# EFFECTIVENESS OF BUDGETING PRACTICES AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN RWANDA

**CASE OF BANK OF KIGALI PLC**

**PERIOD: 2018-2022**

**BY**

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**Thesis Submitted and Presented in Partial Fulfilment of the Academic Requirements for the award of Master's degree of Business Administration**

**KIGALI INDEPENDENT UNIVERSITY ULK**

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**DECLARATION**

I, **IRADUKUNDA Epiphane** hereby declare that the work presented in this dissertation titled: ***"Effectiveness of Budgeting Practices and Financial Performance of Commercial Banks in Rwanda" Case of Bank of Kigali Plc (2018-2022)"*** is my original work. To the best of our knowledge, no work of the same kind has ever been presented before in any university or institute of higher education.

**IRADUKUNDA Epiphane**

**Signature……………………………………………**

**Date : ………/……. /2023**

## APPROVAL

This is to certify that this work titled ***"Effectiveness of Budgeting Practices and Financial Performance of Commercial Banks in Rwanda" Case of Bank Of Kigali Plc (2018-2022)"*** *has conducted by* ***IRADUKUNDA Epiphane*** under my guidance and supervision.

**Supervisor: Dr. TWAGIRIMANA Emmanuel**

**Signature: ………………………………**

**Date: ……/……/2023**

## DEDICATION

To:

My families

My friends and relatives;

My colleagues

**ACKNOWLEDGMENTS**

First and Foremost, I would like to acknowledge the Almighty God who unceasingly provides me strength to go and makes everything happen. So, praises and Glory to him from the deepest bottom of our heart forever and ever.

I would like first to extend my gratitude to the mind behind the establishment of a great institution of high learning, especially Professor Dr. RWIGAMBA Balinda the President and founder of ULK.

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May God bless you abundantly !!!

## LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| A | : Agree |
| ABB | : Activity Based Budgeting |
| BB | : Beyond Budgeting |
| BK | : Bank of Kigali |
| BNR | : Bank Nationale du Rwanda |
| D | : Disagree |
| e | : Sampling error |
| EBIT | : Earnings Before Interest and Tax |
| D/E | : Debt to Equity |
| EBIT | : Earnings Before Interest And Taxes |
| EU | : European Union |
| Frw | : Franc Rwandais |
| M | : Mean |
| MBA | : Master of Business Administration |
| MDAs | : Ministries, Departments and Agencies |
| n | : Sample size |
| N | : Population |
| N | : Neutral |
| NI | : Net Income Earned |
| PLC | : Public Limited Company |

| | |
|---|---|
| ROA | : Return On Assets |
| ROCE | : Return on Capital employed |
| ROE | : Return On Equity |
| SA | : Strongly Agree |
| SD | : Strongly Disagree |
| SD | : Standard Deviation |
| SI | : invested by shareholders |
| SMEs | : Small and Medium Enterprises |
| SPSS | : Statistical Package for Social Sciences |
| Std. Dev. | : Standard Deviation |
| SWOT | : Strengths, Weak Spot, Opportunities and Threats |
| UK | : United Kingdom |
| ULK | : Université Libre de Kigali |
| US | : United State |
| USA | : United State of America |
| ZBB | : Zero-Based Budgeting |
| σ | : Standard Deviations |
| % | : Percent |

