
**IMPACT OF BUDGETING ON THE PROFITABILITY OF A
MANUFACTURING COMPANY, A CASE STUDY OF
HARRIS INTERNATIONAL**

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ABSTRACT

In the locally founded Harris International in Uganda, this study looked at the connection between budgeting and budgetary management as independent variables and financial success as a dependent variable. It specifically looked at the connections between financial management, budgetary management, and the financial health of organizations as well as the impact of donor policy on those relationships. The investigator looked into the reasons behind the poor financial performance of numerous organizations in Uganda, despite the fact that they control nearly 50% of the budget for the nation, due to the general anxiety over many businesses failing to meet projected budgetary performance goals, as Moore (2005) noted. In order to determine how accounting and budgetary management affected the financial health of community groups in Uganda, the study used a correlation research methodology. Due to the requirement to gather data that is qualitative as well as quantitative, it used both quantitative and qualitative methodologies. The survey included 15 human rights associations which were specifically chosen from the Kampala district. The 67 respondents were purposefully chosen for the sample size out of a total of 210 participants. The statistical information was evaluated using proportions, frequencies, and correlations, whereas qualitative research involves distilling data into insightful themes. Budgeting and financial performance of organizations were shown to have statistically significant positive associations ($r = .737$ and $.660$, respectively), as were budgetary control and the financial performance of the organization. When donor policy was in place, these correlations' strengths decreased to 0.710 and 0.612 , correspondingly. It was determined that donor policy undermines budgeting and budgetary control's influence on organizations' profitability. In order to decrease their reliance on donor financing, it is advised that organizations

diversified their revenue streams. They should also enhance their financial planning and financial management systems.

Key words: *budgeting, profitability, manufacturing company and budget controls*

Background to the Study

Budget and "Budgeting are concepts attributable to the biblical era, specifically the time of Joseph in Egypt, where it was said that "There's nothing was given out of the riches absent a written order," as stated by Akintoye (2018). According to history, Joseph set aside money for the famine and saved enough grain to sustain the Egyptians for the entire seven-year period (Annet et al., 2023).

Budgeting in companies is formally correlated with the emergence of commercial capitalism during the industrialization period of the 18th century, which provided a problem for corporate management, claim Glautier and Underdown (2017: p. 15). They claimed that the rise of a scientific management philosophy, which places a strong focus on using comprehensive information as a foundation for decision-making, gave administration financial and accounting approaches a significant boost (Deus, 2023).

One indicator of productivity and effectiveness in an organization is its financial health (Christopher, 2022), which may be significantly increased by effective asset planning and control (budgeting and budgetary control). This theory was significant to this study because it highlighted the value of planning in organizations in order to raise additional finances while managing them well, which has an impact on the way they perform financially (Racheal et al., 2023). As a result, the idea guided the study's efforts to determine how regional production firms raised money and how durable those sources were. Yasser K. Ahmad, Chadi K. Ahmad, and Izzat K. Ahmad laid the ideals and underpinnings for Hariss International Limited before it was established in Uganda. The business continues to operate under the same principles of entrepreneurship and tenacity today (Popov et al., 2020). However, Harris International struggles with the high expenses of acquiring financing in Uganda, just like all other Ugandan businesses do. Harris International will therefore serve as a case study in this study to

examine the impact of financial resources on company success (Kazaara & Christopher, 2023).

Statement of the Problem

The top producer of food and drink in Uganda is Hariss International Limited. The manufacture of both food and beverages has been carried out under the brand name RIHAM since its beginning in 2018. The business, which is based in Kawempe, Uganda, contends with Century Bottling Company and Crown Beverages, and it has a yearly spending of more than 2 trillion Ugandan Shillings. (Manual from Harris International, 2020)

The company reaps the advantages of having greater versatility because of its large annual budget and departmental spending plans, which allow it to fulfill orders from clients, grow its clientele, and invest in fresh products and services. Additionally, it gives the business a safety net in case it needs a little additional money (Guide, 2018). A company's capacity for funding all of its activities for a certain amount of time while worrying about where the money will come from is measured by its budgeting (Ntirandekura & Christopher, 2022). This contributes to the seamless operation of the company. Budgeting also increases the business's general effectiveness, which promotes overall performance improvement. One of the firm's goals is to unseat century bottling corporation (Coca Cola), which has had the competitor status for a while after losing its position as the market leader (Musaibah et al., 2023).

