

EVALUATING THE RELATIONSHIP BETWEEN PARTICIPATORY BUDGETING AND PERFORMANCE OF MICROFINANCE INSTITUTIONS FOCUSING ON WAKISO DISTRICT, UGANDA

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Abstract

The paper is based on a study that investigated the relationship between participatory budgeting and performance of Savings and Credit Cooperatives (SACCOs) in Wakiso district focusing on: (i) participatory budgeting, and profitability performance (ii) participatory budgeting and customer satisfaction. A correlational cross-sectional survey design was used. Both quantitative and qualitative approaches were employed. Questionnaires and interviews were used to collect data from 10 SACCOs selected from the district. Data were collected from a sample of SACCO members, board of directors, audit committee members and staff of selected SACCOs. Documentary analysis was also done to enrich conceptualization of the problem and interpretation of data. The study revealed that participatory budgeting aspects are not collectively explanatory variables of profitability performance in the selected SACCOs but that participatory budgeting aspects do collectively explain variables of customer satisfaction. The study concluded that participatory budgeting is not related to profitability performance, but is a significant predictor of customer satisfaction. The study recommends that management in SACCOs should emphasize participatory budgeting because stakeholders are motivated to meet budgets they have had a hand in shaping. If the different stakeholders of the SACCOs are

satisfied they will continue to patronize the SACCOs as loyal stakeholders and be committed to the goals of these institutions which improves performance. SACCOs should work hard to win the hearts of customers by satisfying them in order that they become loyal customers. Commitment of every stakeholder to the budgeting function should be emphasized since it is a significant predictor of customer satisfaction.

Keywords: Microfinance institutions, participatory budgeting, profitability performance customer satisfaction

INTRODUCTION

Microfinance institutions (MFIs) have evolved since the late 1990s as an economic development tool intended to benefit low-income people. The goals of Microfinance institutions are to service the financial needs of the under-served or the unserved markets as a means of meeting development objectives such as to reduce poverty, create employment, help existing business grow or diversify their activities (Ledgerwood,1999). MFIs have been expected to reduce poverty, which is considered as the most important development objective. However, the positive impact of Microfinance institutions on the social and economic welfare of the poor can be achieved, if the institutions register good financial performance and when customers continue to be satisfied with the services offered. Prior studies for example, Tikkanen and Alajotsijami (2002) and Ooi, Lin & Yee-long (2011), note that customer satisfaction is one the main areas of interest in the business and the academic world and that it is known to be one of the most important and serious factors towards success in today's competitive business environment. customer satisfaction affects company market share and customer retention.

Customer satisfaction is a function of the customers' expectations and perceived performance of the services rendered. It is necessary not only to retain customers, but also to attract the new customers. A satisfied customer is the need and demand for the survival and growth of any business. A customer is satisfied when a service performs better than expected. With the increasing number of businesses and growing competitions today, each company wants to be the customers' first choice. To achieve this, companies and organisations need to carry out continuous research on factors that influence two key objectives, namely, satisfying their customers and making a profit. When a company gains the customers' satisfaction, profitability can be expected.

Profitability is the primary goal of all business ventures. Without profitability, business will not survive in the long run. Measuring current and past profitability and projecting future

profitability is very important. Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring it, is necessary because it is the most important indicator of the success of the business. A business that is not profitable cannot survive. A business that is highly profitable has the ability to reward its owners with large returns on investments.

Drury (2006) examines the relationship between participatory budgeting and business performance, and argues that budgeting is essential in stimulating profitability and liquidity aspects on which the success of any organisation is pegged. Stoner (2001), argues that participatory budgeting stimulates performance by enabling a common decision rule to be applied to alternative courses of action, and enables managers to be given autonomy. The strength of previous scholars (Drury, 2006; and Stoner, 2001) is that they also examine the relationship between participatory budgeting as an internal management control system and business performance, but they are looking at different variables like the environmental change factors and structural differentiation by comparing small-scale and large-scale companies.

