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FINANCIAL CONTROLS AND PROFITABILITY PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVES IN UGANDA

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Abstract

Profitability has been the primary concern of business practitioners in all types of organisations including Savings and Credit Cooperatives, (SACCOs), since it as implications on organisations' health and ultimately their survival. The purpose of this study was to investigate the influence of financial controls on profitability performance of Savings and Credit Cooperatives in Wakiso district, Uganda. A correlational cross-sectional survey design was used. Using questionnaires and interviews data were collected from 10 SACCOs and from a sample of SACCO members, board of directors, audit committee members and members of staff of selected SACCOs. Documentary analysis was done to enrich conceptualization of the problem and interpretation of data. The results revealed that financial controls are significant influencial factors of profitability performance of SACCOs in Wakiso district. Participatory budgeting is not a significant influencial factor of profitability performance, but management should emphasize it because stakeholders are motivated to meet budgets they have had a hand in shaping. The budgeting process, if wisely administered, compels management planning, provides definite framework for finding subsequent performance and promotes effective communication and coordination among various segments of SACCOs. The need for application of financial controls for effective performance of SACCOs in Wakiso district is suggested.

Keywords: Financial Controls, participatory budgeting, budgeting process, profitability performance, savings and credit Cooperatives, Uganda

INTRODUCTION

Savings and Credit Cooperatives (SACCOs), are types of member owned Microfinance Institutions (MFIs), and are formed on assumption that members will save together and give loans to each other. The microfinance paradigms focus on reduction of poverty through improving access to finance and financial services. (Buwule, 2016)

Objectives of Savings and Credit Cooperatives among others, include: creating source of funds from which members in need can take productive loans with low, but market based interest rates; educating members with respect to how to save and wise use of savings; providing services to members including financial counseling to enable them solve their financial problems and risk management services to ensure the safety of their savings and loans and to provide other related services for example, money transfer, payment services and insurance (Batarinyebwa and Kabuga,1995). To achieve their objectives, SACCOs must have management control systems put in place to provide information to assist in control, so that these institutions are operated efficiently so as to make it possible for the poor to continue access financial services. Therefore, it is necessary to review the work and performance of these SACCOs at regular intervals, to ensure they operate profitably. Among the management control systems that can be put in place to evaluate the performance of different organisational resources in line with their strategies, are financial controls, which in this study are operationalised as participatory budgeting and budgeting process.

Profitability is the primary goal of all business ventures including SACCOs. A business that is not profitable cannot survive in the long run. Profitability is the most important indicator of success of business. The information about company performance, especially about profitability is useful in substantiating managerial decisions regarding potential changes in the financial resources that the company will be able to control in the future. Profitability has been the primary concern of business practitioners in all types of organisations, since it has implications on organisation's health and ultimately its survival. Profitability measures the extent to which a business generates a profit from the factors of production: labour, management and capital. Profitability analysis focuses on the relationship between revenues and expenses and on the level of profits relative to the size of investment in the business (Obara,2013)

SACCOs in Uganda and elsewhere, are expected to reduce poverty which is considered as the most important development objective. Nevertheless, the positive impact of SACCOs, on the social and economic welfare of the low income people can only be achieved, if these institutions continue to register good financial performance, especially when they continue to be profitable. Although several studies have been conducted to isolate correlates of profitability and other performance measures in MFIs, using large and developed MFIs in various countries and economies, there are limited studies on the correlates or factors that determine performance in the context of SACCOs, which are considered small firms in Uganda. Consequently, the factors, affecting profitability performance in these institutions are not clearly known.

Further, as many previous studies affirm, for example, Christen, Rhyne, Vogel & McKeen, 1995, and Cull, Dermigue & Morduch, 2007, the level of significance of these correlates in affecting performance of MFIs, varies due to a number of underlying factors in a given country. Some of the correlates are applicable to a set of MFIs, and some are not significant. Moreover, unlike other MFIs, which are supervised and are listed on the exchange markets, with possibly extra regulations, SACCOs in Uganda, are not supervised by Central bank (Bank of Uganda (BoU), and are not listed on the exchange market. Results in these institutions may be different, and therefore, the need for this study to bridge this knowledge gap and to increase our understanding of factors that affect performance of SACCOs, in Uganda which are considered small.

