

Budgetary Financing And Service Delivery. A Case Study Of Kayunga District Local Government

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Abstract

This study entitled budgetary financing and service delivery, a case study of Kayunga district was carried out which had the following objectives to find out the relationship between borrowing and service delivery in Kayunga Local government, to find out the relationship between local revenue collection and service delivery in Kayunga local government and lastly to find out the relationship between Government transfers and service delivery among local governments in Uganda. The study covered the last 2 financial years that is 2021/2022 and 2022/2023. The results also show that most funding is from central government in term of conditional, unconditional and equalization grants however manager have to co-ordinate /follow for the released so that what is planned and approved is implemented however local revenue should be mobilized by political leaders especially the trading license, hotel tax and local service tax to increased contribution of local revenue in implementation of decentralized services. The study confirmed that, financial mobilization had not been efficiently utilized, the central government does not even release 100% of the allocated IPFs (Indicative Planning Figures) and there has always been revenue shortfall at the end of each financial year hence some activities are not implemented due to that, this partly contributed to low level of service delivery. Central government should reintroduce G-tax so that revenue based for local government increased; when community contribute towards service delivery the make government accountable hence improved service delivery.

Keywords: Budgetary, Financing, Service and Delivery

Background of the study

Budgetary funding is an essential function of the management of any organization and is considered an important element for successful service delivery in the district (Akankwasa et al., 2022). Funding is needed to ensure that local councils are able to provide services that have been devolved; therefore, it is necessary to establish the relationship between budget funding and service delivery. Budgetary financing is an operational activity of a business that is responsible for obtaining the funds necessary for efficient operation (Annet et al., 2023). Better delivery of public services such as basic education, primary health care, water and sanitation are reasons why most countries have decentralized financial management to local government systems (F. Christopher et al., 2022). In Brazil, financial decentralization has been used to capture citizens' views as a means of making the government responsive to the public interest, as well as to monitor the quality of public services (Faith et al., 2023). In Africa, many countries have also at different times adopted decentralized budget financing in the local government system. Kauzya (2007) states that South Africa, Ghana, Nigeria and Rwanda are among the leading African countries that have largely decentralized resources in pursuit of inclusive, participatory and participatory governance capable of enhancing the quality of public services (Faith et al., 2023). Local governments

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were put into practice by the Constitution of Uganda (1995) and the Local Government Act (1997) which aimed to improve financial management. Under this system, local governments can formulate, approve and implement their own budget, provided it is balanced (Annet et al., 2023), monitor and evaluate their financial performance with proper accounting books. In Kayunga District, services to the community are provided by the District Council and depend on funding from locally generated revenue, grants, donor funds and loans, but audit reports consistently raise questions and ongoing criticism from the public about the quality of service delivery. (K. Moses et al., 2023).

Problem statement

Budgetary funding remained poor, for example revenue shortfall, overspending, wasteful expenditure (Ntirandekura and Friday, 2022) resulting in the local government not being able to fulfill its responsibilities conscientiously. In the water, health and education sector, services remained inadequate (Jac & Kazaara, 2023) If this trend continues, insufficient clean water will cause water-borne diseases leading to high mortality, in the education sector, drop-out rates will increase and therefore higher level of illiteracy, poor quality in school grades, however, poor quality not only produces poorly educated students, but also results in excessive repetition and low completion rates at government expense (Gracious, 2023). Low access to malaria, inadequate antenatal care and limited antiretroviral drugs lead to high maternal mortality, high infant mortality and high mortality in the district (Nafiu et al., 2016). The objective of the study is therefore to find the relationship between budget funding and service delivery in Kayunga District Local Government.

Objectives of the study

1. To find out the relationship between borrowing and service delivery in Kayunga Local government
2. To find out the relationship between local revenue collection and service delivery in Kayunga local government
3. To find out the relationship between Government transfers and service delivery among local governments in Uganda

Methodology

A case study design adopting the cross-sectional sample survey was used to describe the nature and pattern of the study (Anwar et al., 2022). Both qualitative and Quantitative approaches were used.