Miller (1987), indicates that participatory budgeting drives performance by focusing on outcomes of financial and managerial actions that give managers the freedom to take whatever actions they consider appropriate in achieving the desired results. One of such actions is a collective process of budgeting that allows for consensus building. However, the weakness of Miller is that he pays little attention to the quantitative indicators of participatory budgeting such as cash flows, income statements performance, and revenue and cost centre performance, yet budgeting is largely a quantitative variable. This argument is concretized by Libby and Waterhouse (1996), who point out that participatory budgeting, is the process that relates financial obligations of the firm to the activities and objectives of the firm, and provides a collective mechanism on whether the actions benefit the firm. This collective mechanism means that all staff are equally and appropriately involved in the budgeting process either through centralization or even through decentralization budgeting. Merchant (1984) and Chung (1996), indicate that budgets are formal quantitative statements of the resources set aside for carrying out planned activities over given periods, and they are used in the evaluation of firm performance. Merchant (1984) and Chung (1996) add that in order to ensure that budgeting targets effective performance, it should be at all levels of the organisational structure, involving all stakeholders to avoid organisational crises.

In case of studies carried out in several industries in Canada, the participatory budgeting process provides qualitative observatory advantages. Simons (2000) indicates that participatory budgeting provides management with an impetus to view needs, provides more realistic details to support their proposal and involves the team in financial decision making as stimulants for

effective firm performance. However, Simons does not indicate further how this impetus arises. Merchant (1985) fills the quantitative gap left by Simons by alluding that without critical participatory budgeting, managers are likely to overlook some vital ingredients, therefore involves all management and staff units through advancing departmental budgeting and group budgeting.

Langsfied-Smith (1997), further takes note of participatory budgeting as being a robust stimulant of performance although he does not logically indicate how. In a study of petroleum companies using a sample of 700 business firms in Australia, Turker, Thorne & Gurid, (2006) provide a deeper understanding of Langsfied-Smith's premises that participatory budgeting was correlated with firm performance because employees meet budgets they have a "hand in shaping". Langsfied-Smith (2005:570) further indicates, "The change in organisational budgetary design and implementation variables relate significantly with firm performance outcomes in case the budgetary process is "participatory". Van der Steede (2000), indicates the advantage of participatory budgeting that "allowing individuals to participate in the setting of performance targets has several advantages". The evidence from the various studies, suggest that participative styles of management will not necessary be more effective than other styles, and that participative methods should be used with care. It is therefore necessary to identify those situations where there is evidence that participative methods are effective, rather than to introduce universal application into the organisation. Participation must be used selectively; but if it is used in the right circumstances, it has an enormous potential for encouraging the commitment to organisational goals, improving attitudes, towards the budgeting systems, and increasing subsequent performance (Drury, 2006). The same Drury is quick to add that participation does suffer from the limitation that performance is measured by precisely the same standards that the budgettees have been involved in setting.

The problem is still that, much as the above studies provide useful outcomes, they were carried out in distant geographical locations such as Australia and Canada, and these studies were biased either on financial or non-financial measures of performance.

From the above discussion, it shows how indispensable customer satisfaction and profitability in microfinance institutions are. Studying factors that influence these variables therefore becomes imperative. The study reported here was designed to examine the relationship between management control systems, particularly, participatory budgeting and performance of MFIs, especially member owned MFIs – the SACCOs in Uganda, in terms of profitability and customer satisfaction.

A Savings and Credit Cooperative (SACCO), is one form of cooperative society. It is a member owned Microfinance institution, whose business is to provide financial services to its members. A SACCO, is owned and governed by members who have the same common bond and who seek to improve on their social and economic wellbeing. Members agree to save their money together in a SACCO and make loans to one another at reasonable, but market based interest rates (Ahimbisibwe, 2007).

