

The Influence Of Budget Controls On Financial Stability In Organisations: A Case Study Of Nansana Municipality

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Abstract

This study examined the influence of budget controls on financial stability in organisations, using Nansana Municipality as the case. Budget controls constitute the principal mechanism through which organisations align expenditure with resources, and their effectiveness determines whether an entity can meet obligations as they fall due, avoid the accumulation of arrears, and sustain operations without recourse to crisis measures. Nansana Municipality, one of Uganda's youngest and fastest-growing urban authorities located within the Greater Kampala Metropolitan Area, confronts an acute configuration of rapidly expanding service demand, a narrow and volatile local revenue base, and dependence on central transfers whose timing and magnitude it does not control, making it a demanding setting in which to examine whether budget controls can produce financial stability. The study adopted a positivist philosophy and a cross-sectional survey design, collecting data from 155 respondents drawn through stratified random sampling from a target population of 260 comprising municipal and division technical staff, finance and accounts personnel, internal audit, revenue collection officers, elected councillors, and heads of departments. A structured questionnaire measured four budget control dimensions, namely budget planning and preparation, budget implementation and expenditure control, budget monitoring and variance analysis, and revenue budgeting and collection control, against financial stability assessed through liquidity, arrears management, revenue predictability, and expenditure discipline. Analysis employed descriptive statistics, Pearson correlation, and multiple regression in SPSS version 26. Findings indicated that budget planning and preparation recorded the highest mean while revenue budgeting and collection control recorded the lowest. All dimensions correlated significantly and positively with financial stability, with budget implementation and expenditure control strongest ($r = 0.701$, $p < 0.01$), followed by budget monitoring and variance analysis ($r = 0.669$, $p < 0.01$), revenue budgeting and collection control ($r = 0.612$, $p < 0.01$), and budget planning and preparation ($r = 0.534$, $p < 0.01$). The regression model was significant ($F = 44.91$, $p < 0.001$), explaining 56.8 per cent of the variance in financial stability, with budget implementation and expenditure control ($\beta = 0.341$) and budget monitoring and variance analysis ($\beta = 0.286$) the dominant predictors. The study concludes that budget controls materially determine municipal financial stability and recommends strengthening commitment control, instituting systematic variance review, and broadening the local revenue base.

Keywords: Budget controls; financial stability; commitment control; variance analysis; local revenue; expenditure discipline; municipal finance; Nansana Municipality; Uganda.

1.0 Introduction

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Budgeting occupies a position in organisational management that few other instruments share, functioning simultaneously as a plan, a forecast, an authorization, a coordination device, a communication medium, a motivational instrument, and a standard against which performance is evaluated(Ahumuza et al., 2025). This multiplicity of functions is the source of both the budget's centrality and its recurrent difficulties, since the requirements of a good forecast and the requirements of a motivating target are not identical and may be directly opposed(Ntirandekura & Friday, 2022). Budget controls, understood as the systems and procedures through which actual financial activity is kept within budgeted parameters, constitute the operational core of this apparatus, encompassing the processes by which budgets are prepared, expenditures authorized and committed, variances detected and explained, and corrective action initiated(Paul et al., 2023).

The intellectual foundations of budgetary control lie in management accounting, where classical work established the logic of responsibility accounting, in which controllable costs are assigned to managers with authority over them, and of variance analysis, in which differences between budgeted and actual outcomes are decomposed into their price and quantity components to isolate causes and assign accountability(Akankwasa et al., 2022). Subsequent behavioural research complicated this technical picture considerably, demonstrating that budgets influence conduct in ways that the mechanical model does not anticipate. Studies established that budget participation improves acceptance but may induce budgetary slack as participants build cushions into their targets, that rigid budget-based evaluation encourages gaming and short-termism, and that the perceived fairness of the budget process determines whether targets motivate or alienate(Ntirandekura & Friday, 2022). These findings gave rise to the influential distinction between diagnostic use of budgets, in which they function as exception-reporting control devices, and interactive use, in which they function as vehicles for organisational dialogue about uncertainty and strategy(Annet et al., 2023).

Financial stability, the outcome variable of this study, refers to an entity's capacity to meet its financial obligations as they fall due while sustaining its operations without recourse to distress measures(Julius & Nancy, 2026). In the corporate sphere it is conventionally assessed through liquidity ratios, leverage, and interest coverage. In the public sector, and particularly in local government, the construct requires reformulation, since municipalities do not fail in the way that firms do; they cannot be liquidated, and their obligations do not accelerate(Akankwasa et al., 2022). What they do instead is accumulate arrears, defer maintenance, delay salaries, and allow service quality to erode, so that fiscal distress in local government manifests not as insolvency but as the silent transfer of costs to suppliers who wait for payment, to staff whose remuneration is late, and to citizens whose services degrade(Deus, 2023). Municipal financial stability is therefore better assessed through the capacity to meet obligations without arrears accumulation, the predictability of revenue against forecast, and the discipline of expenditure against appropriation(David et al., 2023).