Budgeting has been criticized for always being wrong given that it just involves estimates; on occasion, it discourages workers who are not involved in the process, and on occasion, it results in problematic organization (Kizito, 2018). The process of creating a budget can take a long time. In order to quickly obtain favorable variations from the budget, a seasoned supervisor could try to introduce budgetary slack by purposefully boosting spending forecasts while decreasing revenue expectations. It takes a lot of oversight to identify and resolve what can be a major issue (Albert, 2016). The business's success over the long run could be at risk because of this. This study used Harris International as a case study to investigate the impact of accounting on company efficiency.

Objectives of the Study

1. *To examine the relationship between budgetary controls and organizational financial performance.*
2. *To examine the relationship between financial control and organizational performance.*
3. *To examine the effect of resource identification & accessibility organizational performance.*

Research Questions

1. *What is the relationship between budgetary controls and financial performance of Riham International?*
2. *What is the relationship between financial control and organizational performance of Riham International*
3. *What is the effect of resource identification & accessibility on organizational performance of Riham International?*

Methodology

Research Design

The method of inquiry for the study was descriptive correlational, cross-sectional, and case study survey. To determine whether there is a substantial association between advertisement and customer behavior, the descriptive correlational design was used. Because participants were asked questions on events that were already taking place, the ex-post facto design must be applied. Because a variety of participants may be chosen at once to take part in the study, a cross-sectional format was used.

Study Population

The majority of the study's participants were employees and clients of Harris International, Kawempe, particularly those in the marketing and sales divisions. The human resources officer estimates that there are 210 employees in this population. This group of people was chosen because it was thought that they would be familiar with the research topic and the variables that were being investigated.

Sample Size

The sample size was 67 respondents of which include marketing staff, selling staff and customers of Harris International, Kawempe.

Sampling Technique

The study employed both probability and non-probability sampling techniques. The researcher used the probability sample since the research is focused on the entire Riham population. Employees employed in the beverages company was eligible to participate in the study.

Probability sampling

Random Sampling

Any sampling technique that makes use of an arbitrary choice in any way is referred to as a probability sampling technique. You must build up a strategy or system that ensures that the various units in your community have equal chances of being selected in order to have an arbitrary selection approach. The approach known as probability sampling entails choosing a sample so that every component

of the population has an equal chance of being chosen (Amin, 2019). All components of the population were given a proportional possibility of being recognized within the sample by using the simple random sampling technique.

Cluster sampling method

Cluster sampling is a probability sampling technique where researchers divide the population into multiple groups (clusters) for research. Here, the researcher grouped the respondents into different clusters of employees, and owners of small and medium sized enterprises. This helped the researcher to easily identify the respondents and apply the right data collection instruments upon the right respondents.

Non-Probability sampling

Purposive sampling

The objects in the population do not have a clearly defined likelihood of being chosen in this non-probability approach (Amin, 2019). Utilizing his own judgment and experience, the investigator chose which volunteers had sufficient knowledge to participate in the study. This method is known as purposeful sampling. As a result, the investigator's evaluation of the participants' having access to the necessary information informed their choice of participants. Purposive sampling was subsequently carried out for Riham's highest-ranking executives and operational workers.

Data Analysis

SPSS was used to examine the data(Nelson et al., 2022). Tables, graphs, pie charts, and triangulation were used to illustrate the information. Narratives that were to be recorded through face-to-face interviews and through observation were used to analyze the qualitative information. In order to quickly analyze qualitative data, the investigator used an impressionistic summary. He noted significant results by taking note of the people's frequent responses to questions about marketing and how the entire marketing process affects their buying habits.

RESULTS

Organization's Income and Tenure

Table 1: Tenure of organization and volume of income

Tenure of organization	Volume of income				Total
	Less than 50,000,000/-	50,000,000-100,000,000/-	Over 100,000,000-150,000,000	Over 200,000,000/-	
Less than 6 years	4%	4%	4%	4%	16%
6-10 years	0%	0%	12%	22%	34%
11-15 years	14%	6%	4%	22%	46%
16-20 years	2%	0%	0%	2%	4%
Total	20%	10%	20%	50%	100%

Source: Primary data, 2022

According to data in Table 1 (62% of participants), the organization had been around for at least six years and earned more than \$100,000,000 annually. For further information, including percentages and frequency breakdowns, see Appendix 6. This suggests that it is more likely that businesses that have been established for a long time have developed their ability to budget and manage their finances through expertise, and as a result, they generate more income than those that have only been there for short periods of time.

