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ENTERPRISE RISK MANAGEMENT AND COMPANY PERFORMANCE: EVIDENCE FROM EAST AFRICA

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Abstract:

Objectives: The main objective of this study was to examine influence of ERM on company performance, to compare the influence of ERM on company performance before and after the operationalization of the EAC-Common Market and make recommendations on how the adoption of ERM can enhance company performance. **Methodology:** We adopted a positivist paradigm in a quantitative analysis using non-probability sampling to select 42 out of 76 listed companies. We adopted secondary data from academic databases and annual reports and analysed the data using SPSS to generate results. **Findings:** ERM has no significant influence on company financial performance represented by ROA, ROE, TBQ and PER. The study also revealed that majority of the listed companies did not adopt ERM after the operationalization of the EAC- Common Market in 2010, which may have been due to the high costs associated with its implementation.

Keywords:

Enterprise Risk Management, Company Performance

Introduction

The recent global financial scandals have forced many company stakeholders to demand better risk management systems to preserve and enhance investors' return on investment (Beasley et

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al., 2005). This has increased the significance of enterprise risk management (ERM) as a way of preventing any future corporate failure (Khan et al., 2016). ERM is mainly concerned with integrated risk management system while focusing on uncertainties that are likely to distress an organization's performance. It provides an organizational framework for managing any threats (downside risks) and opportunities (upside risks) in a holistic manner. Sadgrove (2016) posits that all companies face business and/or financial risks that may inhibit their going concern or the ability to generate the required return to the owners. This therefore calls for the need to change from traditional to modern risk management, known as ERM (Agarwal, R., & Ansell 2016).

Traditional risk management methods were more focused on the use of silo-based risk management approaches, where every business unit or department would manage their respective risks differently (Spira & Page 2003). For example, the finance department would handle interest rate or currency risk, while the operations department handles quality and safety risks, all using different approaches. This implied that each strategic business unit had to develop their own tools to manage their specific risks, which was very costly (Sobel & Reding 2004). Nowadays, there is a lot of economic volatility in the global economy, which has increased the importance of ERM to manage risks most systematically and coherently (Quon et al., 2012). Most organizations, practitioners, and regulatory agencies advocate for the adoption of ERM as the best means of risk management (Arena, Arnaboldi, & Azzone 2010). Moreover, there is a strong correlation between adoption of ERM and achievement of organizational strategic objectives because ERM helps the organization manage the common risks associated with all companies (COSO 2004). According to Renn and Walker (2008), ERM is the most efficient method of dealing with business risks, political risks, and compliance risks. Consequently, the adoption of ERM by listed companies has stimulated investor confidence and demand for the company shares, thus boosting their equity (Aguilo & Aguilo 2012; Frigo & Anderson 2011; Grant, P., & McGhee 2014). However, Rosen and Zenios (2006) posit that ERM adopters are not driven by better equity prices but by the stringent rules introduced by regulatory agencies, which may require listed companies to adopt and implement ERM as part of the company's risk management strategy. Nonetheless, the adoption of ERM enhances company performance, minimizes risks, and maximizes shareholder value (Beasley et al., 2008). If well implemented, ERM reduces unnecessary expenditures, business losses, and company risk exposures (Quon et al., 2012; Sobel & Reding, 2004). Therefore, ERM can be used to identify areas of high risk and target those areas with adequate risk management tools at a minimal cost (Quon et al., 2012).

The motivation to adopt ERM sometimes depends on organizational risk appetite (Beasley, Pagach, & Warr 2008; Pagach & Warr 2011). This appetite is in turn influenced by the organization's risk tolerance; hence, many organizations design their ERM strategy to protect themselves against any intolerable risk (Hoyt & Liebenberg 2011). Some organizations manage risks by taking out an insurance policy; others use several financial hedging techniques to transfer their risks (Nocco & Stulz 2006). Under ERM, risk management is centralized under the responsibility of a specific unit manager, normally the Chief Risk Officer (CRO) or Risk Management Officer (Quon et al., 2012). Nocco and Stulz (2006) posit that the presence of a CRO alone is an indication of an organization's commitment to ERM implementation. In East Africa, like many developing countries, the role of a CRO is not highly prominent except in the banking, financial services, and insurance sectors. The role of the CRO or designate was

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non-existent in many organizations except for handling insurance policy issues or hedging foreign exchange or interest rate risks (Nocco & Stulz 2006; Quon, Zeghal & Maingot 2012).

Main Objective

The main objective of this study was to examine the influence of ERM on company performance, compare the influence of ERM on company performance before and after the operationalization of the EAC-Common Market in 2010, and make recommendations on how ERM can enhance company performance.

Company Performance

Company performance *was* measured using both financial and market-based performance indicators. Financial performance indicators measure company results based on their policies and processes (Margolis & Walsh, 2001). The commonly used financial performance metrics include return on equity, return on assets, profit margin, and sales growth. These financial performance metrics also measure the extent to which a company achieved its financial objectives (El-Shishini 2001). According to Lussier (2011), the achievement of financial objectives is influenced by the prevailing internal and external risk, which calls for stronger internal control systems within an organization to monitor and control the activities of the organization by both the executive and non-executive directors. It is thus the responsibility of the company management to identify, analyze, and mitigate such risk factors by designing good corporate governance policies that can enable investors to realize their expected return on investment (Shleifer & Vishny 1997). According to Jensen, Michael, and Meckling (1976), company performance is the foundation for the principal-agent relationship, which is derived from the agreement between the principal (shareholder) and agent (manager), giving the agent powers to use company assets to generate profits for the shareholder's wealth maximization. This forms part of the manager's main task: ensuring that the company achieves good performance outcomes (Feltham & Xie 1994). Measuring company financial performance therefore helps the principal evaluate the agent's contribution to the company's profitability over a specified period (Wild 1994). According to Fama and Jensen (1983), companies' performance depends on agents' decisions. If managers are more motivated to maximize their personal benefits, they are likely to make poor decisions that result in poor company performance. For instance, the management of the defunct Enron and WorldCom put their personal interests before those of their company, which resulted in its calamitous failure (Claessens & Yurtoglu 2013). Therefore, for a company to achieve maximum profitability, it must have a good corporate governance framework that ensures a degree of altruism in the executive management's decisions (Shleifer & Vishny 1997). Performance measurements can be broadly categorized into two categories: (1) accounting-based; (2) market-based performance measurements.

Accounting-based performance measurement involves the use of accounting information to assess the extent to which a company has achieved its predetermined performance objectives using present and past published financial accounting data (Agarwal, Y. 2013; Weber et al. 2012). According to Baker and Anderson (2010), profit-based measurements are the most used measure of performance. Accounting-based performance measurement came about after the introduction of net present value by Fisher (1930) and internal rate of return by Hirshleifer (1958). These two were later enhanced by the new valuation technique established by Miller and Modigliani (1958), who advanced a new capital structure model for company valuations. According to Knight (1998), most traditional accounting-based measures were developed to

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help in management's decision-making, accountability, and budgetary control. Hengartner (2006) posits that accounting-based performance measures provide reliable results, especially during periods of economic crisis, and are relatively free from speculation as compared to market-based measures. Baker and Anderson (2010) suggest that accounting-based performance measurements have the advantage of being directly linked to a company's financial survival.

Market performance measurements, on the other hand, include market-based ratios such as market share, number of customers, and Tobin's q ratio (Kim 2015; Rossi, Nerino, & Capasso 2015; Zagorchev & Gao 2015). Unlike accounting-based performance measures, market-based measures use market value data to determine company financial performance (Eikelenboom, 2005). The main advantage of market-based approaches is that they are less prone to managerial manipulations or creative accounting (Mulsow 2011). Market-based measures of performance are also risk-adjusted, especially where the capital asset pricing model is used in calculating the company's market value (Mans-Kemp 2014). Hence, it is believed that using market-based ratios like Price Earnings Ratio (PeR) and TBQ provides better measures of performance that are more reliable, long-term-oriented, and risk-adjusted (Kim 2015; Li, SL, & Tallman 2011). This study adopted a combination of accounting-based (RoA and RoE) and market-based (TBQ and PeR) methods to maximize the advantages of each. These measures have been adopted given their wide usage in business finance and company performance research (AdeBIite 2012; Ansong 2013; Bhagat, S. & Bolton 2008; Mans-Kemp 2014; Okiro 2014). To examine the relationship between ERM and company performance, we adopted the legitimacy and institutional theories commonly used in accounting and finance research (Namanya, 2017; Fulgence, 2021).