Local governments in Uganda confront a fiscal architecture that makes this stability structurally difficult to achieve. The abolition of graduated tax in 2005, undertaken for reasons of political economy that were compelling in their own

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terms, removed the principal source of discretionary local revenue without a fiscally equivalent replacement, leaving local revenue dependent on property rates whose valuation rolls are frequently outdated, trading licences whose enforcement is politically contested, and market dues whose collection is often outsourced to agents on terms that transfer much of the yield away from the authority (Amos et al., 2024). The resulting revenue base is narrow, volatile, and small relative to expenditure needs, with the consequence that the majority of municipal resources arrive as central transfers whose amount is determined by formula and whose timing is determined by central cash management. A municipality in this position controls neither the quantity nor the timing of most of its resources, which raises the central question this study addresses: can budget controls produce financial stability when the principal determinants of resource flow lie outside the controlling entity?

Nansana Municipality embodies this question with unusual clarity. Elevated to municipal status relatively recently, it forms part of the rapidly urbanising belt surrounding Kampala and has experienced population growth that ranks among the highest in the country, driven by residential expansion of households working in the capital (Polycarp et al., 2023). This growth has generated immediate and compounding demand for solid waste management, road maintenance and drainage, street lighting, health facilities, and schools (Regan et al., 2024). The corresponding revenue base has not expanded proportionately: much of the new residential development escapes the property valuation roll, informal commercial activity evades trading licence assessment, and the municipality's youth means that its administrative systems, staffing establishment, and valuation infrastructure are less developed than those of longer-established authorities (Julius & Kazaara, 2025). The mismatch between demand growth and revenue growth places extraordinary weight on budget control as the mechanism through which limited resources are rationed, and makes Nansana an informative case for examining what budget controls can and cannot accomplish.

The theoretical expectation is that budget controls improve financial stability through several mechanisms: planning aligns commitment with anticipated resources; expenditure control prevents obligations from being incurred without funding; monitoring detects deviation while correction remains possible; and revenue control improves the realization of forecast income (Ramadhan et al., 2023). Yet each of these mechanisms is contingent on conditions that may not obtain. Planning requires reliable forecasts, which require predictable transfers. Expenditure control requires that commitments cannot be incurred outside the system, which requires both technology and political discipline. Monitoring requires that variance information reaches decision-makers in time to matter and that they possess levers to respond. Revenue control requires enforcement capacity and political tolerance for enforcement (Nancy & Prudence, 2024). The empirical question is therefore not whether budget controls matter in principle but which of them function under the specific constraints of a young, rapidly growing, transfer-dependent Ugandan municipality.

1.1 Problem Statement

Nansana Municipality is required under the Local Governments Act, the Public Finance Management Act of 2015, and associated financial and accounting regulations to prepare realistic budgets, control expenditure within approved appropriations, monitor implementation against plan, and collect budgeted local revenue (Amos et al., 2024). The ideal situation is a municipality in which budgets are grounded in defensible revenue forecasts, expenditures are committed only against available funding, variances are detected and corrected during the financial year, local revenue is realised at or near forecast, and the authority consequently meets its obligations as they fall due without accumulating arrears, delaying salaries, or deferring essential maintenance (Julius & Kazaara, 2026).

The prevailing situation departs materially from this ideal. Local revenue collections have persistently fallen short of budgeted targets, a shortfall attributable to outdated property valuation rolls that exclude much of the municipality's recent residential expansion, to trading licence enforcement that is politically constrained, and to collection arrangements that transfer substantial portions of yield to agents (Julius & Audrey, 2025). Domestic arrears have accumulated, with suppliers of goods and services awaiting payment across financial years, which is itself evidence that commitments have been incurred beyond available funding, since arrears cannot arise where commitment control is effective. Budget implementation reports have documented substantial variances between appropriation and expenditure, with virements and reallocations occurring in ways that indicate the original budget was not functioning as a binding constraint. Service delivery consequences follow directly: solid waste collection has been intermittent, drainage maintenance deferred, and road works delayed, in each case not because the activity was unbudgeted but because the funding budgeted for it did not materialise or was consumed elsewhere (Ntirandekura & Friday, 2022).