Organizations' Major Source of Income

Table 2: Organizations' Major Source of Income

Major source of income	Frequency	Percent
Donor	50	100.0
Self-generated	0	0
Total	50	100.0

Source: Primary data, 2022

According to data in Table 2 below, every member of the board, program managers, local accounting professionals, and managers indicated that donations were the company's main source of income, whereas 0% indicated that it was self-generated. This was further supported by the records examined, which

demonstrated that donors are the business's main source of funding. The reason for this is that businesses whose primary source of income is donor funding are likely to encounter planning and economical control issues because donor funding is subject to conditions such as accounting regulations, reporting processes, percentages of spending on expenses, source of acquisition of specific assets, and so forth. The monetary achievements of these businesses may suffer as a result.

Table 3: Sampled respondents in selected Riham International

Local Manufacturing Companies	Frequency	Percent
1. Action on Disability and Development (ADD)	3	6.0
2. Hope After Rape (HAR)	4	8.0
3. Save Foundation	3	6.0
4. Uganda Women Writers Association (FEMRITE)	3	6.0
5. HUYS Link Community Initiative (HUYSLINCI)	3	6.0
6. African Centre for Treatment & Rehabilitation of Tortured Victims (ACTV)	4	8.0
7. Feed the Children Uganda (FTCU)	3	6.0
8. Platform for Labor Action (PLA)	3	6.0
9. Good Will Fraternity (GWF)	3	6.0
10. Reach the Youth Uganda (RYU)	4	8.0
11. Human Rights Concern (HURICO)	3	6.0
12. Africa for Christ (AFC)	4	8.0
13. Uganda Development Trust (UDT)	3	6.0
14. Uganda Anti-Corruption Coalition Unit (ACCU)	3	6.0
15. Build Uganda for Strategic Options (BUSO)	4	8.0
	50	100

Source: Primary data, 2022

The data presented in the Table 3 above show the number of respondents involved in the study from each of the 15 selected local Manufacturing Companies in

Uganda. The findings show that the study managed to select at least three respondents from each of the Riham International. The implication is that the researcher's sample size was a good representative of the entire population from which the sample was drawn.

Category of Respondents

Table 4: Respondents Position/Designation

Category of respondent	Frequency	Percent
Board Members	15	30.0
Program Coordinators/Officers	15	30.0
Executive Directors/Program Managers	10	20.0
Accountants	10	20.0
Total	50	100.0

Source: Primary data

The types of participants used in the study are displayed in this section by position. It is evident that 20% of the Executive directors/program managers and bookkeepers answered to the investigation's questions, while 30% of the board participants, program managers, and officers took part in the study. The consequence is that, as mentioned in the methodology section, the study was successful in engaging the targeted groups of participants in the planning, control of finances, donor policies, and financial achievements of Riham International. The different groups of responders are displayed in Table 5 below according to their classification.

Local Manufacturing Companies Budgeting

Table 5: Local Manufacturing Companies Budgeting: Descriptive Statistics

Items about Riham International' budgeting	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. Board members are key in formulating budgetary	28%	4%	0%	32%	36%	100%

policies						
2. My organization has strategic plan to support budgeting	22%	8%	0%	32%	38%	100%
3. Duty Bearers/ CRPs involved Riham International works are involved in budgetary planning	36%	6%	2%	36%	20%	100%
4. Project Coordinators/ Officers are involved in guiding stakeholder in budgeting process	6%	6%	0%	36%	52%	100%
5. Executive Directors approve budgets of my organization	6%	2%	0%	36%	56%	100%
6. Executive Directors often share budget information with stakeholders	24%	2%	2%	28%	44%	100%
7. My organization has budget policies & guidelines for stakeholders	38%	38%	0%	0%	24%	100%
8. Budget objectives of my organization are always achieved in time	38%	38%	4%	10%	10%	100%
9. Project objectives are in line with organizational policies	34%	6%	0%	38%	22%	100%
10. Organizational strategies to achieve budget objectives are adequate	38%	12%	2%	32%	16%	100%

