

Effect of Cash Budgeting on Financial Performance of Agribusiness Enterprises in Mbale City: An Empirical Study

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ABSTRACT

This study investigates the impact of cash budgeting on the financial performance of agribusiness enterprises in Mbale City. Through a mixed-method research approach involving 152 enterprises, data was collected via questionnaires and interviews. Descriptive statistics revealed that cash budgeting significantly influences various aspects of financial management within these enterprises. Regression analysis showed that cash budgeting accounts for a substantial 10.1% variation in financial performance. This suggests that while other factors play a role, effective cash budgeting contributes significantly to improved financial outcomes. The study further revealed that cash budgeting predicts financial performance by 27.4% in the agribusiness enterprises. The findings support existing literature emphasizing the importance of cash budgeting in controlling spending, facilitating cash flow forecasting, and ensuring adequate funds for operations. The study concludes that implementing robust cash budgeting practices positively impacts the financial performance of agribusiness enterprises in Mbale City.

Keywords: Cash; budgeting; financial performance; agribusiness; enterprises

INTRODUCTION

Organizational financial performance has been measured since olden times [1]. In the mid of 20th century, the fiscal directors of the railways from the European Foundation for Quality Management (EFQM) established novel performance dimensions, and the functional index, which interrelated the ratio of operational costs with the income. These early concerns with evaluating organizational fiscal performance were, for the most part, openly connected to the preparation as well as control of fiscal reports. Organizational fiscal performance is a subjective measure of how well companies use their assets from their primary approach of business to make profits [2]. According to Yusuf et al. [3], organizational financial performance is expounded as the extent to which an organization's fiscal aims are being or has been accomplished. It is the procedure

of evaluating the outcomes of an organization's operations and policies in financial terms. It is utilized to evaluate the organization's general fiscal health over an agreed period of time and can also be utilized to compare firms that are similar across the same industry or to compare sectors or industries in aggregation [4]. The evolution of cash management practices can be traced back from 1976, with the putting in place of the infrastructure for internal information systems that allowed data to be shared easily among firms. This was compelled by the high-tech advances seen at the beginning of 1970s. After that, there were main changes in information technology, tactical direction as well as focus whereas the system kept on rising [5]. The aim was to improve cash management amongst corporations across nations.

RESEARCH METHODOLOGY

Research Design

This study employed a cross survey sectional research design.

Study Population

The targeted population of the study consisted of 250 enterprises under agribusiness in Mbale City as per the information got from the Mbale City Commercial Officer (2022). This population was

found appropriate since they are thought to have knowledge about the study variables in the context of agri-business enterprises.

Sample Size

The investigator targeted a sample of 152 enterprises selected from Agribusiness enterprises in Mbale City as determined through statistical table of Krejcie and Morgan (1970).

Sampling Technique

The researcher utilized purposive and simple random techniques of sampling to choose and get respondents.

Simple random sampling technique was utilized to choose the agribusinesses in Mbale City Industrial area to reply the questionnaires. Simple random sample is a method of probability sample through which the researcher comprehensively picks a subdivision of participants from a populace [6]. The study utilized this technique of sampling because every participant in this populace had an equivalent chance of being involved in the sample.

Purposive sampling technique was utilized for qualitative portion of the research to pick possessors of the agribusiness enterprises in Mbale City for interviews. Pals [7] looks at purposive sampling to be the one in which investigator count on his or her own finding when selecting participants of populace to partake in the study. The method was utilized because the respondents were well-informed and had a long understanding in matters related to management of enterprises. Purposive sampling method was also utilized as it is extremely profound henceforth providing firsthand data.

Data Collection Methods

This research utilized a mixed method of data collection. Both quantitative and qualitative data collection methods were utilized. Quantitative data was gathered by utilizing questionnaires that were filled by the agribusiness enterprises and qualitative

Background data was collected regarding gender, age, level of education, and experience in running the enterprise as well as the nature of business. The

data was gotten from key informant interviews with the topmost management staff by utilizing interview guide.

Procedure of Data Collection

After endorsement of this study proposal by the University, the investigator got an introductory letter from the department of Business and management of Uganda Christian University, Mbale University College to start data collection in the field. The procedure begun with the delivery of questionnaires together with the introductory letter to the participants who later filled in and reimbursed the questionnaires. The investigator also slated arrangements with key informants for interview.

Data Analysis

The data was analyzed both quantitatively and qualitatively as seen below;

Quantitative Data Analysis

Analysis was done according to the objectives of the study. Data collected was processed and analyzed using the Statistical Package for Social Sciences (SPSS) version 20. Summary of the statistics was run in form of frequencies and percentages, mean and standard deviation and then interpreted. Further, regression analysis was carried out in order to achieve the study objectives.

