Busitema University
Pursuing Excellence

P.O.Box 236, Tororo, Uganda
Tel: +256-45-4448834
Fax: +256-454436517
Email: info@adm.busitema.ac.ug
Website: www.busitema.ac.ug

BUDGETING PROCESS, INTERNAL CONTROL AND FINANCIAL PERFORMANCE OF SECONDARY SCHOOLS IN KUMI DISTRICT

BY

OGER DANIEL

REG. NUMBER: BU/GS22/MBA/12

A DISSERTATION SUBMITTED TO THE DIRECTORATE OF GRADUATE STUDIES, RESEARCH AND INNOVATIONS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF BUSITEMA UNIVERSITY

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DECLARATION

DECLARATION

I, the undersigned, declare that this dissertation is my original work and has never been submitted to this University or to any other institution for funding or any award.

Signature:.. Date...16/10/2024....

OGER DANIEL

REG. NUMBER: BU/GS22/MBA/12

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APPROVAL

APPROVAL

This dissertation has been submitted for consideration, with our approval as the academic supervisors.

1. Professor. Dr. Kaziba Abdul Mpaata
   Faculty of Management Sciences
   Department of Economics and Management
   Signature: ______________________
   Date: 14/10/2024.

2. Prof. Dr. Salawu Rafieu
   Faculty of Management Sciences
   Department of Economics and Management
   Signature: ______________________
   Date: ______________________

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DEDICATION

I dedicate this dissertation to my wife and children. You were such a strong support. I love you all and I continue to believe that this journey has yielded success because of your support in different forms.

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LIST OF ABBREVIATIONS

COSO: Committee of Sponsoring Organizations

CVI: Content Validity Index

SACCO: Savings and Credit Cooperative Organizations

SME: Small and Medium-sized Enterprises

SPSS: Statistical Package for Social Sciences

UNESCO: United Nations Educational, Scientific and Cultural Organization

ABSTRACT

The study explored the mediating effect of internal controls on the relationship between budgeting processes and financial performance of secondary schools in Kumi District. The study was guided by the following specific objectives; to establish the effect of budgeting process on the financial performance of secondary schools in Kumi District; to analyze the effect of internal controls on the financial performance of secondary schools in Kumi District; to find out the relationship between internal controls and the budgeting process of secondary schools in Kumi District; and to examine the mediating role of internal controls in the relationship between the budgeting process and financial performance of secondary schools in Kumi District. The study considered a descriptive research design. The study population of 165 comprised the staff establishment of four (4) secondary schools in Kumi District. The schools included Dr. Aporu Okolo Memorial Secondary School, Kumi Seed Secondary School, Atutur Seed Secondary School, and Wiggin Secondary School. The sample used was 165 respondents obtained by census method out of whom 134 returned completed and usable questionnaires. Descriptive statistics of frequencies and percentages was used to obtain specific findings, while Pearson Product Moment Correlation and regression analyses were used to obtain major findings. Regression results revealed that a) there is a significant effect of budgeting process on the financial performance of secondary schools in Kumi District [$\beta = .879$, $t = 2.417$, $p<0.0001$]; b) there is a significant effect of internal controls on the financial performance of secondary schools in Kumi District [$\beta = .371$, $t = 1.993$, $p<0.0001$]; c) there is significant relationship between the budgeting process and internal control practices of secondary schools in Kumi District [$r = .354^{**}$, $p < 0.01$]; and d) internal control partially mediates the relationship between budgeting process and financial performance of secondary schools in Kumi District. The study concluded that although the budgeting process itself is a critical factor in determining financial success, its impact is only fully realized when complemented by strong internal controls. These controls act as a safeguard, ensuring that the budget is effectively implemented and financial resources are managed efficiently. The study recommends that schools should adopt a participatory budgeting approach that involves input from key stakeholders, including teachers, parents, and community members. They should formally integrate internal controls into every stage of the budgeting process. Additionally, schools should also establish a system for regularly evaluating both their internal controls and budgeting processes to ensure they are functioning effectively and contributing to desired financial outcomes.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers information on background of the study, statement of the problem, objectives of the study, hypotheses, scope, significance, and conceptual framework.

1.1 Background to the Study

Financial performance is a critical measure of an organization's ability to utilize its resources effectively and achieve its financial goals (Fatihudin, Jusni, & Mochklas, 2018). In the context of educational institutions, strong financial performance ensures that schools can maintain operations, improve infrastructure, and provide quality education (Ofem, Akeke, & Ameh, 2021). Effective budgeting processes are fundamental in this regard, as they have the latent to enable education institutions to plan, allocate, and control their financial resources systematically (Lasisi, 2021).

The budgeting process is a foundational aspect of financial management, crucial for planning, allocating, and controlling resources within any organization (Shawe, 2023). In education institutions especially secondary schools, a well-structured budgeting process is vital for addressing both immediate needs and long-term goals, from infrastructure development to academic programs and staff salaries (Yizengaw, Agegnehu, & Ehmke, 2021). In other words, effective budgeting ensures that resources are aligned with organizational goals and objectives, facilitating efficient operations and strategic growth (Fadumo, Hassan, & Kadir, 2023).

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