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## ABSTRACT

The purpose of the study is to examine the effectiveness of Budgeting Practices and Financial Performance of Commercial Banks in Rwanda" Case of Bank of Kigali Plc (2018-2022). The specific objectives of the study are to assess how comprehensive planning affect financial performance in Bank of Kigali PLC, to analyze the effect of Clear Objectives and Goals on financial performance of Bank of Kigali, to examine the effect of Realistic Revenue and Expense Projections on financial performance of Bank of Kigali, to examine the effect of Communication and Transparency on financial performance of Bank of Kigali and to find out the effect of Budgeting evaluation and financial performance of Bank of Kigali PLC. The data were collected through questionnaire, interview and documentation techniques with sample size equal 60 selected from 151 employees of Bank of Kigali Plc. The data were analyzed statistical using SPSS with mean, Standard deviation and correlation. The findings shows that (mean=4.342 and std.=.995 agreed that BANK OF KIGALI PLC's budgeting is always strategically planned. This signifies that the budgets of the Bank are developed in line with the strategic plan to ensure that there is harmony of priorities. Secondly, all respondents (mean=3.909 and std.=.873) agreed that the always participated in the budgeting process of the Bank. Bank of Kigali Plc practice comprehensive planning to a great extent as evidenced by the aggregate mean of (M=4.39, SD= 0.545). To a very great extent, Line managers budget for their individual departments which are then combined to form the master budget and the budget plan stipulates the steps that should be taken in the budgeting process as indicated by mean scores of (M=4.57, SD= 0.471) and (M=4.53, SD= 0.534) respectively. Bank of Kigali Plc practice Clear Objectives and Goals to a great extent as indicated by the aggregate mean of (M=3.97, SD= 0.751). The most highly rated statements were "The budgets control starts from the lowest levels of management and is refined and coordinated at the higher levels" and "I have a clear understanding of my individual role in achieving the organization's objectives" with mean scores of (M=4.27, SD= 0.626) and (M=3.95, SD= 0.714) respectively. The Trend of net result of BANK OF KIGALI PLC of the research period where from 2018-2019 the net income increased up to 17% and from 2018-2019 the net income was 36% and becomes 3% from 2019-2020 and 35% in 2020-2021 and 15% from 2021 to 2022. The researcher recommends that comprehensive planning be enhanced in BK to make plans and targets to which such bank must strive to achieve.


***Key Words:*** *Effectiveness, Budget, Management, Performance, Commercial and Banks*

## CHAPTER ONE: GENERAL INTRODUCTION

Chapter one of this research proposal include general introduction, Background of the study, Problem statement, research Objectives, Research questions, Research Hypothesis, Significance of the study, Scope of the study and structure of the study.

### 1.1 Background to the study

Globally, companies positioned highlighting on making plans, budgeting and tracking of performance. They increase techniques and make plan to supply. Without a strategic planning method, the budgeting control is the handiest formal automobile for strategic wondering and planning. When the budgeting management takes under consideration all people enter and an intensive evaluation of strengths, weak spot, opportunities, and threats (SWOT), it was come a true reflection of the organizational dreams and work plan. The budgeting engine is a traditional manner of dealing with and controlling businesses. Corporations use the finances to plan and co-ordinate the following year. To encourage personnel, allocate assets and coordinate operations inside an agency are, and had been, the number one purposes of the budget (Hansen & Van der Stede, 2014).

In Sweden, Budgeting is aiming to facilitate responsibility spreading and is used to assess performance. Budget preparation process designed to facilitate the use of this information in budget funding decisions. Every critical employer has made them the primary part of their planning and control system. Their potential to coordinate the allocation of sources through internal verbal exchange even as on the identical time serving as a means of expenditure authorization and their structure and management is important for the manager. Identification of major trends in management (Ostergren & Stensaker, 2012).

In Singapore, a survey made by means of Libby and Lindsay confirms that the finances do not facilitate adaption to adjustments in unpredictable environments. Subsequently, spending time on forecasting and making plans the future can be absolutely vain (Wildavsky & Horowitz, 2018). The study suggests that companies have an inclination to regulate and improve the finances technique and objectives when meeting new challenges. Within the article “exercise traits in budgeting: a top-level view and studies attitude” by (Hansen, 2013) they seek advice from (Bescos, 2013) who describe that in keeping with a survey of French agencies, agencies that perform under unpredictable occasions are maximum disillusioned with budgets. Despite the fact that budgets can be a beneficial control tool for groups operating in strong environments, Hansen, 2013 state that for most agencies’ budgets aren't beneficial.

In South Africa and Mexico budgets are economic expressions of plans prepared for an enterprise by means of managers all through time period and for changing an organization and changing its centers and capital shape intense criticism and dissatisfaction toward the price range have grown over the last a long time. Corporations that function below swiftly moving market conditions can make little use of the finances. The finances is sluggish to come across issues and given that unpredictable instances can't be protected in the finances, it has a tendency to already be out of date when it is supposed to be used. Similarly, the finances accused of being too time consuming to establish when it comes to the advantages it's miles aimed to contribute with (Wildavsky & Horowitz, 2018).

