., (2017) reveal that under the agency theory, the principal delegate decision making authority to the agents and expect them to perform certain roles in return for a reward. Appleton and Lehmann (2011) state that, there is need to build a balance between the capacity of the state-
owned enterprises to provide public services and to improved financial performance. The principal monitors the agents, performance through a standard accounting information arrangement (Famba, et al, 2017).

In a nutshell, this study sought to establish the extent to which Agency theory applies to NECTHSL, a subsidiary of NEC under Ministry of Defense whose consolidated budgets are funded by MOFPED, to ensure that public services (output) measured through financial performance indicators satisfy public interest (citizens).

2.2 Budgetary Planning and Financial Performance

Various scholars, academicians and researchers acknowledge the relevance of budget planning in developing financial forecasts, such as cash budgets, sales budgets, operational budgets, capital budgets, strategic budgets, and budgeted financial statements (Foster, 2017). Sponem and Lambert (2016) describe budgets as integral part of management functions among many entities. Samuelsson et al. (2016) explained budgets in terms of quantifiable forms of business plans designed to implement goals. Samuelsson, Andersen, Ljungkvist, and Jansson, 2016) view budgets as quantifiable plan to facilitate coordination and accomplishment of institutional objectives. Reka et al. (2014) described the budget as a way for managers to monetize plans and targets, track progress, and support the implementation of strategy, planning, and control. Samuelsson et al. (2016) indicated that leaders use budgets for planning for; controlling costs, allocating resources, assigning responsibility and determining compensation. Budgets are linked to the problem of poor financial management, including lack of budget use for planning and control, is a primary cause of insolvency (Karadag, 2015). Lack of knowledge about to what extent, if any, budget planning predict financial performance is portrayed in many publications including but not limited to; Yang (2010) cited in Pimpong and Laryea (2016); (Mwangi, 2014); Mbugua (2013) cited in Agbenyo et al, (2018); Okpala (2012); Yakubu (2011); (Kpedor, 2012); Harelimana (2017); (Okpanachi & Mohammed, 2013); Olaoye et.al., (2014); (Yahya, et.al., 2008); (Gachithi, 2010); Akintoye (2008); (OECD, 2001). Hence the proceeding literature on the effect of budget planning and financial performance is discussed below:
A study by Yang (2010) cited in Pimpong and Laryea (2016), on the impact of the budgeting process on the performance of SMEs and the main empirical question for the study was whether the budgeting process significantly and positively impacts on the performance of enterprises. In his finding, there was a positive effect on the formal budget planning process on a firm’s performance and the study further revealed that more formalized budgeting planning leads to higher sales revenue. Similarly, Pimpong and Laryea (2016) on their study entitled “budgeting and its impact on financial performance” observed that budget planning process has a greater influence on financial performance. Budgetary planning ensures that a business enterprise has accurate and timely budget information that leads to more transparent and credible financial forecasts (Mwangi, 2014).

A review of the literature specifies a handy association between budgetary planning and financial performance. For example Mbugua (2013) cited in Agbenyo, et al. (2018), studying a sample of 60 companies concluded that aspects of budgeting practices such as budget planning has a positive significant effect on the revenue collection (financial performance) efficiency of firms. Similarly Okpala (2012) views budgeting planning as the most important management tools to steer and evaluate organization financial performance. Yakubu (2011) adds that a budget provides a mechanism for effective planning and control in which arranging, checking, controlling and where the assessment of adequate availability of financial resources is done. Budgetary planning is an essential device for arranging and controlling of assets to improve execution of numerous tasks to achieve desired financial performance (Kpedor, 2012). There was need for further investigation to ascertain the extent to budgetary planning aids National Enterprise Corporation Tractor Hire Scheme Limited to achieve her financial goals.

A review of the budgetary planning literature demonstrates the larger extent of budget use for planning purposes to influence financial performance. For example, a study by Olaoye, et al. (2014) indicated that a good budgetary planning and control system must involve not only an analysis of resource allocation requests, but also an analysis of all the resources needed to produce information such as market research analysis and previous implementing budgeted activities. Budgetary planning is the practice of making a budget and then using it to control organizational operations (Yahya, et al. 2008). Budgeting planning shows how cash is appropriated by the
management to distinctive activities and key outputs to focus on. This helps the management in planning and forecasting in order to decrease the costs and redundant spending. Likewise it empowers state owned enterprises to satisfy their obligations if any and to guarantee long-term technical and financial suitability (Irwin, et al, 2013). In this context, this study sought to establish the extent to which NEC Tractor Hire Scheme Limited embraces budget planning to enhance their operational efficiency and specifically financial performance through adopting proper budget allocations that matched activities to curb financial risks.

Another study by Harelimana (2017) confirms that budget planning is the most effective way to control cash-flow as it allows investments in new business opportunities based on business plan that permits financial action plan to be created. Given the importance of linking policy objectives to the available resources, budget planning is a very significant stage in the budgeting process because it allows an entity to avoid duplication and guarantee that plans are realistically costed (Okpanachi & Mohammed, 2013).

Umapathy (1987) in Foster (2017) conducted a study of 402 medium and large companies in the United States, to determine whether various budget practices including planning of financially successful firms differed significantly from other firms. The study established that the use of budgets for planning and coordination had a positive effect on financial performance.

Equally, Libby and Lindsay (2010) conducted a study among North American firms to update existing literature on current budget practices, assess modern criticisms of budgeting, and identify trends in budget practices, such as strategy and planning. The scholars found out that nearly all the firms use budgets for planning purposes. Correspondingly, the study by Enqvist et al. (2014) on the impact of working capital management on profitability included cash budget planning as the primary tool for cash planning, found a significant effect of working capital management on profitability, suggesting that managers incorporate working capital (cash) management into their financial plans.

In congruence with above Akintoye (2008) notes that budget planning entails budget preparation, trade-offs and prioritization among programs that must ensure that the budget fits government
policies and priorities while ensuring better financial returns. Subsequently, the greatest cost-effective variants must be selected. Budgetary planning is essential in impacting budget execution and the resultant financial gains (OECD, 2001). Most public entities have insignificant formal spending controls. Consequently the need to build up an unmistakable strategy on spending control forms. Finally, means of increasing operational efficiency must be pursued and this cannot be accomplished unless financial constraints are built into the process from the very start (Hanoi, 2007). None the less, the researcher pursues to examine how budgetary planning aids NECTHSL to accomplish financial goals objectively.

Budget planning pertains formulation process with four major dimensions: Setting up the fiscal targets and the level of expenditures harmonious with these targets. This is the objective of preparing the macro-economic framework; Formulating expenditure policies; Allocating resources in line with both policies and fiscal targets (Olurankinse, 2012). The main objective of the core processes of budget preparation; Addressing operational efficiency and financial performance issues (International Monetary Fund, 1999). The major stages of budget include; budget planning and preparation, budget presentation and approval by the parliament and budget execution (Barry & Jack, 1999). This study was intended to evaluate the extent to which NECTHSL utilizes budgetary planning to attain fiscal targets, control expenditure in accordance with the set policies, efficiently allocate resources to realize both operational efficiency and realize planned financial performance.

Other researchers studied how budget planning influences performance of enterprises. For example, Samuelsson et al. (2016) observed that using budgets for planning positively affected performance among small and medium enterprises. In addition, Kung et al. (2013) studied 132 Taiwanese manufacturing firms to examine the effect of budgeting aspects (budget emphasis and budget planning model) on organizational performance. The model indicated a statistically significant relationship between budget planning (tight or flexible) and organizational performance. Likewise, Agbenyo, et al. (2018) conducted a study on budgeting and its effect on the financial performance of listed manufacturing firms: Evidence from Manufacturing Firms Listed on Ghana Stock Exchange. The study discovered that budget planning plays commanding roles in the financial performance of listed manufacturing firms and that there is a strong positive
correlation between budgeting and financial performance. They further observed that budget planning plays a vital role and has a positive effect on the financial performance of manufacturing firms.

Arnold and Artz (2015) conducted a study to establish the amount of flexibility in the budget, the level of difficulty of budget targets and to what extent the organization use budgets for planning, coordination, and resource allocation. Arnold and Artz found that more challenging budget targets correlate with increased financial performance, indicating that managers’ use of targets primarily for decision-making mitigated the effects of flexible targets. Arnold and Artz’s study also reinforces the use of budgets for planning purposes. This is supported by another study by Arnold and Gillenkirch (2015) on the effects of budget negotiations when a conflict exists between budget use for planning and performance evaluation. The results of Arnold and Gillenkirch’s study partially explained the common use of only one budget for both planning and control purposes in practice. Hence the need for this study to assess the effect of budgetary planning on financial performance of NECTHSL.

In another study by Onduso (2013) reveals that the actual budget preparation begins with a Treasury circular which defines the wide parameters of the budget and sets expenditure ceilings to be followed. This, among others, spells out the budget finalization calendar, which includes public hearings as one of the activities and proposed estimates by government departments and state corporations. At this stage, an entity’s staff have the chance to generate and contribute issues of interest in the budget. For state owned corporations, the budget preparation is coordinated by budget officer and facilitated by finance department which is later submitted to line ministries and thereafter sector negotiations for allocation of resources commence immediately (Ministry of Finance, Planning and Economic Development, 2009). The sector hearings are chaired by Treasury to provide guidance to the participants. These sector hearings lead to bidding for resources, which are then allocated according to expenditure items in the budget (Nyambura, 2014). The researcher sought to establish the extent to which budgetary planning procedures enable National Enterprise Corporation Tractor Hire Scheme Limited to achieve its financial objectives.
Nyambura’s (2014) study agrees with Isaboke and Kwasira (2016) that maintaining weaknesses of budgetary planning processes poses challenges such as; barriers to change, they concentrate on cost minimization and not value addition, they strengthen vertical command and control, they do not reflect emerging network structure that organizations are adopting, they reinforce departmental barriers rather than encourage knowledge sharing, and make people feel undervalued. Equally, Kwasira (2016) claimed that budgetary planning for development and control have uncertainties in getting out consistent and perfect predictions that could bring meaningful effect on financial performance of an organisation. This study sought to assess the extent to which loopholes in budgetary financial performance at National Enterprise Corporation Tractor Hire Scheme Limited distort financial performance.

Bartle (2008) observed that budget planning generally starts with a forecast of the future financial performance such as sales and net profits. A forecast communicates the events in the environment over which the business has either no control or limited control and this is done to adequately plan for better financial performance. The researcher therefore sought to establish the extent to which budgetary planning influences sales forecasts to maximise revenue at NEC Tractor Hire Scheme Limited.

In support of the above, Isaboke and Kwasira (2016) confirmed that budget planning and revenue planning are inseparable functions. Through numerical statement of plans and breaking of these plans into components consistent with the organization structure, budgets force and correlate planning and allow authority to be delegated without loss of control. Budget planning also involves the issuance of guidelines by top management, interaction among various departments, strategy analysis, preparation of preliminary budgets, and review by departmental/business unit heads, negotiation with top management, finalization of each budget, preparation of the master budget and lastly, their approval by the top management or the board of directors (Ittner & Michels, 2016). The researcher sought to establish the extent to which budgetary planning aids NECTHSL management to interact with various internal units to spark off better financial performance of NEC Tractor Hire Scheme Limited.
The corresponding finding by Kariuki (2010) indicated that Short-term aims forecast method which is narrowly related to the participative philosophy of budgeting. The explanation of each budget construction process are as follows: Top-down Budget: which is also known as “Imposed Budget”, this method to budgeting begins with upper level management establishing parameters under which the budget is to be prepared (Aberdeen. 2012). Lower-level managers have very little, if any, input into the determination of the budget amount and setting the overall budget goals of the organization. The lower-level units participation in the process are fundamentally reduced to doing the basic budget calculations and adhering to the directives of top management (Kariuki, 2010). The researcher intended to find out how top-down budgetary plans affect financial performance of NEC Tractor Hire Scheme Limited.

Consistent with Kariuki (2010), Mwaura (2010) added that one disadvantage of the top-down approach is that lower-level managers may view the budget as a tyrannical standard. Bitterness can be fostered in such an environment. Furthermore, such budgets can sometimes provide ethical challenges, as lower-level managers may find themselves put in a position of ever-reaching to attain unrealistic targets for their units (Goodman, et al. 2014). On the positive side, top-down budgets can set a tone for the organization. Top management can ensure that the budgets are aligned with the strategic plans. The budgeting process can be accomplished faster as less time is required for budget management (Larry & Skoucen, 2009). The researcher sought to establish the extent to which budgetary planning aids achievement of strategic plans at NEC Tractor Hire Scheme Limited.

Additionally, Chohan and Usman (2016) posits that, the bottom-up budgeting is commonly known as “Participatory Budget” mainly due to the nature and degree of lower-level managers’ participation in the preparation of budget. Top management may initiate the budget process with general budget guidelines, but principally bottom-up budgeting starts at the operational level. The operational units drive the development of budgets for their units. These individual budgets are then assembled and regrouped to form a subsidiary level budget with mid-level executives adding their input along the way (Porto and Osmany 2017). Finally top management and the budget committee will have the overall plan. The budget committee studied the budget components for reliability and harmonization. This type of budgeting requires more time to move through the
process and complete the budget planning, but ensures buy-in and commitment at all levels of the institution, (Mawathe, 2008). The researcher therefore sought to ascertain how Bottom-up budgeting planning influences financial performance of NEC Tractor Hire Scheme Limited.

In the same vein Olaoye and Ogunmakin (2014) note that blended approach is a combination of top-down and bottom-up budget process whereby in this process, top management sets objectives for financial performance and submits these to operating managers, who then develop budgets based on these objectives. The budget is studied by top management and either approved, disapproved, or revised. The budget planning process may require passing the budget back down the ladder for revision by operational units until a final budget is reached. The blended approach to budgeting is also known as “Negotiated Budget” Negotiation in budgeting process will cause subordinates to behave more cooperatively (Elsheikh, 2018). Thus, it follows that subordinates’ will have less incentive to build slack in their budget target which they are trying to negotiate and are more committed to converting the plans into actions once approved by the top management (Kipkoech & Simiyu, 2017). The study examined the extent to which using blended approach of budgetary planning enhances the realization of financial performance of NEC Tractor Hire Scheme Limited.