The study population was comprised of selected civil servants at the district and sub-counties and because they form part of the leadership, plan and implement Local Government projects. Leaders of Community project beneficiaries, parish development committee, top management at district and sub counties and political leaders was part of the study population because they are expected to participate in the situation ownership of projects under decentralization (Jallow et al., 2022). Respondents were sampled according to the categories specified in the below table to get a fair representation of the study (Olanrewaju et al., 2021).

The sample size was 100 to participate in the study. The number was derived with the use of Krejcie and Morgan's (1970) table for determining sample population.

Table 1: The breakdown is as presented below

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Category of Respondents	Population. Size
District Councilors	23
District HODs/Sections (DTPCs) civil servant	25
Sub-county Technical planning committee	27
Chairpersons sub county investment committee (Community leaders)	3
Leaders of NGOs (development partners.) in the three sub counties	18
Members of Local Government Public accounts committee	5
Chairpersons of Parish development committee (PDCs)	14

Purposive, census and simple random sampling techniques was used. Purposive sampling was applied at the district level for district councilors, head of departments and sections; random sampling is the process of selecting a sample in such a way that all individuals in the defined population have equal chance of being selected (Nafiu et al., 2013). Simple random sampling was applied to sub-counties, parish and village levels to analyze the participation of various stakeholders (Jallow et al., 2021). The choice for this method is because of the large population, limited funds and time. These self-constructed questionnaire with semi-structured set of questions, closed ended (Nafiu et al., 2017). Semi structured questionnaire was used because large samples can be made of use and thus, the results can be made more dependable and reliable, offers the greatest assurance of unanimity, cheaper than other methods and free from bias (Nafiu et al., 2017). A Combinations of instruments were used as appropriate to make use of their different strengths, because none of the methods used exclusively may collect sufficient data. Interview guide, questionnaire and documentary review checklist were used as data collection tools (Nafiu, 2012). Questionnaire was used and had structured and closed ended questions to capture quantitative data (Abiodun & Christopher, 2024).

The data collected was cleaned, sorted and edited to remove errors, analyzed data into different themes, by source of information, reading through the data to get a general sense and overall meaning, arrange data into categories and labeled those categories for analysis developed description for each category (Nafiu, 2012). Data was coded and organized for easy understanding and presentation of data using a computer statistical package for social scientists (SPSS) (Nelson et al., 2022). It's user friendly and statistical compatibility. The study used descriptive statistics to test the relationship between budgetary financing and service delivery (Alex & Moses, 2024).

RESULTS

Table 2: budgetary financing and Service delivery

Variable	Strongly agree	Agree	No comment	Disagree	Strongly disagree

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Revenue collection impacts on Local Government operations.	24 (30.4%)	42 (53.2%)	2 (2.5%)	7 (8.9%)	4 (5.1%)
Developmental partners (NGOs and CBOs) contribute revenue towards service delivery in Kayunga District Governments.	16 (20.3%)	46 (58.2%)	6 (7.6%)	10 (12.7%)	1 (1.3%)
Borrowing Funds by LGs from financial institution like banks can contribute towards service delivery in Kayunga District Local Government.	11 (13.9%)	39 (49.4%)	13 (16.5%)	12(15.2%)	4 (5.1%)
Conditional grants contribute towards service delivery.	26 (32.9%)	45 (57%)	2 (2.5%)	5 (6.3%)	1(1.3%)
Unconditional grants contribute towards service delivery.	17 (21.5%)	51 (64.6%)	6 (7.6%)	5 (6.3%)	0 (0%)
Equalization grants contribute towards service delivery.	15 (19%)	57 (72.2%)	4 (5.1%)	3 (3.8%)	0(0%)
Locally raised revenue contributes towards service delivery.	17 (21.5%)	49 (62%)	6 (7.6%)	4 (5.1%)	3 (3.8%)