Hypothesis

An effective ERM system is likely to reduce risk exposure if it is well implemented (Sobel & Reding 2004); hence, Berle and Means (1932) underscore the significance of ERM in avoiding corporate failure. Moreover, ERM was found to be a major source of strategic strength for retail companies in the UK (Woods 2007); hence, many companies globally have adopted ERM as part of good governance and good practice via the creation of a risk committee of the board or the appointment of a Chief Risk Officer (CRO) in charge of the company's total risk management (Lundqvist 2015). The implementation of ERM also helps management improve their decision-making (Grace et al., 2015; Nocco & Stulz, 2006), especially the resource allocation decision (Baxter et al., 2013; Hoyt & Liebenberg, 2011). To test the influence of ERM on company performance, we adopted the following hypothesis:

- There is a significant relationship between ERM and financial performance. (H_1).
- There has been a significant change in the influence of ERM after the operationalization of the EAC-Common Market (H_2).

Legitimacy Theory

According to the legitimacy theory, "the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). According to the theory, there exists a social contract between an organization and the local community, which gives an organization a right to do business with the local community in return for accountability to the community (Deegan 2013). This social

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contract requires the organization to comply with the rights and expectations of its host community and shareholders alike, failing which the community will impose sanctions in the form of restricted access to community resources like labor, materials, and the market for its services or products (Deegan 2013). The theory is used to examine the influence of stakeholders on a company's performance or survival (Hybels, 1995). The community's interest lies in the hands of government representatives, individual members of the public, financial institutions, and the media, who control and influence the company's strategy directly or indirectly. For instance, the government can control and influence the company's operations through fiscal and monetary policies, while the public can influence organizations by being a source of demand for the company's products and services as customers, as well as the source of labor and raw materials, which are crucial for an organization's success. Financial institutions provide capital, while the press influences public opinion about the company's products and services (Mendelow 1991; Tilling 2004). Hence, all companies have a legitimate responsibility to realize the expectations of society (Ashforth & Gibbs 1990), and according to Tilling (2004), the legitimacy theory influences ERM strategy by providing structures and systems to meet the interests of key stakeholders (Weir, Laing, & McKnight 2002).

Institutional Theory
According to Ritzer (2004), institutional theory defines the deepest and strongest aspects of an organization's social structure, including the processes by which structures, rules, norms, and routines become recognized as appropriate guidelines for social behavior. This concept thus provides the connection between a company's external and internal governance structures (Weir, Laing, & McKnight, 2002). The assumptions of institutional theory have been widely supported in the finance and accounting literature (Aldridge 2004; Greenwood & Hinings 1996; Kondra & Hinings 1998). Furthermore, Ritzer (2004) posits that institutional theory provides a detailed and more resilient consideration of social structures, particularly regarding how they are created, diffused, and adopted by an organization over time and how they may decline and fall into disuse. The institutional theory asserts that organizational structures and procedures are adopted because they are relevant to their external environment (Ritzer 2004). The theory also assumes that institutional networks are not simply control and coordination tools for economic benefits but are created as sets of rules and beliefs that exert social pressures for membership conformity and are a good source of legitimacy and rewards for the company (Major & Hopper 2004). Aldridge (2004) reverberated the criticisms of some accounting researchers who reject the institutional theory's assumptions that organizations are bounded, relatively autonomous, and economically rational. Dacin, Goodstein, and Scott (2002), Powell (2003), and Scott, WR (2005) attempted to resolve such criticisms by restricting institutional theory's applicability to governmental and non-profit organizations by arguing that companies face either institutional or technical demands (Powell 2003). The institutional theory is thus used in this study to define the company structures, rules, norms, and routines that influence company performance. These structures include ERM, which is one of the key good governance structures.

Methodology
The main objective of this study was to examine the influence of ERM on company performance and compare the influence of ERM on company performance before and after the operationalization of the EAC-Common Market in 2010. To achieve this objective, we adopted the positivist paradigm and the deductive approach, using quantitative techniques to identify the causes and effects of social phenomena (Collis & Hussey, 2013). This quantitative approach

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is often used in company performance studies (Alagha, 2016; Heenetigala, 2011; Waduge, 2011). We adopted a deductive approach, in which hypotheses were developed from a review of existing literature, and data was collected and used to confirm or negate the proposed hypotheses. We used a secondary data source because the data required for this study was available in the annual reports of companies. We obtained financial secondary data from the DataStream database. Excel was used for managing and formatting the data prior to exporting it to SPSS for statistical application for carrying out the preliminary diagnostic tests, Wilcoxon signed-rank test, correlation, and regression analyses. According to Field (2009), SPSS can provide comprehensive outputs for analyses such as descriptive statistics, model analysis, multiple regressions, and correlation analysis.

Dependent Variables
We adopted some of the commonly used performance measurement in governance, business, finance, and accounting research, namely, return on assets (ROA), return on equity (ROE), Tobin Q ratio, and price earnings ratio (PER) as our dependent variables (Hermalin & Weisbach 2008; Alagha 2016; Heenetigala 2011; Kiel & Nicholson 2003; Klein 1998; Laing & Weir 1999; Tshipa 2015; Waduge 2011). The ROA was calculated as: ROA (%) = Year-end Profits after Interest and Tax ÷Total assets at the year-end, ROE (%) was calculated as Year-end Profits after Interest and Tax ÷Total shareholders' equity at the year-end, TBQ was calculated as Year-end market capitalisation ÷ Total assets at the year-end, while PER was calculated as the company's year-end share price ÷ Earnings per share (EPS).

Regression Analysis
We used ordinary least squares (OLS) regression to examine the relationship between the dependent and independent variables. OSL was used to determine the estimated coefficients of independent variables to ascertain their effect on the dependent variable (Bowerman et al. 2003). A coefficient value indicates the extent to which a dependent variable is likely to decrease or increase as an independent variable decreases or increases by one unit, holding other factors constant. (Tabachnick & Fidell, 2006). Our model was derived using the following equation:

Wilcoxon-Signed Rank Test
Generally, with an ordinal or nominal data set, it is not right to assume that the population is approximately normally distributed (Rubin 2012). We thus adopted the Wilcoxon signed-rank test to test the matched samples to ascertain the differences in the population mean ranks (Zikmund et al. 2012). The Wilcoxon signed-rank test is comparable to the Mann-Whitney U test or the two-sample t-test (Zimmerman 1998). It tests the null hypothesis that two distributions are identical against the alternative hypothesis that the two distributions differ only with respect to the median. Similar statistical tests have been adopted in previous company performance studies (Alagha 2016; Heenetigala 2011; Namanya 2017). The results of the Wilcoxon signed-rank test are discussed in Table 1.0 below.

Statistical Results
Below (Table 1.0) are the study results, including the Wilcoxon signed-rank test (used to compare two study samples), descriptive statistics, and correlation and regression analysis results used to test the relationship between dependent and independent variables.

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Table 1: Wilcoxon Signed-Rank Test Results.

Variables		N	Mean Rank	Sum of Ranks	Z scores	Sig. (2-tailed)	Decision rule
ROA	2008/2009	42	42	1,541	-0.594	0.552	Retain the null hypothesis.
	2013/2014	42	39	1,620			
ROE	2008/2009	42	41	1,513	-0.324	0.746	Retain the null hypothesis.
	2013/2014	42	39	1,647			
TBQ	2008/2009	42	40	1,462	-0.182	0.856	Retain the null hypothesis.
	2013/2014	42	40	1,699			
PER	2008/2009	42	42	1,375	-1.032	0.302	Retain the null hypothesis.
	2013/2014	42	43	1,785			
ERM	2008/2009	42	41	1,535			
	2013/2014	42	39	1,626	-0.861	0.389	Retain the null hypothesis.
	2013/2014	42	40	1,677			

Where: ERM = Enterprise Risk Management, ROA = Return on Assets, ROE = Return on Equity, TBQ = Tobin Q Ratio, and PER = Price Earnings Ratio

Source: Own Source

Using the Wilcoxon signed-rank test, we examined the relationship between the independent and dependent variables before and after the operationalization of the EAC-Common Market in 2010. The Wilcoxon signed-rank test has a threshold of 0.05; hence, a p-value of less than 0.05 implies a significant difference between the two groups of data sets (Pallant 2011). The results for ROA, ROE, TBQ, PER, and ERM were not significant ($p > 0.05$), which is an indication that there were no statistically significant differences between dependent, independent, and s before and after the operationalization of the EAC-Common Market in 2010.

Regression Results

To achieve our study objectives, we adopted the SPSS macro on HCSE (Heteroscedasticity-Consistent Standard Error) estimators for linear regression, which were developed by Hayes and Cai (2007). The results of the regression analysis are presented below:

The influence of ERM on the ROA

ROA is a key tool in assessing the management's ability to use company assets and generate a better return on investment (Lesakova, 2007). Table 2 below presents a summary of the regression results between ERM and ROA for 2008/2009 and 2013/2014.