From the above discussions, it shows how important profitability is, in SACCOs and how studying correlates of profitability in these institutions, becomes a central point. This study therefore, was designed to investigate the influence of financial controls, particularly, participatory budgeting and budgeting process respectively, on profitability performance of SACCOs, focusing on Wakiso district in Uganda. Thus, the objectives of the study are:

1. To investigate the influence of participatory budgeting on profitability performance of selected SACCOs in Wakiso district
2. To analyse the influence of budgeting process on profitability performance of selected SACCOs in Wakiso district.

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

Ho^1: There is no statistically significant influence of participatory budgeting on profitability performance of selected SACCOs in Wakiso district.

Ho^2: There is no statistically significant influence of budgeting process on profitability performance of selected SACCOs in Wakiso district.

THEORETICAL REVIEW

The theory that underpinned the study is the Cognitive Evaluation Theory. According to this theory, when looking at a task, we evaluate it in terms of how well it meets over needs to feel competent and in control. If we think we can complete the task, then we become intrinsically motivated to complete it without external motivation. When people have a stronger internal locus of control, they will feel they are in control of how they behave. When they have a stronger external locus of control, they will believe the other external forces have a greater influence over what they do. Participatory budgeting process creates a sense of responsibility over the people in charge of different sections or units of an organisation. The feeling of being in control of the outcomes of the results of a unit, due to accomplishment of budget targets, can be a source of motivation and thus, improvement of performance. When people see the rewards as mostly for control, they will be motivated by gaining the rewards, but not by enhancing the requested behavior.

According to cognitive evaluation theory, there are two kinds of motivations. Intrinsic motivation includes achievements responsibility and come from the actual performance and the task or job. Extrinsic motivation includes, promotion, feedback, working conditions among others. This kind of motivation come from a person's environment and is controlled by others. Budget achievement is thus a powerful intrinsic motivator especially when there is participation, as it creates a sense of personal satisfaction and is a boast to performance. Thus, if there is participation in the budgeting process, we can use the cognitive Evaluation theory, to explain and predict performance of SACCOs. The central idea in this theory is to involve people in the budgeting process so that they are intrinsically motivated, which thus, can be a boost to performance.

LITERATURE REVIEW

Management control systems are mechanisms put in place to provide information about performance progress, and to assist in control. Control is the process of ensuring that a firm's activities conform to its plans and that its objectives are achieved (Buwule,2016). Further, as Drury (2006), points out, there can be no control without objectives and plans, as these pre-determine and specify the desirable behavior and set out the procedures that should be followed by members of the organisation to ensure a firm is operated efficiently. Controls are purely a means to an end, the end is the control. Control is the function that makes sure that actual work is done to fulfill the original intention and controls are used to provide information to assist in determining the control action to be taken (Buwule, 2016).

A control system is necessary in any organisation in which activities of different units, departments and divisions must be monitored and coordinated. A generally acceptable framework for management controls consists of four parts identified as: setting of standards, measuring performance, comparing performance with standards and taking appropriate actions when and where necessary (Jamil & Mohamed, 2011). Variety of control mechanisms used by contemporary managers to cope with differing problems and elements of their organisations include budgeting among others (Maseko, 2012). The ability of the budgets to coordinate the allocation of resources through internal communication while at the same time, serving as a means of expenditure authorization and evaluation base has made them the most important tools that are at mangers disposal today, when running a company.

The purpose of budgeting is that it gives management an idea of how well a company is meeting its income goals; whether or not expenses are in line with predicted levels and how well controls are working. If properly used, budgeting can and should increase profits, reduce unnecessary spending and clearly define how immediate steps can be taken to expand markets (Suharman, 2011). Management needs to build a budgeting system which would set acceptable targets for revenue and expenses, increase the likely hood that targets will be reached and provide time and opportunity to formulate and evaluate options should problems arise.