Source: Primary Data

There was need to statistically established how financial mobilization and affects service delivery for purpose of description of the results on the table above, the researcher decided to combine the researcher decided to combine strongly agree plus agree to mean agree (SA +A =Agree) and strongly disagree plus disagree to mean disagree (SD + D = Disagree). Findings presented in table 2 above show that 83.6% of the respondents agree that revenue collection impacts on local governments operations, 14% of the respondents did not agree with the statement. This shows that LDLG collect relatively low level of awareness that LGs can collect revenue to finance local priorities (David et al., 2023). However, the findings further revealed that 78.5% of the respondents agree that Development partners (NGOs & CBOs) contribute revenue towards service delivery in Kayunga District Local government. The results further revealed that 63.3% of the respondents agree that borrowing funds by Local governments from Financial Institution like Banks could contribute towards service delivery in Kayunga District Local Government. While 89.9% of the respondents revealed that there conditional grants from the Central Government to Local Government contributes towards service delivery ad 86.1% of the respondents agree that unconditional grants form Central Government to Local Governments contributes towards serviced delivery (Gracious, 2023). The findings further revealed that 91.2% of the respondents agree that Equalization

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grants contribute towards service delivery in Kayunga District Local Government. Further results, however, relatively show that 83.5% of respondents agree that locally raised revenue contributes towards service delivery (Lydia et al., 2023). Although there is an approved revenue enhancement planned to guide the collection of revenue in Kayunga district, revenue collection is not well performing and not all the revenue approved by the council is collected; this is so because of poor taxpayer education and sensitization coupled with poor esteem and interest and Inaccurate data upon which revenue is ascertained (District chairperson, sub county chairpersons and LGPAC members) (T. Christopher & Turyasingura, 2024).

Financial mobilization increases as LGs become better equipped to collect taxes in sub national jurisdictions. The efficiency of revenue collection may also be greater when citizens are involved in decision taken by LGs through participatory processes. This would be reflected in an increased willingness to pay for service through local taxes (Tasha et al., 2023b). Internal revenues are mainly local revenues such as levy, charge, fees and fines on licenses and taxes (Musimenta et al., 2017).

District states of affairs are in placed; the district chairperson and sub county chairpersons are mandated to produce the state of affairs once a year and debated upon by the council. However, the sub-counties were not having the state of affairs (Tasha et al., 2023a). In the state of affairs, the district chairperson noted that most funding is from central government in term of conditional grants, unconditional and equalization grants that constitute about 80% of the budget of FY 2009 and local revenue performance had been poor due to low mobilization and sensitization and finance committee should always mobilized revenue to improved service delivery since some department depend on local revenue to facilitate operation (N. Moses et al., 2022). Minutes were available but at sub counties it's of poor quality and mostly not up to date especially Council and TPC minutes. Government policies and guidelines were available mainly for projects funded by central government such as NUSAF II, LGMSDP and NAADS and development partners (Ntirandekura & Friday, 2022).

Table 3: Multiple Regression of Variables

		Unstandardized		Standardized		
Model		Coefficients		Coefficients		t
			Std.			Sig.
		B	Error	Beta		
1	(Constant)	-.630	.172		-3.661	.000
	Local revenue collection	.271	.051	.276	5.281	.000
	Borrowing	.358	.064	.330	5.586	.000
	Government transfers	.451	.065	.375	6.904	.000
	R	.830 ^a				
	R Square	.690				
	Adjusted R Square	.684				
	F	133.996				
	Sig.	.000 ^b				

a. Dependent Variable: Service delivery

b. Predictors: (Constant), borrowing, local revenue collection and Government transfers

Source: Primary Data

The table shows the results of a multiple linear regression model examining the relationship between the independent variables of local revenue collection, borrowing, and government transfers, and the dependent variable of service delivery. The constants and unstandardized coefficients are given, along with the standardized coefficients and significance values. According to the model, if local revenue collection increases by one unit, service delivery is predicted to increase by 0.271 units, holding all other variables constant. Similarly, if borrowing increases by one unit, service delivery is predicted to increase by 0.358 units. Additionally, if government transfers increase by one unit, service delivery is predicted to increase by 0.451 units. When taken together, the independent variables explain 68.4% of the variance in service delivery, as indicated by the adjusted R square value. The F statistic of 133.996 confirms that the regression model is statistically significant, with a significance value below 0.000.