The major aim of SACCOs, is to build a financial base from which members can borrow for their needs. SACCOs make it possible for the relatively poor to access reasonably priced credit and at terms and conditions that are favourable to them. Most of the low and medium income groups, who have no (collateral) like land title to offer as security, would find it difficult to access credit in absence of SACCOs. It is argued that without opportunity to access credit, the poor would possibly remain poor because there would be no avenue to escape entrenched poverty. However, as Kyobutungi (2011), points out, for SACCOs to achieve their objectives of eradicating poverty and empower members economically, they should register good financial performance and members must continue to be happy with the services of these institutions. SACCOs must therefore achieve, their twin objectives of satisfying their customers and making a profit. The argument so far points at the fact that SACCOs must continuously carry out research to identify factors that influence profitability and customer satisfaction.

Financing by the MFIs is seen as very crucial in achieving the poverty reduction goal. The microfinance paradigms focuses on reduction of poverty through improving access to finance and financial services (Ganka (2010). However, an enduring problem facing MFIs, is how to attain profitability and having satisfied customers (Kabuga, 2007). There is need to understand the factors that affect the performance of MFIs in order for them to perform better in order to ensure sustainable provision of microfinance services and sustainable poverty reduction. Whereas studies have been conducted to determine factors affecting performance of MFIs using large and well developed MFIs in various countries, there is not so much known about the same factors with regard to small-scale MFIs like the ones operating in Uganda and other low-income economies. Furthermore, the level of significance of these factors in affecting the performance of MFIs, varies due to a number of underlying factors in a given country. Some of the factors are found to be significant in one economy or applicable to a set of MFIs. Some are not significant (Cull, Dermirgue & Morduch, 2007 and Christen, Rhyne, Vogel & Mc Kean,1995). Other studies, are biased in terms of either financial or non-financial measures of performance (Johannes, 2009). Moreover, no such study has been conducted empirically in Ugandan SACCOs focused on the relationship between management control systems especially participatory budgeting and profitability and customer satisfaction (both financial and

non-financial measures respectively). It is against this background that a study was done to investigate the relationship between management control system, particularly, participatory budgeting, and performance of member owned MFIs (the SACCOs). The objectives of the study were:

1. To analyze the relationship between participatory budgeting and profitability performance of selected SACCOs in Wakiso district.
2. To investigate the relationship between participatory budgeting and customer satisfaction in selected SACCOs in Wakiso district.

The null hypotheses tested in line with the above objectives were:

Ho¹: There is no statistically significant relationship between participatory budgeting and profitability performance of selected SACCOs in Wakiso district.

Ho²: There is no statistically significant relationship between participatory budgeting and customer satisfaction in selected SACCOs in Wakiso district.

THEORETICAL BACKGROUND

Participatory Budgeting

Drury (2006), observes that controls encompass all methods and procedures that direct employees towards achieving the organisations objectives. One such control in organisations and in SACCOs inclusive, is budgeting, especially, participatory budgeting.

The various activities within a company should be coordinated by the preparation of plans of actions for future periods. These detailed plans are usually referred to as budgets. A budget provides a standard that under certain circumstances, a manager may be motivated to strive to achieve. Participatory budgeting is a process of democratic deliberation and decision making, and a type of participatory democracy in which members and other stakeholders in SACCOs decide how to allocate their budget. Participatory budgeting allows stakeholders in SACCOs to identify, discuss and prioritize SACCOs spending and gives them the power to make real decisions about how money is spent. The performance measurements process involves setting performance targets, comparing performance against targets, analyzing the variances and taking actions where significant variances exist between actual and target performance (Davila, 2005). If individuals have actively participated in preparing the budget and it is used as a tool to assist managers in managing their departments, it can act as a strong motivational device by providing a challenge. Alternatively, if the budget is dictated from above, and imposes a threat rather than a challenge, it may be resisted and do more harm than good.

Participation relates to the extent that subordinates or budgetees are able to influence the figures that are incorporated in their budgets or targets. Allowing individuals to participate in setting of performance targets has some advantages including the following: individuals are more likely to accept the targets and be committed to achieving them; if they have been involved in the target setting process. Participation can reduce the information asymmetry gap, that applies when the standards are imposed from above (Drury, 2006). The information sharing process enables more effective targets to be set that attempt to deal with both operational and organisational constraints. But imposed standards can encourage negative attitudes and result in demotivation, which can lead to a rejection of the targets and poor performance (Pandey, 1996).