Table 2: Regression Analysis ERM, ROA

	2008/2009	2013/2014
Dependent variable: ROA	Model fit: R2 = 0.5060	Model fit: R2 = 0.5405
	P = 0.1600	P = 0.0002

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	F = 1.6809			F = 5.8543		
Independent Variables	Coeff	T	P	Coeff	T	P
Constant	60.800	6.091	0.000	52.844	3.711	0.001
ERM	-0.848	-.470	0.642	-2.574	-0.503	0.608

*** Significant at the 1% level; **Significant at the 5% level; * Significant at the 10% level. ERM = Enterprise Risk Management; ROA = Return on Assets; ROE = Return on Equity. TBQ = Tobin Q Ratio, PER = Price Earnings Ratio

Source: Own Source

The results (Table 2) demonstrate that in 2008/2009, ROA had an adjusted R-squared value of 0.50, which indicates that about 50% of the total variability in ROA is explained by ERM. However, ERM had no statistically significant influence on ROA; hence, any change in ERM would not affect ROA. On the other hand, the 2013/2014 results (Table 2) show an adjusted R-squared value of 0.54, which indicates a better model fit than in 2008/2009. This means that about 54% of the total variability in ROA is explained by ERM. The F test result for the regression model in 2013/2014 indicates that both variables have a statistically significant influence on ROA (F = 5.85, p = 0.00<0.01). This suggests that ERM is more relevant to ROA in 2013/2014 than in 2008/2009.

The Influence of ERM on the ROE

Table 3 below presents a summary of the regression results on the relationship between ROE and ERM in 2008/2009 and 2013/2014.

Table 3: Regression analysis of ERM and ROE

	2008/2009			2013/2014		
Dependent variable: ROE	Model fit: R2 = 0.4421 P = 0.0897 F = 1.8820			Model fit: R2 = 0.5568 P = 0.0001 F = 6.2476		
Independent Variables	Coeff	T	P	Coeff	T	P
Constant	62.223	2.924	0.007	26.876	1.411	0.167
ERM	0.324	0.106	0.914	2.316	0.412	0.690

*** Significant at the 1% level; **Significant at the 5% level; * Significant at the 10% level. ERM = Enterprise Risk Management; ROA = Return on Assets; ROE = Return on Equity; TBQ = Tobin’s Q Ratio; PER = Price Earnings Ratio.

Source: Own Source

As shown in Table 3 above, in 2008/2009, the OLS regression results showed an adjusted R-squared value of 0.44, which suggests that about 44% of the total variability in ROE is explained by ERM. The F test result indicated that all variables jointly influence ROE (F = 1.88, p = 0.09<0.10). In 2013/2014, the adjusted R-squared value was 0.56, which shows a better model fit than in 2008/2009, indicating that about 56% of the total variability in ROE could be attributed to ERM. The F test result also indicated variables jointly influenced ROE

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(F = 6.24, p = 0.00<0.01). The adjusted R-squared suggests that ERM had more weight in explaining ROE in 2013/2014 than in 2008/2009.

The Influence of ERM on the TBQ
Table 4 below presents a summary of the regression results on the relationship between TBQ as the dependent variable and ERM in 2008/2009 and 2013/2014.

Table 4: Influence of ERM on the TBQ

	2008/2009			2013/2014		
Dependent variable: TBQ	Model fit: R2 = 0.4188 P = 0.1719 F = 1.3261			Model fit: R2 = 0.6348 P = 0.0000 F = 8.6222		
Independent Variables	Coeff	T	P	Coeff	T	P
Constant	2.129	1.347	0.188	5.751	4.840	0.000
ERM	0.005	0.013	0.990	0.126	0.216	0.830

*** Significant at the 1% level; **Significant at the 5% level; * Significant at the 10% level.
ERM = Enterprise Risk Management; ROA = Return on Assets; ROE = Return on Equity.
TBQ = Tobin's Q Ratio; PER = Price Earnings Ratio

Source: Own Source

According to regression results in Table 4, TBQ had an adjusted R-squared value in 2008/2009 of 0.42, implying that about 42% of the total variability in TBQ can be explained by ERM. The F test result indicated that all variables in aggregate did not have a statistically significant influence on TBQ in 2008/2009 (F = 1.33, p = 0.17>0.10). In 2013/2014, results showed an adjusted R-squared value of 0.63, which demonstrates an improved model fit, and in 2013/2014, about 63% of the total variability in TBQ can be explained by ERM. The F test result also indicated that all variables in aggregate have a statistically significant influence on TBQ (F = 8.62, p = 0.00<0.01). This significant improvement in the model fit suggests that ERM had more bearing on TBQ in 2013/2014 than in 2008/2009.

The Influence of ERM on the PER
Table 5 below presents a summary of the regression results on the relationship between PER, as the dependent variable, and ERM in 2008/2009 and 2013/2014.

Table 5: Regression Analysis of ERM, s, and PER

	2009			**2014**		
Dependent variable: PER	**Model fit: R2 = 0.3934** **P = 0.1402** **F = 1.3186**			**Model fit: R2 = 0.5039** **P = 0.0038** **F = 3.4107**		
Independent Variables	**Coeff**	**T**	**P**	**Coeff**	**T**	**P**
Constant	**3.921**	**3.312**	**0.002**	**52.824**	**3.713**	**0.000**

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ERM	**0.169**	**0.788**	**0.282**	**-2.474**	**-0.404**	**0.191**

*** Significant at the 1% level; **Significant at the 5% level; * Significant at the 10% level. ERM = Enterprise Risk Management; ROA = Return on Assets; ROE = Return on Equity. TBQ = Tobin's Q Ratio; PER = Price Earnings Ratio

Source: Own Source

The 2008/2009 results (Table 5) show an adjusted R-squared value of 0.39, implying that during 2008/2009, about 39% of the total variability in PER was explained by ERM. The F test result indicates that all variables in aggregate do not have a statistically significant influence on PER (F = 1.32, p = 0.14 > 0.10). In the 2013/2014 results (Table 5), the adjusted R-squared value was 0.50, which indicates a better model fit than in 2008/2009, implying that about 50% of the total variability in PER in 2013/2014 can be explained by ERM. The F test results indicate that all variables in aggregate have a statistically significant influence on PER (F = 3.41, p = 0.00).

Summary Results

Table 6 below presents the summary results of the hypotheses used in this study.

Table 6: Summary of the Hypothesis Test

Study hypothesises	Tests results		There has been a significant change in the influence of ERM after the operationalization of the EAC-Common Market (H2).
	2008/2009	2013/2014	
There is a significant relationship between ERM and financial performance. (H1).			
ERM and ROA	Not supported	Not supported	Not supported
RM and ROE	Not supported	Not supported	Not supported
RM and TBQ	Not supported	Not supported	Not supported
RM and PER	Not supported	Not supported	Not supported

Source: Own Source

As indicated in Table 6 above, we established no significant relationship between ERM and company performance in the EAC for the two periods under this study. Secondly, there is no significant change in the influence of ERM after the operationalization of the EAC-Common Market in 2010.

Conclusion

The objective of this study was to examine the influence of ERM on company performance and compare the influence of ERM on company performance before and after the operationalization of the EAC-Common Market in 2010. The regression analysis results (Tables 1.2 to 1.5) revealed no significant relationship between ERM (H1) and company performance presented by ROA, ROE, TBQ, and PER. The study also revealed that most of the listed companies did not adopt ERM, which might have been due to the high costs associated with its implementation (Kerstin, Simone, & Nicole 2014). Finally, the result of hypothesis H2 on changes in ERM before (2008/2009) and after (2013/2014) was not supported. Our study also revealed that less than 20% of the EAC-listed companies had the CRO and ARC. This is a clear indication of a lack of commitment to ERM (Aebi et al., 2012;

Knechel, 2002; Liebenberg & Hoyt, 2003). According to Kerstin et al. (2014), this lack of commitment is always attributable to the high costs of ERM implementation, which require highly skilled staff in risk management and regular on-the-job training. Moreover, adoption of ERM requires the introduction of new risk management policies and standards, which is costly (Duckert, 2010). We also observed that most listed companies traditionally used the audit and risk management committee of the board and risk transfer (buying individual insurance policies) as the common means of ERM. We thus recommend that all EAC-listed companies adopt a code of best practices with emphasis on ERM to mitigate the total risks and enhance their return on investment (Harris, M., & Raviv, 2008; Raheja, 2005). This would reduce risks, enhance company financial performance, and increase the company's earnings per share (Gordon et al., 2009; and Pagach and Warr, 2011).