As Kamukama (2006), points out, financial controls represent the predominant controls for several reasons: First, all organisations need to express and aggregate the results of a wide range of dissimilar activities using a common measure and that monetary measure meets this requirement. Second, profitability and liquidity relating to these and other areas can be closely monitored by stakeholders. Third, financial measures also enable a common course of action and fourth, measuring results provide a mechanism to indicate whether the actions benefited the organisation or not.

In today's highly intense competitive environment, running a business professionally is not only just a good idea, but a requirement for its survival (Ariyo,2009; Banabo and Koroye,2011). A frequently mentioned specific shortcoming of many small business managers including SACCOs' managers which are considered small in Uganda, is the failure to put in place effective financial control systems that guarantee meaningful organisational performance (Adeniyi, Abioye, Abiola & Bisayo, 2014).

Several studies are available on the role of financial controls on organisational effectiveness and majority reveal a positive relationship (Chittithworn et al., 2011 and Siwagaza et al.,2014). To achieve economic performance, financial control mechanisms need to be installed. Financial controls in this study are operationalised as participatory budgeting and budgeting process.

Participatory Budgeting and Profitability performance of firms

Participatory budgeting which is a type of participatory democracy in which members and other stakeholders decide how to allocate their resources, set targets and evaluate performance is essential in any business venture. Profits are the most important measures of the firm's performance as the major issue, which is important to shareholders to see how their resources are used (Pandey, 1996). Profitability is the primary goal of all business ventures. It answers the question whether one is making enough money for the efforts and allows the strengths and weaknesses to be identified. Without profitability, the business will not survive in the long run. Therefore, measuring current and past profitability and projecting future profitability is very important (Nabaasa,2009). Drury (2006), examines the relationship between participatory budgeting and business performance, and affirm that it is essential in stimulating profitability and liquidity aspects on which the success of any organisation is pegged.

Stoner (2001), aver that participatory budgeting stimulates performance by enabling a common decision rule to be applied to alternative courses of action, and enables mangers to be given autonomy, which give them the freedom to take whatever actions they consider appropriate in achieving the desired goals. In the same vein, 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. Libby & Waterhouse(1996), indicate 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.

Merchant (1984) and Chung (1996), affirm 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. 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. Simons (2000) failed to indicate how the impetus arises, which qualitative gap was filled by Merchant (1985), by alluding that without critical participatory budgeting, managers are likely to overlook some vital ingredients or hidden information that might consequently impede implementation.

Participation in the budgeting process yields benefits such as increasing employee motivation and commitment to the budget, fostering creativity among all levels of employees, increasing a sense of responsibility, increasing job satisfaction and also performance. Budget goals should be negotiated through budget participation and be set at a tight but attainable level (Abata, 2014). The general lack of participation of employees in budget setting process are borne out of the fact that they are not granted the opportunity (Abata,2014). Nevertheless, there are also dangers inherent in participatory budgeting. Some managers may use the opportunity given by participation to reduce the standards demanded of them to create bias in the estimates they submit. Participation is no universal solution. It needs to be used with care and understanding. (Emmanuel, Otley & Merchant,1990)

Abata (2014), gives the various factors that help the organisation to decide whether or not participation is worthwhile and if so, how it can be made most effective. These factors include the cultural setting of the organisation, the work situation, the management style of the organisation, the relationship between supervisors and the supervised, the extent of decentralization and the type of structure among others.