Qualitative Data Analysis

Qualitative data was analyzed in terms of content analysis. Under content analysis, verbal data was characterized to classify data.

Ethical Issues

Before carrying out the study, the investigator got consent from relevant authorities before any interviews were done. The investigator presented an introduction letter to the relevant authorities to request them to help her access appropriate data that was needed for the study. The researcher also guaranteed privacy of the data collected.

RESULTS

Table below gives the details indicating the descriptive statistics for the different background characteristics.

Table 1: Background characteristics of respondents

Characteristics	Category	Frequency	Percentage
Gender	Male	98	67.6
	Female	47	32.4
	Total	145	100.0
Age	15-19	9	6.2
	20-24	21	14.5
	25-29	18	12.4
	30-34	41	28.3
	35-39	12	8.3
	40-44	25	17.2
	45 and above	19	13.1
	Total	145	100.0
Education level	PLE	13	9.0
	O-Level	43	29.7
	A-Level	31	21.3
	Tertiary/University	54	37.2
	Others	4	2.8
	Total	145	100.0
Experience in running the enterprise	Less than a year	11	7.6
	1 – 3 years	30	20.7
	4 – 6 years	41	28.3
	7 – 9 years	33	22.7
	10 years and above	30	20.7
	Total	145	100.0
The nature of business	Agro processing	56	38.6
	Agro Chemicals	24	16.6
	Agro products	58	40.0
	Other	7	4.8
	Total	145	100.0

The above table 1 indicates that most of the study respondents 67.6% were male and 32.4% were female. This implies that males were more than females, meaning most agri-business enterprises in Mbale City are managed by males since they were the majority. Table 1 shows that 28.3% representing majority of the respondents were between the age of

30 and 34, 17.2% were between 40 and 44, 14.5% were between 20 and 24, 13.1% were 45 years and above, 12.4% were between 25 and 29, 8.3% were between 35 and 39 while only 6.2% were between the age of 15 and 19 years. This implies that most respondents were between the age of 30 and 34, meaning that most agri-business enterprises in

Mbale City are mostly managed by this age group since they were the majority. This also shows that the respondents were mature enough to understand the purpose of the study. The above table 1 also shows that majority of the respondents 37.2% attained Tertiary/University education, 29.7% attained O-Level, 21.3% attained A-Level, 9.0% attained PLE, while only 2.8% attained other levels of education. This implies that most of the respondents attained Tertiary/University education while only few attained other levels of education. This means that most of the respondents were knowledgeable enough to avail the necessary information for the study. The above table 1 shows that most of the respondents 28.3% have between 4- and 6-years' experience in running the enterprise, followed by those who have between 7- and 9-years' experience in running the enterprise 22.7%, 20.7% have between 1- and 3-years' experience, 20.7% have 10 years and above experience, whereas only 7.6% have spent less than a year with the enterprise. This denotes that most respondents have spent more than

1 year with the enterprise meaning that the respondents have ample experience with cash management practices, and they were capable to give precise info required by the researcher to complete the study. Table 1 further reveals that most of the respondents 40.0% were operating Agro products enterprises, followed by those operating Agro processing enterprises 38.6%, 16.6% were operating Agro Chemicals enterprises whereas only 4.8% of the respondents were operating other forms of agribusiness enterprises. This signifies that most respondents were operating directly in agribusiness enterprises and henceforth able to avail the required data for the study in relation to cash management practices and financial performance of agribusiness enterprises in Mbale City. The respondents were asked to respond to a number of statements regarding cash budgeting by showing their level of agreement using a five-point Likert scale of 1=strongly disagreed, 2=disagreed, 3 = not sure, 4=agreed and 5 = strongly agreed. The responses are summarized in the Table 2 below.

Table 2: Descriptive statistics on cash budgeting

	Minimum	Maximum	Mean	Std. Deviation
You set cash budgets to enhance control of cash in this business	1.00	5.00	3.85	1.108
Your enterprise is able to make cash flow forecast through cash budgeting	1.00	5.00	3.88	1.216
Through cash budgeting, your able to control the spending habits	1.00	5.00	3.84	1.005
Cash budgeting aids effective operation of our enterprise	1.00	5.00	3.99	.886
Cash budgeting helps to promote higher growth of sales revenues	1.00	5.00	4.04	.919
Cash budgeting ensures that sufficient cash is available at all times to meet the levels of operations in our enterprise	1.00	5.00	4.30	.828
Your enterprise is able to monitor cash outflow on a regular basis	1.00	5.00	3.66	1.209
Average			3.94	1.024
Valid N (listwise)	145			