If this situation persists, the consequences compound in a manner particular to municipal finance. Arrears to suppliers raise the prices the municipality subsequently pays, since vendors price the risk of delayed payment into their bids, so that fiscal indiscipline becomes self-reinforcing through the procurement channel. Deferred maintenance of roads and drainage converts a recurrent obligation into a capital one, since a road not maintained does not remain in its current condition but deteriorates to a state requiring reconstruction at multiples of the maintenance cost, and this is the mechanism by which fiscal weakness today becomes fiscal catastrophe tomorrow. Persistent revenue underperformance erodes the credibility of subsequent budgets, since departments that learn their allocations will not be funded cease to plan against them and instead compete for whatever cash arrives, which destroys the budget's coordinating function entirely. Most fundamentally, in a municipality whose population is growing faster than its service infrastructure, every year of fiscal underperformance widens a gap that becomes progressively harder to close.

While a substantial management accounting literature examines budgetary control, this evidence derives overwhelmingly from private sector firms operating with revenue they generate and control, a condition that does not obtain in a transfer-dependent municipality. Studies of Ugandan local government budgeting have tended to be

descriptive and compliance-oriented, documenting variances and audit findings without establishing which budget control dimensions actually drive financial stability, and have generally treated budget control as a single aggregate construct. This offers no guidance on where a capacity-constrained municipality should concentrate limited effort. No known study has disaggregated budget controls in Nansana Municipality and estimated the relative contribution of planning, expenditure control, monitoring, and revenue control to financial stability. This study addresses that gap.

1.2 Main Objective

The main objective of the study was to examine the influence of budget controls on financial stability in Nansana Municipality.

1.3 Specific Objectives

- i. To examine the influence of budget planning and preparation on financial stability in Nansana Municipality.
- ii. To assess the influence of budget implementation and expenditure control on financial stability in Nansana Municipality.
- iii. To determine the influence of budget monitoring and variance analysis on financial stability in Nansana Municipality.
- iv. To establish the influence of revenue budgeting and collection control on financial stability in Nansana Municipality.

2.0 Literature Review

2.1 Theoretical Framework

The study is anchored in the theory of budgetary control within management accounting, complemented by contingency theory and agency theory. Budgetary control theory holds that organisational performance is governed through a cycle of planning, in which objectives are translated into financial targets; authorisation, in which spending permission is granted within limits; measurement, in which actual outcomes are recorded; comparison, in which actuals are set against plan; and correction, in which deviations trigger intervention (Polycarp et al., 2023). The theory's foundational insight is that the cycle is only as strong as its weakest stage, since a plan without authorisation limits is aspirational, an authorisation without measurement is unverifiable, a measurement without comparison is inert data, and a comparison without correction is documentation (Alex & Kazaara, 2023). Applied to Nansana, this framing directs analytical attention to which stage of the cycle is breaking, and the accumulation of arrears is diagnostic in this respect, since arrears can only arise where the authorisation stage has failed to prevent commitments exceeding funding.

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Contingency theory qualifies the universalist claims of classical budgetary control by holding that the effectiveness of a control system depends on its fit with environmental and organisational circumstances, particularly environmental uncertainty (Irumba et al., 2024). The theory predicts that where uncertainty is high, rigid budget-based control performs poorly because the plan is falsified by events, and more flexible or interactive control is superior. This qualification is directly germane to a Ugandan municipality, where the principal source of uncertainty, the timing and magnitude of central transfers, is exogenous and substantial (Akankwasa et al., 2022). Contingency logic predicts that in such an environment, the planning stage of the control cycle will be structurally weak regardless of the effort invested in it, because no forecasting technique can predict an exogenous release schedule, and that control must therefore rely more heavily on the execution and monitoring stages, which respond to resources as they actually arrive rather than as they were anticipated (Faith et al., 2023).

Agency theory supplies the account of why budget controls are necessary rather than merely useful. Within a municipality, the relationships between council and administration, between accounting officer and heads of department, and between the authority and revenue collection agents each exhibit information asymmetry and objective divergence. Departments possess superior information about their true resource requirements and have incentives to overstate them, generating budgetary slack. Revenue agents possess superior information about actual collections and have incentives to understate them (T. Christopher et al., 2024). The theory predicts that control effectiveness depends on the probability of detection and the certainty of consequence, and it explains why monitoring systems that produce reports nobody acts upon fail to alter behaviour: detection without consequence carries no deterrent.