Participatory budgeting and profitability

According to Pandey (1996), profits are the most important measure of the firm's performance as the major issue, which is important to shareholders to see how their resources are used. The most effective means of judging this is by looking at the profit made at the end of the business accounting period. Profitability is the primary goal of all business ventures. Without profitability, the business will not survive in the long run. So, measuring current and past profitability and projecting future profitability is very important. Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring it is the most important means to gauge the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on investment. Participatory budgeting, setting targets and evaluating performance are therefore essential in any business venture.

Participatory budgeting and Customer satisfaction

Both financial and non-financial measures have been developed by researchers throughout business history to measure performance and consequently strategic alignment (Johanna, 2008). Traditionally, strategic management uses non-financial performance measures such as customer satisfaction. Then financial measures are used in operational activities which require sales promotion such as turnover, profitability and liquidity. In order to determine effectiveness, Davila (2000), insists that performance could be compared between actual deliveries and target deliveries. More so, the performance measurement process involves setting performance targets, outputs, customer satisfaction, service delivery and quality, comparing performance against the targets, analyzing the variances and taking action where significant variances exist between actual and target performance (Davila ,2005).

As Fitzmmons and Elvis (2002) point out, people often think that profits are the sole measures of performance, yet other measures such as Customer satisfaction are sometimes more useful for making specific decisions. With increasing number of businesses and growing competition today, each company wants to be the customers' first choice. Customer satisfaction is the most important tool that helps to increase sales and generate profits in the business environment. Customer satisfaction is the measure of how products and services supplied by a company meet or surpass customer expectations. Exceptional customer services usually results in higher profitability.

METHODOLOGY

Research design

According to Kothari (2004), the research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure, and therefore provides the glue that holds the research project together. The study took the quantitative correlational cross-sectional survey, and ex-post-facto design. It was quantitative because it was based on variables measured with numbers and analysed with statistical procedures. The correlational design was chosen because the problem in the study was identifying factors that influenced an outcome that is performance of SACCOs (Amin, 2005). The study was cross-sectional, because it was conducted across participants at a point in time and was intended to pick only some representative sample elements of the cross section of the population. It did not necessitate the researchers to make a follow up on the participants. It was thus, used on account of its rapid turn-around in data collection as Creswell (2003) advises.

The survey design enabled the collection of data from a large number of respondents. It was preferred to generalise from the sample used, to the whole target population in Wakiso district. Surveys are also amenable to rapid statistical analysis and are comparatively easy to administer and manage (Ahuja, 2005 and Shajahan, 2005). It was ex-post- facto since the researcher had no control over the study variables and only sought to report facts that were existing (Cooper & Schindler, 2008). In the researchers' opinion, the design worked satisfactorily in all aspects.

Study Area and Population

The study targeted all the SACCOs in the ten sub-counties of Wakiso district because this area had both operating urban and rural SACCOs. The areas were also easily accessible and few studies had been carried out in these areas specifically, targeting SACCOs. However, due to

time, costs and other constraints, the researchers found it more convenient to carry out the study on part of target population which was more accessible, which hence, became their sampled population (one SACCO from each of the ten sub-counties). The sub-counties included: Kira Town Council, Kakiri sub-county, Matugga sub-county, Masulita sub-county, Entebbe Municipality, Gombe sub-county, Kasanje sub-county, Wakiso town council, Ssisa sub-county and Nsangi sub-county.