Source: Primary Data 2023

Findings from table 2 indicate that the average mean value is 3.94, which means that more than average of the respondents agreed that cash budgeting has an effect on the financial performance of agribusiness enterprises. The average standard deviation value is 1.024, which indicates that some respondents had variation on the claim that cash budgeting has an effect on the financial performance of agribusiness enterprises. Findings from table 2 revealed that agribusiness enterprises set cash budgets to enhance control of cash in their business. This is shown by the mean of 3.85. Nevertheless, the corresponding standard deviation of 1.108 suggests that some respondents had variation in responses regarding the claim that agribusiness enterprises set cash budgets to enhance control of cash in their business. From table 2 above, respondents believe that their

enterprise is able to make cash flow forecast through cash budgeting. This is revealed via a mean value of 3.88. This implies that majority of the respondents strongly agreed that their enterprise is able to make cash flow forecast through cash budgeting. Though, a standard deviation value of 1.216 under the same test revealed varied responses from some respondents interviewed over the same test. From table 2, it can be revealed that through cash budgeting, agribusiness enterprises are able to control the spending habits. This is revealed by a mean value of 3.84, implying that to a bigger degree, the respondents agreed that through cash budgeting, they are able to control the spending habits despite the standard deviation value of 1.005 under the same test which reveals diverse responses from some respondents. In support of the

above findings, one of the respondents interviewed asserted that;

“Cash budgeting has helped to regulate the spending habits of our business since money is always allocated to strictly on budgeted items”

From table 2 above, it is crystal clear that cash budgeting aids effective operation of the agribusiness enterprises. This is shown through a mean value of 3.99. Nevertheless, a standard deviation of 0.886 reveals diverse responses from some respondents questioned over the same test.

Findings in table 2 above revealed that majority of the respondents strongly agreed that cash budgeting helps to promote higher growth of sales revenues as presented by a mean value of 4.04. This implies that cash budgeting helps to promote higher growth of sales revenues in agribusiness enterprises. However, a significant standard deviation of 0.919 shows

variant in responses as far as cash budgeting helping to promote higher growth of sales revenues in agribusiness enterprises is concerned.

Findings in table 2 above indicates that most of the respondents strongly agreed that cash budgeting ensures that sufficient cash is available at all times to meet the levels of operations in their enterprise as shown by a mean value of 4.30. Nonetheless, a significant standard deviation value of 0.828 submits that there were diverse responses from some respondents as far as this test was concerned.

Findings from table 2 show a mean value of 3.66 which means that most of the respondents agreed to a bigger extent that their enterprise is able to monitor cash outflow on a regular basis. However, a standard deviation of 1.209 reveals variations regarding the claim that agribusiness enterprises are able to monitor cash outflow on a regular basis.

Table 3. Descriptive statistics on financial performance

	Minimum	Maximum	Mean	Std. Deviation
The business always attains the planned profits during the year	1.00	5.00	3.56	1.290
The business records the revenue that exceeds the operational cost	1.00	5.00	4.12	.975
The revenue for this business has been growing over the past periods	1.00	5.00	3.39	1.168
The profits of this business has increased over time	1.00	5.00	4.02	.886
Average			3.77	1.079
Valid N (listwise)	145			

Table 3 shows that the average mean value is 3.77, which shows that more than average of the respondents agreed that there is financial performance of agribusiness enterprises as a result of cash management practices. The average standard deviation value is 1.079, which indicates that some respondents had variation in responses regarding the claim that there is financial performance of agribusiness enterprises as a result of cash management practices. Also Findings from table 3 above reveals that majority of the respondents agreed that their business always attains the planned profits during the year. This is shown through a mean of 3.56. Nonetheless, a standard deviation figure of 1.290 on the same question disclosed diverse replies from the participants interrogated. This implies that agribusiness enterprises always attain the planned profits during the year as a result of cash management practices like cash budgeting, control and book keeping.

From table 3 it can be revealed that most participants strongly agreed that their business records the revenue that exceeds the operational cost. This is disclosed through a mean of 4.12, though a significant standard deviation of 0.975 on

the same assertion shows a variant in replies generated. Table 3 clearly displays that most of the respondents agreed that the revenue for their business has been growing over the past periods. This is shown via a mean of 3.39. Nevertheless, a standard deviation of 1.168 submits a variant in replies made by the participants. In support of the above findings, some of the respondents interviewed had this to say;

“The revenues of my enterprise have been increasing over the years due to proper cash management practices put in place and this has greatly improved the financial performance of my enterprise”

“The good cash management practices in my business has enabled me to realize increased revenues over time”