In conformity with the above Abogun and Fagbemi (2012) lament that the efficiency of any budgeting process has a connection with the level of environmental instability. It means that, how effective budgeting would be in directing the activities of any organization depends largely on the environmental instability under which such budget is operated. Budgets are centrally prepared and the result passed down the line for all and sundry to implement without questions. Public corporations use budgets as a guiding tool for planning and control of its resources, be it financial or otherwise (Olurankinse et al, 2008). The use of budget planning involves knowing how much money an enterprise earns and spends over a period, mainly one year. When a budget of an establishment, department/unit is created, it means creating a plan for spending and saving money, (Abdullahi & Augus, 2012). The researcher sought to establish the extent to which budgetary planning at National Enterprise Corporation Tractor Hire Scheme Limited is conducted to influence financial performance.
In line with the above literature, Abogun and Fagbemi (2012), further argue that budget plans are carried out by people, consequently, control is exercise not over operations, revenue, costs, but over those given the obligation to manage those operations and the related revenue and expenses. According to Olurankinse et al., (2008), budgeting in the early stage of its development was primarily apprehensive with serving the purpose of legislative accountability. Ngumi and Njogo (2017), reveal that for budget planning to be effective, performance measurement must be integrated into organisation’s budgetary process and performance budgeting must be linked with the flexibility of the managers so as to enhance the accountability of the results to ensure better financial performance. The researcher sought to recall for serious check through conducting further research into budgetary allocations and performance measurement at NEC Tractor Hire Scheme Limited.

Likewise, Kimunguyi et al, (2015), observed that budget planning drives management planning, provides best framework for judging financial performance and promotes effective communication and coordination among various segments of business organizations and that most people will perform better and make greater attempts to achieve a goal if they have been involved in the budget planning processes.

Equally, Likalama and Nyangau (2017), argue that a professional and transparent approach to budget planning will help convince investors, development banks and national or international donors to make financial resources accessible if the organization implements appropriate monitoring and evaluation of budget process. Foster (2017), observed that budget planning offers useful analytical information about financial performance which is significant for financial performance forecast. Drury (2001) cited in Lyaruu (2017), observed that budget planning provides a useful means for managers in evaluating their individual performance and the overall organization performance through comparing budgeted plans with actual results to determine if planned financial objectives have been achieved. This study puts a wider outlook on the extent to which budget planning is effectively undertaken by the management of NECTHSL to source for funding from financial institutions.
In line with the above Odour and Jagongo (2013), noted that budgetary planning is the initial stage of a budget cycle meant to review the previous planning and implementation period as well as to establish the resource framework, objectives, policies, strategies and expenditure priorities for the current budget. Budget planning involves the meeting of budget officials early in the fiscal year to assess and determine trends in revenue performance, macroeconomic indicators and the implication of such trends for the agreed fiscal years (Kamau et al, 2017). The researcher sought to establish the extent to which management of NEC Tractor Hire Scheme Limited engage budget officials in the budget planning process.

2.3 Budgetary Implementation and Financial Performance

Budgetary implementation is one of the recent issues academicians and researchers across the globe have put interest on. Poor budgetary implementation creates dysfunctional output, unrealization of achievable budgetary targets in the stated period of time hence compromising financial performance (Mbugua, 2013). Several scholars describe basic views and ideas about specific values of effective budgetary implementation on financial performance among which include; Maurer and Lippstreu (2008); Barry, (1997); International Monetary Fund, 1999; Maurer and Lippstreu (2008); Ogolla (2016); Olurankinse (2012); Olurankinse (2012); Veiga et al. (2015); Melek (2007); Cheruiyot, Oketch, Namusonge & Sakwa, (2017); Downes, (2013; Bengt and Sundström (2007); Fuior & Guțan, 2015); Bengt & Sundström (2007) and Amirya et al, (2014); Kojo (2012) and Nyakarura et al, (2016).

Maurer and Lippstreu (2008) noted that the final stage of budget process includes execution stage which includes implementation of budgetary policies, supervision and audit, following parliamentary approval. This entails the final disbursement of funds to various implementing departments or agencies and ministries. The key issues on budget execution are always whether targets are likely to be met, and whether any budget adjustments (both on the revenue and expenditure sides) agreed at the preparation stage being implemented as planned (Barry, 1997). On the expenditure side of the budget, the key issues are whether the outturn is likely to be within the budget figure; whether any changes in expenditure priorities are being implemented in specific areas as planned; and whether any problems are being encountered in budget execution, such as the buildup of payment arrears (International Monetary Fund, 1999). This study was motivated by
the desire to examine how budget implementation leads to better financial performance at NECTHSL.

Maurer and Lippstreu (2008) further argued that budget execution is the process by which the financial resources made available to an agency are directed and controlled toward achieving the purposes and objects for which budgets were approved and the process involves compliance with both legal and administrative requirements. The Office of the Controller of Budget (OCOB) is an independent office which was established under Article 228 of the Constitution to oversee the implementation of budgets of both levels of governments (Ogolla, 2016). This study focused on examining how best the available financial resources are used to achieve better financial performance.

Corresponding to the literature by Maurer and Lippstreu above, Olurankinse (2012) asserts that the executive body implements the budget by operationalizing plans, collecting revenues and spending money according to planned activities. Budget implementation also includes cash management, audit-systems, appropriation and allotment rules, and transfers of authority. Accounting and reporting procedures are implemented to guarantee that revenues and expenditures are endlessly monitored and stay on track with the amounts that have been estimated and authorized. The executive branch has unrestricted power to implement small budget adjustments, but substantial changes often require parliamentary approval (Veiga et al., 2015). The researcher found out whether government continuously monitors NECTHSL activities to enforce proper fund utilization to enhance revenue maximization.

In line with the above scholar, Olurankinse (2012) reveals that the five key systems crucial for good budget execution involve effective system-wide controls, adequate management involvement, good score-keeping, adequate reporting and good follow-up. This requires adequate staff and physical capacity, capable management, predictable funding, good co-ordination, adequate accountability and an enabling environment (Veiga et al., 2015). Budget implementation involves review for compliance with law, execute on the activities in accordance to workplans, monitoring and reporting of outcomes/output (PFM Act 2012, Sec. 39(8)). The researcher investigated the criterion National Enterprise Corporation Tractor Hire Scheme Limited uses to
effectively implement budgetary policies and guidelines to achieve desirable financial performance.

Similarly, Melek (2007) states that budget execution stage is the most active stage of the budget cycle during which public money is raised and spent for the wellbeing of the people and the economic and social development. It is a suitable emphasis for the following reasons: The budget as enacted may not resemble the budget as executed because minor changes may be made due to new circumstances emerging during the budget year (such as environmental or economic emergencies). All budgets prepared need to be flexible to deal with such circumstances Cheruiyot, Oketch, Namusonge & Sakwa, 2017). Others may be due to irresistible pressures: executive over-rides, diversion of funds, corruption, administrative bottlenecks, and so on (Downes, 2013). The study determined how NECTHSL budget flexibility attributes to waste, loss of control, deficits and indebtedness thereby causing financial losses.

Bengt and Sundström (2007) observed that large differences between the enacted and implemented budget imply missed budget objectives and opportunities. Some of the possible results are larger deficits, under-funded programs, unspent funds, overspent funds, uncontrolled and unaccountable spending, inefficient stops and starts in the release of funds among others (Fuior & Guțan, 2015). The researcher sought to establish the extent to which this is true at NEC Tractor Hire Scheme Limited.

The results by Bengt & Sundström (2007) and Amirya et.al., (2014), indicated that the objectives of the budget implementation stage are: to implement the budget as formulated and authorized with as slight distortion as possible, but to adjust to changing circumstances (like genuinely unexpected events) by modifying the budget as necessary during the year; to ensure that budget modifications are done with due regard to legal process and after careful consideration of the facts in a transparent manner and in a way that promotes government’s chosen objectives; to provide an environment for spending agencies which is conducive; to smooth budget implementation, ensuring that there is an appropriate balance of controls between spending agencies and central agencies; to ensure that the budget is executed according to the principles of due care, economy and effectiveness, to provide a means of achieving the macroeconomic goals
of fiscal policy (foreexample to achieve a target deficit and level of borrowing), to contribute to the achievement of government economic and social objectives in the sectors of the economy benefiting from budget funding (Ifrah, Kerosi & Ondabu, 2015).

Kirira (2007) cited in (Mathenge, etal., 2017), observed that budget implementation is the actual execution of the budget and application of funds to the planned activities that involves ensuring that the proposals made in the budget are achieved and this is similar to the observation by Midvaal Local Municipality (2015) that argues that budget implementation involves spending funds in accordance with the budget, reducing expenses if expected revenues are less than projected, proper monitoring of revenue and expenses and this is in line with argument by NGO’s (2013) Cited in Ifrah, et al., (2015) which say to achieve effectiveness in budget implementation, the management team of the firm should ensure that the budgets for the allocated projects are implemented within the stipulated timeframe and costs so as to enhance efficiency in revenue generation.

Similarly, another study by Kojo (2012) outlined the Budget Execution Processes in terms of stages of Spending as: Allocation of Annual Appropriation, Commitment (Government liability created), Accrual (Goods and Services received and debt incurred)-verification stage, Payment Run (by Line Ministry -prepare payment voucher), Payment (by Line Ministry or MoF) and In-year reporting (periodic reports prepared for management) and monitoring. The researcher sought to examine how budget adjustment are effectively done at NECTHSL.

Nyakarura et al, (2016) conducted a study on the challenges of budget implementation in the public sector. The results revealed that the success of budget execution depends upon related systems: prior activities: planning, budget formulation, budget authorisation; concurrent activities: release of funds, disbursement, recording of transactions, operation of budget controls, monitoring of implementation (including any necessary remedial action) and systems to pay wages, manage contracts, measure Financial Performance, supervise programs and the like; subsequent activities: financial statements, review and evaluation, public accountability and audit (Shand, 2010). The researcher sought to establish the extent to which budget execution process is carefully done to influence financial performance at NEC Tractor Hire Scheme Limited.
Budgetary implementation involves the utilization or spending by the enterprise of all the budget finances it receives, acquires or released to it from all its financing sources (Musyoki, 2016). The utilization involves actual disbursement by the enterprise of acquired funds in accordance with the proposed budget programs (Becker, et.al, 2018). The researcher sought to establish the extent to which NECTHSL spends its sourced funds to actually determine output.

Cangiano et al, (2013) conducted a study on public financial management and its emerging architecture. The study found out that for government institutions, budgetary implementation is conducted following two broad forms of spending. One form involves spending part of the acquired finances on the specified, and sometimes, unspecified recurrent needs and another involves meeting expenses on capital development items, which the department must put in place so as to deliver expected services to the public (MFPED, 2015). The researcher sought to analyse the spending process of NECTHSL and its effect on financial performance.

Another study by Odour and Jagogo, (2013) on budgetary control as a measure of financial performance of State Corporation in Kenya established that budget implementation is recurrently carried out in accordance with the amount of finances available to the enterprise. This means that recurrent budgetary implementation depends entirely on the financing pattern and level. It is for this reason that any changes, delays, shortages or excesses in financing are directly reflected in and affect recurrent budget implementation as well. Additionally, this situation is, according to Cangiano et al, (2013) not very different with regard to operational budget implementation. As financing gets underway so does the implementation of the operational budget. The researcher strived to find out how budgetary shortages prompts failure to realize financial performance of NEC Tractor Hire Scheme Limited.

Smith (2007) also argues that sometimes, governments become so strict with their financial controls that they even race with concerned department officials to authorize disbursements which do not necessarily feature in the proposed expenditure budget items. This has the effect of minimizing the possibility of actualizing all the planned budget programmes using government financing as the only source. Likewise Isaboke and Kwasira, (2016) state that finance draining contingencies on part of government tend not to be in the interest of proper budgetary
implementation in some government departments. On the contrary, Cangiano, *et al*, (2013), argued however, that there are those financing sources over which public enterprises have and exercise full discretionary authority as far as their fields are concerned. He goes on to observe that these sources tend to make budgetary implementation more efficient and effective by readily yielding finances expected from them. Their yields are at times more than the amounts expected, and because of this, give a considerable level of confidence in authorizing spending. This leads to increased efficiency and effectiveness in budgetary implementation and efficient service delivery.

The study sought to establish whether this could hold for the case of NEC Tractor Hire Scheme Limited.

Budgetary implementation affects the quality and capacity of financial performance through its decisional role in determining what to spend on, how much to spend and how to spend it (Kariuki, 2010). Marc and Duncan (2009) also argue that budgetary implementation tends to have an optional right to spend or not to spend on a particular programme, even when the programme appears in the proposed budget. Most times many activities are not implemented while others are implemented, depending on what financial controllers prioritize and consider fit (Abdullahi & Angus, 2012). The researcher sought to establish the extent to which budgetary implementation affects the quality and capacity of financial performance of NEC Tractor Hire Scheme Limited.

In a given scenario, public officials are actually capable of differing a program’s financial implementation to another fiscal period and to consequently divert the finances to some other programmes believed to be more pressing and inevitable at the time (Mawathe, 2008). This way, some service or programmes may not be implemented at all, others may be partly implemented yet others may get fully implemented (Maritim, 2013). The researcher sought to establish the extent to which this could feature at NEC Tractor Hire Scheme Limited.