In regard to respondents, the study targeted in each SACCO, members/shareholders (10), board members (2), audit committee members (1), members of staff (2) and technical officials from Uganda Cooperative Alliance (UCA), Uganda Cooperative Savings and Credit Union (UCSCU) and Ministry of Trade and Industry (MoTI). At UCA, the field officer in charge of SACCOs in Central Region and the General Secretary at the Head office were involved. At UCSCU, the Chief Executive officer (CEO) and 4 other field staff in Central Region were involved. For MOTI staff, the District Cooperative Officer (DCO) Wakiso and his 3 members of staff, plus one Senior Cooperative Officer at the Ministry's headquarters were involved. A total of 10 technical staff were thus, targeted on account of their knowledge on formation and operations of SACCOs. The member/shareholders were involved because they are the owners and they access the services of their SACCOs directly. The board members were involved because they are part of the important organs of the SACCOs who represent members and are involved in setting policies. Audit committee members were involved because they are directly elected by the members to verify the discrepancies in the SACCOs, to ensure that financial information is correctly reported as well as carrying out the function of internal auditors for their SACCOs. Staff of SACCOs were selected because they are involved in the day-to-day operations of the SACCOs and translate the mission, goals and objectives of these institutions into actions. The technical officers as earlier mentioned were involved because of their expert knowledge in the formation and operations of Cooperatives in Uganda.

Sampling Technique

According to information which was available at the office of the District Cooperative Officer (DCO), Wakiso district, in terms of numbers of SACCOs in each administrative unit, one SACCO out of all operating SACCOs in each of the ten sub-counties was randomly selected. This was done to ensure that each SACCO had equal chances of being selected. The target respondents were divided into categories using stratified sampling technique to ease collection of relevant data from each category in the most efficient and effective manner (American statistical Association, 1999). Thereafter, the researchers used a mixture of methods to select the required sample from each category as follows:

For members/shareholders, 10 respondents in this category per SACCO were initially selected using convenience and judgemental sampling method given the nature of their schedules and time which was available to carry out the study. Then, random sampling method was used to select 5 respondents out of the 10 per SACCO, basing on their membership numbers, in the membership register to ensure that all of them had equal chances of being selected. Board members, audit committee members and staff, using the available sampling frames at each SACCO, were selected using the simple random sampling method. Simple random sampling as mentioned above is used in a situation when each respondent has an equal chance of being selected to participate in the study (Amin, 2005). Lastly, the technical officers were purposively selected on account of their knowledge concerning operation, supervision and management of SACCOs.

Sample Size

The unit of analysis in this study is a SACCO. One SACCO from a list of operating SACCOs was randomly selected from each of the selected ten sub-counties in Wakiso district, making a total of 10 SACCOs. For participants/respondents, the researchers used the Table developed by Krejcie & Morgan (1970), as cited in Gay & Airasian (2003), for determining the sample sizes. The Table suggests that for the 50 members, the 20 board members, the 10 audit committee members, the 20 members of staff of SACCOs and the 10 technical officers, the required minimum sample sizes were 44,19,10,19 and 10 respectively

Data Collection Methods and Instruments

Two types of data namely, primary and secondary data were collected. Primary data which were mainly quantitative were collected using self-administered questionnaires. The self-administered questionnaires were used on account of their quick turn around in collecting data from large numbers of participants because they (respondents) needed some time to give their considered opinions given their busy schedules. Further, questionnaires were preferred because there was need for consistency given the large number of respondents sample and are usually easier to analyse, especially when they are made of close-ended items. Qualitative data were obtained through open-ended questions in the questionnaire and were also collected by interviewing key informants using interview guide. An interview helps to explore a topic in depth and to reveal the reasons and motivations that made a person answer in a certain way. That is, it gives one an opportunity to probe in depth and clarify areas where ambiguity and misunderstanding may exist (Kakooza, 1997). The interview guide was structured because factual information was needed. However, as Kakooza (1997), points out, the critical variable in interviewing is the

interviewer himself or herself, since his or her presence and behaviour can serve to inhibit or facilitate response. Interviews were therefore carefully handled to ensure high response.

The researchers interviewed SACCOs selected officials as well as the technical officers. The interview guide, was designed and administered to selected board members, audit committee members, members of staff of the SACCOs and the technical officers because of the valued information they had.

Research Assistants

The selection of research assistants who handled the self-administered questionnaires was also carefully done. Attempt was made to select research assistants who could understand the language of the local community. All of them knew "Luganda ", the local language used in Wakiso district. Three research assistants were selected and briefed to ensure consistency in collection of data. In addition, attempt was also made to take the selected research assistants through a series of preliminary interpretations and translation exercises regarding the questions they would ask in the field.