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OPTIMISATION OF PROGRAM BUDGET PERFORMANCE AMONG NOT-FOR-PROFIT ORGANISATIONS IN UGANDA: A CASE OF CIVIL SOCIETY IN UGANDA SUPPORT PROGRAMME

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Abstract:

This study set to establish the determinants of budget performance in Civil Society in Uganda Support Programme (CUSP) by the German Agency for International Cooperation in Uganda (GIZ-Uganda). We focused on implementing partners (IP) related determinants as budgetary control, leadership/ governance, organization structure, and of human resource. The study adopted a cross-sectional research design based on samples drawn from across 127 IPs that closed their contracts with CUSP. The unit of observation comprised 127 program coordinators, 127 finance staff, and 127 service extension of IPs' staff, with a population of 381 staff. A two-stage sampling technique was adopted first, stratified sampling to select staff category amongst the IPs, then purposive sampling to select respondents within the staff categories. An online semi-structured questionnaire was used to collect data. Results show that budgetary control significantly and negatively affects budget performance however, leadership and organisational structure have a significant positive influence on budget performance and human resources did not have any influence. This implies that management of IPs, IDAs and other similar organizations should ensure they have good leadership or governance and organization structures besides investing in budgetary control through policy framework that can translate to effective budget performance.

Keywords:

NPOs, Budget Performance, Leadership, Governance, Budgetary Control

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Introduction

A budget is a quantitative expression of a thought of action prepared for a corporation as an entity so as for the entity to carry out certain functions like sales and production or for monetary resources items such as cash, cost, man-power purchase, and others (Alade, 2020). A budget is a formal statement of estimated income and expenses based on plans and objectives. In other words, a budget is a document that management makes to estimate the revenues and expenses for an upcoming period based on their goals for the business. Budgets of international humanitarian organizations are derived from donations, which are typically limited, uncertain, and to a large extent earmarked for specific countries or programs. These factors, together with the specific utility function of international humanitarian organizations, render budgeting and budget performance in these organizations a challenging managerial problem (Keshvari Fard, Ljubić & Papier, 2022).

A budget is an accounting device used to plan and control resources of operational departments of governments and divisions (Warren, et al., (2016). Budgets are useful planning and control devices used by both private and public sectors of any given economy. As a planning document, a budget enables businesses, governments, private organizations, and households to set priorities, monitor progress and measure performance towards selected goals. According to Saunois et al. (2020) a budget is important for assessing realistic pathways to mitigate a problem. In addition to functioning as a financial planning tool designed for the purpose of measuring company costs and revenues, budget also acts as a tool for control, coordination, communication, motivation, and managerial performance appraisal (Su'un, 2020). Su'un (2020) opines that the existence of a budget will encourage organizational sustainability. Budgets have embodied the outcomes of predictive models of expense and investment and provided the instruments that allow actions such as resetting objectives and redesigning of the system to be articulated. Budget is a useful tool in planning since it represents a plan. Budgets in international development agencies (IDAs) and their implementing partners (IPs) are used as a planning document. Institutions use it as a guiding tool in the implementation of activities and measure of performance thereon.

The process of budgeting allows institutions to express quantified resource requirements into time phased milestones. Lulaj and Enkeleda (2019) explain budgeting as more than the distribution of resources between different requirements, it is about meeting the needs of a society by bringing compromises in the political market. Budgeting is a key tool of modern management, contributing to improving the efficiency of the company (Rebrowa, et al., 2020). When drawn up appropriately, budgets can ensure the achievement of strategic goals (Chugunov, et al., 2019). Robust revenue forecasting is key to effective budgeting (Jones, 2020) which are driven by the revenue forecasts of the previous financial year and can be used by government and the non-governmental sectors to mobilize adequate resources for local authorities, translate policies into pro-poor investments and provide equitable and efficient quality social services. Also, institutions rely on budgeting for multiple reasons including control, strategic planning, communication, and regulatory compliance (Kenno, et al., 2021; Nikulina, 2020) and in setting priorities by allocating scarce resources to those activities the officials deem to be the most important and rationing it to those areas deemed as less vital (Rebrowa, et al., 2020).

In this study, we define budget performance as a measure of the variances between planned expenditure against actual performance realized as adopted from the study of (Su'un, 2020). In

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other words, budget performance is a system concept of Value for money or performance-based budgeting that prioritizes efforts to achieve the results of work or output from the planned cost or input allocation. This means that performance-based budgeting is more effective than program or organizational budgets with anticipated outcomes because this system explains the relationship of costs to results, so it can be said that this system deals effectively with a program. A budget with significant adverse and favourable variances shows poor accountability of funds and the smaller the gap between planned and actual expenditure, the better the budget performance. According to Su'un (2020), budget performance is a measure in terms of funds received, actual expenditure realized and the resultant variances. At GIZ-Uganda, any variance above or below 5% of the planned budget is taken as unacceptable as per the set financial regulations; hence any variance that was below or beyond that level is taken as poor budget performance. In this study, Su'un's conceptualization of budget performance has been adopted.

International development agencies have increasingly financed development plans and initiatives in which local public goods and social services are delivered through a variety of funding and implementing channels in aid-dependent countries (Baldwin & Winters, 2020). The financing and support are mainly channeled through both public and private community-based implementing agencies. Work plans and budgets are drawn and approved to guide the implementation and measurement of performance of development programs. Unfortunately, in Uganda despite the immense importance of IDAs in promoting quality of life, their performance is continuously threatening (UNDP, 2016 as cited in Kushemererwa & Stylianou, 2021). Whereas the number of non-profits continues to grow worldwide, these establishments operate under a host of challenges that probably hinder their performance. A preliminary diagnosis of GIZ-Uganda CUSP financial reports indicates significance of undesirable variances between planned/ approved budgets and actual expenditure. An analysis for the periods ending 31st December 2018 to 2021 indicate that the variances between budgeted and actual expenditure were 8.7, 16.8. 20.6 and 17.2 percent respectively. This performance can be though of as favourable since less was utilised however, given the limits of +5% and -5%, all variances were over and above the acceptable threshold. Such undesired budget performance may in turn discourage development partners from providing funds for future development programmes or encourage excessive expenditure by IPs to avoid spend it or lose it policy given the low burn-rate. Discouragement of development partners is in return a threat to GIZ-Uganda's competitiveness and sustainability in the non-profit sector. This assertion was the motivation behind the study to examine whether the undesirable budget performance was determined by budgetary control, leadership/ governance, organizational structure, and human resource of IPs of GIZ-Uganda's Civil Society in Uganda Programme (CUSP). This study therefore, sought to investigate the determinants of budget performance in Civil Society in Uganda Support Programme (CUSP) by German Agency for International Cooperation in Uganda (GIZ-Uganda).

The Context
The rise of super-economies especially in the Western world and the need to strengthen international cooperation gave birth to several state-owned IDAs spread across the globe and primarily responsible for administering civilian foreign aid and development assistance. Examples include but are not limited to GIZ, United States Agency for International Development (USAID), United Kingdom Agency for International Development, and Japan

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International Cooperation Agency (JICA). These organizations primarily work/ implement through community-based organizations (CBOs) in specialties and localities of their interests. The German Agency for International Cooperation (GIZ) is an international enterprise owned by the German Federal Government, operating in many fields across more than 130 countries Uganda inclusive. As a federal enterprise, they support the German Government in achieving its objectives in the field of international cooperation for sustainable development. GIZ offers demand-driven, tailor-made, and effective services for sustainable development. In Uganda, GIZ through several programmes operates in many fields including economic development and employment promotion, governance and democracy, security, reconstruction, peace-building and civil conflict transformation, food security, health and basic education, environmental protection, resource conservation, and climate change mitigation.

Civil Society in Uganda Support Programme (CUSP) is one of the many programmes under implementation by GIZ-Uganda. Launched on 31st May 2018, cutting across the entire country and jointly funded by European Union (EU) and German Federal Ministry of Economic Cooperation and Development (BMZ) to a budget tune of Euro 26.9 million (UGX 118 billion), CUSP aims at building a conducive environment for state-civil society organizations (CSOs) dialogue and improving framework conditions for civil society participation in the development of Uganda. Implemented through CBOs herein termed as IPs, CUSP targets CSOs operating in a wide range of sectors, such as infrastructure, including transport, water, and energy; green economy; rural development, and good governance. Since its launch like any other programmes by GIZ-Uganda, for all the years under implementation, CUSP has spent under and below the acceptable level. The programme has registered budget performance variances of 8.7, 16.8. 20.6 and 17.2 percent for the financial years 2018 to 2021 respectively which performance is largely attributed to implementing partners. Among other scholars, in attempts to examine and contribute to the hotly debated topic “The utility of foreign aid”, the conclusion – “it depends” by Riddell (2008) in his book Does Foreign Aid Really Work also reveals that among other factors, IPs engaged by IDAs greatly determine programme budget performance.