OECD (2001) report on managing public expenditures reveals that government entities spend billions of money in unclear and unsubstantiated appropriations. Many programs claimed to have been financially fully executed, are either non-existent or did not produce any appreciable services. In a more specific manner, the committee of Enquiry into the cost of National services, published by World Bank (2014), developed a practical argument regarding low budgetary implementation
impacts on the quality of financial performance of state enterprises. Yang (2010) have emphasized as earlier on cited, that for any enterprise to ensure the provision of services as desired by consumers, it must spend enough funds on its capacity to deliver. It is in the light of this observation that this study investigated how budgetary implementation has an effect on financial performance of National Enterprise Corporation Tractor Hire Scheme Limited

2.4 Budgetary Review and Financial Performance

Budget review aids in establishing performance targets at operational levels for each section in the organization. In the process of reviewing budget performance, it is assumed that all expenditures must correspond with the budgeted targets. Budgetary review process is a clear, systematic and continuous process which is aimed at assessing the role played by budgetary control to enhance financial performance (Nickson & Mears, 2012). Most scholars have pointed out that the intention behind budget review is to allow a greater degree of flexibility and autonomy in making decisions. This study borrows some constructs as studied by some scholars such as Odour & Jagongo, (2013); Veiga et al, (2015); Deshpande (2018) and Wampler (2007). Their findings are presented and analysed as follows:

Budget monitoring and review sought to verify information in the quarterly performance reports and assess the link with physical performance (Odour & Jagongo, 2013). Monitoring and review focuses on the sector indicators that are listed in the budget framework papers, categorized into short term, medium term and long term indicators as well as verifying the link between information provided in the quarterly performance reports; and financial and physical performance (Matambo, 2018). This information is released in budget monitoring reports and policy briefs (MoFPED 2018). The study sought to examine how quarterly performance reports leads to better financial performance of NECTHSL.

Veiga et al, (2015), conducted a study on government budgets and expenditure review is a valuable resource that supports analysts, policy makers, elected legislatures, citizens, academics and practitioners in evaluating the effect of government policies and the resources allocated to implement them. It supports Parliament, provincial legislatures and municipal councils in evaluating progress made in implementing government programs funded through the equitable
share and conditional grants allocated to municipalities, Local Governments, as well as cities own revenue raised from local communities (Tanase, 2015). This study sought to establish how budget review process facilitates better decision making at NECTHSL.

A survey conducted by Deshpande (2018) indicated that, the review will also assist political office bearers in evaluating future plans for critical institutional services such as water, sanitation, electricity, refuse removal, municipal transport, roads and community and recreational facilities. In this way, the Review serves as both an accountability and future planning document. Wampler (2007) note that, budget review comprises both financial and non-financial information connecting to key organizational purposes. While it is seeming that the competence of an entity to collect financial data has improved, it must be recognized that a lot still needs to be done to improve government non-financial data. Only when this is done will it be possible to evaluate the effectiveness of spending with greater accuracy in regard to financial performance in state owned enterprises (Lambe, 2014). The researcher sought to examine how budget review leads to better accountability and financial performance of NECTHSL.

Another study by Bengt and Sundstrom (2007) showed that, review of budget patterns in respect to revenue and expenditure show that government institutions expenditure continues growing strongly in real terms. Access to financial performance is accordingly improving, particularly in municipalities and cities (Tabara, et al. 2007). All this contributes significantly to supporting economic growth, delivering basic services and creating jobs. Budget review also identifies a range of challenges need to be addressed to ensure faster financial performance in the period ahead. The compilation of a budget review should be a collaborative effort among officials of government entities for effective financial performance in state owned enterprises (Tanase, 2015). The study focused on establishing the effect of revenue and expenditure review on financial performance of NECTHSL.

In another study by Benito and Bastida (2009) budget review focuses on the role government agencies need to play in supporting the new economic growth path and the understanding of government’s outcomes through exploring three main themes: First, the review investigates the financial performance of government agencies in supporting economic growth. It updates previous
information on the growth in demand for infrastructure (Yahaya & Lamidi, 2015). It measures the extent to which an entity have used the fortuitous afforded to it by the current slow economic growth to address particular infrastructure bottlenecks that had risen and whether its infrastructure plans and the quality of services provided is satisfactory to meet the desires of the new growth path. It examines trends in capital spending relative to the set priorities and provides an initial valuation of a range of services that are significant to supporting economic growth (Frucot et al, 2009). The researcher sought to establish the extent to which capital spending leads to better financial performance of NECTHSL.

In conformity with the above findings, Brown et al, (2009) also observed that budget review highpoints the different development challenges facing government when it comes to achieving their development goals-mostly the provision of elementary services in support of the government’s outcomes. It explores the very diverse circumstances within which government entities operate, and how these different circumstances influence the finances of the organization, the kinds of financial performance challenges they face, and the choice of technology and service levels appropriate to the growth of the organization (Ndung’u & Tirimba, 2018). This analysis highlights the need to provide for greater differentiation in the design of the organization’s fiscal framework, and the need for a differentiated approach to the task of functions to cities, grounded on their individual capacity to efficiently manage them (Brown & Moser, 2009). The study sought to find out how budget review leads to the identification of challenges affecting financial performance of NEC Tractor Hire Scheme Limited.

Furthermore, Burger and Hawkes (2011) argue that budget review focuses on the importance of good governance and accountability in ensuring the effective and efficient stewardship of organizational resources, and the ongoing challenges of ensuring that proper and ethical standards of governance and administration are upheld. It highpoints the additional steps taken to progress the quality and usefulness of an organization financial information (Omondi & Muturi, 2013). It also re-emphasizes the important challenges that exist with the capacity of an organization’s Budget and Treasury Offices, and the significance of calming the senior managements (Xu & Wanrapee, 2014).
Similarly, Era et al. (2013) assert that budget review aims at explaining the relationship between the community’s demands for services that an organization is responsible for providing versus the government fiscal framework. As noted, the Constitution assigns particular functions to government agencies. Then there is the actual community demand for each of the services that fall within these functions. Nyamita (2014) laments that alongside this, there is the government fiscal framework, which spells out what sources of revenue are possibly accessible to an agency to fund these services and functions. Key questions to aid budget reviewing are: Is the government entity fiscal framework broadly aligned with the service responsibilities of municipalities? Are there any constraints on the fiscal capacity of local government that arise from certain policy choices? (Dufera, 2010).

European Institute for Public Participation (EIPP) (2009) report ideally revealed that the review of government budget framework should provide agencies with access to revenue sources that are commensurate with the powers and functions (or services) that they are responsible for performing. The second component in the relationship is between the government fiscal framework and the actual revenues collected by an agency (Maghanga & Kalio, 2012). The researcher sought to establish how budget review affects resource allocation to NECTHSL and consequently the financial performance of NECTHSL.

A study by Hameed (2010) indicated that, the budget review component relates to how each entity chooses to use its available resources. This is generally reflected in the institution budget (Ablo and Reinikka, 1998). Key questions in this regard are: Is the organization prioritising the delivery of basic services? What functions and services does the institution prioritise? What is the balance between the operational budget and the capital budget? Is the organization budgeting sufficient for repairs and maintenance? How much gets allocated to non-essential, non-priority items? (Fozzard, 2001). The study examined how the available resources are used to generate better financial performance.

Budget review relates to the agency’s governance and management systems to implement the budget and manage service delivery. Are these systems effective and efficient? Budget reviewing also relates to what actually gets delivered by the institution (Robinson & Last, 2009). Are tax-
payers getting value for money? Which communities benefit most from the services provided by the organization? Is there an equitable distribution of services? Is the level of service being provided taking into account the ‘benefit principle’ and are any cross-subsidies sustainable? (Brown et.al, 2009). The study will examine whether budget review leads to the delivery of desired financial performance.

A study by Demera and Yemer (2018) posit that budget monitoring and evaluation is a key determinant for effectiveness, through an evaluation and monitoring where the SOE can clarify what direction the evaluation should take, based on priorities, resources, time, and skills needed to accomplish the evaluation. Budget review enhances effectiveness and transparency so that management team can actively get involved in the process of monitoring and evaluation of budgetary control processes and procedures (Kipkoech & Simiyu, 2017). The researcher sought to establish how management effectiveness and transparency affects financial performance of NEC Tractor Hire Scheme Limited.

2.5 Literature gaps/Summary
The literature reviewed provided insights into budgeting and financial performance and they did not specifically focus on the variables as laid down in this study. Nevertheless, the information provided was not applicable to national enterprise corporation tractor hire scheme limited. The literature covers both developed and developing countries, public and private entities, state enterprises but no literature specifically has dwelt on the case study chosen to be used in this research. Government entities can only budget effectively if they have the autonomy to determine expenditures and revenues (taxes, social contributions, grants, and other revenues) and discretion for the use of funds, which depends on the degree of political, administrative and fiscal decentralization. On the revenue side, many government agencies face difficulties in increasing their funding resources. On the expenditure side, budgets mostly cover operating costs which has hampered financial performance. The other gaps identified in literature is that management rarely incorporate the effects of other budget holders so that the belief that budgets forced on them is removed.
In conclusion, the literature further remained unclear on the causes of variances and corrective actions to be undertaken. There was need to conduct further research on the budgetary planning, implementation, monitoring and review of NECTHSL activities as identified fundamental gaps that influence the level of Financial Performance in state enterprises like NEC Tractor Hire Scheme Limited.
CHAPTER THREE
METHODOLOGY

3.0 Introduction
This chapter presents and describes the methods that were used to collect and analyse data obtain from the field. It covers the research design, study population, sample size and selection, sampling techniques, data collection methods, Data collection instruments, procedure of data collection, reliability and validity of instruments, Measurement of variables, data presentation and analysis, ethical considerations and the limitations to the study.

3.1 Research Design
The research was carried out using a case study research design with specific reference to NEC Tractor Hire Scheme Limited. This design was chosen because it provides an in-depth study of a specific research problem (Yin, 2014). It is an essential design because it can be used to narrow down a very broad field of research into one or a few easily researchable examples. The case study research design is also useful for testing whether a specific theory and model actually applies to phenomenon in the real world (Yin, 2014). This study specifically made a case study useful design because not much was known about a phenomenon under investigation. The design involves intensive study geared towards a thorough understanding of the given unit (Cooper & Schindler, 2003). According to Cooper and Schindler (2003), a case study research design bases on a practical, logical and structured manner of the organization relating to NEC Hire Tractor Scheme. The research design involves a comprehensive coverage of the study and enhances the practicability scenarios in organizations (Rebolledo, 2013).

Further still, a case study research design is a unit of analysis or an ideal method that was used to explore, describe and find answers to “why” and “how” budgeting is conducted at NEC Tractor Hire Scheme Limited (Yin & Davis, 2012). The justification for using a case study research design is that it provides a systematic method for conducting, justifying, and validating the study results on how budgeting influences financial performance (Teegavarapu et al, 2008). By using a case study design, the researcher was able to obtain multiple responses by triangulation to collect data using different techniques, such as a questionnaires, interview, all under a single study (Zucker, 2009). This helped to obtain both qualitative and quantitative data. Further still the rationale of
case study design is that it prescribes specific methods for data analysis and interpretation. It provides the logical linkage of information in data analysis which helps in examining, testing, verifying, interpreting, and categorizing various qualitative and quantitative data collected (Zaidah, 2007).

3.2 Study Population
The study population was Eighty five (85) and this comprised of (45) junior staff members (15) budget and planning committee, (10) from Procurement department, (6) middle managers, (5) from sales and marketing department and (4) top managers.

3.3 Sample Size and Sampling Technique

3.3.1 Sample size
The ultimate sample size of 79 respondents from a target population of 85 was derived at using sample size determination table developed by Krejcie and Morgan (2013) as illustrated in table 3.1 below;

<table>
<thead>
<tr>
<th>Category of respondents</th>
<th>Population</th>
<th>Sample size</th>
<th>Sampling strategy</th>
<th>Tool</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior staff</td>
<td>45</td>
<td>40</td>
<td>Stratified random sampling</td>
<td>Questionnaire</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Budget and planning committee members</td>
<td>15</td>
<td>14</td>
<td>Purposive sampling</td>
<td>Questionnaire</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Procurement team and Contracts Committee</td>
<td>10</td>
<td>10</td>
<td>Census</td>
<td>Questionnaire</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Middle Managers</td>
<td>6</td>
<td>6</td>
<td>Census</td>
<td>Interview guide</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Top managers</td>
<td>4</td>
<td>4</td>
<td>Census</td>
<td>Interview guide</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>5</td>
<td>5</td>
<td>Census</td>
<td>Questionnaire</td>
<td>Quantitative</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85</strong></td>
<td><strong>79</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Technique
According to Onen (2016), Sampling is a strategy which the researcher uses to select representative respondents from the target population. Three sampling techniques were used to select the sample size of the study. Budget and planning committee were selected using purposive sampling technique. The purpose of using purposive sampling technique was to access confidential information relating budget planning, implementation monitoring and review. This technique was used since the members had rich and deeper information and yet they are the center of ensuring proper budget planning, implementation and monitoring and review. A census is a study of every unit, everyone or everything in a population. It is known as a complete enumeration, which means a complete count (Ezeani, 2009). This method was used in selecting middle managers, Procurement team and Contracts Committee, top managers and sales and marketing team because it provides a true measure of the population (no sampling error). Junior staff in various departments of NEC were selected using stratified sampling technique to form strata. This technique was used to make sample selection without any prejudice and to enable every employee in each department to have the same chance to be part of the study.

3.4.0 Data Sources
Data sources included primary and secondary data sources.

3.4.1 Primary data Collection
Primary data was obtained by use of questionnaires with both open ended questions and interview guide.

3.4.2 Secondary Data
This is any published work that is one step moved from the original source and this shall be obtained from documents from the organization. The study also involved carrying out library and office research where secondary sources about the research questions were considered. These included Audited books of accounts of NEC Tractor Hire Scheme Limited, budget reports, newspapers and public standing orders, procurement plans, strategic plan. Document analysis of the various planning and budgeting documents covering the study period and analysis of departmental reports on the financial performance of NEC Tractor Hire Scheme Limited.
3.5.0 Data Collection Methods
Data collection methods that were used included; questionnaire survey for quantitative data whereas interviewing and documentary review for qualitative data as explained below:

3.5.1 Questionnaire Survey
The researcher used the questionnaire survey because large amounts of information was collected from a large number of people in a short period of time and in a relatively cost effective way. Numerical or statistical data was obtained using this method. The results of the questionnaires were quickly and easily quantified by the researcher through the use of a software package and was analyzed more 'scientifically' and objectively than other forms of research. A questionnaire was used because it was cheap, it also allows in-depth research, to gain firsthand information (Bryman, 2013).