Previous studies (Chenhall & Brownell,2011 and Chalos and Haka, 2007) report that a well organised budgeting system which encourage the genuine participation and involvement of operating management in the preparation of budgets and the establishment of agreed performance levels have been found to have a positive and motivating effect. Hence, the adoption of participative budgeting by organisations will most likely generate a high level of managerial performance, because budget participation will ensure only attainable standards are set and pursued. Abata (2014), found a significant relationship between managerial performance and participatory budgeting. A study by Abdirisaq & Yassin (2013) revealed that budget participation does not affect remittance companies' performance. Noor and Othman, (2012) and Suharman, (2011), report a negative association between participative budgeting and public sector performance. These inconsistent findings provide the basis for this current study. Further, the problem still is that, much as the above studies provide useful outcomes, they were carried out in distant geographical locations, such as Australia and Canada, necessitating a new study based in Uganda. This thus led to testing of the first null hypothesis, *Ho^1: that there is no statistically significant influence of participatory budgeting on profitability performance of SACCOs in Wakiso district.*

Budgeting process and profitability performance of firms

Budgeting is a process of indentifying, gathering, summarizing and communicating financial and non-financial information about an organisation's future activities (Needles, Powers & Crosson (2002). To identify, gather, summarise and communicate the needed information, budgeting involves a series of stages /phases which need to be coordinated in order to realize results (Kamukama, 2006). Budgeting process pushes managers to take time to create strategies, targets and goals before activity begins. The budgeting process forces managers to access current operating conditions and assists in forecasting and implementation of needed changes. Budget analysis should be a regular and ongoing part of management duties because it helps to provide a means to evaluate performance once the task has been completed. If realistic goals have been established, comparing actual results can help management assess how well the organisation performed.

Although budgeting at the organisation level, serves multiple purposes and functions, the two basic roles of budgets are planning and control. Budgeting process in management accounting is generally classified into budget planning (budget setting or budget preparation) and budgetary control the process of ensuring that a firm's activities conform to its plan and that its objectives are achieved (Yang,2010). Budgets provide rational and tangible data facilitating and enabling decision making of organisations. If administered wisely the process of generating budgets. Compels management planning, provides definite expectations that are the best framework for finding subsequent performance and promotes effective communication and coordination among various segments of the organisation. All these should boost performance of the organisation.

Much as the multiple functions of budgeting are stated in previous studies, those studies majorly focus on budgeting and its application in large and publically listed companies and mainly in developed countries. Dugdale (1994), for example, finds that UK companies derive high benefits from the use of budgeting planning. In the same vein Bonn& Christodoulou (1996) indicated that 72 percent of the largest manufacturing companies in Australia use formalized planning systems. Joshi, Al-Mudhaki & Bremser (2003) on budgeting planning, control and performance in a developing country, finds that most of the firms prepare long term plans and operate and use budget variance to measure managers' performance for timely recognition of problems and to improve the next period's budget.

Researchers have paid little attention to the relationship between budgeting process and performance in small firms, including SACCOs in Uganda, which are also considered small. The relationship between budgeting process and performance of MFIs especially member owned MFIs (the SACCOs) is not clear. Merchant (1981), also aver that the budgeting process is adopted differently in forms which differ in size and diversity of organisational system. Consequently due to the small size of SACCOs and their limited resources, budgeting process in these institutions may be different from that of big companies. The issue of how budgeting process affects performance of SACCOs in Uganda is therefore, worthy to be explored.

Further, SACCOs in Uganda are categorised in tier four of Microfinance grouping by Bank of Uganda. This means that they have average qualified staff and management (Nanyonjo & Nsubuga, 2004), who may not adequately carry out the budgeting process, for example comparing actual results and intended targets. The averagely trained management and staff, may also not notice that sometimes budgets are out of balance and need modifying so that they can be compatible with other conditions, constraints and plans that are beyond managers' knowledge and control. The concerns above led to testing of the second hypothesis in the study: *Ho^2: That there is no statistically significant influence of budgeting process on profitability performance of selected SACCOs in Wakiso District.*

Drawing from previous studies, the independent variables in the study were financial controls, operationalised as participatory budgeting and budgeting process which were assumed to have an influence on performance of Savings and credit cooperatives. Performance of SACCOs was measured in terms of profitability.