2.2 Budget Planning and Preparation and Financial Stability

Budget planning and preparation encompasses the forecasting of revenues, the estimation of expenditure requirements, the participation of departments in target-setting, and the alignment of budgets with strategic plans. The theorized mechanism linking planning to stability is realism: a budget grounded in defensible forecasts commits the organisation only to what it can fund, whereas an optimistic budget authorizes expenditure against revenue that will not materialise, and thereby manufactures the arrears it was meant to prevent (T. Christopher et al., 2024). Empirical evidence on participation is substantial but ambivalent. Studies establish that participation improves target acceptance and information quality, since departments know their operations better than central finance does. Yet a parallel literature demonstrates that participation induces slack, as participants build cushions to ensure targets are achievable (F. Christopher et al., 2022). Public sector research adds a specific complication with direct bearing on this study: municipal budgets frequently embed optimistic local revenue forecasts for political reasons, because a realistic forecast would require visible reduction of departmental allocations that councillors are unwilling to approve. Where

this occurs, the planning stage does not merely fail to prevent instability; it actively produces it by authorising expenditure against fictional revenue.

2.3 Budget Implementation and Expenditure Control and Financial Stability

Budget implementation and expenditure control encompasses commitment control, in which obligations cannot be incurred without verified budget availability; authorisation hierarchies; virement rules governing reallocation between votes; and cash management aligning payments with available balances(Akankwasa et al., 2022). The theorised mechanism is prevention: commitment control operates before an obligation exists, whereas every other control operates after. The empirical literature identifies commitment control as the single most important determinant of arrears accumulation in public financial management, and the logic is close to definitional, since arrears are by construction commitments that exceeded available funding, and an effective commitment control system makes their creation impossible(Ivan et al., 2023). Studies of integrated financial management systems report that commitment control modules reduce arrears substantially where fully deployed and enforced, but document a recurrent pattern of circumvention in which obligations are incurred outside the system through verbal instruction or informal supplier arrangements and subsequently regularised, which reproduces arrears while preserving the appearance of control(Gracious, 2023). Research consistently identifies the discriminating variable as whether the system can be overridden, and whether overrides carry consequences.

2.4 Budget Monitoring and Variance Analysis and Financial Stability

Budget monitoring and variance analysis encompasses periodic reporting of actual against budget, decomposition of variances into causes, investigation of significant deviations, and corrective action. The theorized mechanism is timely correction: a variance detected in the first quarter can be addressed while options remain, whereas the same variance detected at year-end can only be reported(Alex et al., 2023). Empirical evidence supports a positive association with fiscal outcomes, with the effect conditional on two factors that the literature emphasizes repeatedly. The first is timeliness, since variance reports produced months after the period they describe inform history rather than decisions(Sophie & Crispus, 2024). The second is consequence, since research documents settings in which variance reports are produced punctually, tabled formally, and acted upon never, so that the monitoring stage generates documentation rather than control. Studies also observe that variance analysis in local government is frequently confined to expenditure while revenue variances receive less scrutiny, despite revenue shortfall being the origin of the expenditure problem, an asymmetry that reflects the greater controllability of expenditure and the political discomfort of revenue enforcement.

2.5 Revenue Budgeting and Collection Control and Financial Stability

Revenue budgeting and collection control encompasses the realism of revenue forecasts, the maintenance of taxpayer and property registers, enforcement of assessment and collection, and controls over collection agents and receipting(Ramadhan et al., 2023). The theorised mechanism is straightforward: revenue realised at forecast permits budgeted expenditure to proceed, while revenue shortfall converts an approved budget into an unfunded mandate. Evidence from African local governments consistently identifies own-source revenue as both the smallest and most volatile component of municipal resources and the one most amenable to local control, which gives it strategic importance disproportionate to its share(Julius et al., 2024). Studies of Ugandan local revenue document the structural consequences of graduated tax abolition, the deterioration of property valuation rolls whose updating is expensive and politically fraught, and the widespread outsourcing of market and parking fee collection on terms that transfer much of the yield to agents. Research further establishes that local revenue enforcement is politically constrained in ways that central taxation is not, since councillors face electorates who are simultaneously the taxpayers, producing a systematic reluctance to enforce that no administrative reform can overcome.

2.6 Research Gap

The literature establishes that budget controls influence financial stability but that effects are contingent and unevenly distributed across control dimensions. Three gaps motivate this study. First, evidence derives predominantly from private firms that generate and control their own revenue, a condition absent in transfer-dependent municipalities. Second, Ugandan local government budgeting studies are largely descriptive and compliance-focused rather than analytical. Third, aggregate treatment of budget control conceals dimension-level variation and offers no guidance on prioritisation under capacity constraint. This study addresses these gaps through disaggregated analysis in a young, rapidly urbanising municipality.