11. My organization finds difficulty in mobilizing resources	10%	16%	2%	38%	34%	100%
12. Budget activities are properly implemented according to schedule	38%	14%	0%	38%	10%	100%
13. Budget activities are properly evaluated in my organization	36%	6%	2%	36%	20%	100%

Source: Primary data, 2022

Compared to 68% who agreed, 32% of the people surveyed did not agree that board members were crucial in developing financial strategies. In contrast to the 70% who agreed, 30% of the people surveyed disagreed that their business used a strategic plan to support spending. A very small number (2%) neither objected nor agreed with the idea of duty bearers/CRPs becoming involved in Riham International projects, particularly in the area of financial planning. Compared to 88% who agreed, just 12% among those surveyed disagreed that project coordinators/officers played a role in assisting participants in the preparation of budgets. Only 8% of the participants disagreed with the executive directors' approval of their companies' budgets, compared to 92% who did. Only 26% of the participants disagreed that executive directors frequently shared financial data with stakeholders, contrasted with 72% who agreed. The remaining 12% were undecided. Compared to 24% who agreed, the majority of the participants (76%) disagreed that their company had budget policies and guidelines for stakeholders. The majority of the participants (76%) disagreed that their company's budget objectives were always met on schedule, while just 20% agreed and only 4% neither agreed nor disagreed. Compared to 60% who agreed, only 40% of the participants disagreed that the project objectives were consistent with company guidelines. A tiny fraction (2%) neither agreed nor disagreed, while 50% of those

surveyed disagreed that organizational tactics aid in meeting budgetary goals and 48% disagreed. A small percentage of participants (26%) disagreed that their company had trouble mobilizing materials, contrasted with 72% who agreed, while only 2% disagreed. In comparison with the 48% who agreed, a greater percentage of participants (52%) disagreed that budget operations were carried out correctly and on time. Only 42% of the participants disagreed that budget operations were appropriately evaluated in their companies, which is contrasted with 56% who agreed, and 2% who neither agreed nor disagreed.

Riham International Financial performance: Descriptive Statistics

Table 6: Riham International Financial performance: Descriptive Statistics

Financial performance indicators	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. The organization has difficulty in raising funds to support its activities	10%	0%	0%	6%	84%	100%
2. The organization does not experience income fluctuations every year	60%	34%	0%	6%	0%	100%
3. The organizational programs are implemented according to planned activities	64%	6%	4%	16%	10%	100%

Source: Primary data, 2022

In contrast to the 90% who agreed, only 10% of the participants disagreed that the group had no trouble generating money to finance its activities. In contrast to the 94% who agreed, just 6% of the poll participants disagreed that businesses do not endure annual income changes. The majority of the participants (70%) disagreed that the company's plans were carried out in accordance with scheduled tasks, while only 26% agreed and only 4% neither agreed nor disagreed.

The study that has been done thus far reveals that, despite the fact that just a small percentage of the participants disagreed with the notions contained in the items, the majority of participants did. This suggests that the locally formed Riham International in Uganda is experiencing a number of issues, including difficulties generating funding, income variations, and an inability to carry out its programs on time. This clarifies that their programs weren't carried out in accordance with the actions they had planned, which has an impact on their financial results.

The quantitative evaluation and interpretation of data discussed above seem to support the claim that there is a connection between budgetary and financial achievement in the nation's locally formed Riham International. The study examined its null version, which is the claim that: There is no connection among accounting and financial success in the literature, theory, or research since there is disagreement regarding the veracity of this connection.

Table 7: Testing first Hypothesis: There is no significant relationship between Budgeting and Financial performance

	Budgeting	Financial performance
Budgeting	$R = 1.000$ $p = 0.05$ $n = 50$	
Financial performance	$r = .737$ $p = .000$	$r = 1.000$ $p = 0.05$

	<i>n = 50</i>	<i>n = 50</i>
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The bolded items are the ones that are relevant for the hypothesis test. The letter "n" denotes the quantity of participants who took part in answering the survey. The results demonstrate a significant positive association between accounting and financial success of the local manufacturing businesses ($r = .737$). A change in accounting was thought to be strongly correlated with a significant change in the financial achievements of the nearby manufacturing firms, according to the high association. The positive character of the correlation implied that the enhancement in accounting was related to a development in the financial health of the local Manufacturing Companies, and vice versa, and that the change in accounting and financial production of Riham International was in the same orientation. These results were put through a test of significance (p), and it was determined that the test was significant when the correlation's importance ($p = .000$) was less than the essential significance level of 0.05.