The funding structure of aid/ donor organizations creates key challenges and risks because it relies heavily on external donors/ sources (Bocquet, et al., 2020). Funding programs from external sources is a risky business and, therefore, aid/ donor organizations should need to carefully navigate the risks attached no matter what funding regime they use. Risk can be effectively managed to mitigate its adverse impacts on program objectives. In donor funded programs, financing risks as well as other risks such as political risks, technological risks, legal risks, economic risks are inevitable in the life of the program and, therefore, need to be well mitigated (Stötzer, et al., 2021). This is so, since most donor funded projects are competitive in nature and, therefore, carries the risk of innovation that requires the good strategies to hedge against loss. In many instances, the administration system and accounting procedures in budget implementation are not well understood by the relevant authorities. In their article “study of global fund disbursement process”, Gallien, et al. (2021) revealed that the timing of the disbursement of funds was affected by funds accountability requirements by financing partners prior to disbursement of funds thereby affecting the effectiveness of program budget performance.

Donors also impose administrative regulations on some of the programs they fund. For example, in their study on the effect of large corporate donors on non-profit performance,

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Finley, Hall, Harris, and Lusch (2021), established that beyond simply providing funding, large corporate donors exert much influence over the donor fund organizations' projects to the extent of controlling their performance substantially. Donor demand beyond organization capacity was found to significantly influence the performance of the donor fund organizations individually. Finley et al, (2021) also found that donors sometimes provide monitoring and technical experts to the project, mostly foreigners at the expense of locals as an administrative imperative. The argument is that donors find expatriate technical staff as helpful in sensitive aspects of project management and control of budgets and are also knowledgeable about home office reporting requirements even when locals can competently handle the same tasks. According to Perić, et al. (2020), non-profit organizations highlighted that in addition to human capital, reputation, and full transparency, personalized relationships and direct contact with partners and customers represent the only possible approach to doing business and crucial sustainability.

Nongovernment organizations (NGOs) need to invest in building relationships and basic good financial practices to remain sustainable. Apart from being able to raise money from a variety of sources, financially sustainable NGOs actively invest in developing and maintaining strong personal relationships with their key stakeholders, particularly their donors, supporters, volunteers, staff, and beneficiaries. Sustainable NGOs also have built sufficient financial reserves, as well as strategically manage and finance all organizational costs and overheads (Ayinkamiye & Spencer, 2021). Awadari (2020), observed that donor funded projects in the country are experiencing a myriad of problems that include ineffective leadership, absence of strategic planning activities, poor recording practices, lack of necessary policies, procedures and resources, high turnover of employees and volunteers and dependence on a limited number of funding sources. It should be observed that international donors have shifted their funding regime from a traditional model to a new challenge fund concept which has impacted greatly on local NGOs.

Specific Objectives

This study sought to examine the determinants of budget performance of CUSP by GIZ-Uganda and was guided by the following specific objectives.

i. To examine the effect of budgetary control on the budget performance of CUSP by GIZ-Uganda.
ii. To examine the effect of leadership/ governance on the budget performance of CUSP by GIZ-Uganda.
iii. To examine the effect of organization structure on the budget performance of CUSP by GIZ-Uganda.
iv. To examine the effect of human resources on the budget performance of CUSP by GIZ-Uganda.

Conceptual Framework

The model below is a diagrammatic representation of the determinants of budget performance of CUSP by GIZ-Uganda. The model further describes the dimensions of each variable that were adopted for this study.

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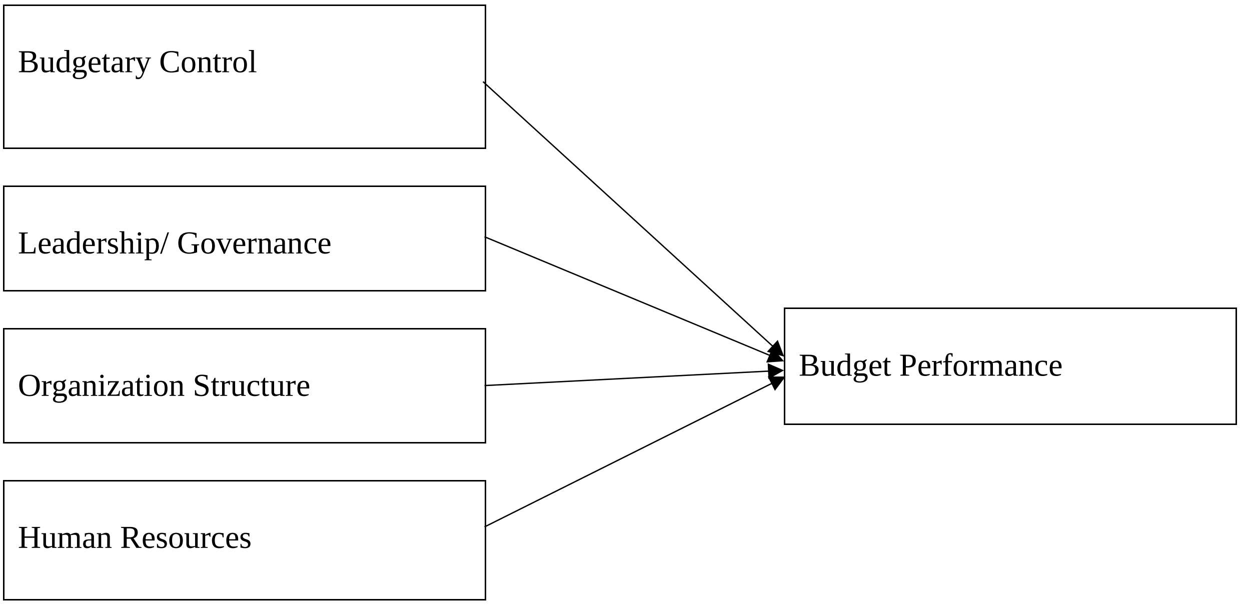
Figure: 1. Conceptual Framework



Source: Adopted and modified from Silva, et al., (2021).

Theoretical and Literature Review

Several theories underpin budget performance and its determinants. First, goal-setting theory is based on the idea that setting specific and measurable goals is more effective than setting unclear goals. According to Locke's (1968) goal-setting theory, employees want to achieve targets where the goals are clearer since it will be easier. Most studies agree that performance will increase if the budgetary goals are clearer. For instance, Le & Nguyen (2020) show positive relationship between the clarity of budget goals and performance. The clarity of the budget goals is expressed by the department manager's level of awareness of the goals assigned by the superior. It includes clarity on goal content and goal priority. They also suggest that managers achieve their goals easily if the budgetary goals are clearer. This theory largely supports performance-based budgeting and this study. Verawati (2020) defines performance-based budgeting to allocate resources to achieve specific objectives based on program goals and measured results. It focuses on the result (outcome), the strategy (different ways to achieve the outcome), and activity/outputs (what is actually done to achieve the final outcome). Within this framework, a connection exists between the rationales for specific activities and the end results. In this method, the entire planning and budgeting framework is result oriented. In this study, budget performance is the result on which program activities are focused. The need to establish the connection between set program goals and objectives with the expected results is amplified by this theory. This focus helps IP managers to use resources entrusted as agents on specific program budget activities more efficiently to deliver the desired outputs which subsequently results into good budget performance.

Agency theory deals with agency conflicts arising from a divergence between agents' and principals' utility functions, creating the potential for mischief. Eisenhardt (1985), explains how to best organize relationships in which one party (the principal -IDA in this study) determines the work, which another party (the agent -IP in this study) undertakes. The agency

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problem is to determine the optimal contract for the agent's service. The principal-agent relationships should reflect efficient organisation of information and risk-bearing costs. The human assumptions to be considered are self interest, bounded rationality, and risk aversion, while at organisational level the assumptions to be analysed are the goal conflict among participants and the information asymmetry all of which arise from the separation of ownership and control and impact performance. For instance, budget performance of the principle (IDA) may be impacted by the behaviour or self interests of the agent (IP) management that implements CUSP.

Systems theory is the interdisciplinary study of systems, i.e. cohesive groups of interrelated, interdependent components that can be natural or human-made. Every system has causal boundaries, is influenced by its context, defined by its structure, function and role, and expressed through its relations with other systems. A system is "more than the sum of its parts" by expressing synergy or emergent behavior. According to Bertalanffy (1968), general systems theory states that all the components of an organization are interrelated and that changing one variable might impact many others. In this study, this theory is relevant as it strengthens the argument that optimum funds utilization for better budget performance can only be achieved if several inputs and processes are well coordinated and administered. Good budget performance can be achieved if the components of budgeting/ planning, communication, leadership, and procurement are well coordinated.