3.0 Methodology

3.1 Research Philosophy and Design

The study adopted a positivist philosophy, premised on the position that budget control practices and financial stability exist as measurable phenomena independent of the observer and that their relationship can be estimated statistically. This is appropriate given that both constructs are operationalizable through established indicators and that the research question concerns magnitude and relative strength of relationships. A quantitative approach was employed accordingly. A cross-sectional descriptive and analytical survey design was adopted within a case study framework centred on Nansana Municipality(Abiodun et al., 2022). The descriptive component characterised the status of budget control practice and financial stability; the analytical component estimated relationships. Case study framing permitted contextual depth appropriate to a municipality whose demographic and fiscal circumstances are distinctive within the

local government system. The design's limitation in establishing temporal precedence is acknowledged, and findings are interpreted as associations consistent with theorised mechanisms rather than demonstrated causation.

3.2 Study Population and Sample

The target population comprised 260 individuals with direct engagement in budget processes or knowledge of the municipality's financial position, distributed across municipal technical departments, division administration, the finance and accounts cadre, internal audit, revenue collection, and elected councillors serving on finance and public accounts committees. The population was bounded by the criterion of informed visibility, since respondents were required to assess whether commitment controls actually prevent unfunded obligations and whether variance reports actually trigger action, judgements that presuppose participation in those processes.

A sample of 155 was determined using the Krejcie and Morgan table for a population of 260 at 95 per cent confidence and 5 per cent margin of error. Stratified random sampling was applied with strata defined by functional category. Stratification was necessary because vantage points differ systematically: accounts staff observe control operation, departmental heads observe control constraint, revenue officers observe collection reality, and councillors observe the political economy of budget approval and revenue enforcement, and all four perspectives are required for valid assessment(Sarah et al., 2024).

Stratum	Population	Sample	Technique
Municipal technical departments	54	32	Stratified random
Division administration	68	41	Stratified random
Finance and accounts	43	26	Stratified random
Internal audit	11	7	Stratified random
Revenue collection officers	47	28	Stratified random
Elected councillors (finance/PAC)	37	21	Stratified random
Total	260	155	

3.3 Data Collection Instrument

Data were collected through a structured, self-administered questionnaire in three sections. Section A captured demographic and institutional characteristics including gender, age, education, professional qualification, department, position, and years of service. Section B measured the four budget control dimensions: budget planning and preparation through nine items covering forecast realism, participation, strategic alignment, and timeliness; budget implementation and expenditure control through ten items covering commitment control, authorisation, virement discipline, and cash management; budget monitoring and variance analysis through nine items covering report

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frequency, timeliness, variance investigation, and corrective action; and revenue budgeting and collection control through eight items covering forecast realism, register maintenance, enforcement, and agent control. Section C measured financial stability through twelve items spanning liquidity, arrears management, revenue predictability, and expenditure discipline. Items used a five-point Likert scale(Faridah et al., 2023).

Items were adapted from established budgetary control instruments in the management accounting literature and from the Public Expenditure and Financial Accountability framework indicators on expenditure arrears, budget credibility, and revenue administration, with wording localised to Ugandan municipal terminology including accounting officer, vote, virement, and local revenue.

3.4 Validity and Reliability

Content validity was established through expert review by two management accounting academics and three senior local government finance practitioners, yielding a Content Validity Index of 0.86. Construct validity was assessed through exploratory factor analysis with varimax rotation, with a Kaiser-Meyer-Olkin measure of 0.827 and a significant Bartlett's test confirming factorability; items loading below 0.50 or cross-loading substantially were removed and the retained solution reproduced the hypothesised five-factor structure. Reliability was assessed through Cronbach's alpha on a pilot of 25 respondents from a neighbouring municipality excluded from the main study, yielding 0.812 for budget planning and preparation, 0.874 for budget implementation and expenditure control, 0.849 for budget monitoring and variance analysis, 0.796 for revenue budgeting and collection control, and 0.896 for financial stability.

3.5 Data Analysis

Data were coded and analysed in IBM SPSS version 26 after screening for completeness, missing values, and outliers(Nelson et al., 2022). Descriptive statistics summarised distributions, with means interpreted against a scale in which 1.00 to 1.80 denotes very low, 1.81 to 2.60 low, 2.61 to 3.40 moderate, 3.41 to 4.20 high, and 4.21 to 5.00 very high. Pearson correlation established bivariate relationships and multiple regression estimated joint and relative predictive contributions. Regression assumptions of normality, linearity, homoscedasticity, independence of errors, and absence of multicollinearity were tested through Shapiro-Wilk statistics, residual scatterplots, the Durbin-Watson statistic, and variance inflation factors.

3.6 Ethical Considerations

Ethical clearance was obtained from the relevant institutional review committee and introduction secured through the Office of the Town Clerk. Participation was voluntary and based on informed consent with the right of withdrawal. Given that questions concerning arrears, commitment control circumvention, and revenue enforcement touch matters

with audit and political consequences, anonymity was rigorously protected: no identifying information was recorded, responses were not attributable to individuals or units, and data were stored securely with access restricted to the researcher. No inducements were offered and no confidential financial records were solicited.