Discussion of Findings

The finding that financial mobilization significantly influences service delivery is in line with (Turyatamba & Turyasingura, 2024) who submitted that financial mobilization is important for service delivery, Local government have

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to generates its revenue in order for community to demand for accountability from its leaders. The system theory also support the findings that mobilization significantly influence service delivery in that input (finance) go through a process where they are coordinated (mobilized) ultimately to meet the organizations goals. (N. Moses & Nancy, 2024) stated that financing decision (acquiring finance) is important for organization survival. It should be noted that Local governments have to mobilize its local revenue through taxes and licenses for service provision so that local community can demand for accountability from the elected leaders since the pay taxes for service provision. Revenue mobilization has remained to be a key factor in revenue generation in Local Government; however, the Local Governments have been left with few options of innovation after abolition of graduated tax that used to contribute up 63.3% of local revenue. This has left most of the Local Governments to depend on remittance from the Central Government thus making it hard for the Local Governments to Finance budget deficits (Annet et al., 2023). Robinson (2003) argued that resources mobilization increases as LGs become better equipped to collect taxes in sub national jurisdictions. The efficiency of revenue collection may also be greater when citizens are involved in decision taken by LGs through participatory processes. This would be reflected in an increased willingness to pay for service through local taxes.

Internal revenues are mainly local revenues such as levy, charge, fees and fines on licenses and permits in respect of any services rendered or regulatory power exercised by the Local Council, and any other revenue maybe prescribed by the local government and approved by the minister and every manager should ensure official receipt, ticket or licenses is issued for all money paid, revenues are promptly collected and banked and brought to account and all books of accounts updated. However it should be noted that after abolition of G-tax local revenue performance have reduced and it constitute below 5% of the budget every year and this has affected service provision in LDLG.

However, one respondent in Kangulumira sub-county said that, “Though local revenue helps to provide service delivery especially, in local planned projects, its collection is becoming extremely difficult due to political interference and lack of will among the people to pay taxes. In 2005/2006 Financial Year the incumbent President Y.K. Museveni suspended Graduated Tax for all peasants for 10 years (Alex et al., 2023). This was followed by the suspension of the Boda-boda tax. This shows that there is still low level of awareness that Local Governments can levy their own tax. Since, Local revenue is expected to be having a tremendous contribution on service delivery. External revenues sources, for Local Government mainly includes Central Government transfers to Local Governments (intergovernmental transfer) and donor funding from development partners. Intergovernmental transfers are central government grants to local governments, presented and approved by parliament and paid out of the consolidated fund as unconditional grant, conditional grant and equalization grant (Paul et al., 2023).

Conclusions

The alternative hypothesis was accepted. This implies that efficient financial mobilization influences the level of service delivery in this district. The positive relationship meant that a directional change in the financial mobilization leads to a similar positive directional change in the level of service delivery. The results also show that most funding is from central

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government in term of conditional, unconditional and equalization grants however manager have to co-ordinate /follow for the released so that what is planned and approved is implemented however local revenue should be mobilized by political leaders especially the trading license, hotel tax and local service tax to increased contribution of local revenue in implementation of decentralized services. The study confirmed that, financial mobilization had not been efficiently utilized, the central government does not even released 100% of the allocated IPFs (Indicative Planning Figures) and there has always been revenue shortfall at the end of each financial year hence some activities are not implemented due to that, this partly contributed to low level of service delivery.

Recommendations

District council should identify more revenue sources to increase the local revenue base, Boda-Boda tax should be introduced since the earn income, Ireda housing estate should be renovated and rented at higher rate than the current rate to improved local revenue.

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