Determinants of Budget Performance

Budgetary Control and Budget Performance

According to Nikulina (2020), budget control refers to the coordination of relations between different stages of budgeting subsystems when performing the tasks of budget planning, accounting, control, and analysis with a purpose of ensuring organization’s vitality in the long term. Budgetary control refers to the idea of ensuring the efficient and effective utilization of financial resources through processes of monitoring, feedback, motivation, variance correction, and performance evaluation at the level of individual responsibility centre. In other wards, budgetary control is a system of procedures used to ensure that an organization's actual revenues and expenditures adhere closely to its financial plan. The system typically involves setting personal goals for managers that are based on the budget, along with a set of rewards that are triggered when the goals are attained. In addition, budget versus actual reports is routinely issued to anyone having responsibility for a line item in the financial statements, they are then expected to act to correct any unfavorable variances.

Keng’ara and Makina (2020) while assessing the effect of budgetary processes and the performance of an organization in relation to non-commercial marine agencies in Kenya and using a sample size of 70 respondents revealed that there was a positive significant relationship between budgetary processes for intense budgetary planning, budgetary control, and budgetary implementation, monitoring and evaluation on organization performance. In another study of the consequences of competing uses of budgets, Henri, et al. (2020) examined the extent to which simultaneous use of budgets for the purpose of performance evaluation or forecasting gives rise to satisfactory or unsatisfactory consequences of budgets. Using survey data collected from a large sample of organizations, study results concluded that more satisfactory budget consequences, in terms of budget value, arise in two situations: (a) whereby budgets are predominately used for performance evaluation, or (b) whereby budgets are predominately

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used for forecasting. Those organizations displaying no predominant budget use show less satisfactory budget consequences. This might mean that tighter budgetary control can improve budget performance.

Leadership/ Governance and Budget Performance
Leadership is an influencing process aimed at goal achievement, focusing on leadership as a process directed at influencing a specific group of people to meet a stated objective (Benmira & Agboola, 2021). It is the art of mobilising others to want to struggle for the shared aspirations, and one might state that leadership is simply influence. In other words, at its simplest, it is concerned with the ability to influence others to achieve set goals. The action of facilitating/ influencing group activities towards a common or shared goal, the design of institutions that induce management to internalize the welfare of stakeholders (Jiang & Kim, 2020). Soelton, et al. (2021), in their study, improving the performance of non-profit organizations showed that the role of the leadership can improve organizational performance effectively and efficiently for the sustainability of the institution for which it is responsible. Organizational commitment can be consistently applied by leaders in this institution. This means that the higher the leadership in this institution, the stronger the norms will be embedded in the culture for the real actions of all its employees, which of course can ultimately strengthen the organization's performance stably.

Another study examining the importance of delegation of authority, budget allocation and leadership in improving performance, Juhana, et al. (2020) discussed the influence of delegation of authority, budget allocation and leadership to the performance of sub-districts in Garut Regency, West Java Province, Indonesia. using a quantitative approach by collecting data in the form of questionnaires to respondents, and using a sample of 286 respondents from a total population of 1003 people with a stratified random sampling technique and used SEM analysis to analyse data. The study found out that delegation of authority, budget allocation, and leadership had a positive and significant effect on the performance of districts in Garut Regency, both partially and simultaneously. Silva et al. (2021) therefore conclude that to be more effective in the social services provision, Not-for-profit organisations (NPOs) must emphasize their financial management and governance practices.

Organization Structure and Budget Performance
An organizational structure is a system that outlines how certain activities are directed to achieve the goals of an organization. These activities can include rules, roles, and responsibilities. The organizational structure also determines how information flows between levels within the company. Impact of structure and culture on organizational performance can be seen in the case of Uganda’s High Court (Kintu & de Waal, 2021). According to the authors, despite many attempts to improve the performance of public sector organizations, in developing countries, many such organizations still underperform. The study evaluates the impact of organizational structure and culture on the performance of Uganda’s High Court by applying the high-performance organizations (HPO) framework. A questionnaire on the quality of the organizational structure, culture, and HPO status was distributed among High Court staff and the collected data were subjected to factor/regression analyses. The HPO framework is found to be valid for the High Court, and positive and statistically significant relationships are found between the HPO status of the High Court and organizational structure and culture. Cao, et al. (2021) in their study results showed that there is asymmetry between the diversification strategy adopted and financial performance, and a related diversification strategy should be

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adopted as a priority; the symmetry of an unrelated diversification strategy on financial performance was partially confirmed, and other elements should be adopted, simultaneously, to improve this symmetry; a related diversification strategy and multidivisional structure on financial performance was found to be symmetric.

Human Resources and Budget Performance

Utami and Pernamasari (2019) studied the performance of spending budget: governance and human resource competence perspectives. Their study sought to compare factors affecting the realization of budgets between ministries/ institutions that have a high and low budget realization. Factors that were considered to influence the realization of the spending budget were (1) understanding of budget governance, (2) systems and procedures, and (3) human resource competencies. The study results show that budget governance and human competencies have a significant positive effect on the realization of the spending budget. Budget absorption performance in financial education and training agencies will depend on human resources' competences (Pribadi, et al., 2020). Their study results indicate that the synergy and competence of human resources has a positive and significant effect on the level of budget absorption performance. Indeed, Saputra (2022) studies the influence of human resource competence, internal control system, participation in budget preparation, and accounting control on performance accountability of local government agencies. With over a selected sample of 92 local government agencies, results of this study show that the internal control system and accounting control has a significant positive effect on the performance accountability of government agencies, while the competence of human resources and participation in budget preparation however does not affect the performance accountability of government agencies.

Methodology

The study adopted a cross-sectional study design which involves collection of data within a short period of time and employing a quantitative approach in the analysis of data is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Siedlecki, 2020). In addition to its potential to enable analytic generalization, the cross-sectional study design was adopted since it is quite ideal at accurate and valid representation of variables that pertain relevant to the research question. Since cross-sectional studies are in-depth, the approach enables observation and description of characteristics which would otherwise not be possible to observe.

The Study Population and Sample Size

Population is a complete set of elements (persons or objects) that possess some common characteristic defined by the sampling criteria established by the researcher and from which generalization of the research findings are inferred (Manna & Mete, 2021). The accessible population was CUSP employees of all IPs across Uganda that closed their contracts with the programme. The unit of observation comprised of 127 programme coordinators, 127 finance staff and 127 service extension staff of the 127 implementing partners. Therefore, the target population of the study was 381 respondents who were grouped by region.

A two-stage sampling technique was used to narrow down the respondents from the implementing partners. Stratified sampling technique was used to select the category of staff while purposive sampling was used to select respondents within the staff categories. The study used Krejcie & Morgan table, (1970) to calculate the sample size of 254 respondents.

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According to Krejcie and Morgan (1970), a sample of over 191 is representative of the population and acceptable in such a study.

Data Collection Method

Primary data was collected using a semi-structured self-administered questionnaire over electronic mails on a five-point Likert scales - Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2) and Strongly Disagree (1) to assess the extent to which a respondent agrees or disagrees with a statement. According to Mensah (2020), the researcher needs to develop instruments for use while collecting information from respondents. The method was preferred because of it is easy to administer, it is economical, it is perfect for large scope inquiry, it limits personal bias by the researcher, and it captures standardised answers and questions that ease data compilation. Although a total of 254 questionnaires were administered, only 242 responses were received and 242 analysed. Respondents were assured of confidentiality in their responses and that the information provided would be used specifically for the purposes of the study.

Reliability and Validity of Data

Reliability refers to the stability of the measuring instrument used and its consistency over time. (Sürücü & Maslakçi, 2020). To ensure the reliability of data, Cronbach's Alpha Reliability Coefficient for Likert-Type Scales test was done using a feature data analysis. The results show .76, .75, .73, .72 and .77 degrees of reliability attained for budgetary control, leadership/governance, organization structure, human resource, and budget performance. According to Sürücü and MASLAKÇI (2020), the required degree of reliability should be 0.70 or greater attained from a sizeable sample. For validity, we computed the Content Validity Index (CVI) to provide the extent to which it measures what the questions purport to measure (Dunn, 2020), which were responses for subject experts who individually rated each of the questions on a scale of 'very relevant', 'relevant' and 'irrelevant'. A CVI of at least .78 was attained for each of the variables considered which was in support of the rule of the thumb of .7 for validity.

Model Specification and Data Analysis

Statistical Package for the Social Sciences (SPSS) software version 29.0 was used to obtain descriptive (mean, standard deviation, frequencies, skewness, and kurtosis) and inferential statistics. These tools were preferred because they are user friendly in computing and analyzing inferential statistics (simple linear regression, multiple regression, and coefficient of correlation). The regression model was specified as follows.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \textit{Equation 1}$$

where,
Y = represents budget performance,
β_0 = represents constant,
X_1 = represents budgetary control,
X_2 = represents organization structure,
X_3 = represents leadership/ governance and
X_4 = represents human resource.
β_1 to β_4, = coefficients of the variables to be determined by the model
e = represents the estimated error of the regression model.