3.5.2 Interviewing
An interview is a conversation between two or more people where questions are asked by the interviewer to obtain facts or statements from the interviewee. Interviews were used because they have the advantage of ensuring probing for more information, clarification and capturing facial expression of the interviewees (Babbie, 2010). Interviews were personal interviews or face to face and were conducted with a selected few of the total number of respondents. Interview aided to collect descriptive data or qualitative data to complement data obtained using questionnaires.

3.5.3 Documentary Review
In the secondary analysis of qualitative data, good documentation cannot be underestimated as it provides necessary background and much needed context both of which make re-use a more worthwhile and systematic endeavor (Kothari, 2010). Secondary data was obtained through the use of published and unpublished documents (Junker & Pennink, 2010).

3.6.0 Research Tools/Instruments
The data collection methods that was used include self-administered questionnaires, interview guide.

3.6.1 Questionnaires
The researcher used close ended questionnaires (appendix 1) for all NEC Tractor Hire Scheme Limited staff. The use of questionnaires enabled the researcher to collect sensitive data without fear as their personal identities were not required. This is supported by Amin (2005). He argues
that questionnaires offer greater assurance of anonymity thus enabling respondents to give sensitive information without fear. Mugenda and Mugenda (2009) stated that questionnaires are used to obtain vital information about the population and ensure a wide coverage of the population in a short time. In addition Sekaran (2003) states that questionnaires are efficient data collection mechanisms where the researcher knows exactly what is required and how to measure the variables of interest. They are also less expensive, save time and they do not need much skills to administer them.

Rensis Likert’s scale statement having five category response continuums of 5-1 was used, strongly disagree(1), Disagree (2), Not sure (3), Agree(4), Strongly agree(5) with assertion. In using this each respondent selected a response most suitable to him/her in describing each statement and the response categories were weighed from 5-1 and average for all items was computed accordingly.

3.6.2 Interview guide
The interview guide (Appendix: II) was used to collect qualitative data that could not be collected by the use of questionnaires. The use of interview guide helped the researcher to generate more information with greater in depth on the various questions that were asked. Interviews allowed face to face interaction with respondents. Interviews was used because they have the advantage of ensuring probing for more information, clarification and capturing facial expression of the interviewees (Ragin, 2007). The interview guide was used to complement data obtained using questionnaires to meet the study objectives.

3.6.3 Documentary Review Checklist
The documentary review check-list was used for purposes of reviewing documentary data. Documentary data was obtained through the use of published and unpublished documents. According to Amin (2005), documents can be helpful in the research design of subsequent primary research and can provide a baseline with which the collected primary data results can be compared to other methods.
3.7.1 Validity and Reliability of Instruments

Validity refers to the truthfulness of findings or the extent to which the instrument is relevant in measuring what it is supposed to measure (Amin, 2005). Research tools was first prepared, presented to the supervisors who checked on their correctness. The supervisors’ comments were used to improve the questionnaire by eliminating all errors. Pretesting of questionnaires also was done by administering questionnaires to 10 respondents from NEC UZIMA Limited. This helped to identify the gaps and make modifications accordingly.

The researcher used the formula below to establish validity of the research tool;

\[
\text{Content Validity Index (CVI)} = \frac{\text{Number of items rated relevant (a)}}{\text{Total number of items in the tool (b)}}
\]

<table>
<thead>
<tr>
<th>Variable</th>
<th>Anchor</th>
<th>Cronbach Alpha Coefficient</th>
<th>Content Validity Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary planning</td>
<td>5 Point</td>
<td>.80</td>
<td>.750</td>
</tr>
<tr>
<td>Budgetary implementation</td>
<td>5 Point</td>
<td>.70</td>
<td>.875</td>
</tr>
<tr>
<td>Budgetary monitoring and</td>
<td>5 Point</td>
<td>.76</td>
<td>.750</td>
</tr>
<tr>
<td>review</td>
<td>Source: Primary data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial planning</td>
<td>5 Point</td>
<td>.78</td>
<td>.750</td>
</tr>
</tbody>
</table>

Source: primary data (2018)

The Cronbach Alpha and the Content Validity Index above 0.7 was accepted, showing that the research instrument was reliable. As such, it was fit for use to collect data on these study variables so as to address the research questions (Amin, 2005).

3.7.2 Reliability

Reliability is the measure of the degree to which a research instrument yields consistent results after repeat. Qualitatively, the reliability of the instruments was established through a pilot test of the questionnaire to ensure consistency and dependability and its ability to tap data that would answer the objectives of the study. Cronbach’s Alpha coefficient was used to measure reliability of the instrument. According to Amin (2005) an alpha of 0.7 or higher is sufficient to show reliability the closer it is to the higher the internal consistency in reliability (Sekaran, 2003). The questionnaire was pretested using respondents from NEC UZIMA limited and reliability was computed using Statistical Package for Social Sciences (SPSS) and scores were evaluated.
3.8 Data Collection Procedures
The researcher obtained an introduction letter from graduate school of Kyambogo University introducing himself to the General Manager Finance and Administration of National Enterprise Corporation who then introduced him to the manager of NEC Tractor Hire Scheme Limited, who then introduced him to one staff member to guide him obtain information from various sections of respondents in different sections. The researcher organized a period of one week within which data was collected.

3.9. Data Processing
Data collected was edited manually, coded, tabulated and processed using Statistical Package for Social Science. Coding involved transcribing the data from the questionnaire to a coding sheet which then was pressed into computer. Editing was done to ensure data accuracy, consistency and uniformly entered and arranged to facilitate coding and tabulation. With tabulation, data was arranged in columns and rows to facilitate statistical computations. Tabulation involved mainly the use of statistical techniques such as tables, frequencies, percentages, means and standard deviations which was test the significance of the information from which inferential statistics shall be drawn.

3.10.0 Data Presentation and Analysis
This involves the analysis of both the quantitative and qualitative data.

3.10.1 Quantitative Data Analysis
After data collection but before data analysis, researcher inspected the survey data for missing, incomplete, or unusual information. In the event of missing or erroneous data, researcher employed data cleaning which is important in statistical analyses, especially in regression analysis. Quantitative data was analysed using multiple regression. Multiple regression was used to examine combined effect of the three independent variables (budgetary planning, budgetary implementation and budgetary monitoring & review) on the dependent variable (Seng, 2016 & Schofield, 2015). Hence multiple regression models permits analysis of the relative influences of these independent, or predictor variables on the dependent. Hence answering the purpose of the study. The second reason for using the multiple regression model is that it has ability to identify outliers, or anomalies. For example, while reviewing the data related to financial performance, it is relatively easy to realign the three predictor variables contribution in order of best to least to contribution to the
overall financial performance to make rightful decisions. Therefore, multiple regression was the appropriate data analysis method for the study for which analysis of variance (ANOVA) was used. However linear regression analysis was used for each objective to predict the effect of one independent variable on the dependent variable (Bedford & Malmi, 2015). An ANOVA is appropriate when the criterion variable is quantitative and continuous, but predictor variables are categorical (Nunnemacher, 2016; Weber et al., 2015). Multicollinearity exists when two or more predictor variables linearly correlate, indicating the lack of independence between variables (Kristensen & Israelsen, 2014). The most common test for multicollinearity is a check for a high $R^2$ value where $p< .05$ is as an acceptable level of statistical significance (Luft & Shields, 2014).

Results were interpreted using descriptive statistics to interpret the inferential statistics of the regression analysis such as measures of central tendency like mean and standard deviation and variability of variables (Verbeke & Yuan, 2013).

3.10.2 Qualitative data analysis
The information obtained was sorted and grouped into sub-themes in line with the study objectives. Qualitative data was used to complement quantitative data obtained using questionnaires (Cohen, 2011). The reasons for performing a qualitative data analysis was to explore the challenges staff experience in handling operational budgeting which affect financial performance. And above all the financial performance statistics can only be explained qualitatively to give a clear understanding and meaning of the study results.

3.11.0 Measurement of variables
The variables were measured using the five Linkert scale. Different variables were measured at different levels. The Nominal Scale was assigned to different variables to serve as its value in order to create a difference or similarity. The dependent variable in this study is financial performance and was measured by profitability, liquidity and return on assets. The independent variable is operational budgeting and this was measured by budgetary planning, budgetary implementation as well as budget monitoring and review.
3.12.0 Ethical considerations

The researcher considered the research values of voluntary participation, anonymity and protection of respondents from any possible harm that might arise from participating in the study. Thus the researcher introduced the purpose of the study as a fulfilment of a Masters’ study program and not for any other hidden agenda by the researcher. The researcher requested respondents to participate in the study on voluntary basis and refusal or abstaining from participating was permitted. The researcher also assured the respondents of confidentiality of the information given and protection from any possible harm that might arise from the study since the findings would be used for the intended purpose only.

3.13.0 Limitations of the study

The following limitations were encountered;

3.13.1 Information

Some respondents were not willing to give complete information as they look at research as a threat to the institutional status and wastage of their time. The researcher, endeavored to make his questions and interview as objective as possible and also to avoid misleading questions.

3.13.2 Conclusion

Chapter three has provided the detailed descriptive and most suitable research design, sampling techniques, tools and methods for collecting and analyzing data. Hence, it is a foundation upon which data was presented, interpreted and analysed in chapter four presented on the next page.
CHAPTER FOUR
PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction
This chapter focused on data presentation, analysis and interpretation of the study from both primary and secondary data in a bid to answer the research objectives in chapter one. For each research question, data is descriptively, qualitatively and quantitatively presented; finally, interpretation of results followed;

4.1 Response Rate
In order to determine the response rate, also known as completion rate or return rate, the number of participants who actually provided the responses during the survey were divided by the number of people in the target sample. The results are table as shown in table 4.1 below;

Table 4.1: Illustration of sex distribution of the Respondents

<table>
<thead>
<tr>
<th>Instrument/Tool</th>
<th>Target sample</th>
<th>Actual sample</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Questionnaire</td>
<td>69</td>
<td>66</td>
<td>95.7</td>
</tr>
<tr>
<td>Valid Interview guide</td>
<td>10</td>
<td>07</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>73</td>
<td>92.4</td>
</tr>
</tbody>
</table>

Source: Field data (2018)

From the above table, it is shown that the researcher distributed 69 questionnaire forms of which 66 were fully answered and returned. This gives rise to a response rate of 95.7%. on the other hand unstructured interviews was planned among ten (10) respondents but only seven (07) interviewees participated in the study, which gives a response rate of 70%. Hence the actual sample size of 73 out of 79 respondents was attained. Therefore, the overall response rate was 92.4%. According to Mugenda & Mugenda (2003), a response rate above 70% is very good for the study to be reliable, accurate and valid.

4.2 Background Information about the Respondents
In order to find out about the demographic data of the respondents questions 1-5 were administered and the following was revealed.
42.1 Gender distribution of the respondents
The researcher requested respondents to indicate their gender whose findings were presented, analysed and interpreted as below;

Table 4.2: Illustration of sex distribution of the Questionnaire’s Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>40</td>
<td>60.6</td>
<td>60.6</td>
<td>60.6</td>
</tr>
<tr>
<td>Females</td>
<td>26</td>
<td>39.4</td>
<td>39.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data (2018)

Table 4.2 above shows that out of 66 respondents majority 40(60.6%) of the respondents who participated in the study were male compared to their counter parts (female respondents) who were 26(39.4%). The implication of the above finding is that the study was dominated by male respondents. This reflects that the study was gender imbalance. Although this was the case, the ideas and opinions of all the respondents were taken and thus considered very essential to accomplish the study.

4.2.2 Age Bracket of the respondents at NEC Tractor Hire Scheme Limited
The age group of NEC Tractor Hire Scheme Limited staff was distributed as below;

Table 4.3: Age Bracket of the respondents at NEC Tractor Hire Scheme Limited

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30years</td>
<td>9</td>
<td>13.6</td>
<td>13.6</td>
<td>13.6</td>
</tr>
<tr>
<td>31-40years</td>
<td>10</td>
<td>15.2</td>
<td>15.2</td>
<td>28.8</td>
</tr>
<tr>
<td>41-50years</td>
<td>23</td>
<td>34.8</td>
<td>34.8</td>
<td>63.6</td>
</tr>
<tr>
<td>Over 50Years</td>
<td>24</td>
<td>36.4</td>
<td>36.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data (2018)

From table 4.3 above, it is illustrated that, 9(13.6%) of the respondents were aged 18-30years, 10(15.2%) were in the age group between 31-40years, 23(34.8%) of the respondents were of the
age group of 41-50 years while 24 (36.4%) were aged over 50 years and above. The implication of the above finding is that, majority of the respondents in NEC Tractor Hire Scheme Limited were adults and resourceful in providing information about budgetary practices and financial performance in state owned enterprises.

4.2.3 Qualification of the Respondents

The researcher asked the respondents to indicate their levels of education and below is the figure showing the results.

Table 4.4: Education level of the respondents

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate &amp; below</td>
<td>25</td>
<td>37.9</td>
<td>37.6</td>
<td>37.6</td>
</tr>
<tr>
<td>Diploma</td>
<td>11</td>
<td>16.7</td>
<td>16.7</td>
<td>30.3</td>
</tr>
<tr>
<td>Valid Degree</td>
<td>21</td>
<td>31.8</td>
<td>31.8</td>
<td>62.1</td>
</tr>
<tr>
<td>Post Graduate degree</td>
<td>9</td>
<td>13.6</td>
<td>13.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data

Table 4.4 above indicates that, majority 25(37.9%) of the respondents held certificates, 21(22.2%) were degree holders, 11 (17.3%) were diploma holders whereas 9(13.6%) had post graduate Degrees. The implication of the findings is that, majority of the respondents were literate and clearly understood the questions and interpreted them correctly without interventions of the researcher. This helped to save time taken on administering questionnaires and conducting the interviews to elicit data about the influence of Budgetary Practices and Financial performance in state owned enterprises.
4.2.4 Time worked with NEC Tractor Hire Scheme Limited or the Subsidiary level

The researcher asked respondents to indicate the period they had worked with NEC Tractor Hire Scheme Limited and below are the results;

Table 4. 5: Length of Service

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3years</td>
<td>9</td>
<td>13.6</td>
<td>13.6</td>
<td>13.6</td>
</tr>
<tr>
<td>4-6years</td>
<td>15</td>
<td>22.7</td>
<td>22.7</td>
<td>36.4</td>
</tr>
<tr>
<td>7years -9years</td>
<td>24</td>
<td>36.4</td>
<td>36.4</td>
<td>72.7</td>
</tr>
<tr>
<td>10years and above</td>
<td>18</td>
<td>27.3</td>
<td>27.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

Results in table 4.5 above suggest that 9(13.6%) of the respondents had worked at NEC Tractor Hire Scheme Limited for a period between 1-3years, 15 (22.7%) had served in NEC Tractor Hire Scheme Limited for a period between 4-6 years, 24 (36.4%) of the respondents had worked 7-9 years while 18(27.3%) of 10 years and more.