4.0 Results

4.1 Response Rate

Of 155 questionnaires distributed, 144 were returned and 139 were usable after screening, yielding an effective response rate of 89.7 per cent, substantially exceeding the threshold for adequacy in survey research. The rate reflects institutional endorsement, on-site distribution and collection, and the professional relevance of budget matters to the respondent population.

4.2 Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev	Interpretation
Budget planning & preparation	139	1.89	4.89	3.56	0.652	High
Budget implementation & expenditure control	139	1.60	4.80	3.12	0.749	Moderate
Budget monitoring & variance analysis	139	1.67	4.78	3.24	0.716	Moderate
Revenue budgeting & collection control	139	1.38	4.63	2.71	0.824	Moderate
Financial stability	139	1.58	4.67	2.93	0.735	Moderate

Source: Primary Data, 2025

The descriptive findings describe a budget control system that is strongest at its front end and progressively weaker toward its execution, which is a pattern of considerable diagnostic value. Budget planning and preparation recorded the highest mean of 3.56 with the smallest standard deviation of 0.652, indicating both the strongest implementation and the greatest consensus. This is entirely consistent with the incentive structure surrounding local government budgeting in Uganda. Budget preparation is the stage subject to the most explicit procedural prescription, the clearest external deadlines, and the most direct central oversight, since the budget must be submitted to the Ministry of Finance in prescribed format by prescribed dates or the municipality risks its transfers. The stage is also the least costly to perform well, requiring documentation rather than the exercise of authority against interested parties. That the municipality performs best at the stage which is most prescribed and least contested is a rational institutional response rather than an anomaly(Nelson et al., 2023).

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Budget monitoring and variance analysis recorded a mean of 3.24, in the moderate band, with a standard deviation of 0.716. The interpretation supported is of a monitoring function that produces reports at prescribed intervals but whose analytical depth and, critically, whose connection to corrective action are perceived as limited. The moderate dispersion suggests that experience of monitoring varies across departments, likely reflecting whether individual heads of department engage with variance information or receive it passively. The literature's distinction between diagnostic and interactive budget use illuminates this reading: a monitoring system that circulates variance reports without triggering deliberation about causes and responses is operating diagnostically at best and ceremonially at worst.

Budget implementation and expenditure control recorded a mean of 3.12, in the moderate band and notably below planning, with a wider standard deviation of 0.749. This is the most consequential descriptive finding in the study, and it is corroborated by the observable fact of arrears accumulation, since arrears are definitionally the residue of failed commitment control. The gap of 0.44 between planning and implementation quantifies the divergence between what the municipality plans and what it enforces, and it describes a system in which the budget is prepared carefully and then not adhered to. The wider dispersion indicates that control is applied unevenly, which is characteristic of a regime that can be overridden, since where a system is absolute, perception converges, and where it depends on who is asking, perception disperses.

Revenue budgeting and collection control recorded the lowest mean of 2.71 and the largest standard deviation of 0.824, marking it as both the weakest and the most contested dimension. This finding sits at the heart of Nansana's fiscal predicament and admits a structural explanation. The municipality's revenue base rests on property rates whose valuation roll excludes much of the residential expansion that drives its population growth, on trading licences whose enforcement encounters political resistance from councillors whose constituents are the licensees, and on market and parking dues whose collection is frequently agent-mediated with substantial leakage. The wide dispersion reflects genuinely divergent vantage points, with revenue officers experiencing enforcement constraint, councillors experiencing political exposure, and finance staff experiencing the shortfall as an arithmetic fact. That this is the weakest dimension while also being the one over which the municipality has most theoretical control is the central irony of Ugandan municipal finance.

Financial stability recorded a mean of 2.93, in the moderate band and the second-lowest figure in the analysis. Its position is analytically telling: it sits well below planning, below monitoring and implementation, and just above revenue control. This ordering is inconsistent with a model in which stability is the average of control quality and consistent with one in which stability is constrained by the weakest link, specifically by the revenue realisation on which everything downstream depends. A municipality cannot be more stable than its resources permit, however carefully it plans.

4.3 Correlation Analysis

Variable	1	2	3	4	5
1. Budget planning & preparation	1				
2. Budget implementation & expenditure control	.521**	1			
3. Budget monitoring & variance analysis	.556**	.603**	1		
4. Revenue budgeting & collection control	.438**	.497**	.524**	1	
5. Financial stability	.534**	.701**	.669**	.612**	1

Note: ** Correlation is significant at the 0.01 level (2-tailed), N = 139.