Among Turkish banks, budgeting is used as a making plans device. There is an excessive charge of failing through small and medium firms soon after they may be established. Negative budgeting management is given as one of the major reasons causing this phenomenon. In the end, uncritically adding new control gear can as a substitute lead to an overdose of dealing with and reason high fees and time eating sports. Extra management gear is regularly measured on annual basis, like the finances, and similar issues that are related to the finances may be the results (Flamholtz, 2014).

Among banking establishments of Kenya, budgeting is used as a planning tool (Flamholtz, 2014). There is a high charge of failing by way of banking firms soon after they are installed. Bad budgeting is given as one of the major motives inflicting this phenomenon. In the end, uncritically including new control equipment can as an alternative cause an overdose of dealing with and motive excessive prices and time-eating sports.

In Rwanda, Budgeting as a tool of management regularly prepares performance plans and budget requests that describe performance goals, measures of output and outcomes in various activities aimed at achieving performance goals. This helps in the sense that annual plans set forth in measurable terms form the levels of performance for each objectives in the budget period (Larson, 2019). The budget management in commercial banks incorporates a policy in financial welfare. For instance, it indicates how the management to the different departments and key areas to focus on distributes money. This helps the management in planning and forecasting in order to reduce costs and unnecessary spending and also to increase profits so that the company may fulfil its corporate vision and mission and also to enable the company to fulfil its debts if any and to ensure the company’s long term technical and financial viability (Horngren, 2010).

The budget management in Rwandan banks carries a policy in financial welfare. For example, it suggests how cash is sent with the aid of the control to the exceptional departments and key areas to attention on. This facilitates the management in planning and forecasting on the way to reduce fees and pointless spending and additionally to increase profits in order that the enterprise might also fulfill its bank vision and project and additionally to allow the enterprise to fulfill its debts if any and to make certain the business enterprise’s long time technical and economic viability (BNR, 2018).

**1.2. Statement of the problem**

Commercial banks, most managers lack budget management awareness, leading many employees to believe that budget management has nothing to do with their work. This is due to historical reasons. For a long period, commercial banks' profit sources were simple and rude, mostly from deposit-loan gaps. With the marketization of interest rates and the rise of Internet finance, commercial banks' business focus has been continuously adjusted, and many management and employees have paid back Unable to be consciously motivated and proactive about budget management, Many commercial banks also prepare their budgets mainly based on historical financial data. They will not make reasonable estimates and forecasts based on historical conditions and future developments. Then, as the economic development continues to change today, it will lead to budgets. There is a big difference between the target and the actual result (Lanyun, Li; Feifei Zhang, 2012).

In addition to the requirements of the person who implements the budget, the effective implementation of the budget also requires specific institutions to supervise and manage them, and find and analyse problems during the supervision process to improve the budget. However, commercial banks currently have two problems with budget management appraisal mechanisms. One is that although a supervisory mechanism has been established, they are not sufficiently effective in finding, analysing and solving problems in a timely manner, and the other is the lack of performance appraisal. Incorporating budget implementation into performance appraisal can play a supervising role in budget management. However, most commercial banks do not carry out reasonable performance appraisals of internal responsible entities (Grant & Cavanagh, 2007). For this reason therefore, the researchers preferred to conduct a research on the effect of budgeting management as performance tool of commercial bank in Rwanda, case of Bank of Kigali PLC (2018-2022).

### 1.3. Research objectives

This research is made of general objectives and specific objectives.

#### 1.3.1. General objective

This research intends to assess the effectiveness of budgeting practices on financial performance of commercial banks in Rwanda.