Secondary Data

Internally, secondary data collection involved getting or consulting SACCOs' audited financial statements, annual reports, minutes and other documents, such as SACCOs' bye laws, financial and other operating policies. For external sources, the researchers used documents such as laws governing SACCOs in Uganda (especially the Cooperative Statute, 1991 and Cooperative Regulations, 1992), official national publications, international publications, text books and the internet among others.

Validity

Kothari (2004), defines validity as the indication of the degree to which an instrument measures what it is supposed to measure. To ascertain the validity of the items in the instruments, the help of research experts was sought. They (experts) looked at validity of questions in view of the problem, objectives, hypotheses, and literature which were given to them. They also looked at and evaluated clarity of instructions and wording of questions. The items in the instruments were each rated as either very relevant, relevant, irrelevant or very irrelevant. Those that had been rated as very irrelevant or irrelevant were separated from those which had been rated as relevant or very relevant. Then, Content Validity Ratios (CVRs), were computed. The Content Validity Index for the whole questionnaire was 0.89, which was greater than 0.7 as

recommended by (Amin, 2005 and sekaran, 2000). Hence, the instrument was considered valid for data collection.

Reliability

Saunders et al., (2009), define reliability as the extent to which the applied data collection instruments provide consistent findings. Reliability is an important test for assessing the accuracy and objectivity of the study. To ensure reliability of the questionnaire, it was pre-tested on 20 respondents in Kampala district, which was not in the cohort of the study. This helped to ensure consistency and dependability of research instruments and their ability to tap data that would answer to the objectives of the study. Reliability was also tested using Cronbach's alpha method as provided by SPSS. Reliability alpha value for the questionnaire was 0.84. For better reliability the Cronbach's alpha should at least be 0.70, but a higher score reflects better reliability, (Amin, 2005). Since alpha was above 0.70 for all variables, it is justified to say that the instruments were reliable.

ANALYSIS AND FINDINGS

Descriptive statistics

Table 1: Perception of respondents regarding the performance of SACCOs and participatory budgeting

a) Performance of SACCOS	Mean	Standard deviation	t
Profitability (overall)	2.88	0.629	4.575
Overall Customer satisfaction	3.70	0.548	6.752
b) Participatory budgeting			
Overall on participatory budgeting	3.96	0.665	5.955

Table 1, gives the descriptive statistics results on performance of SACCOs and participatory budgeting. Performance of SACCOs in this study was operationalized as profitability performance and customer satisfaction. A continuous dependent variable was generated on profitability performance and customer satisfaction and means and standard deviations determined. Descriptive statistics results on performance show that, respondents rated

themselves moderate on all aspects of profitability performance as revealed by the overall mean (mean = 2.88; S.D=0.629 and $t=4.575$) significant at 0.01 or 1% critical level. Further, descriptive statistics show that respondents rated themselves high on overall aspects of customer satisfaction (mean =3.70, S.D= 0.548 and $t=6.752$), significant at 1% critical level. Descriptive statistics on participatory budgeting show that the overall rating on all aspects was also high (mean =3.96, S.D =0.665 and $t= 5.955$) significant at 1% critical level.

Hypotheses Testing

The paper sought to test the following hypotheses:

Ho¹: That, there is no statistically significant relationship between participatory budgeting and profitability performance of selected SACCOs in Wakiso district.

Ho²: That, there is no statistically significant relationship between participatory budgeting and customer satisfaction in selected SACCOs in Wakiso district.

Correlation results

Table 2: Correlations between participatory budgeting and profitability performance and customer satisfaction

Participatory budgeting	Profitability performance	Customer satisfaction
Pearson correlation	-0.052	0.244 (*)
N	85	85

**Correlation significant at the 0.05 critical level*

Table 2, shows that there is a significant positive associative relationship between participatory budgeting and customer satisfaction ($r=0.244, sig=0.000$). If the positive association is predictive, it means that if participatory budgeting approaches increase, customer satisfaction will also increase. However, the relationship between participatory budgeting and profitability performance is negative but insignificant. ($r= -0.052, sig = 0.430$)

A linear regression analysis was done to confirm whether the above relationships were predictive or not.