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Findings and Discussions

An overall response rate of 95.3% following a return of 242 out of the 254 self-administered questionnaires that were electronically distributed to the target respondents. According to Rumman (2021), a response rate of eighty percent (80%) and above is generally considered acceptable. This success rate is mainly attributed to the fact that purposive sampling was used, and the respondents (IPs) that were easily accessible mainly through CUSP administration. 69(n=168) percent of the respondents were above 30 years and the rest 30.6%(n=74) were 30 and less years old which meant they were able to provide credible data given their skills set acquired. Results also reveals that 53% (n=128) of the respondents were female while the male constituted 47% (n=114) meaning that there are more women working in CUSP at the IPs than men.

Table 1: Demographics for the Respondents

Age (Years)	**Frequency**	**Percentage**	**Totals(n)**
20 – 30	74	30.6	
31 – 40	84	34.7	
41 – 50	73	30.2	
51 and above	11	4.5	242
Gender			
Female	128	53	
Male	114	47	242
Departmental response			
Finance & Accounting	121	50	
Programs	121	50	242
Years worked with IP			
0-2	30	12.1	
3-5	175	72.7	
6-10	37	15.2	242

Source: Primary Data

Findings also indicate the composition of respondents from the programs and finance departments was 50% (n=121) each, implying a well-representation of the relevant units. Highly ranked project employees with more responsibilities tend to engage in a variety of activities notably budgeting processes and eventual project implementation to meet the objectives of the project. Table 2 below shows that Accountants and Finance Officers (36.4% combined) participate more in the implementation of projects under the finance department yet program coordinators and Program officers (37.6% combined) have more involvement in program execution. The number of years worked in a given IP was also considered a very important factor in this study because it shows the level of seniority of a particular individual the in execution of activities and articulation program implementation/ management matters which are very important aspects in CUSP at the IP. Results also indicate that 72.7% (n=175) had worked between 3 to 5 years, this was followed by 15.2% (n=37) that fell between 6 to 10 years and only 12.1% (n=30) in the service for less than two years meaning that all staff had obtained minimum experience needed to fully understand and execute program work with ease and be supported by minimal supervision.

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Inferential Analysis for the Study Objectives

Correlation Analysis

Spearman correlation test was conducted using SPSS to identify the relationship between the variables and evaluate the impact of specific variables on other variables. Table 2 below shows the correlation coefficients between the variables.

Table 2: Spearman Correlation Coefficients of The Study Variables

Correlations							
	Mean	**SD**	**BC**	**LG**	**OS**	**HR**	**BP**
Budgetary Control (BC)	2.87	1.046	1.000	.994**	.992**	.981**	.979**
Leadership/Governance (LG)	2.85	.919	.994**	1.000	.990**	.974**	.978**
Organization Structure (OS)	2.72	.849	.992**	.990**	1.000	.983**	.976**
Human Resources (HR)	2.32	.796	.981**	.974**	.983**	1.000	.973**
Budget Performance (BP)	3.28	.87	.979**	.978**	.976**	.973**	1.000

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

Source: Primary Data

Spearman correlation matrix in Table 2 above shows that the coefficient between budgetary control and leadership (.994), budgetary control and organizational structure (.992), budgetary control and human resource (.981), budgetary control and budget performance (.979), leadership and organizational structure (.990), leadership and human resource (.974), leadership and budget performance (.978), organization structure and human resource (.983), organization structure and budget performance (.976), human resource and budget performance (.973) is positive and close to perfect positive correlation (1.0). The test confirms that all model variables have significant direct relationships with each other and denote movement of the relationships in the same trajectory. This thus implies that the dependent variable (budget performance) is strongly positively influenced by each independent variable in the model and confirms that budgetary control, human resource, organization structure and leadership are strong determinants of budget performance. For instance, an improvement in the budgetary control would correspond with an improvement in budget performance.

Regression Analysis

Multiple linear regression is the method the researcher used to understand the relationship between the explanatory variables (budgetary control, leadership/governance, organization structure and human resource) and the model response variable (budget performance). The model summary was analysed to establish the strength of the conceptualized determinants in predicting budget performance. Results revealed that the four constructs namely budgetary control, leadership, organization structure, and human resource account for 84.4% of the variation in budget performance (Adjusted R Square = 0.84.1). therefore, the remaining 15.6% is explained by other factors not considered in the study. The Analysis of Variance (ANOVA) output was examined to check whether the proposed model was viable. Results reveal that the F-statistic was highly significant (F = 319.639, $p < .01$), this showed the model was valid. The model significantly improved the ability to predict budget performance.

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Table 3: Regression Coefficients of Budget Performance

		Unstandardized Coefficients		Standardized Coefficients		
Model 1		**B**	**Std. Error**	**Beta- (*β*)**	**t**	**Sig.**
	(Constant)	3.404	.653		5.216	<.001
	Budgetary Control	-.217	.070	-.391	-3.102	.002
	Leadership	.404	.123	.506	3.292	.001
	Organization Structure	.737	.098	.785	7.524	<.001
	Human Resource	.013	.105	.013	.122	.903

a. Dependent Variable: Budget Performance
b. Predictors: (Constant), Human resource, Organization structure, Budget control, Leadership
Adj. $R^2 = .84$,
F-Statistic $= 319.64, p < .001$

Source: Primary Data

Results of the multiple regression coefficients in Table 3 above showed the estimates of β values and give an individual contribution of each predictor jointly to the model. The positive β values indicate the positive relationship between the predictors and the outcome while the negative β value indicates the negative relationship between the predictors and the outcome. The β value for leadership (β = .506, p < 001), organization structure (.737) and human resource (.013) were positive indicating a positive direction of the relationship between the predictors and outcome while that of budgetary control (-.217) was negative and indicating negative direction relationship between the predictor and the outcome. From the results the model was then specified as $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$. Budget performance = 3.404 + -0.217 budgetary control + 0.737 organization structure + 0.404 leadership + 0.13 human resource.

The coefficient of the variable indicates the amount of change one could expect in budgetary performance given a one-unit change in the value of the variable given all the variables in the model keeping other independent variables constant. Results reveal unstandardized regression coefficient for budgetary control β = -.217 implied that an increase in 1 unit in budgetary control is likely to result in a .217 decrease in budget performance keeping other independent variables constant. Unstandardized regression coefficient for leadership β = .404, implies that an increase in 1 unit in leadership is likely to result in 0.404 units of change in budget performance keeping other independent variables constant. The unstandardized regression coefficient for organization structure β = .737, implies that an increase in 1 unit in organization structure is likely to result in 0.737 units of change in budget performance keeping other independent variables constant. Also, unstandardized regression coefficient for human resource β = .013 implies that an increase in 1 unit in human resource is likely to result in 0.013 units of change in budget performance keeping other independent variables constant.

T-test was used to identify whether the predictors were making a significant contribution to the model. When the t-test associated with β value is significant then the predictor is making a significant contribution to the model. The results show that jointly, save for human resource (t = .122, $p > .05$), budgetary control (t = 3.102, $p < .05$), leadership (t = 3.292, p < .05) and organization structure (t = 7.524, $p < .05$) significantly affect budget performance of programmes of IDAs. The results imply that organization structure is the most important

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predictor for budget performance. However, this does not devalue the role of budgetary control, leadership, and human resource as determinants of budget performance of programmes of IDAs in Uganda.

Discussion of Results
The fundamental purpose of this study was to examine the determinants of budget performance of programmes of IDAs in Uganda. From the results, there is no second opinion to the fact that individually (simple linear regression), organization structure, budgetary control and leadership significantly determine effective budget performance while jointly, save for budgetary control, organization structure and leadership, although related to the dependent variable, human resource does not statically significantly determine budget performance. These facts are underpinned by the findings of the study.

The first objective was to examine the effect of budgetary control on the budget performance of CUSP by GIZ-Uganda. It is worth acknowledging that when IPs effectively practice budgetary control through planning, monitoring, and controlling of project budgets it ensures optimal utilization of program budgeted resources to achieve program strategic goals which eventually culminate to effectiveness of IP budget performance and by extension the performance of CUSP by GIZ-Uganda. This was underscored by the fact that those organizations displaying no predominant use of budgetary control show less satisfactory budget consequences (Henri, Massicotte & Arbour, 2020). This is further corroborated by the findings of this study where the simple linear regression analysis showed that significant relationship exists between the dependent variable and the independent variable. The model explained only 74.9% of the variation or change in effective budget performance variable with the remainder of 25.1% explained by other factors other than budgetary control. From the regression analysis table t = 26.741, similarly p-value is less than 0.05 that is sufficient to show relative importance. Therefore, it is evident from the results that budgetary control was found to be a positive and a significant predictor of effective budget performance. These findings are supported by the findings of Keng'ara and Makina (2020) and Henri, et al. (2020). The findings subscribe to the agency theory and the goal-setting theory. The agency theory articulates that there ought to be a system of ensuring accountability among management of programs who represent the agent to whom the donors and the beneficiaries (principal) have given the power of control which affect budget performance while the goal-setting theory that articulates that setting specific and measurable goals is more effective than setting unclear goals. The findings imply that there is a need for IPs and IDAs to develop appropriate policies, practices, and procedures to guarantee budgetary control.