#### 1.3.2. Specific objectives

This research had the following objectives;

i. To analyze the effect of Clear Objectives and Goals on financial performance of Bank of Kigali
ii. To assess how comprehensive planning affect financial performance in Bank of Kigali PLC.
iii. To examine the effect of Realistic Revenue and Expense Projections on financial performance of Bank of Kigali
iv. To examine the effect of Communication and Transparency on financial performance of Bank of Kigali
v. To find out the effect of Prioritization of spending and financial performance of Bank of Kigali PLC

### 1.4. Research questions

Based on the research objectives, the following research questions are formulated.

i. What are the effects of Clear Objectives and Goals on financial performance of Bank of Kigali Plc?
ii. How comprehensive planning affect financial performance in Bank of Kigali PLC?
iii. What are effects of Realistic Revenue and Expense Projections on financial performance of Bank of Kigali?
iv. What are the effects of Communication and Transparency on financial performance of Bank of Kigali?

v. What are the effects of Prioritization of spending on financial performance of Bank of Kigali PLC?

### 1.5. Significance of the study

This study is of great importance to the researcher, to Academic and Scientific Interest and to future researchers.

This study helped identify gaps existing within budgeting systems in financial institutions, which may affect performance hence the bridging of this gap contributed to the enhancement of the financial institutions performance. The results should help Bank of Kigali to streamline the practices of budgeting within their institution for enhanced performance.

#### 1.5.1. To researcher

This research has personal significance to the researcher helped to implement the theories leant in class and expend skills of research. The study is the practical course for researcher to acquire knowledge on field related to the budgeting and its contribution on the Performance of financial institutions. Once the research was ended successfully, it is accomplishment of requirements to award the Master's degree in Business Administration.

#### 1.5.3. To Academic and Scientific Interest

Academically the research is of great importance to the university by adding scientific work to the library that is used by students and lecture perspective and administration. In other words, as this research was kept in the library, it served as reference by students of ULK and other universities in carrying out their research. As scientific interest, other researchers who carried out the related research topics used the result of this research.

### 1.5.3 To Social Interest

The finding from the study is important to the financial institutions especially in improving on the factors that would contribute to the improvement of budgeting that in turn would enhance performance.

## 1.6. Scope of the Study

The scope of the study took at in terms of time, content and geographical scope.

### 1.6.1 Geographical Scope

This study focused on the staff of Bank of Kigali PLC Head Quarters, which located in Kigali City, Nyarugenge District, and Nyarugenge Sector.

### 1.6.2 Subject Scope

This research limited to the financial performance as a dependent variable and budgeting as an independent variable.

### 1.6.3 Time scope

This study involved the primary and secondary data. Self-structured questionnaires used to gather primary data. Secondary data collected from the bank websites and annual financial reports. In term of time scope the study covered the period of 2018-2022.

## 1.7. Structure of the thesis

For the purpose of scientific presentation, the study divided into five chapters.

The first chapter presents the introduction to the study, which constituted the background of study, statement of the problem, objectives of the study, research questions of the study, scope of study, significance of the study, methodology, and dissemination of research findings and structure of the study as well as duration.

The second chapter reviews the available literature about the study; highlight the different theories and definitions of concepts and evolution backing to the subject under the study.

The third chapter presents a brief review of methodology and also describes the type of data collected in this research.

The fourth chapter presents analysis and interpretation of the results and findings

The last chapter presents the summary, concluding remarks and suggest for father research and number of recommendations drawn based on the study findings.

# CHAPTER TWO: LITERATURE REVIEW

This chapter consists of a review of the literature presented by different authors on the budget management and its effects on performance, in order to take advantage of the gaps in data collection, analysis and interpretation. He tries to define and explain the problematic linked to the subject of research in order to arrive at a conceptual clarification.

## 2.1. Definitions of key concepts

This section gives operational definition of key terms for this research including budgeting, Performance and financial institutions.

### 2.1.1. Definition of budget

The term budget, according to Arthur and Steven (2003), is derived from old French word *“bougette”* which means “to purse”. It is a quantified financial plan for a forthcoming accounting period. In other terms, a budget is an organizational plan stated in monetary terms. However, The Chartered Institute of Management Accountants (2005) indicates that a budget is a quantitative expression of a plan for a defined period. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of business units, organizations, activities or events in measurable terms. Therefore, from the above definition of budget, budgeting can be defined as the process of estimating costs, revenues, and resources over a specified period, reflecting a reading of future financial conditions, goals and resource needs of an organization.

### 2.1.2. Budget Management

Budget Management is the overseeing of revenue and expenditure tracking in an organization. Managing a budget involves analyzing current spending, organizing purchases by category, and monitoring cash flow over time (Horngren et al. 2002).