The implication of these findings is that majority of the respondents had worked for a considerable period of time (4years and more). This means that employees were familiar with the effect of budgetary planning and financial performance of state owned enterprises.

4.2.5 Approaches of NEC Tractor Hire Scheme Limited consider when carrying its budgeting activity

In response to the budget approach NEC Tractor Hire Scheme Limited uses is explained as below;

Table 4. 6: the budget approach NEC Tractor Hire Scheme Limited

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>27</td>
<td>40.9</td>
<td>40.9</td>
<td>40.9</td>
</tr>
<tr>
<td>Semi Annually</td>
<td>12</td>
<td>18.2</td>
<td>18.2</td>
<td>59.1</td>
</tr>
<tr>
<td>Quarterly</td>
<td>22</td>
<td>33.3</td>
<td>33.3</td>
<td>92.4</td>
</tr>
<tr>
<td>Monthly</td>
<td>5</td>
<td>7.6</td>
<td>7.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Data (2018)
Table 4.6 above illustrates that 27(40.9%) of the respondents agreed that budgeting is conducted annually, 22(33.3%) of the respondents agreed that budgeting is conducted Quarterly, 12(18.2%) of the respondents agreed that budgeting is conducted semiannually and 5(7.6%) agreed that budgeting is conducted monthly. This means that the entity budgeting trends entirely depended on activity level, ongoing projects as well as variability in contract duration which aids in short term, medium term and long term projects.

4.2.6 Bio-data Descriptive Statistics

Table 4.7: NEC Tractor Hire Scheme Limited budget

<table>
<thead>
<tr>
<th>Bio-data</th>
<th>Sex</th>
<th>Age bracket</th>
<th>Education Level</th>
<th>Time worked</th>
<th>highest education completed</th>
<th>Budgeting activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid N</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>1.39</td>
<td>2.94</td>
<td>2.94</td>
<td>2.77</td>
<td>3.00</td>
<td>2.44</td>
</tr>
<tr>
<td>Median</td>
<td>1.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.492</td>
<td>1.036</td>
<td>1.051</td>
<td>1.005</td>
<td>.911</td>
<td>1.097</td>
</tr>
<tr>
<td>Variance</td>
<td>.242</td>
<td>1.073</td>
<td>1.104</td>
<td>1.009</td>
<td>.831</td>
<td>1.204</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

Table 4.7 portrays the descriptive statistics of the demographic information as gender having a mean of 1.39 and SD of 0.492, age bracket with mean 2.94 and SD of 1.036, education level had a mean of 2.94 and SD of 1.051, time served had a mean of 2.77 and SD of 1.005, education level had a mean of 3.0 while budgeting activity had a mean of 2.44 and SD of 1.097. The implication of this inferential statistics is that operational budgeting is significantly influenced by demographically characteristics of the respondents.
4.3 The effect of Budgetary planning on financial performance of NEC Tractor Hire Scheme Limited

In bid to establish the findings on the first objective, which was to analyze the effect of budgetary planning on financial performance of NEC Tractor Hire Scheme Limited; Respondents provided their view in relation to this as follows;

4.3.1 Descriptive Statistics

Table 4.8: Descriptive Statistics on budgetary planning and financial performance of NEC Tractor Hire Scheme Limited.

<table>
<thead>
<tr>
<th>Budgetary planning and financial performance</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Subordinates are given an opportunity to get involved in the budget planning process</td>
<td>3.97</td>
</tr>
<tr>
<td>Operational budgeting helps to pursue the objectives of the organization</td>
<td>3.76</td>
</tr>
<tr>
<td>At NEC Tractor Hire Scheme Limited Employees’ ideas are valued in the budgeting process.</td>
<td>4.68</td>
</tr>
<tr>
<td>Ideas generated during the budgeting are part of the budget priority areas.</td>
<td>4.06</td>
</tr>
<tr>
<td>I participate in budgeting to guide NEC Tractor Hire Scheme Limited to make correct decisions</td>
<td>3.68</td>
</tr>
<tr>
<td>Budgetary planning allows Coordination of subsidiary level of activities</td>
<td>4.02</td>
</tr>
<tr>
<td>Budgetary planning enhances Planning for specific areas of responsibility</td>
<td>3.92</td>
</tr>
<tr>
<td>I Participate in budgeting process to influence decision making</td>
<td>4.82</td>
</tr>
<tr>
<td>Budget implementation facilitates proper Utilization of Financial Resource</td>
<td>4.82</td>
</tr>
<tr>
<td><strong>Overall average mean</strong></td>
<td><strong>4.19</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data (2018)
Table 4.8 above illustrates that, at NEC Tractor Hire Scheme Limited Subordinates are given an opportunity to get involved in the budget planning process (mean =3.97, SD =1.24). This signifies that to some extent NEC Tractor Hire Scheme Limited involved staff in budgetary planning process that goes through several budgeting processes. In support to this, one interviewee stated that,

“NEC Tractor Hire Scheme Limited budget planning goes through several budgeting stages. The first stage is the issuing of budget call paper by the general manager finance and administration to subsidiaries (NEC Tractor Hire Scheme limited). The budget call paper is usually in line with the budget objectives for that particular year. The second stage is the request by the chief accountant of NEC Tractor Hire Scheme Limited to heads of departments to prepare their budgets. The third stage is the harmonization stage that involves the meeting of all heads of departments to discuss the budget at a subsidiary level to ensure proper coordination. The fourth stage is the presentation of the budget to management for discussion and approval and after that the budget is presented to the subsidiary board for their input. After that the budget is forwarded to the main board for discussion. The main board then forwards it to the line minister for final approvals.”

Operational budgeting helps to pursue the objectives of the organization (mean =3.76, SD =1.37). Similarly, the general manager finance and administration stated that,

“budgets are aligned to the operational activities to be undertaken”

At NEC Tractor Hire Scheme Limited Employees’ ideas are valued in the budgeting process (mean =4.68, SD =1.23). One interviewee added that,

“through budget initiations, heads of departments prepare departmental budgets illustrating the activities to be undertaken by the department after gathering the views of the employees in the department”

Ideas generated during the budgeting are part of the budget priority areas (mean =4.06, SD =1.23). During computation, the projects that were raised during the budget conference have to also be put into consideration. One interviewee stated that;

“the budgets that are generated by the heads of departments are usually harmonized to consider different views before it is presented to management for approval”

I participate in budgeting to guide NEC Tractor Hire Scheme Limited to make correct decisions (mean =3.68, SD =1.39). Budgetary planning allows Coordination of subsidiary activities (mean
4.02, SD =1.074). Budgetary planning enhances Planning for specific areas of responsibility (mean =4.82, SD =1.149). I Participate in budgeting process to influence decision making (mean =4.82, SD =1.310). During interviews with the planning officer, he revealed that “Budget Committee plays an important role in the budget planning process. It includes different Heads of Department commonly known as the “budget committee” at the Subsidiary level. One of the roles of the “budget committee” is to provide guidance to the planning process. The budget Committee holds a meeting for harmonization of different views to facilitate better budget decision making”

4.3.2 Linear regression analysis for budgetary planning and financial performance

Table 4.9: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.132&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.017</td>
<td>.002</td>
<td>1.190</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Budgetary planning

The results in Table 4.9, shows a regression analysis model summary. It shows that budgetary planning has an $r^2$ value of .017, meaning that they contribute to about 1.7% on the financial performance. However in order to arrive at an accurate interpretation, due to small sample size, it is advisable to use the adjusted $r^2$. Therefore, budgetary planning contributes to about 0.2% of variation on financial performance. This means that a unit change in budgetary planning attributed to 0.2% change in financial performance at NEC Tractor Hire Scheme Limited. While the remaining 99.8% is explained by other factors such as price fluctuation, market demand fluctuation, changes in scope of work and changes in design that influence budgetary planning not incorporated in the model.

Table 4.10: The Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.598</td>
<td>1</td>
<td>1.598</td>
<td>1.128</td>
<td>.292&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>90.660</td>
<td>64</td>
<td>1.417</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>92.258</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Budgetary planning
Table 4.10 above presents the analysis of variance of the current study. The result reveals that a budgetary planning had an insignificant effect financial performance with a p value of .292 being less than 0.05 significant level. Similarly, table 4.10 below presents the regression model summary for the significant association exits between budgetary planning and financial performance at NEC Tractor Hire Scheme Limited.

Table 4.11: The regression model summary for the significant association that exits between budgetary planning and financial performance

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance

From the model summary table 4.11, Budgetary planning has a beta (β) value of 0.120, which indicates 12% of the variability in the financial performance is well explained by the changes in the independent variable (budgetary planning) used in the model. However, the remaining 88 percent change in the financial performance is caused by other factors that are not included in the models. Moreover, the overall significance of the model, when measured by F statistics of 1.128 with P-values of 0.000 on the ANOVA table, indicate that the model is well fitted at 5 percent significance level. The result of the regression analysis in the above table indicates that budgetary planning has a significant positive effect on financial performance. The t-significant value of 1.062 and 0.000 indicates that the impact of budgetary planning on financial performance is being strong and significant.
4.4 Budgetary implementation affects financial performance of NEC Tractor Hire Scheme Limited

In an attempt to establish the findings on the second objective, which was to analyze the effect of “budgetary implementation on the financial performance of NEC Tractor Hire Scheme Limited”. This was presented and analysed in the table below: The statements were put on a five point likert scale with 1 indicating strong agreement and 5, indicating strong disagreement. The interpretation of the results was based on the mean and S.D whose responses were computed and summarized in Table 4.7 below:

4.4.1 Descriptive Statistics

Table 4.12: Budgetary implementation and financial performance of NEC Tractor Hire Scheme Limited

<table>
<thead>
<tr>
<th>Budgetary implementation and financial performance</th>
<th>Descriptive statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Budget implementation improves financial performance of NECTHSL</td>
<td>3.61</td>
<td>1.263</td>
</tr>
<tr>
<td>Budget implementation increases quality of social services</td>
<td>3.64</td>
<td>1.198</td>
</tr>
<tr>
<td>Budget implementation improves the image of NECTHSL</td>
<td>3.50</td>
<td>1.362</td>
</tr>
<tr>
<td>Budget implementation enhances fulfillment of projects services</td>
<td>3.70</td>
<td>1.240</td>
</tr>
<tr>
<td>Budget implementation enables good Governance and proper Accountability</td>
<td>3.50</td>
<td>1.193</td>
</tr>
<tr>
<td>Budget implementation facilitates proper Utilization of Financial Resource</td>
<td>3.62</td>
<td>1.310</td>
</tr>
<tr>
<td>Budget implementation increases Financial Resource Availability</td>
<td>3.45</td>
<td>1.243</td>
</tr>
<tr>
<td>Budget implementation allows efficient and effective communication</td>
<td>3.56</td>
<td>1.337</td>
</tr>
<tr>
<td><strong>Overall mean</strong></td>
<td><strong>3.57</strong></td>
<td><strong>1.268</strong></td>
</tr>
</tbody>
</table>

*Source: Primary data (2018)*

From table 4.12 above, respondents indicated that budget implementation improves financial performance of NECTHSL (mean = 3.61 & SD=1.263). Budget implementation increases quality of social services (mean =3.64 & SD= 1.198). Budget implementation improves the image of
NECTHSL (mean = 3.50 & SD=1.362). According to this response, most respondents agreed with the fact that budgetary implementation influences financial performance.

From the interview with planning officer, he remarked that;

“It’s very true, budgetary implementation influences financial performance in state owned enterprises in a way that when all subsidiary levels are involved in the budgeting process all requirements are catered for and resources allocated are effectively used, thus leading to quality service delivery”.

Budget implementation enhances fulfillment of projects services (mean = 3.70 & SD =1.240).

One interviewee stated that,

“During Budgetary implementation, budgetary expenditures are compared to actual expenditures so as to ensure proper financing of a project”.

Budget implementation enables good Governance and proper Accountability (mean =3.50 & SD=1.193). As indicated in table 4.7 shown above, NEC Tractor Hire Scheme Limited commits its budgeted resources so as to ensure effective implementation of projects and budgeted activities. Funds in NEC Tractor Hire Scheme Limited are always committed to ensure that the budgeted resources are in control. This was in line with the interview with the auditor who said that;

“Operational activities are financed quarterly and there is quarterly accountability in form of reports on budget performance”


The above table also shows that Budget implementation allows efficient and effective communication (mean = 3.56 & SD= 1.337). According to the responses, most respondents agreed with the fact budgetary implementation leads to efficient utilisation of resources and thus quality financial performance in state owned enterprises. In addition to that, interview with the accountant revealed that;

“When effective budgetary implementation is carried out in the institution all requirements are catered for leading to confidence and efficient allocation of resources thus development of the organization”

Therefore this explains the need for budgetary implementation as a priority in the organization.

In another interview with business development manager, she added that:
“When budgetary implementation is carried out, it improves budget ownership, proper resource allocation which smoothen implementation and thus better financial performance in state owned enterprises”.

More to that another respondent added: “When a list of requirements from all Subsidiary levels is presented, most vital items are selected; budgeting is carried out collectively and hence proper resource allocation”.

Still in support to that, the interview with general manager, revealed that:

“When effective budgetary implementation is carried out in the institution most requirements are catered for leading to confidence and efficient allocation of resources”.