METHODOLOGY

The study took a quantitative cross-sectional survey and expost-facto design. It was quantitative because it was based on variables measured with numbers and analysed with statistical procedures, and correlational, because the problem was identifying factors that influence an outcome, that is, performance of SACCOs (Amin, 2005). The cross-sectional design was adopted because the study was conducted across participants at a point in time without requiring the researchers to make a follow-up on the participants. Thus, it was used on account of its rapid turn- around in data collection as Creswell (2003) advises. The survey design helped to collect data from a large number of respondents and to generalise from the sample used, to the whole target population of all SACCOs in Wakiso district. According to Ahuja (2005) and Shajahan (2005), surveys are also amenable to rapid statistical analysis and are comparatively easy to administer and manage. The study was expost-facto since the researchers had no control over the study variables and only sought to report facts that were existing (Cooper & Schindler, 2008).

The study targeted one SACCO from each of the ten sub-countries in Wakiso district, which became the researchers' sampled population, and data were collected from members, board members, audit committee members, members of staff of SACCOs and technical officers from Ministry of Trade, Industry and Cooperatives, Uganda Cooperative Alliance (the apex organisation of the cooperative movement in Uganda) and Uganda Cooperative Savings and Credit Union (UCSCU).

The above 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 including random and purposive sampling methods to select the required sample from each category.

The unit of analysis in this study is a SACCO. One SACCO from a list of active SACCOs was randomly selected from each of the ten sub-Counties of Wakiso district. This made a total of ten SACCOs selected. For respondents, the researchers used the Table developed by Krejcie & Morgan (1970) as cited in Gay & Airasian (2003) for determining the sample sizes.

Quantitative primary data were mainly collected using self-administered questionnaires, while qualitative data were obtained through open-ended questions in the questionnaire and were also collected by interviewing key informants using interview guide.

Secondary data collection internally, involved consulting SACCO's bye-laws, financial and other operating policies. For external sources, the researchers used documents such as laws governing SACCOs in Uganda including Cooperative Statute 1991, and Cooperative Regulations 1992. Other documents used included official national publications, international publications, text books and the internet among others.

An item analysis based on means and standard deviations was used to help show how respondents rated themselves on the independent and dependent variables. Correlation and regression analyses were used to determine the associative relationship and casual relationships respectively, consistent with the study objectives. Qualitative data that were collected through open-ended questions in the questionnaires, interviews and scrutiny of documents were categorised, summarised, organised and analysed along the themes of the major variables. This was used to triangulate, findings obtained through quantitative analysis as (Barifaijo, Basheka & Oonyu,2010) advise.

FINDINGS

Descriptive Statistics Results

Table 1, gives the descriptive statistics results on profitability performance of SACCOs and participatory budgeting and budgeting process.

Table 1: Perceptions of respondents regarding profitability performance of SACCOs and participatory budgeting and budgeting process

	Mean	**Standard deviation**	**t**
Profitability performance of SACCOs	2.88	0.629	4.575
Participatory budgeting	3.96	0.665	5.955
Budgeting process	4.10	0.510	8.039

In this study, performance of SACCOs, was operationalised as profitability performance. A continuous dependent variable was generated on profitability performance and means and standard deviations determined. Descriptive results in Table 1, indicate that respondents rated themselves moderate on all aspects of profitability performance according to the overall mean (mean =2.88; SD=0.629 and t=4.575) significant at 0.01 or 1% critical level. Results further reveal that respondents rated themselves high on both participatory budgeting and budgeting process. Both means significant at 0.01 or 1% significance level (mean =3.96;SD= 0.665 and t =5.955) and (mean =4.10; SD = 0.510 and t=8.039) respectively.