### 2.1.3. Budget Management System

Holland (2005) define budgetary management system as the establishment of mechanisms authorizing responsibilities of executive to the requirement of a policy and continuous comparison of actual results against plans, either to secure by individual action the objectives of that policy or to provide a basis for revision. In other words, budgetary control deals with regulating the activity of the business or organization to follow in the pattern that had previously been planned in the budget. Furthermore, Buyers and Holmes (1995) considered budgetary control as a means of control in which the actual state of affairs is empowered with that planned for, so that appropriate action may be taken with regards to any deviations.

According to Preetabh,(2010), budgetary management system helps as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. In addition, Drury (2001); a budgetary monitoring and control process assumes that expenditures must agree with budgeted plans and maintains information about expenditure. It helps expenditures to be kept within planned limits thus, assisting managers to track the flow of resources accurately and consistently. Also budgetary control helps as co-ordination of effort. Waren,(2011) noted that within an organization, different departments have a bearing on one another, this therefore makes coordination of various executive and subordinates necessary in achieving of budgetary targets.

### 2.1.4. Performance

Performance is the quality of results achieved from bank activities (Frich, 2009). Financial performance refers to an entity's financial condition in a given time (Bien, 2002). It is also a measure of how well a bank can use its resources to generate revenue of achieve its set financial objectives. According Bien (2002) measures used to measure the organization's financial performance are divided into accounting and market based measures. The accounting based measures are measures that are derived from calculations while market based are measures, which are derived from the financial markets where the organization's financial assets are traded.

## 2.2. Theoretical framework

The theoretical framework consists the different theories such as Agency theory, Contingency theory, Resource Dependency Theory and Goal setting Theory.

### 2.2.1. Agency theory

The agency theory was developed by Jensen and Meckling (1976, cited in Mitzkus, 2013) who described the agency relationship as "a contract under which one or more persons (the principal(s) or entity owner(s)/shareholder(s)) engage another person (the agent or manager) to perform some service on their behalf which involves delegating some decision making authority to the agent" (Jensen & Meckling, 1976, p. 308). The main purpose of agency theory concerns determining the most efficient contract governing the principal- agent relationship.

Therefore, agency theory describes the conflict between managers and shareholders that arises when managers choose actions that are not in the best interest of shareholders in order to maximize their own utility (McDermott, 2011). This moral hazard problem is caused by the existence of information asymmetry between managers and shareholders and can result in managers choosing investments with negative net present value.

The current study finds the agency theory relevant in explaining the effectiveness of budgeting as a management tool for organizational performance. In public institutions like the BK PLC, managers and staffs act as agents for the owner of the institution which in this case happens to be the government. The managers are entrusted by the government to run these institutions on its behalf. Therefore, managers are mandated to formulate budgets and present to the government for funding. They are also required to publish the budget to all stakeholders in a transparent manner without any hidden selfish interest which may create the moral hazard in the public institution.

### 2.2.2. Contingency theory

The contingency theory (Otley, 1980) proposes that there is no single approach to budgeting suitable for all an organization. Instead, the suitability of a particular approach is argued to be contingent upon characteristics of a business including its size, strategy, structure, and also management's perception of the uncertainty of the environment within which the business operates to best link the core functions of budgeting (coordination, motivation, outlook) (King, et al., 2010). Therefore, it is worth to argue that while budgeting, the BK PLC should not rely on one approach but rather adapt to different approaches in regard to the prevailing economic conditions.

### 2.2.2 Resource Dependency Theory

The theory is developed by Jeff Pfeffer in his book (1978) The External Control of Organizations'. The theory outlined that, External Control analyzes the sources and consequences of power in inter organizational relations: where power and dependence come from, and how those that run organizations use their power and manage their dependence (Davis and Cobb, 2009). Budget process of the organization considers the relationship with external environment and the extent of its dependencies. According to Davis and Cobb (2009) during budget preparation top managers, choose the least-constraining device to govern relations with your exchange partners that will allow you to minimize uncertainty and dependence and maximize your autonomy.