4.4.2 Linear regression analysis for budgetary implementation and financial performance

Table 4. 13: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.265a</td>
<td>.070</td>
<td>.056</td>
<td>1.158</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Budgetary Implementation

From table 4.13 above the predictor variable of budgetary implementation explains 7% of variations in financial performance of NEC Tractor Hire Scheme Limited. The remaining 93% is explained by other factors not incorporated in the model. These include technical expertise, insufficient funding and project return on investment.

Table 4. 14: Model Summary

ANOVAa

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>6.495</td>
<td>1</td>
<td>6.495</td>
<td>4.847</td>
<td>.031b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>85.763</td>
<td>64</td>
<td>1.340</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>92.258</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Budgetary Implementation
### Table 4.15: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.805</td>
<td>.515</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>.282</td>
<td>.128</td>
<td>.265</td>
<td>.031</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Financial performance*

**Source:** *Primary data (2018)*

Budgetary implementation (independent variable) has a significant effect on financial performance. According to the table above the effect of Budgetary implementation at NEC Tractor Hire Scheme Limited was established that ($\beta=0.282$, $t=2.202$, significant at 0.000 being less than 0.05) financial performance. This implies that provision of budgetary implementation at NEC Tractor Hire Scheme Limited will enhance financial performance. This is illustrated in the model below; financial performance ($Y$) = 0.282 (budgetary implementation) + error
4.5 The effect of budgetary monitoring and review on financial performance of NEC Tractor Hire Scheme Limited.

In bid to attained the results of the third objective of the study which was to examine the effect of Budgetary Review on Financial performance in state owned enterprises, the researcher administered research tools where, for each of the statement, respondents encircled the appropriate number against each statement, according to the scale given below: strongly disagree’ (1), “D”-Disagree (2), “N”-Neutral (3), “A” Agree (4), to SA-Strongly Agree (5). The interpretation of the results is based on the mean and the S.D whose responses were computed and summarized in Table 4.16 below;

4.5.1 Descriptive Statistics

Table 4. 16: Descriptive Statistics on the effect of budgetary monitoring and review on financial performance of NEC Tractor Hire Scheme Limited.

<table>
<thead>
<tr>
<th>Budgetary Review and Financial performance</th>
<th>Descriptive statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>The amounts allocated are portrayed in the quality of services</td>
<td>3.78</td>
</tr>
<tr>
<td>Planned output is proportional to the expenditure</td>
<td>3.83</td>
</tr>
<tr>
<td>Budget review enhance proper appropriations</td>
<td>3.50</td>
</tr>
<tr>
<td>Budget review allows re-allocations and allotments of resource</td>
<td>3.77</td>
</tr>
<tr>
<td>Budget review permits expenditure controls</td>
<td>3.94</td>
</tr>
<tr>
<td>Budget review permits adjustment for improved financial performance</td>
<td>3.55</td>
</tr>
<tr>
<td>With budgetary review, transparency and accountability are effected</td>
<td>4.06</td>
</tr>
<tr>
<td>Budgetary review process helps to eliminate waste and serves as a Financial Performance monitoring tool</td>
<td>3.20</td>
</tr>
<tr>
<td>Overall average mean</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: Field data (2018)
The amounts allocated are portrayed in the quality of services (mean = 3.78 & SD = 1.34). Planned output is proportional to the expenditure (mean = 3.83 & SD = 1.171). Budget review enhance proper appropriations (mean = 3.50 & SD = 1.445). Budget review allows re-allocations and allotments of resource (mean = 3.77 & SD = 1.345). Budget review permits adjustment for improved financial performance (mean = 3.94 & SD = 1.276). With budgetary review, transparency and accountability are effected (mean = 3.55 & SD = 1.338). Budgetary review process helps to eliminate waste and serves as a financial performance monitoring tool (mean = 4.06 & SD = 1.094). Budgetary review process helps to eliminate waste and serves as a Financial Performance monitoring tool mean = 3.02 & SD = 1.438).

One of the interviewee during interviews revealed that:

“NEC Tractor Hire Scheme Limited reviews its budgets performance on a quarterly bases as a way of assisting management in planning for further budget forecasts. Budget review is aimed at ensuring fair allocation of revenues to match the provided allocation.”

One of the interviewee observed that the reasons for budget review in NEC Tractor Hire Scheme Limited include:

“Institute cost guidelines and benchmarks to assist analysts in budget development; Clarify our understanding of funding constraints and conditions to make it easier to correctly align project with funding sources; aid to eliminate low-value tasks and help all focus on the most important issues; reduces the burden of administrative tasks and increase time available for analysis and decision-making; ensures better connections between the operating and capital budgets; improve the allotment and monitoring processes to reduce time spent on non-value added tasks.”

Budgetary Review aids NEC Tractor Hire Scheme Limited to check resource utilization where costs are properly monitored, one of the interviewee revealed that:

“periodic performance monitoring and review reports are made on a quarterly basis”.

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4.5.1 Linear Regression Analysis for Budgetary Monitoring and Review and Financial Performance

Table 4. 17: Linear Regression Analysis for Budgetary Monitoring and Review and Financial Performance

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Budgetary Monitoring & review

The model summary above indicates that Budgetary Monitoring & review (independent variable) has a significant effect on the financial performance. It predicts or explains 2.6% variation in financial performance at NEC Tractor Hire Scheme Limited. The remaining 97.4% is explained by other factors hindering budgetary monitoring and review not incorporated in the model such as management of budget allocations, distortion of management choices, Government activity is complex and multi-dimensional and needs to be monitored and checked at various levels, Monitoring may apply to: Program implementation: to ensure that programs have not been unduly delayed or prevented by unforeseen events. Resources use: used properly and in accordance with budget appropriations No fraud or misappropriation. Resources are drawn from correct appropriations, No waste, efficient production and Program performance: targets are being met.

ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2.408</td>
<td>1</td>
<td>2.408</td>
<td>1.715</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>89.850</td>
<td>64</td>
<td>1.404</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>92.258</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Budgetary Monitoring & review

The table above shows that the regression model predicts financial performance significantly well. This indicates the statistical significance of the regression model that was run. Here, p < 0.000, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).
According to the table above the effect of Budgetary Monitoring & review was established to have influence ($\beta=0.162$, $t=310$, $P=0.195$) on the financial performance. This implies that effective management of budgetary monitoring & review enhance the financial performance of NEC Tractor Hire Scheme Limited to a tune of $r^2 = 2.6\%$.

**4.6 Regression Analysis for the overall effect of operational budgeting and financial performance of National Enterprise Corporation Tractor Hire Scheme Limited**

Finally, the researcher investigated the combined effect of the three aspects of operational budgeting on Financial Performance of National Enterprise Corporation Tractor Hire Scheme Limited. To achieve this aim, a multiple regression test was run. The three independent variables, budgetary planning, budget implementation, budget monitoring and review were regressed with operational budgeting and financial performance of National Enterprise Corporation Tractor Hire Scheme Limited. The table below shows this effect:
Table 4.18: Multiple Regression Analysis of Overall effect of operational budgeting on financial performance

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td></td>
<td>2.073</td>
<td>2.832</td>
<td>.006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent variables</td>
<td>Beta</td>
<td>.399</td>
<td>.691</td>
<td></td>
</tr>
<tr>
<td>Budgetary Planning</td>
<td>.051</td>
<td>1.973</td>
<td>.053</td>
<td>.631</td>
</tr>
<tr>
<td>Budget Implementation</td>
<td>.252</td>
<td>1.389</td>
<td>.170</td>
<td>.724</td>
</tr>
<tr>
<td>Budget Monitoring and Review</td>
<td>.167</td>
<td>2.832</td>
<td>.006</td>
<td>.832</td>
</tr>
<tr>
<td>Dependent Variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>0.012</td>
<td>2.482</td>
<td>0.048</td>
<td>.423</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.063</td>
<td>1.091</td>
<td>0.099</td>
<td>.670</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>0.042</td>
<td>2.932</td>
<td>0.0111</td>
<td>.362</td>
</tr>
<tr>
<td>Multiple R</td>
<td>0.317</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td>0.101</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.057</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>1.157</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>2.310***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson</td>
<td>1.356</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Values significant at 0.05 level (2-tailed)

**n =66, ***P<0.05, Dependent variable is financial Performance**

From Table 4.18 above, the value of F test (2.310) explains the overall significance of a model. It explains the significance of the relationship between dependent variables and all the independent variables. The F-statistics, 2.310 is used to test statistical significance of R, from table 4.10 results, the model fits well with F statistics at 5% significance level. The adjusted R², otherwise known as the coefficient of determination is the percent of the variance in the dependent variable (financial performance) explained uniquely or jointly by the independent variables. Table 4.18 also indicated that for a given sample, n = 66; the adjusted R² = .057 provides more accurate estimation of the true population value. Additionally, the adjusted R² value shows that the variables included in the model explain 5.7% of the variations in financial performance of National Enterprise Corporation Tractor Hire Scheme Limited which is a reasonable level of influence. Using the rule of thumb to determine the adjust R² value as follows: < 0.1: poor fit,
0.11 to 0.30: modest fit, 0.31 to 0.50: moderate fit, >0.50: strong fit (Muijs, 2004, p. 166). Hence the budgetary planning, budget implementation, budget monitoring and review poorly influenced financial performance at National Enterprise Corporation Tractor Hire Scheme Limited.

Beta parameters under Standardized Coefficients are used in order to compare and the significant value is used to measure the statistic significant unique contribution of each independent variable to the dependent. Similarly, table 4.18 also indicate that the Standardized beta Coefficients of the independent variable (budgetary planning, budget implementation, budget monitoring and review) included in the model: budgetary planning significantly influence financial performance. Specifically, budget planning had the lowest contribution $\beta = 0.051$ at 95% level of significance. This means that a unit of improvement in budget planning would result into 5.1% improvement in the financial performance of Limited. This was followed by Budget Monitoring and Review which attributed to a moderate significant influence given by $\beta=0.252$ at 95% level of significance and finally Budget Monitoring and Review at $\beta=0.167$, $P<0.05$ 95% significance level. The statistically significant are found out that independent variables make modest significant contributions to predict the dependent.

To avoid the possibility of multicollinearity, the results from collinearity diagnostics were considered to have tolerance value above 0.10 and Variance Inflation Factor (VIF), which is the inverse of the tolerance value, less than 10 as the small value of tolerance indicate the high multiple correlation with other variables. The Tolerance statistics were all 0.10 and the Variance Inflation Factor (VIF) below 10, indicating that there were no multi-collinearity problems among the independent variables in the data. The values of Durbin Watson have upper limit of four and lower limit of zero. If the value of Durbin-Watson is equal to two and above then there exists no auto association but if the value is less than two then there exists positive association. Basing on table 4.16 results, the Durbin-Watson value was 1.356 which means that there existed no auto association between the independent and dependent variable. Therefore, the independence of residuals assumption are not violated.

The following multiple regression model was used to ascertain factors that are significant in predicting financial performance at NEC Tractor Hire Scheme.
Y = β₀ + β₁X₁ + β₂X₂ + β₃X₃ + ε  
Y = 2.073 + 0.051X₁ + 0.252X₂ + 0.167X₃ + ε  

Where:  
Y = financial performance,  β₀ = Constant,  X₁ = Budgetary planning,  X₂ = Budgetary implementation,  X₃ = Budgetary Monitoring and review  
ε = Error Term and  β₁, β₂, β₃ = Regression Coefficients for Independent Variables  

4.7 Financial Performance  
The dependent variable was “financial performance” of NECTHSL. This was a key issue perturbing at NECHTSL whose major improvement would transform national service delivery through improved productivity and value addition. The objective was achieved through interviewing key stakeholders and administration of a questionnaire. The statements were put on a five point Likert scale with 5 indicating strongest agreement while 1, representing strong disagreement. The interpretation of the results is based on the mean and the Standard Deviation whose responses were computed and summarized in Table 4.19 below;  

**Table 4.19: Descriptive Statistics financial performance**  

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statements on financial performance</th>
<th>Descriptive Statistics</th>
<th>n=66</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
<td>S.Dev</td>
</tr>
<tr>
<td>1</td>
<td>Return on assets increases with proper budgetary planning</td>
<td>2.47</td>
<td>1.61</td>
</tr>
<tr>
<td>2</td>
<td>Return on investment increases with increase in budgetary limits of NEC Tractor Hire Scheme Limited.</td>
<td>2.44</td>
<td>1.56</td>
</tr>
<tr>
<td>3</td>
<td>Profit increase due to proper budgetary output</td>
<td>2.49</td>
<td>1.49</td>
</tr>
<tr>
<td>4</td>
<td>Net profit increased due to departments participation in budgeting</td>
<td>2.62</td>
<td>1.64</td>
</tr>
<tr>
<td>5</td>
<td>Budgetary implementation at NEC Tractor Hire Scheme Limited has improved profitability</td>
<td>2.68</td>
<td>1.67</td>
</tr>
<tr>
<td>6</td>
<td>Return on capital employed has improved with proper budgetary monitoring and review</td>
<td>2.54</td>
<td>1.48</td>
</tr>
<tr>
<td></td>
<td><strong>Overall mean</strong></td>
<td><strong>2.54</strong></td>
<td><strong>1.58</strong></td>
</tr>
</tbody>
</table>

**Source:** *Analysis of Field Data, (November, 2018)*
The overall mean was 2.54 on the Likert scale as indicated in table 4.19 which implies that majority of the respondents rejected the view that financial Performance of NEC Tractor Hire Scheme Limited was improving.

In relation to the quantitative data above, qualitative information from interviews revealed that financial performance was poor due to poor performance. 90% of the key informants indicated that the overall net loss for FY 2016/17 was 35.13% below the projected profitability of 60.6% at the start of the financial year. Key informants added that compared to previous financial years where NECTHSL had net loss in revenue of 24.43% while that in 2014 losses stood at 15.03%. Further still NECTHSL experienced -40.41% return on assets in the FY 2016 and 7% in 2017.

This stemmed from reported cases of budget un-accomplishment, budget disparity, budget indiscipline, poor or non-performance of budget and poor budgetary implementation.