Table 3: Regression results of participatory budgeting and profitability performance of SACCOs

Model	Sum of squares	.df	Mean square	F_c	F_t	Interpretation
Regression	1.364	33	0.455	1.143	2.153	Not Significant
Residual	32.228	881	0.398			
Total	33.592	884				

$$R = 0.202, \text{ Adjusted } R \text{ square} = 0.005$$

Regression results in Table 3, indicate that participatory budgeting aspects are not collectively explanatory variables of profitability performance of selected SACCOs in Wakiso district because F computed ($F_c = 1.143$) is less than F tabulated ($f_{3, 81; 0.10} = 2.153$). This was also supported by the regression value of 1.364, compared to the residual value of 32.228, meaning that participatory budgeting factors are not significant predictors of profitability performance in SACCOs in Wakiso district. The causal relationship is significant when the computed $F(F_c)$ is equal or greater than the tabulated $F(F_t)$ at the given significance level. The study hypothesis (H_0^1 : that there is no statistically significant relationship between participatory budgeting and profitability performance of SACCOs in Wakiso district) was therefore, confirmed.

Results support Miller (1987) and Libby and Water house (1996), who affirm that participatory budgeting is a collective process of budgeting that allows for consensus building and also a process that relates financial obligations of the firm to the activities and objectives of the firm and provides a collective mechanism on whether the actions benefit the firm, but not necessarily predicting profitability of firms. The collective mechanism means that all staff are equally and appropriately involved in the budgeting process through decentralization of budgeting, but does not necessarily predict profitability, since decentralization of budgeting involves more costs which are likely to reduce profitability. When every stakeholder is involved in the budgeting, costs may be increased and will therefore have an adverse effect on organizational profitability. Miller, (1987) and Libby and Waterhouse, (1996), & Merchant (1985), also point out that participatory budgeting is a necessary factor although not sufficient to predict profitability, because without critical participatory budgeting, managers are likely to overlook some vital ingredients or hidden information that might subsequently impede implementation. Libby and Waterhouse (1996), further observe that participatory budgeting is only significant to capacity for change, and quality outcomes because it allows for divergent views. Results are also at par with Davila (2005), who indicates that budgets are forecasts that represent the firm's objectives and performance guidelines and that to ensure the reality of budgeting, one should involve all sectors so as to comprehensively address the financial needs of the business firms,

not necessarily contributing to profitability. However, results did not support Miles (1978) who notes that participatory budgeting is a critical driving force to profitability and that it has a positive relationship with profitability.

Table 4: Regression results of participatory budgeting and customer satisfaction

(a) ANOVA Table

Model	Sum of squares	.df	Mean square	F_c	F_t	Interpretation
Regression	1.861	3	0.620	2.239	2.153	Significant
Residual	22.438	81	0.277			
Total	24.299	84				

$R = 0.277$, Adjusted R square = 0.042

(b) Coefficients

	Unstandardized coefficients		Standardised coefficients		T	Interpretation
	B		Std error		Beta	
Constant					8.276	
Budgeting in SACCOS allows consensus building	0.038	0.062	0.069	0.069	0.611	Not significant
Budgeting in SACCOS gives shared responsibility and authority to every one	0.042	0.070	0.071	0.071	0.598	Not significant
There is commitment of every stakeholder when budgeting	0.129	0.071	0.213	0.213	1.982	Significant

Table 4(a), indicates that participatory budgeting aspects are collectively explanatory variables of customer satisfaction in selected SACCOS in Wakiso district. F computed (F_c) = 2.239 and F tabulated (F_t) = 2.153. Thus, F_c is greater than $F_t(f_3, 81; 0.10 = 2.153)$. However, participatory budgeting only explains 4% to variations in customer satisfaction (adjusted R square = 0.042). This is also supported by the regression value of 1.861, compared to the residual value of 22.438, meaning that there are other factors other than participatory budgeting which strongly predict customer satisfaction. The hypothesis however, that there is no statistically significant relationship between participatory budgeting and customer satisfaction in selected SACCOS in Wakiso district was rejected. The obtained F ratio is likely to occur by chance with a $P < 0.10$

Table 4(b), further shows that, the aspect of participatory budgeting of commitment of every stakeholder when budgeting, is a significant predictor of customer satisfaction in SACCOs at 10% critical level. However, budgeting in SACCOs allowing consensus building and budgeting in SACCOs giving shared responsibility and authority to everyone are not significant predictors of customer satisfaction ($t = 0.611$) and ($t = 0.598$) respectively.