Source: Primary Data, 2025

All four budget control dimensions correlate positively and significantly with financial stability at the one per cent level, confirming that budget control is materially connected to fiscal outcomes even in a transfer-dependent municipality whose principal resource flows are exogenously determined. This is a substantively important finding, since one plausible prior expectation was that where a municipality controls neither the amount nor the timing of most of its money, budget controls would be largely irrelevant to its stability. The data reject that expectation. Budget implementation and expenditure control exhibits the strongest association at $r = 0.701$, sharing approximately 49.1 per cent of variance with financial stability. This is theoretically the expected result and it is close to definitional in its logic. Financial stability in a municipal setting is measured substantially by the absence of arrears, and arrears are precisely commitments incurred beyond available funding, which is what expenditure control exists to prevent. Every other control dimension operates at a remove from this outcome: planning determines what the municipality intends to spend, monitoring determines what it discovers it has spent, but only commitment control determines what it can spend. The strength of this coefficient indicates that where respondents perceive commitment control as effective, the fiscal symptoms of instability are correspondingly absent, and it identifies the execution stage of the budget cycle as the point at which stability is won or lost.

Budget monitoring and variance analysis records the second strongest association at $r = 0.669$. The magnitude is notable because monitoring is retrospective and might be expected to correlate weakly with an outcome it merely observes. The interpretation that reconciles this is that monitoring's value lies in its timeliness: variance detected during the year permits correction while the year remains, and the coefficient's strength suggests that where monitoring is perceived as effective, it is functioning as an in-year control rather than as year-end reporting. The substantial inter-correlation between monitoring and implementation at $r = 0.603$ supports this, indicating that the two operate as a

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coupled system in which detection enables the exercise of control. Revenue budgeting and collection control correlates at $r = 0.612$, a moderate to strong association. Its position third is initially surprising given that revenue is the ultimate constraint on stability, and the explanation is the same restricted-variance phenomenon that recurs throughout this study's findings: this is the weakest implemented dimension at a mean of 2.71, and where a function is uniformly weak, the correlation understates its potential contribution because there is insufficient variation through which its effects can express themselves. The theoretical case that revenue realization determines municipal stability is close to arithmetic, and the coefficient should be read as a floor on its importance rather than a measure of it.

Budget planning and preparation records the weakest association at $r = 0.534$, despite recording the highest implementation mean of 3.56. This inversion is the study's most theoretically interesting correlational finding and it directly instantiates the contingency-theoretic prediction set out in the literature review. Planning quality contributes least to stability precisely because the dominant source of uncertainty in this municipality's finances is exogenous: no amount of forecasting rigour can predict when central transfers will arrive or in what amount, and no amount of participative target-setting can create local revenue that the valuation roll does not capture. The municipality plans well and the planning does not stabilise it, because the plan is falsified by events it does not control. This is the empirical signature of a control system whose front end is over-invested relative to the environment it faces. Inter-correlations among control dimensions, ranging from 0.438 to 0.603, confirm the budget cycle operates as an interdependent system while retaining distinct stages, and are moderate enough to permit regression without multicollinearity concerns.

4.4 Regression Analysis

Model Summary			
R	R Square	Adjusted R Square	Std. Error
.754	.568	.556	.4896

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Regression	43.062	4	10.766	44.91	.000
Residual	32.128	134	0.240		
Total	75.190	138			

Predictor	B	Std. Error	Beta	t	Sig.	VIF
(Constant)	0.341	0.234		1.457	.147	
Budget planning & preparation	0.148	0.063	.131	2.349	.020	1.518
Budget implementation & expenditure control	0.335	0.069	.341	4.855	.000	1.746
Budget monitoring & variance analysis	0.294	0.071	.286	4.141	.000	1.812
Revenue budgeting & collection control	0.227	0.058	.254	3.914	.000	1.594

Dependent Variable: Financial Stability. Durbin-Watson = 1.903.

Source: Primary Data, 2025

The regression model is highly significant, with $F(4, 134) = 44.91$ and $p < 0.001$, establishing that the four budget control dimensions jointly predict financial stability. The R squared of 0.568 indicates that the model explains 56.8 per cent of variance in financial stability, with an adjusted value of 0.556 confirming robustness. This is a substantial explanatory result and it carries a conclusion of practical importance for Ugandan local government: even in a municipality that controls neither the quantity nor the timing of the majority of its resources, how it manages the money it receives accounts for the majority of explicable variation in whether it can meet its obligations. This rejects the fatalistic view that transfer dependence renders local financial management inconsequential. The unexplained 43.2 per cent reflects factors outside the model, plausibly including the absolute adequacy of the resource envelope against Nansana's exceptional population growth, the timing volatility of central transfers, macroeconomic conditions affecting the local revenue base, and political interference in expenditure and enforcement decisions. Diagnostics support the model, with variance inflation factors between 1.518 and 1.812 and a Durbin-Watson statistic of 1.903 confirming residual independence.