The budget should have alternative external resource providers to reduce external resource dependencies and the external organization power influence. On the other hand, budget allocates resources of the organization to the internal departments and activities based on their priorities. This makes budget to control the organization activities towards increasing performances of the organization.

### 2.2.3 Goal setting Theory

This theory was developed inductively within industrial organizational psychology over a 25-year period, based on some 400 laboratory and field studies. These studies showed that specific, high (hard) goals lead to a higher level of task performance than do easy goals or vague, abstract goals such as the exhortation to do one's best. (Locke & Latham, 1990, 2002) According to Nirwana et al (2017) a budget is not only contains the plans to be achieved and the nominal amount required to perform the activities, but also contains specific goals that the organization wants to achieve. In the goal setting theory budgetary participation is participation of individuals in the form of behavior and activity by the managerial during the budgeting process. Participation is able to make goals more important to the individual by creating a greater sense of ownership (Locke and Latham, 2002). This makes the feeling of line managers involved in decision making and controlling on the organizational matters (Chong and Chong, 2002). Budgetary control involves setting goals and comparing these goals with actual performance. Goals provide direction and a standard organs which progress can be monitored to enable people to guide and refine their performance it is well document in the scholarly and practitioner literatures that specifies goal can boost motivation and performance by leading people to focus their attention an specific objectives increase their effort to exclusive these objective persist in the face of setbacks and develop new strategies to goal attainment.

Through such motivational processes challenging goals often lead to valuable rewards such as recognition, promotions and/or increases income from one work (Onduso, 2013).

### 2.3. Theories related Budget management

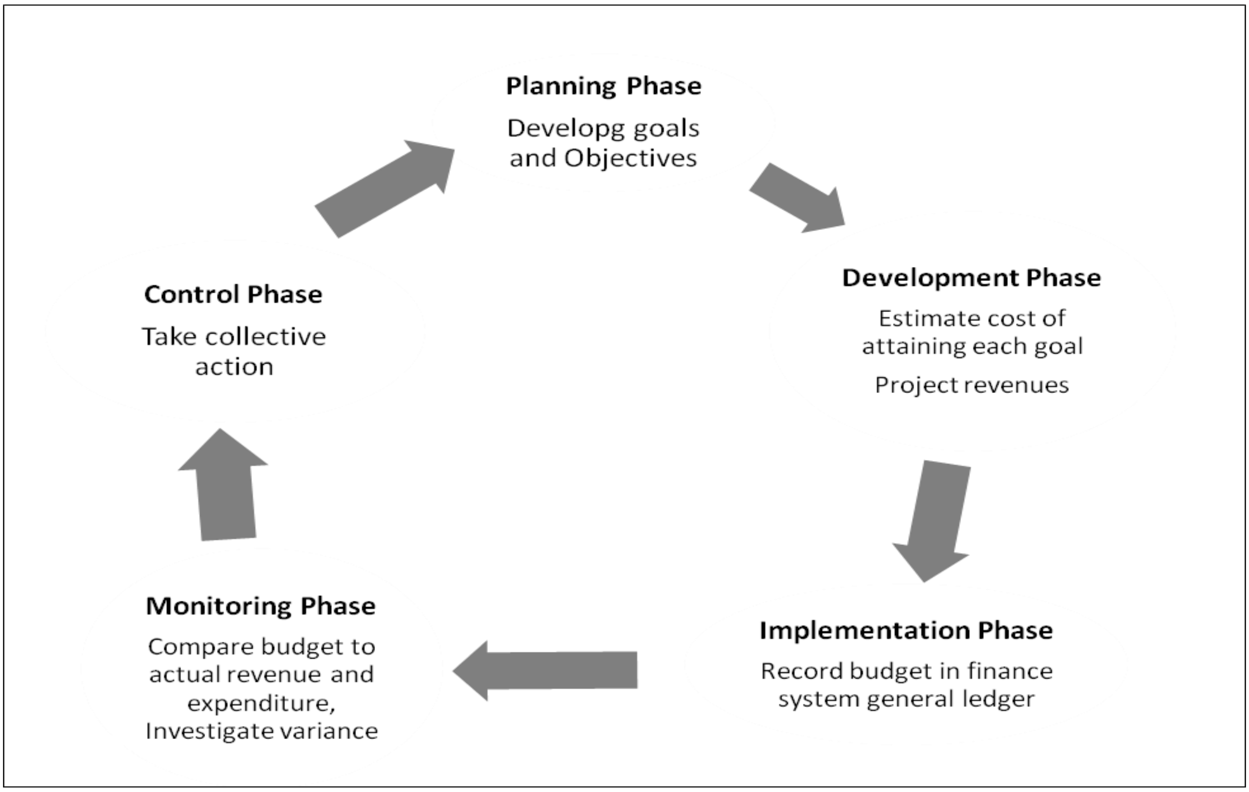
Budget management skills are the abilities and knowledge you use when planning and regulating spending at a business. You can apply these skills in a range of contexts, such as supervising the financial situation of entire businesses to coordinating the spending of a small short-term project.