Results support Drury (2006), who affirm that if participation is used in the right circumstances, it has enormous potential for encouraging the commitment to organisational goals and improving attitudes towards the budgeting systems. Further, results are consistent with Libby and Waterhouse (1996) and Turker et al., (2006), who respectively note that participatory budgeting is a collective mechanism on what actions benefit the firm and should therefore motivate all stakeholders, and that it is correlated with firm performance because different stakeholders meet budgets they have had a hand in shaping and therefore get satisfied.

CONCLUSION AND RECOMMENDATIONS

The main objective of the study was to examine the relationship between participatory budgeting and performance of SACCOs in Wakiso district. Specifically, the study focused on analyzing the relationship between participatory budgeting and profitability performance of selected SACCOs in Wakiso district and to investigate the relationship between participatory budgeting and customer satisfaction in selected SACCOs in Wakiso district.

Participatory budgeting aspects, in SACCOs in Wakiso district are not significantly related to profitability performance. Participatory budgeting is a necessary condition in SACCOs but not sufficient to predict profitability, because when all stakeholder are involved in the budgeting, it may increase costs which are likely to have an adverse effect on organizational profitability. However, to ensure the reality of budgeting, one should involve all sectors so as to comprehensively address the financial needs of the SACCOs not necessarily contributing to profitability.

However, participatory budgeting aspects are significant predictors of customer satisfaction. The aspect of commitment of every stakeholder when budgeting, is a significant predictor of customer satisfaction. If participation of different stakeholders in budgeting in SACCOs is used in the right circumstances, it has enormous potential for encouraging the commitment to organizational goals and improving attitudes towards the budgeting systems. Participatory budgeting is a collective mechanism on what actions benefit the SACCO and should therefore motivate all stakeholders. Management in SACCOs should emphasize participatory budgeting as stakeholders meet budgets they have had a hand in shaping. If the

different stakeholders of the SACCOs are satisfied, they will continue to be loyal to their institutions and commitment to the goals of these institutions which improves performance.

Customer satisfaction is one of the most important and serious issues towards success in today's competitive business environment, as it affects company market shares and customer retention. A satisfied customer is the need and demand for the survival and growth of any business including SACCOs.

Microfinance Institutions (MFIs), especially, SACCOs should work hard to win the hearts of customers by satisfying them in order that they became royal customers. The study adds value to the relationships that are involved between management control systems (participatory budgeting) and performance of SACCOs.

The key implications for managers from our research is that, Performance of SACCOs can be increased as a result of increased participatory budgeting because without critical participatory budgeting managers are likely to overlook some vital ingredients that subsequently impede implementation and it also allows for divergent views.

Company management bodies should further investigate to better understand how their clients think and respond, because, they are seeking to improve their customer satisfaction levels to increase their participation.

Although our study makes contributions to the understanding of the relationship between participatory budgeting and performance of SACCOs, it has limitations. First, the study is restricted to the member owned MFIs only (the SACCOs), leaving out other types of microfinance institutions and even other financial institutions. Secondly, the nature of the sampling units under study cannot be generalized to a large population as only one district was examined. Thirdly, the use of cross-sectional data in a single industry also limits some of the conclusions obtained.

In view of the limitations, the study opens up areas for further research. One, would be to extend the model to other types of microfinance institutions and even other financial institutions. Secondly, future studies should explore appropriate econometric methods that improve the understanding of the SACCOs sector across the country. Thirdly, larger sample size should be used for more accurate findings and which is more generalizable nationwide. Additional constructs may also be added into this model, based on literature and be tested empirically.

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