Planning in the context of state enterprises involves the determination of the future overall goals or objectives, preparing policy statement and monitoring of result. Budgeting in the public sector has become an annual ritual which is characterized with repetitiveness hence compromising financial performance. From the typical losses above, budgeting is a mere administrative routine exercise and paper work providing inability to priotise budgeting accounted for delay in its preparation, approval and retroactive implementation. Today, there is lack of performance oriented budgeting, which constraints target setting as well as proper performance evaluation. Besides, there is a poor data and accounting culture, which allows for system leakages, fraud, misappropriation and corruption in public life.
CHAPTER FIVE
SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter explores discussion of the major findings, summary of the results, conclusions, recommendation drawn there after based on previous chapter and answering the objectives of the study spelt out in chapter one as well as areas for further research.

5.1 Summary of the major findings
Summary of major findings are explained below;

5.1.1 Budgetary planning and financial performance
The results in Table 4.9, shows a regression analysis model summary. It shows that budgetary planning has an $r^2$ value of .017, meaning that they contribute to about 1.7% on the financial performance. However in order to arrive at an accurate interpretation, due to small sample size, it’s advisable to use the adjusted $r^2$. Therefore, budgetary planning contributes to about 0.2% of variation on financial performance. This means that a unit change in budgetary planning attributed to 0.2% change in financial performance at NEC Tractor Hire Scheme Limited.

The study findings revealed that their existed a significant association between budgetary planning and financial performance at NEC Tractor Hire Scheme Limited ($R^2 =0.017, F =1.128, p<=0.000 & \beta$). From the model summary table 4.11, the coefficient of determination value is 0.120, which indicates 12% of the variability in the financial performance of NECTHSL is well explained by the changes in the independent variable (budgetary planning) used in the model. However, the remaining 88 percent change in the financial performance is caused by other factors that are not included in the models.

Basing on the discussion of findings above, budgetary planning affects financial performance at NEC Tractor Hire Scheme Limited and that improper budgetary planning leads to failure to achieve high returns on investment and returns on assets. Budgetary planning influences efficient and effective allocation of resources to the desirable budgeted activities and hence budgetary planning should be given ultimate attention so as to enhance desirable returns on investments.
5.1.2 Budgetary implementation and financial performance
The study revealed that predictor variable of budgetary implementation explain 7% (adjusted $r^2$ of 0.056) of variations in financial performance of NEC Tractor Hire Scheme Limited. From the summary of table 4.15, budgetary implementation (independent variable) has a significant effect on financial performance of NEC Tractor Hire Scheme Limited. The effect of budgetary implementation on financial performance was established at ($\beta=0.282$, $t=2.202$, $P<0.000$).

It can be inferred from the study findings that NEC Tractor Hire Scheme Limited realized operational excellence because of effective budget implementation of the budgeted funds. This could be because of growth in revenue collections and overall level of activities. The study also found out that NEC Tractor Hire Scheme Limited assets were recapitalized to over UGX 7 billion, recruitment of competent staff, instituted a culture of zero tolerance to corruption.

5.1.3 Budgetary monitoring and review and Financial performance
Budgetary Monitoring and Review predicts or explains 2.6% (adjusted $r^2$ of 0.11) variation in financial performance. The regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data, $F= 1.175$, $\beta=0.162$, $t=310$, $P< 0.005$).

It’s inferred from the study results that, budgetary review was done at the end of the financial period but not frequently updated to keep abreast with budget priorities and the needs of the enterprise so as to control the flow of funding into NEC Tractor Hire Scheme Limited activities. According to the finding, budgetary Monitoring & review was established to have influence ($\beta=0.162$, $t=310$, $P=0.195$) on the financial performance of NECTHSL. In a nutshell, budget review monitoring facilitated proper allocation of resources, Transparency and accountability in management of NEC Tractor Hire Scheme Limited. Through budget review it was realized that there were inadequately funded areas. And thus NEC Tractor Hire Scheme Limited has to seek for alternative sources of funding for such projects. Through budgetary review it was easy to identify that funds allocated to each activity and evaluate their significant to the overall financial performance.
5.2 Discussion of the Major findings

5.2.1 Budgetary Planning and Financial Performance

The study results in table 4.8 indicated that Budgetary Planning affected Financial Performance at NEC Tractor Hire Scheme Limited with an overall average mean 4.19 and SD = 1.205. It was found out that the NEC Tractor Hire Scheme Limited conducts various Budgetary Planning stages. The budget planning stages are grouped in four parts, that is the preliminary stages that form the basis and foundation of the participatory process, the intervention stages that involve interventions and supplements from different parties, the approval stage that determines whether the budget will be passed or not and finally the implementation stage where projects have to finally come into existence. It was found out that under the preliminary stages, are the Technical Planning Committee comprising of different Heads of Department/units commonly known as the “Technical Staff” whose role is to provide technical guidance and advice to NEC top management.

It is important that the Technical Staff meet to review previous problems, evaluate themselves and iron out challenges faced not to meet the previous budget. NECTHSL utilizes budgetary planning to attain fiscal targets, control expenditure in accordance with the set policies, efficiently allocate resources to realize both operational efficiency and realize planned financial performance. The finding concurs with earlier scholars’ findings such as Barry & Jack (1999) who established that the major stages of budget include; budget planning and preparation, budget presentation and approval by the parliament and budget execution. Similarly, Samuelsson et al., (2016) adds that budgets are quantifiable plan to facilitate coordination and accomplishment of institutional objectives. In the same way, the finding concurs with Reka et al. (2014) who described budget planning as a way for managers to monetize plans and targets, track progress, and support the implementation of strategy, planning, and control.

The researcher also found out that under the preliminary stage is where participatory planning takes place. This is where the departmental members are involved to identify their own problems that they want to be solved. It was also found out that the intervention stages are the heart/core of the whole participation process. These included the departmental levels where minutes of meetings from respective subsidiaries are presented and turned into projects. The budget Committee sits again to discuss proposals received from the different departments, then management sits to
harmonize the different budgets for proposed projects and this budget preparation involves various committees all playing different roles in preparation and quantifying the budget.

The finding is supported by Kimunguyi et al, (2015) who observed that budget planning drives management planning, provides best framework for judging financial performance and promotes effective communication and coordination among various segments of business organizations and that most people will perform better and make greater attempts to achieve a goal if they have been involved in the budget planning processes. The results concur with Yakubu (2011) who revealed that budget planning provides a mechanism for effective planning and control in which arranging, checking, controlling and where the assessment of adequate availability of financial resources is done. The finding is also in agreement with Kpedo (2012) who found out that budgetary planning is an essential device for arranging and controlling of assets to improve execution of numerous tasks to achieve desired financial performance.

It was also found out that at the approval stage, the budget is presented to sub board of directors first and secondly to the main board of directors for their inputs. It was also found out that the budget is finally submitted to the line minister for final approval. Finally, was the implementation stage where projects have to actually be worked upon under supervision of board of directors and budget committee. The finding is in tandem with Foster (2017) who reported that budget planning aids in developing financial forecasts, such as cash budgets, sales budgets, operational budgets, capital budgets, strategic budgets, and budgeted financial statements which help to achieve budget implementation. Additionally, Elsheikh (2018) says that budget planning allows subordinates to build slack in their budget target during negotiation and this makes them more committed to converting the plans into actions once approved by the top management.

While NEC Tractor Hire Scheme Limited goes through such a long process for participatory budgeting. Budgeting planning shows how cash is appropriated by the management to distinctive activities and key outputs to focus on. This helps NEC management in planning and forecasting in order to decrease the costs and redundant spending. Likewise, it empowers NEC tractor scheme to satisfy their long-term technical obligations and financial suitability. The finding is in agreement with Enqvist et al. (2014) who found a significant effect of working capital management on
profitability, suggesting that managers incorporate working capital (cash) management into their financial plans through budgetary planning. Equally, the finding further coincides with Kwasira (2016) claimed that budgetary planning can bring meaningful effect on financial performance of an organization such as National Enterprise Corporation Tractor Hire Scheme Limited distort financial performance.

5.2.2 Budgetary implementation and financial performance
Basing on the findings in chapter four, that there are effects of budgetary implementation on financial performance (mean =3.57 & SD = 1.268). If budgetary implementation is carried out, it results into deliberate negotiation over the distribution of resources”. Thus a mechanism through which budgetary implementation actively and directly decide on how and where to spend resources so as to bring about improved financial performance. One finance officer also argued that It’s very true budgetary implementation influences financial performance in state owned enterprises in a way that when all subsidiary levels are involved in the budgeting process all requirements are catered for and resources allocated effectively thus leading to quality financial performance in state owned enterprises in the institution. The finding is in line with Musyoki (2016) who revealed that budgetary implementation involves the utilization of all the budget finances received or released from all its financing sources. In the same vein Becker, et.al, (2018) noted that the budget utilization involves actual disbursement of the acquired funds in accordance with the proposed budget programs. Tandem to the above, Amirya et al., (2014) revealed that budget implementation the objectives must be followed in stages such as: to implement the budget as formulated and authorized with as slight distortion as possible, but to adjust to changing circumstances. On the contrary however, Becker, et.al, (2018) revealed that poor budgetary implementation creates dysfunctional output, unrealization of achievable budgetary targets in the stated period of time hence compromising financial performance.

Nevertheless, the study found out that budgetary implementation was constrained by misappropriation of funds, consideration of other expenditures besides budgeted estimates when revenues are collected, making inadequate budgetary comparisons between budgeted estimates and actual expenditures and commitment of all budgeted funds arise from poor budgeting systems. The effectiveness and efficiency of financial performance in state owned enterprises depends on
how comprehensive and strict the budgetary implementation systems put in place. This finding corresponds with earlier findings such as Maurer and Lippstreu (2008) who argued that budget execution is the process by which the financial resources made available to an agency are directed and controlled toward achieving the purposes and objects for which budgets were approved and the process involves compliance with both legal and administrative requirements.

In the same way, Olurankinse (2012) asserts that the management implements the budget by operationalizing plans, collecting revenues and spending money according to planned activities. This is also supported by Kojo (2012) who outlined the Budget Execution Processes in terms of stages of Spending as: Allocation of Annual Appropriation, Commitment (Government liability created), Accrual (Goods and Services received and debt incurred)-verification stage, Payment Run (by Line Ministry -prepare payment voucher), Payment (by Line Ministry or MoF) and In-year reporting (periodic reports prepared for management) and monitoring.

Achievement of high level of financial performance at NEC Tractor Hire Scheme Limited requires financial compliance system, output based budgeting system and use of performance based budgeting systems. These if well implemented will support and enhance financial performance of NEC Tractor Hire Scheme Limited. The finding is in line with Olurankinse (2012) who revealed that the five key systems crucial for good budget execution involves effective system-wide controls, adequate management involvement, good score-keeping, adequate reporting and good follow-up. Additionally, Veiga et al. (2015) advocates for adequate staff and physical capacity, capable management, predictable funding, good co-ordination, adequate accountability and an enabling environment. This also coincides with PFM Act 2012, Sec. 39(8)) that stipulates that budget implementation involves review for compliance with law, execute on the activities in accordance to workplans, monitoring and reporting of outcomes/output.

5.2.3 Budgetary Monitoring and Review on Financial performance in NEC Tractor Hire Scheme Limited

The study found out that, the need for budgetary monitoring and review stems from the fact that NEC Tractor Hire Scheme Limited experienced key risks that included; budgetary allocations (over or under estimated), resulting in inadequate or inefficient budget execution and inability to
the entity to meet its policy objectives (mean = 3.5 & SD = 1.306). Hence budget monitoring and review enhanced forecasting for future cash inflows and corresponding outflows, it is from these forecasts that the entity endeavors’ to accomplish certain financial performance goals. The results concede with Veiga et al, (2015) who established that government budgets and expenditure review is a valuable resource that supports analysts, policy makers, elected legislatures, citizens, academics and practitioners in evaluating the effect of government policies and the resources allocated to implement them.

During the budget planning phase many resource allocation decisions such as capital expenditures that exceeded the NEC Tractor Hire Scheme Limited’s ability to finance were consequently reviewed. The budget committee conducted capital rationing process to overcome the challenge. The review stage involved comparisons of budgets to the NEC Tractor Hire Scheme Limited financial objectives and any variation explained and reviewed by senior management. The need to review budgets is reflected from not considering priority areas that are usually underfunded to effect achievement of financial performance in state owned enterprises in the public sector. In conformity with the above findings, Brown et al, (2009) noted that budget review highpoints the different development challenges facing government when it comes to achieving their development goals-mostly the provision of elementary services in support of the government’s outcomes.

Budgetary implementation involves the utilization or spending by the enterprise of all the budget finances it receives, acquires or released to it from all its financing sources. The utilization involves actual disbursement. It also involves appropriating available finances in such a way that the NEC Tractor Hire Scheme Limited’s proposed expenditure is realized. This tantamount to meeting an NEC Tractor Hire Scheme Limited’s costs and expenses as proposed. This shows that recurrent budgetary implementation depends entirely on the financing pattern and level. It is for this reason it is argued that any changes, delays, shortages or excesses in financing are directly reflected in and affect recurrent budget implementation as well. The above finding agrees with the findings of Maghanga and Kalio, (2012) who established that review of government budget framework should provide agencies with access to revenue sources that are commensurate with the powers and functions (or services) that they are responsible for performing. The second component in the
relationship is between the government fiscal framework and the actual revenues collected by an agency.

The situation is not very different with regard to capital development budget implementation. As financing gets underway so does the implementation of the capital development budget. It must be noted that observe, actual budgetary, implementation tends not to follow the exact planned course. It often deviates from the proposed course as government (as a financing source) gets into this common habit of financial diversions and controls, thereby compelling those in charge of the concerned NEC Tractor Hire Scheme Limited’s financial management and control, to alter the spending pattern accordingly. In support of the above Robinson & Last (2009) noted that budget review relates to the agency’s governance and management systems to implement the budget and manage service delivery. Are these systems effective and efficient? Budget reviewing also relates to what actually gets delivered by the institution.