“For sure ever since I started managing my cash well and minimizing on the unnecessary expenditures, the revenues of my business have been growing and increasing steadily”

From table 3, it can be revealed that the profits of agribusiness enterprises have increased over time. This is disclosed via a mean of 4.02. But, a

significant standard deviation figure of 0.886 on the same assertion shows diverse answers from the participants questioned. This implies that the profits of agribusiness enterprises have increased over time as result of cash management practices since most of the respondents were in line with the claim. In support of the above findings, some of the respondents interviewed had this to say;

“Proper cash management practices have made my business to realize increased profits over time

and with the increased profits, I am able to expand on my business”

“From the time I introduced cash management practices in my business, I am able to minimize on costs and this has increased the profitability of business over the past years”

“With good cash management practices put in my business, the profits of my business have been increasing since I am able to minimize costs and seal every loophole that has been taking place in my business”

Regression results

Regression analysis was undertaken to conclude the effect of money budgeting on fiscal performance of agribusiness enterprises in Mbale City and the results are provided in Tables 4; 5 and 6 below;

Table 4: Regression Model Summary for cash budgeting and financial performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.318 ^a	.101	.095	.46739

a. Predictors: (Constant), Cash Budgeting

Table 4 revealed that cash budgeting accounts significantly for variation in financial performance (r²=0.101). This means that holding other factors constant, cash budgeting explains 10.1% of the variations in financial performance of agribusiness enterprises in Mbale City

Table 5: ANOVA for money budgeting and fiscal performance

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.519	1	3.519	16.110	.000 ^b
	Residual	31.239	143	.218		
	Total	34.759	144			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Cash Budgeting

Table 5 displays the summary ANOVA and F statistic that discloses the figure of F=16.110 is significant at .000 confidence level. The figure of F is sufficient to say that cash budgeting is a major factor influencing financial performance of agribusiness enterprises in Mbale City. It important to note that

cash budgeting has a significant effect financial performance in agribusiness enterprises. However, from this study, the level of significance is low as cash budgeting is suggesting a variation of 10.1% in financial performance.

Table 6: Regression coefficients for cash budgeting and financial performance

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.501	.214		11.704	.000
	Cash Budgeting	.274	.068	.318	4.014	.000

a. Dependent Variable: Financial Performance

Table 6 showed that cash budgeting significantly predicts financial performance (Beta=.274, p=.000). This means that cash budgeting increases financial performance of agribusiness enterprises in Mbale

City by 27.4%. The beat coefficient of 0.274 further suggests that cash budgeting predicts 27.4% change in financial performance among agribusiness enterprises in Mbale city.

DISCUSSION

Findings revealed that the level of cash budgeting was found to be high at a mean value of 3.94. Regression Model Summary revealed that cash

budgeting accounts significantly for variation in financial performance (r²=0.101). This means that holding other factors constant, cash budgeting

explains 10.1% of the variations in financial performance of agribusiness enterprises in Mbale City. The ANOVA reveals the value of $F=16.110$ is significant at 0.000 confidence level. The value of F is large enough to conclude that cash budgeting is a major factor influencing financial performance of agribusiness enterprises in Mbale City. Regression coefficients revealed that cash budgeting was a strong predictor of financial performance of agribusiness enterprises ($\beta=0.318$, $p=.000$). This means that cash budgeting increases financial performance of agribusiness enterprises in Mbale City by 31.8%. The above findings are also in line with Drury [8] who emphasized that the objective of cash budget is to ensure that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets. The above findings are also in line with Marfo-Yiadom [9] who

stated that cash budget is the most significant tool to plan and control the cash receipts and payments and it aids in the effective operation of any business. In addition, Jensen [10] also emphasized that through holding adequate amount of money, the administration is certain of investment in growth projects due to the accessibility of funds hence better financial performance. Finally, Birt et al. [11] explained that the preparation of the cash budget in a given business requires a detailed forecast of cash receipts and cash disbursements. In support of the above findings, one of the respondents interviewed asserted that;

“Cash budgeting has helped to regulate the spending habits of our business since money is always allocated to strictly on budgeted items”

CONCLUSION

The research findings strongly support the notion that cash budgeting plays a pivotal role in enhancing the financial performance of agribusiness enterprises in Mbale City. The study revealed a substantial correlation between effective cash budgeting and improved financial outcomes. From controlling spending habits to ensuring cash availability for operations, the impact of cash budgeting was evident

across various dimensions of financial management. The identified 10.1% variation in financial performance attributed to cash budgeting underscores its significance in shaping the success of these enterprises. Overall, this study emphasizes the need for agribusinesses to adopt and rigorously implement sound cash budgeting practices to achieve sustained financial growth and stability.

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