Budget implementation and expenditure control emerges as the strongest predictor with a standardised beta of 0.341 at $p < 0.001$, retaining its primacy in the multivariate model and thereby demonstrating an independent contribution not reducible to its correlation with monitoring. The unstandardized coefficient of 0.335 indicates that a one-unit improvement in expenditure control, holding other dimensions constant, is associated with a 0.335-unit improvement in financial stability. Read against the descriptive finding that this dimension records a mean of only 3.12, substantially below planning, the result constitutes the study's clearest policy signal. The municipality is investing its control effort at the stage of the budget cycle that contributes least and under-investing at the stage that contributes most. The mechanism is unambiguous: arrears, the principal manifestation of municipal fiscal distress, are created at the moment a commitment is incurred without funding, and only commitment control operates at that moment.

Budget monitoring and variance analysis is the second strongest predictor with a beta of 0.286 at $p < 0.001$. Its substantial independent contribution, persisting after expenditure control is held constant, indicates that monitoring adds value beyond enabling control, plausibly through the reallocation decisions that in-year variance information permits and through the accountability pressure that visible variance reporting exerts on departments. The pairing of implementation and monitoring as the two dominant predictors describes a coherent mechanism in which detection and constraint operate together, and it locates the effective portion of the budget cycle firmly in its execution and feedback stages rather than its planning stage.

Revenue budgeting and collection control records a beta of 0.254 at $p < 0.001$, a substantial and highly significant independent contribution that ranks third. Its interpretation must be read against its descriptive standing as the weakest implemented dimension at a mean of 2.71. This combination, weakest implementation coupled with a strong significant independent effect, identifies revenue control as the largest reservoir of unexploited stabilising capacity available to the municipality, because marginal returns are greatest where current implementation is lowest. Crucially, revenue is also the dimension over which the municipality possesses the most genuine autonomy, since it cannot alter its transfer formula or release schedule but it can update its valuation roll, register its new developments, and control its collection agents. The finding therefore points to the intersection of high marginal return and genuine local discretion, which is precisely where scarce reform capacity should be deployed.

Budget planning and preparation records the smallest beta at 0.131, significant only at $p = 0.020$, the weakest result in the model despite this dimension recording the highest implementation mean of 3.56. This inversion is the study's central analytical finding and it warrants emphasis. The municipality performs best at the control stage that matters least for its stability. The explanation is contingency-theoretic and structural rather than a criticism of local effort: planning stabilises an organisation by committing it only to what it can fund, but this mechanism presupposes that funding is forecastable. In a municipality where the majority of resources arrive as centrally determined transfers on schedules communicated late or not at all, and where local revenue forecasts are politically rather than technically determined, the plan cannot perform its stabilising function no matter how well it is constructed. The effort invested in planning is a rational response to central procedural requirements rather than to fiscal reality, and it produces compliance rather than stability. The regression equation may be expressed as $FS = 0.341 + 0.148(BPP) + 0.335(BIEC) + 0.294(BMVA) + 0.227(RBCC)$.

5.0 Conclusion and Recommendations

The study concludes that budget controls exert a substantial and statistically significant influence on financial stability in Nansana Municipality, jointly explaining 56.8 per cent of variance, and that this holds notwithstanding the municipality's limited control over its principal resource flows. Budget implementation and expenditure control is the dominant driver, followed by monitoring and variance analysis, while planning, despite being the best implemented

dimension, contributes least. Revenue budgeting and collection control is the weakest implemented dimension yet remains a strong independent predictor, identifying it as the greatest unrealised opportunity and the one over which the municipality holds genuine discretion.

It is recommended that Nansana Municipality make commitment control absolute by ensuring that no obligation can be incurred without system-verified budget availability, eliminating the override practices through which unfunded commitments become arrears, and attaching defined personal consequences to circumvention, since a control that can be overridden without cost is not a control. Monitoring should be converted from reporting to management by producing variance information within weeks rather than months of the period it describes, requiring departments to explain material variances before a standing forum, and tracking agreed corrective actions to completion. Revenue capacity should be strengthened as the priority investment, through updating and extending the property valuation roll to capture the residential expansion driving the municipality's growth, digitising the taxpayer and property registers, replacing agent-based collection with direct electronic payment channels that eliminate leakage, and building political consensus for enforcement, recognising that this last is a political rather than an administrative task. Budget preparation effort should be maintained at its current adequate level but not further intensified, and should incorporate conservative rather than politically negotiated local revenue forecasts, since an optimistic revenue budget does not merely fail to prevent instability but manufactures it by authorising expenditure against money that will not arrive.

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