#### 2.3.1. The budget cycle

In most organizations, the budgeting cycle is comprised of five main phases: the planning phase development phase, implementation phase, monitoring, evaluation phase, and the control phase. A budget cycle, also known as a budgeting process, refers to the series of steps and activities involved in creating, implementing, and managing a budget within an organization. The budget cycle typically follows a recurring pattern, often on an annual basis, to ensure that financial resources are allocated and used efficiently to achieve an organization's goals and objectives. The budget cycle is an essential financial management tool for organizations, as it helps them allocate resources effectively, set financial targets, and adapt to changing conditions. It also enables them to align their financial plans with their strategic objectives and ensures that resources are used efficiently to achieve those goals. (Jones, Parast & Adams, 2010).

Figure 2.1 shows the detailed explanation of what activities are involved in each budgeting phase or process.

**Figure 2.1: The Budgeting Cycle**




**Source:** University of Colorado, 2009

#### 2.3.1.1. Comprehensive planning

This is the first phase of the budgeting cycle and it involves the setting of goals and objectives of the budget. According to Hosack (2006), a well-planned budget will focus on the primary goals and objectives of the organization and provide financial and programmatic adaptability key ingredients to maximize sustainability. Within this phase, the budgeting team is selected and priority areas are identified. Targets for each priority area are set and the timeline for meeting each target are set during the comprehensive planning phase. Budget planners should have a familiarity with prior years' activities and the changes that are contemplated in the year(s) to come, particularly the objectives in the strategic plan, a desire to serve the organization as a whole rather than to lobby for a particular project and a knowledge of ordinary budgeting, whether on the personal or business level (Hosack, 2006).

This process should involve all stakeholders to seek their contributions and support for the identified priorities.

#### 2.3.1.2. Clear Objectives and Goals

Clear Objectives and Goals is the process of managing individual line items within a budget so that expenditures over and above the allocated amounts do not take place. This type of control is necessary in order to make sure that operational expenses do not exceed the projected revenue for the period, creating a net loss (Libby and Lindsay, 2003). There are several elements that go into the task of Clear Objectives and Goals, including the preparation of a realistic budget, monitoring income levels, and engaging in comparison shopping before actually executing any purchases.

The first step taken by organizations in effective Clear Objectives and Goals is the creation of a budget that is based on information regarding the revenue needed to operate the household or business effectively (Shastri and Stout, 2008). This means using information obtained from consumer markets regarding the prices of different goods and services that was consumed each month. As part of the process, Clear Objectives and Goals involves making sure that fixed costs are accurately reflected within the budget, and any items that are considered flexible or floating are covered with a budget amount that reflects the standard and usual usage of the operation (Shastri and Stout, 2008).

Once the workable budget is in place, the process of Clear Objectives and Goals focuses on making sure that expenditures for any particular line item remain within the budgetary amount that applies. At times, this may mean reducing expenditure in order to prevent going over the budget on a particular line item (Wilhelmi and Kleiner, 1995). For example, if an organization household has a monthly budget of Rwf 600,000 for staff feeding and has consumed Rwf 300,000 by the second week of that monthly period, Clear Objectives and Goals required that the organization find ways to spend no more than Rwf 200,000 on feeding for the remainder of the month. This may mean adjusting the consumption of different foods, substituting higher priced purchases with other foods that are less costly.