The second objective of the study was to examine the effect of leadership/ governance on the budget performance of CUSP by GIZ-Uganda. Leadership is an influencing process aimed at goal achievement (Benmira & Agboola, 2021) while governance is the design of institutions that endure management to internalize the welfare of stakeholders (Jiang & Kim 2022). As discovered by Soelton, et al. (2021), leadership/ governance ensures effective planning, controlling, organizing, directing, team leadership as well as openness and transparency which in return results into effective budget performance and organization goal achievement. This argument is supported by the findings of this study where the unstandardized regression weight was found to be positive and explores that a positive relation is caused by the independent variable. The model explained only 80.3% of the variation or change in budget performance with the remainder of 19.7% explained by other factors other than leadership with t = 31.241,

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$p < 0.5$. These results provide sufficient ground to affirm that leadership significantly affect budget performance in programs of IDAs in Uganda. These findings are supported by Soelton, et al. (2021), Juhana, et al. (2020), and Silva, et al. (2021). Putting it together, effective budget performance cannot be achieved without an excellent or good level of leadership. There is therefore need for IPs and IDAs to strengthen leadership and governance. These findings, premised on the theory of leadership and governance can provide a boon to the adoption of leadership which enhances adequate budget planning, control, and monitoring that are vital for budget performance in programs of IDAs in Uganda.

The third objective was to examine the effect of organization structure on the budget performance of CUSP by GIZ-Uganda. According to the findings of this study that organization structure has a significant effect on effective budget performance, IPs should embrace strong and effective organization structures to foster efficient budget performance. Strong and effective organization structures result into clear cut of roles/ responsibilities and motivation of employees to work together towards effective budget goal achievement. This argument is underpinned by both the systems and agency theories. The model explained indicated that the model explained only 83.5% of the variation or change in budget performance with the remainder of 16.5% explained by other factors other than organization structure. The regression results show that t is 34.795, $p < 0.5$. These findings are supported and agree to the findings of Kintu and de Waal (2021) and Cao, et al. (2021).
The fourth objective of this study was to examine the effect of human resource on the budget performance of CUSP by GIZ-Uganda. It is worth acknowledging that when IPs embrace sufficient and quality human resource through meritorious recruitments, effective retention policies, effective award systems and personnel development it ensures optimal utilization of program budgeted resources to achieve program strategic goals which eventually culminate to effectiveness of IP budget performance and by extension the performance of CUSP of GIZ-Uganda. This was underscored by the fact that synergy and competence of human resources has a positive and significant effect on the level of budget absorption performance (Kanto & Kisman, 2020). This is further corroborated by the findings of this study where the simple linear regression analysis showed that significant relationship exists between the dependent variable and the independent variable. The model explained only 76.4% of the variation or change in effective budget performance variable with the remainder of 23.6% explained by other factors other than budgetary control. From the regression analysis table $t = 27.866$, similarly p-value is less than .05 which is sufficient to show relative importance. Therefore, it is evident from the results that human resource was found to be a positive and a significant predictor of effective budget performance. These findings are supported by the findings of Utami and Parnamasari (2019), and Kanto and Kisman (2020). The findings also subscribe to the agency theory that articulates that there ought to be a system of effective separation of ownership and control among stakeholders which affect budget performance. The findings imply that there is a need for IPs and IDAs to develop appropriate policies, practices, and procedures to guarantee sufficient and quality human resource.

The general objective of the study was to examine determinants of effective budget performance in programs of IDAs in Uganda. From the study findings, jointly, leadership and organization structure had a positive and significant effect on budget performance. Budgetary control reported a negative significant effect while found to have no significant effect to budget performance, human resource manifested a positive effect. Jointly all the variables accounted for 84.4% of the variation in the budget performance (Adjusted R square = 0.844) with an F

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statistic which was highly significant (F =319.639, $p < 0.001$). The result is higher than the individual contribution of each of the determinants. It therefor behooves the IPs to synergistically bundle all the determinants for a maximal outcome in terms of effective budget performance. However, organization structure (.737) was the greatest contributor to effective budget performance followed by leadership (.404) followed by human resource (.013) and budgetary control (-.217). these altogether do not devalue the rest of the low contributing determinants but invokes the need for hinging on the theories of organization structures, control, budgeting, agency, goal-setting and systems in bundling all the three determinants for effective budget performance.

Conclusion, Recommendations and Contribution

From the findings, this study made several conclusions. The study concluded that individually, the four research constructs are key in enhancing budget performance at IP level in programs of IDAs while jointly, only leadership, organization structure and budgetary control are key in enhancing budget performance at IP level in programs of IDAs. This was evidenced by the study findings that revealed that to different magnitudes these constructs independently and jointly affect budget performance. Individually, effectiveness of all the determinants of effective budget performance understudy positively and significantly impacts budget performance while jointly, save for leadership and organization structure that positively and significantly impact budget performance, budgetary control significantly negatively impacts budget performance and human resource insignificantly positively impact effective budget performance. It therefore calls for formulation, promotion of budget performance-oriented policies and focusing on their implementation at IP level. In consequence, it would become ingrained in management and operations of IPs/ IDAs and not just an additional component of organizational policies thus enhancing effective budget performance in programs of IDAs in Uganda

Although the study provided absolute support to the suggestion that organization structure should be recognised as the fundamental contributor and significant precursor for effective budget performance in programs of IDAs as well as other donor agencies, the study implied that determinants of budget performance should be adopted in tandem to enhance their synergetic relationship which would eventually warrant effective budget performance. The study provides evidence that having determinants associated with effective budget performance under study are overly indispensable in performance of implementing Partners. That is, a strategic recipe which embeds organization structure, budgetary control, human resource, and leadership within IPs policy framework is evidently instrumental in enhancing their effective program budget performance.

From the study findings and extensive literature review, it was apparent that strengthening the determinants of performance in programs of IDAs is an important ingredient for eliciting effective budget performance and their high performance. While there are other determinants crucial for effective budget performance, from results, IPs and IDAs should pay more attention in addressing organization structure, leadership, budgetary control, and human resource aspects as a means of increasing effective budget performance. In this regard the study makes the following recommendations.

Management of IPs, IDAs and other organizations should acquire effective budget performance by embracing organization structure by putting impetus to development and maintenance of

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better organization structures not overlooking assessment of compatibility to their organizations. This can be made a success through consultancies for technical support.

Implementing Partners, IDAs and other similar organizations should also ensure that there is effective leadership in all aspects of operations to rip maximum benefits of effective budget performance. Implementing Partners, IDAs and other similar organizations should also invest in budgetary control mechanisms and sufficient quality human resource through their policy frameworks to achieve efficient formulation and adoption of sound strategies for effective budget performance.

Like any other NGOs, although IDAs have a non-profit objective they are increasingly being held accountable for their performance and use of funds. Indeed, today the funding they obtain is more likely based on having sufficient competencies to use the funds in the best possible way. Budget performance being one of the key performance measures in NGOs many scholars have conducted studies about budget performance in NGOs. However, little, or no similar studies have been carried out in the developing world and specifically related to the impact of IPs on budget performance of programs of IDAs in Uganda, yet a lot of funding is continuously channeled into development programs. The study intends to provide new evidence on whether budgetary control, leadership/ governance, organizational structure, and human resource of IPs determines the budget performance of CUSP by GIZ-Uganda that can be used as a guide in the implementation of future program budget performance reforms as well as fill in the gaps not addressed by previous scholars.

This study provides new knowledge to policy makers, practitioners, and scholars about budget performance of programmes in international development agencies. It specifically provides empirical evidence from programmes implemented by IPs in developing countries where a lot of development partner funds is being injected. The study provides empirical evidence and practical advice that leads to improved budget performance in subsequent programmes of GIZ-Uganda and other international development agencies. The study fosters greater efforts towards good budget performance and subsequently enable the realization of budget performance reform goals in IDA programmes. The study also o prompts further research to address existing gaps not identified and as a result contribute to the body of knowledge and research in the field of budget performance in general.

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