Correlation Results

Table 2: Correlation between financial controls, participatory budgeting and budgeting process and profitability performance

		Profitability performance
Financial controls (participatory budgeting and budgeting process)	Pearson correlation	-0.222(*)
Participatory budgeting	Pearson correlation	-0.052
Budgeting process	Pearson correlation	-0.347(**)
N		86

**correlation is significant at the 0.05 level (2-tailed)*

***correlation is significant at the 0.01 level (2-tailed)*

Results in Table 2, show that there is a significant negative associative relationship between financial controls and profitability performance of SACCOs (r = -0.222*), at 0.05 significance level. The negative relationship between financial controls and profitability performance of SACCOs, meant that, when financial controls increase, profitability performance of SACCOs reduces. Further, results show that there is no significant associative relationship between participatory budgeting and profitability performance (r= -0.052), while a negative significant associative relationship between budgeting process and profitability performance exist, (r= -0.347**) at 0.01 or 1% significance level. However, there was need to confirm whether the relationships above were predictive or not and therefore, regression analyses were carried out.

Regression results

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

Model	Sum of square	df	Mean square	F_c	F_t	Interpretation
Regression	1.364	3	0.455	1.143	2.153	Not Significant
Residual	32.228	81	0.398			
Total	33.592	84				

R= 0.202, Adjusted R square = 0.005

Results in Table 3, indicate that participatory budgeting aspects are not collectively explanatory variables of profitability performance of 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. The study hypothesis (Ho^1: that there is no statistically significant influence of participatory budgeting on profitability performance of SACCOs) in Wakiso district was therefore, accepted / confirmed.

Table 4: Regression results of budgeting process and profitability performance of SACCOs

Model	**Sum of square**	**Df**	**Mean square**	F_c	F_t	**Interpretation**
Regression	2.110	2	1.055	2.779	2.368	Significant
Residual	31.498	83	0.379			
Total	33.608	85				

R= 0.251, Adjusted R square = 0.040

Results in Table 4, show that budgeting process aspects are collectively explanatory variables of profitability performance of SACCOs in Wakiso district at 0.10 or 10% critical level. F computed (F_C) = 2.779 while F tabulated (F_t) =2.368. Thus, F_C (2.779) is greater than F_t (f_2, 83;0.10 =2.368). The obtained F ratio is likely to occur by chance with a P<0.10. The casual relationship is significant when the computed F (F_C) is equal to or greater than the tabulated F (F_t) at the given significance level. However, budgeting process only explains 4 % to variations in profitability performance of SACCOs (adjusted R square = 0.040), meaning that there are other variables which strongly explain profitability performance of SACCOs in Wakiso district. This was also supported by the regression value of 2.110, compared to the residual value of 31.498. The study hypothesis however (Ho^2: that there is no statistically significant influence of budgeting process on profitability performance of SACCOs in Wakiso district) was rejected.

Table 5: Regression results of financial controls (participatory budgeting and budgeting process) and profitability performance

Model	**Sum of square**	**df**	**Mean square**	F_C	F_t	**Interpretation**
Regression	1.663	1	1.663	4.373	3.955	Significant
Residual	31.945	84	0.380			
Total	33.608	85				

R= 0.222, Adjusted R square = 0.038

Table 5, shows that financial controls (participatory budgeting and budgeting process) are collectively explanatory variables of profitability performance of SACCOs in Wakiso district. F computed (F_C) = 4.373, F_t = 3.955. F computed is greater than the tabulated F ($f_{1,\ 84;\ 0.05\ =\ 3.955}$).

The obtained F ratio is likely to occur by chance with a $P < 0.05$. The casual relationship is significant when the computed $F(F_C)$ is equal to or greater than the tabulated F (F_t) at the given significance level. The sub-hypothesis that there is no statistically significant influence of financial controls on profitability performance of SACCOs in Wakiso district was rejected. However, according to results in Table 5, financial controls only explain about 4% (adjusted square =0.038) to variations in profitability performance. This was also supported by the regression value of 1.663, compared to the residual value of 31.945, suggesting that there are other factors which strongly influence profitability performance, other than financial controls (participatory budgeting and budgeting process).

CONCLUSION AND RECOMMENDATIONS

The main objective of the study was to examine the influence of financial controls on profitability performance of SACCOs in Wakiso district. Specifically, the study focused on investigating the influence of participatory budgeting and budgeting process, respectively, on profitability performance of SACCOs in Wakiso district.