Table 8: Budgeting and Financial performance: Regression Analysis

Model Summary					
R	0.737				
R Square	0.543				
Adjusted R Square	0.533				
Std. Error of the Estimate	2.847				
Observations	50				
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig. (p)
Regression	461.41	1	461.41	56.93	0.000
Residual	389.01	48	8.10		
Total	850.42	49			

The budgeting-financial achievement link at RIHAM INTERNATIONAL has a variety of problems, as shown by the regression and ANOVA data shown in Table 10 above. According to the statistics, there is a linear correlation between accounting and the financial outcome at Riham International ($R = .737$). When stated as a percentage, for example, the "Adjusted R Square" (Adjusted R Square = 0.533) is 53.3%. This demonstrates that 53.3% of the financial success of local manufacturing firms was due to budgeting.

According to the ANOVA statistics, the Fisher's Ratio ($F = 56.93$) had a significance ($p = .000$) that was lower than the accepted and advised critical significance of 0.05. This further supports the connection that the correlation analysis earlier showed.

The study also took into account the spending and financial results of local

manufacturing companies after establishing the findings on budgetary controls

Testing Hypothesis:

There is no significant relationship between Budgetary Control and Financial performance in locally founded Riham International in Uganda

Like in the previous null hypothesis testing, a combination of Pearson correlation coefficient, regression analysis and ANOVA techniques was employed in testing the above null hypothesis. Results from the Pearson correlation analysis are presented in Table 12 below.

Table 9: Budgetary Control and Financial performance: Pearson Correlation

	Budgetary control	Financial performance
Budgetary control	$r = 1.000$ $p = 0.05$ $n = 50$	
Financial performance	$r = .660$ $p = .000$ $n = 50$	$r = 1.000$ $p = 0.05$ $n = 50$

The statistics in bold are the ones that matter for testing the null assumption, and "n" denotes the number of respondents who took part in completing the survey. Results reveal a significant positive association ($r = .660$) among financial success in the under-investigated Riham International and budgetary controls. A change in budgetary limits would reportedly have a significant impact on the financial performance of indigenous manufacturing businesses, according to the strong correlation. An enhancement in budgetary controls would lead to a boost in the financial results of the local Manufacturing Companies, and vice versa, according to the beneficial nature of the correlation, which suggested that the modification in budgetary controls and financial issues performance of Riham International were moving in the same direction. These findings were subjected to a test of significance (p) and it was found that the significance of the correlation ($p = .000$) was less than the recommended critical significance (0.05).

Table 10: Budgetary Control and Financial performance: Regression Analysis

Model Summary					
R	0.660				
R Square	0.436				
Adjusted R Square	0.424				
Std. Error of the Estimate	3.162				
Observations	50				
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig. (p)
Regression	370.60	1	370.60	37.07	0.000
Residual	479.82	48	10.00		
Total	850.42	49			

The results demonstrate a linear regression association between budgetary

controls and the financial success of nearby manufacturing companies ($R = .660$). When stated as an amount, the "Adjusted R Square" (Adjusted R Square = 0.424) is 42.4%. This demonstrates that just 42.4% of the financial success of local factories could be attributed to budgetary constraints.

The ANOVA results demonstrate that the Fisher's Ratio ($F = 37.07$) had a significance ($p = .000$) that was less than the advised critical significance at 0.05. This further supports the connection that the correlation analysis earlier showed.

Conclusions

A boost in budgeting would result in an important boost in the financial results of the area's manufacturing businesses, and vice versa. There was a substantial positive association between budgeting and the financial productivity of local manufacturing enterprises. Budgeting for the majority of local manufacturing organizations was below average, which led to their dismal financial results.

Recommendation

Their tactics to attain budget targets should be sufficient, their budget targets should always be focused towards the company's objectives, their revenue base for resources should be diversified, and their budget operations should be well timed.

Local Manufacturing Companies should also diversify their internal control mechanisms rather than depending solely on them to strengthen their budgetary controls. Accounting professionals should also spot budget inconsistencies and act right away to fix them.

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