Finance draining contingencies on part of government tend not to be in the interest of proper budgetary implementation. Could this hold for the case of NEC Tractor Hire Scheme Limited. He goes on to observe that unlike government, these sources tend to make budgetary implementation more efficient and effective by readily yielding finances expected from them. Their yields are at times more than the amounts expected, and because of this, give a considerable level of confidence in authorizing spending. This leads to increased efficiency and effectiveness in budgetary implementation. However, despite this, not all the finances realized from these enterprises are spent as they ought to be spent. Some considerable amounts may be misappropriated (because of the overconfidence of the financial management officials and chief accounting officers) thereby affecting the performance of budgetary implementation in an adverse manner. The findings concede to a study by Demera and Yemer (2018) who posit that budget monitoring and evaluation is a key determinant for effectiveness, through an evaluation and monitoring where the SOE can clarify what direction the evaluation should take, based on priorities, resources, time, and skills needed to accomplish the evaluation. Kipkoech & Simiyu, (2017) also adds that budget review enhances effectiveness and transparency so that management team can actively get involved in the process of monitoring and evaluation of budgetary control processes and procedures.
There is no clear connection between budgetary implementation and financial performance at NEC a ‘State Owned Enterprises’. Budgetary implementation affects the quality and capacity of financial performance in its decisional role in determining what to spend on, how much to spend and how to spend it. He goes on to observe that budgetary implementation tends to have a discretionary right to spend or not to spend on a particular programme, even when the programme appears in the proposed budget. Many times, some programmes are financially executed while others are not, depending on what financial controllers prioritize and deem fit. In some cases, these officials are potentially capable of differing a program's financial implementation to another fiscal period and to therefore divert the finances to some other programmes deemed more pressing and inevitable at the time. Some NEC Tractor Hire Scheme Limited service programmes were not implemented at all, others were partly implemented yet others got fully implemented.

NEC Tractor Hire Scheme Limited’s expenditure budget depends on how it is financed. With the exception of expenditure items regarded as indispensable for the continued operation (for instance, human resource budget), many other items tend to be implemented in accordance with how much finances are available for them. For example, for physical capital development spending is entirely determined according to the level of financing of capital development. In fact it is hard to think of capital development spending before other crucial programmes, especially when available finances are inadequate. It is only possible if the acquired funds are specifically for capital development.

5.3 Conclusions
5.3.1 Budgetary planning and financial performance
In a nutshell the dual roles of budgetary planning in providing insight into the budget process of how and why budgets are prepared and how they really work, was found very significant for an effective budgeting activities. Budgetary planning helped to promote transparency, which has a potential in reducing project or activity inefficiencies and corruption and thus permitting effective allocation of resources and hence improved financial performance at NEC Tractor Hire Scheme Limited. Attaining successful budgetary planning can be realized through having adequate funding to foster flexibility in decision-making, involvement of all levels of management especially in resource allocation and utilization on projects and activities. Failure to release funding by Ministry of Finance compromised budgetary planning.
Budgeting planning enables stakeholders to get informed about available resources, engage in prioritizing the needs of their different segments collectively, propose projects, investments and services and allocate resources in a fair and transparent way. Budgetary planning also helps to promote transparency, which has the potential to reduce government inefficiencies and corruption thus effective allocation of resources and hence improved financial performance at NEC Tractor Hire Scheme Limited.

5.3.2 Budgetary implementation and financial performance
The study showed that NEC Tractor Hire Scheme Limited involved stakeholders in their budgeting from departmental level to subsidiary level and ministry level. However, budgetary implementation was advanced by the budget committee at NEC Tractor Hire Scheme Limited departments as one of the best modes that can lead to efficiency in financial performance in state owned enterprises. A contract of supplying maize meal was not awarded to NEC Tractor Hire Scheme Limited by Ministry of defense which compromised income earning.

Effective budgetary implementation required that budgeted expenditures and comparison with the actual expenditures are equated. However, if this does not balance like in NEC Tractor Hire Scheme Limited it implied that the governing board weakly implemented budgetary control procedures. Improper implementation retards control of over or under spending on specific activities in subsequent financial years. NEC Tractor Hire Scheme Limited failed to generate revenue of 3,963,527,750 as a result of failure to implement operational activities.

The study established that there were numerous limitations to budgetary planning and implementation. One of which was unclear procedure for determination of allocation of resources not being known, delay of central government transfers. During the formulation phase of the participatory budgeting cycle, requires encompassing budget analysis, tracking and monitoring activities. Activities worthy Ugx. 1,834,989,520.00 were not implemented due to lack of funding.
5.3.3 Budgetary monitoring/review and financial performance

Budget performance review indicated that it was high and thus requiring urgent remedial action as a matter of high risk. Budget reviews indicated gaps in comparisons to funds collected or received from government and other sources like internally generated funds and revenue collections with those spent and monitor the percentage of the expenditure of NEC Tractor Hire Scheme Limited.

Through budgetary review it was further established that there was improper allocation of resources to activities during implementation stage due to bureaucratic and inefficient systems characterized by corruption and lack of responsiveness to organizational targets.

5.4 Recommendations

Basing on the findings of the study, the following recommendations have been made:

5.4.1 Budgetary planning and financial performance

There is need for NEC Tractor Hire Scheme Limited management to enlighten stakeholders about the relevance of budgetary planning in the public sector through carrying out seminars, workshops and effective sensitization to improve on participation. However it is also important for the institution administrators to work together with all levels of management at large to be able to come up with policies that will enhance effective revenue maximization.

5.4.2 Budgetary implementation and financial performance

There is need for the Director of Parastatals Monitoring Unit to enforce NEC Tractor Hire scheme Limited to adhere and comply with Pre-determined Regulations through the internal audit department.

NEC Tractor Hire Scheme Limited Planning directorate should ensure that Accounting regulations are followed since they are key to accountability. Such regulations when followed put in place strict procedures and policies about the management of cash flow both inflows and outflows. Accounting regulations about spending patterns and control of cash minimize any misappropriations of funds; maximize benefits derived from the merger pool of funds available and receipt of any credit for compliance with pre-determined rules and regulations.
There is need for NEC Tractor Hire scheme to organize discussions with unit spending agencies to agree on the sector priorities and agree on the level of finance required.

5.4.3 Budgetary monitoring/review and financial performance

The researcher recommends that the Ministry of Finance, Planning and Economic development through its Budget and Monitoring Unit should organize refresher courses should be given to different Heads of Subsidiary levels to increase capacity and understanding of responsibility and the roles of managers and also how to use indicative planning figures.

NEC as a controller of the NEC Tractor Hire Scheme Limited subsidiary and Ministry of Defense should consider venturing into a number of Private Public Partnership arrangements in order to harness the financing, expertise and efficiencies that the private sector can bring about improved financial performance.

The study recommends that NEC Tractor Hire scheme Limited needs to review past performance in implementation of sector priorities as well as project future resource allocation in light of emerging policy priorities within the budget ceilings provided.

5.5 Areas for Further Research

Further research should be conducted in the following areas;

There is need to examine the impact of budgeting systems on cash flow management among financial institutions other than state owned enterprises alone. This will be paramount in enabling public entities generate sufficient revenue which can be used to improve service delivery.

Further research should be conducted in ministries other than agencies to assess the effect of participatory budgeting on the level of fraud. This will be of help in enhancing performance based budgeting across public entities.

The other green area not handled by this study is assessing the extent to which internal audit activities can aid in the achievement of effective budgetary controls in the public sector.
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APPENDIX A: QUESTIONNAIRE FOR STAFF OF NEC TRACTOR HIRE SCHEME LIMITED

Dear Respondent,

I am a student of Kyambogo University pursuing a study on; “Operational Budgeting and Financial Performance of NEC Tractor Hire Scheme Limited”. You are among the chosen ones to participate in the study by providing information. This study is a requirement for partial fulfillment for the award of the degree of Masters in Business Administration and is purely for academic purposes. Therefore the information given will be treated with utmost confidentiality. I therefore request you to spare some time and help me to fill in these questionnaires. Your response is highly appreciated. Thank you for your cooperation.

Section A: Respondent’s Bio-Data

Instruction: Please tick the most appropriate option that applies to the topic of study in relation to your organization.

i) Gender: 1. Male □ 2. Female □

ii) Age Bracket: 1. 18-30 years □ 2. 1-40 years □
3. 41-50 years □ 4. over 50 years □

iii) Qualification
1. Certificate and below □ 2. Diploma □
3. Degree □ 4. Post graduate degree □

vi) Time worked with NEC Tractor Hire Scheme Limited
1. 1-3 years □ 2. 4-6 years □ 3. 7 -9 years □ 10year and over □

v) How often does NEC Tractor Hire Scheme Limited carry out its budgeting activities?
1. Annually 2. Semi-Annually

vi) Which of these approaches does NEC Tractor Hire Scheme Limited consider when carrying its budgeting activity?
1. Incremental / line-item budgeting 2. Activity base budgeting

e. Any other (Specify).................................................................
SECTION B: BUDGETARY PLANNING & FINANCIAL PERFORMANCE AT NECS TRACTOR HIRE SCHEME LIMITED.

1. Which of the following statements explain the how budgetary Planning affects financial performance of NECTHSL? Please indicate the extent to which you strongly agree (1), agree (2), disagree (3), strongly disagree (4), not sure (5)

<table>
<thead>
<tr>
<th>Effect of budgetary Planning on the financial performance of NECTHSL</th>
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<th>2</th>
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<th>4</th>
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<tbody>
<tr>
<td>B1 Subordinaties are given an opportunity to get involved in the budget planning process</td>
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<td>B2 Operational budgeting helps to pursue the objectives of the organisation</td>
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<td>B3 At NEC Tractor Hire Scheme Limited Employees’ ideas are valued in the budgeting process.</td>
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<td>B4 Ideas generated during the budgeting are part of the budget priority areas.</td>
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<td>B5 I participate in budgeting to guide NEC Tractor Hire Scheme Limited to make correct decisions</td>
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<td>B6 Budgetary planning allows Coordination of subsidiary levelal activities</td>
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<td>B7 Budgetary planning enhances Planning for specific areas of responsibility</td>
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<td>B8 I Participate in budgeting process to influence decision making</td>
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SECTION C: THE EFFECT OF BUDGETARY IMPLEMENTATION ON FINANCIAL PERFORMANCE OF NECS TRACTOR HIRE SCHEME LIMITED

2. Which of the following statements explain the effect of budgetary implementation on financial performance of NECTHSL? Please indicate the extent to which you strongly agree (1), agree (2), disagree (3), strongly disagree (4), not sure (5)

<table>
<thead>
<tr>
<th>Statements on budget implementation and financial performance of NEC Tractor Hire Scheme Limited</th>
<th>1</th>
<th>2</th>
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<tr>
<td>C1 Budget implementation improves financial performance of NECTHSL</td>
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<td>C2 Budget implementation increases quality of social services</td>
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<td>C3 Budget implementation improves the image of NECTHSL</td>
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<td>C4 Budget implementation enhances fulfillment of projects services</td>
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<td>C5 Budget implementation enables good Governance and proper Accountability</td>
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<td>C6 Budget implementation facilitates proper Utilization of Financial Resource</td>
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<td>C7 Budget implementation increases Financial Resource Availability</td>
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<td>C8 Budget implementation allows efficient and effective communication</td>
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SECTION D: THE EFFECT OF BUDGETARY REVIEW ON FINANCIAL PERFORMANCE OF NECTHSL

2. Which of the following statements explain the effect of budgetary review on Financial Performance of NECTHSL? Please indicate the extent to which you strongly agree (1), agree (2), disagree (3), strongly disagree (4), not sure (5).

<table>
<thead>
<tr>
<th>How does budget monitoring and review affect financial performance of NEC Tractor Hire Scheme Limited</th>
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<tbody>
<tr>
<td>D1 The amounts allocated are portrayed in the quality of services</td>
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<td>D2 Planned output is proportional to the expenditure</td>
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<td>D3 Budget review enhances proper appropriations</td>
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<td>D4 Budget review allows re-allocations and allotments of resources</td>
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<td>D5 Budget review permits expenditure controls</td>
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<td>D6 Budget review permits adjustment for improved financial performance</td>
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<td>D7 With budgetary review, transparency and accountability are effected</td>
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<td>D8 Budgetary review process helps to eliminate waste and serves as a Financial Performance monitoring tool</td>
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Section E: Financial Performance

Which of the following statements explain the effect of budgetary review on Financial Performance of NECTHSL? Please indicate the extent to which you strongly agree (1), agree (2), not sure (3), disagree (4), strongly disagree (5).

<table>
<thead>
<tr>
<th>No</th>
<th>Statements on financial performance</th>
<th>SD=1</th>
<th>D=2</th>
<th>N=3</th>
<th>A=4</th>
<th>SA=5</th>
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<tbody>
<tr>
<td>F1</td>
<td>Return on assets increases with proper budgetary planning</td>
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<td>F2</td>
<td>Return on investment increases with increase in budgetary limits of NEC</td>
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<td>F3</td>
<td>Profit increase due to proper budgetary output</td>
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<td>F4</td>
<td>Net profit increased due to departments participation in budgeting</td>
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<td>F5</td>
<td>Budgetary implementation at NEC has improved profitability</td>
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<td>F6</td>
<td>Return on capital employed has improved with proper budgetary monitoring and review</td>
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APPENDIX B: INTERVIEW GUIDE FOR MANAGEMENT TEAM

Dear Respondent,

I am, a final year student of Kyambogo University pursuing a Master’s Degree in Business Administration of Kyambogo University. I am conducting a study on: “operational Budgeting and Financial Performance of NEC Tractor Hire Scheme Limited”. I am required to submit a research report as part of the partial requirements for the award of Master’s in Business Administration. The purpose of this interview guide is to gather information to enrich the study findings. The study shall be entirely for academic purposes and thus any information provided will be treated with utmost confidentiality.

1. Are you familiar with budget processes of NECTHSL?
2. Are you aware of the factors that affect operational budgeting in NECTHSL?
3. If yes, how should operational budgeting processes be successfully initiated at NEC Tractor Hire Scheme Limited?
4. How can budgetary implementation be effectively instituted in NEC Tractor Hire Scheme Limited?
5. How is Budget review conducted at NEC Tractor Hire Scheme Limited?
6. What measures can be undertaken to improve budgetary planning, budgetary implementation and budgetary review for effective financial performance of NECTHSL?
7. What Strategies can be adopted to improve financial performance of state enterprises in Uganda?

“Thanks very much for your cooperation”