Financial controls (Participatory budgeting and budgeting process) are statistically influential factors of performance of SACCOs, $F_C = 4.373$ while $F_t = (f_{1,}\ 84;0.05 = 3.955)$. In today's highly intense competitive environment, running a business professionally, is not only just a good idea, but a requirement for its survival (Ariyo,2009 and Banabo & Koroye,2011). Thus, the need for application of strong financial controls in SACCO is necessary. Savings and Credit Cooperatives should put in place effective financial controls systems that guarantee meaningful organisational performance (Aderuyi et.al.,2014). Participatory budgeting aspects are not statistically significant influencial factors of profitability performance of SACCOs. However, though not a significant predictor of profitability performance, participatory budgeting is a necessary condition in SACCOs because when all stakeholders are involved in the budgeting, the financial needs of the SACCOs are comprehensively addressed and stakeholders meet budgets they have had a hand in shaping. Further, if all sectors are involved in the budgeting, commitment to the goals of these institutions will be high. Participatory budgeting allows for divergent views and without involving all sectors of the SACCOs in the budgeting, managers are likely to overlook some vital aspects and information that consequently may impede implementation.

Nevertheless, there are also dangers inherent in participatory budgeting. Some managers may use the opportunity given by participation to reduce the standards demanded of them to create bias in estimates they submit. Participation is no universal solution. It needs to be used with care and understanding. Factors such as the cultural setting of the organisation, the work situation, the management style of the the organisation, the relationship between supervisors and the supervised, the extent of decentralization and the type of structure among others should be considered to decide whether or not participation is worthwhile, and if so, how it can be made most effective.

Budgeting process aspects are collectively explanatory variables of profitability performance in SACCOs in Wakiso district. $F_C = 2.779$ while F_t is (f_2,83;0.10 = 2.368). Budgets in SACOs being accepted after going through a number of phases is a significant predictor of profitability performance (beta = -0.246, t = -2.287). However, accepting budgets after going through a number of phases, is a negative significant influential factor of profitability, because the phases in the budgeting process are costly to these institutions and therefore increase expenses which consequently reduce profits.

However, budget analysis should be a regular and on-going part of management duties, because it helps to provide a means to evaluate performance once the task has been completed. If realistic goals have been established, comparing actual results can help management assess how well the organisation performed. if administered well and wisely, the budgeting process compels management planning, provides definite expectations that are the best framework for finding subsequent performance and promotes effective communication and coordination among various segments of the organisations.

The study has contributed to the understanding of the influence of financial controls on the profitability performance of SACCOs. However, like any other research, it is not 100 percent perfect. It has some limitations and therefore findings should be used with caution to the extent of the following limitations. First, there were few variables included in the model, although performance of SACCOs can be measured by many other variables and is also influencial by not only financial controls. Moreover, even financial controls in the model were very few. Secondly, the study is restricted to member owned micro finance institutions (the SACCOs), which in Uganda are not supervised by Central Bank (Bank of Uganda) and are not listed institutions probably with extra regulations. Thirdly, the study was carried out at a point in time to examine, the management control systems (financial controls) that is, it was essentially a cross-sectional study. This may not give a complete picture of the phenomenon studied and may limit some of the conclusions obtained. Fourthly, the nature of the sampling units under study, cannot be generalized to a large population, as only 10 SACCOs out of over 80 SACCOs in the district were examined. Still further, one district only (Wakiso) out of over 100 districts in Uganda was considered.

The study, considering all those limitations, opens up areas for further research. One, more variables including financial and non-financial variables should be included in the model based on literature and be tested empirically to increase our understanding of the influence of management control systems on performance of SACCOs. Further, other measures of performance of SACCOs should be added in the model. Secondly, future studies should explore appropriate econometric methods that may improve the understanding of performance of SACCOs. Thirdly, the model could be extended to other types of MFIs and other organisations in Uganda and elsewhere. Fourthly, a large sample size, could be used for more accurate findings and which are more generalizable nationwide.

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