According to Yuen (2007), Clear Objectives and Goals usually involves attempts to not only keep within the budget, but to also save money when and as possible. Here, the goal is to purchase the items covered in the budget for as little money as possible, creating a small amount of surplus each month. In order to accomplish this, managers will compare prices on similar goods and services, eventually choosing the one that offers the best price while still providing an acceptable level of quality and service. For instance, a household may choose to migrate to a prepaid cellular provider that works out to half the cost of a current provider, based on the fact that the household only consumes a certain number of minutes per month (Banovic, 2005). Assuming the prepaid provider offers the same quality of service as the previous carrier, this Clear Objectives and Goals strategy reduces the cost for that budget line item for the month, making it possible to either allocate those savings to another line item, place the surplus into an interest-bearing account, or even enjoy a treat that is outside the scope of the monthly budget (Arwidi, 1991).

#### 2.3.1.3. Communication and Transparency

This phase involves estimating the costs of attaining each goal and budget preparation expenses. Sources of revenues are identified during this phase as well planning for alternate scenarios. Resource mobilization team is selected during this phase and cash flow forecast are made (Libby and Lindsay, 2003). The last activity under this phase is securing the approval of the budget by the executive board.

#### 2.3.1.4. Realistic Revenue and Expense

Realistic Revenue and Expense consists of tracking and registering operations concerning appropriations and their uses (Faleti and Myrick, 2012).

It should cover appropriations, apportionment, any increase or decrease in appropriations, commitments/obligations, expenditures at the verification/delivery stage, and payments. Adequate recording of appropriations, revisions in appropriations, transfers between appropriations, apportionment, etc. is a prerequisite for good budget implementation. The budget implementation plan should be updated regularly to take into account decisions concerningappropriations.

Accounting commitments/obligations is essential in keeping budget implementation under control. They provide the basis for budget revisions. Decisions to increase or decrease appropriations and the preparation of cash plans must take into account commitments already made. For internal management, spending agencies need to follow up accurately the orders and the contracts they have awarded (Faleti, and Myrick, 2012).

Accounting for budgetary expenditures at the verification stage is important to program and manage the organization. It gives elements for assessing costs, although these elements need to be completed with information on depreciation, inventories, etc. Expenditures at the verification stage show how far program and project implementation has progressed. Recording budgetary expenditures is also required for managing payables and contracts. It is a requirement of any accounting system that recognizes liabilities (McNally, 2002).

Budget implementation should be reviewed periodically to ensure that programs are implemented effectively and to identify any financial or policy slip-ups. The review of budget execution should cover financial, physical and other performance indicators.

Cost increases due to inflation, unexpected difficulties, insufficient initial study of projects, and budget overruns must be identified so that adequate countermeasures can be prepared (Libby and Lindsay, 2003). A comprehensive midterm review of the implementation of the budget is needed, while the financial implementation of the budget should be reviewed monthly.

**2.3.1.5. Priorization of spending**

Priorization of spending implementation assumes critical importance. Fisher, et al. (2002), budget monitoring and evaluation helps in comparing actual revenues and expenditures and therefore determines the budget variance and in determining whether activities budgeted for have been effectively accomplished as predetermined. It aids in efficient steering of projects towards value-added results and provides evidence of impact. It also helps organizations in being realistic about their expectations. However, the author argues that the most critical argument for budgetary monitoring and evaluation is for ensuring transparency and accountability through organizational work, which forms the very essence of budget work.

**2.3.2. Components of a budget**

The budgeting cycle, according to Bamber and Jones (2002), starts with the master budget: A set of budgeted financial statements and supporting schedules used for an entire organization. This comprehensive budget includes (1) the operating budget, (2) the capital expenditure budget, and (3) the financial budget. Weber determines operational planning as basis for any performance measuring activity (Weber et. al, 2009). The operating budget sets the expected revenues and expenses - and thus operating income - for the period. The capital expenditure budget presents the company’s plan for purchases of property, plant, equipment and other long-term assets. The financial budget projects cash inflows and outflows, the period-ending balance sheet, and the statement of cash flows (Horngren, 2002).

The exhibit shows the content of a typical operating budget and contrasts the operating budget with other types of planning documents: The strategic plan and the capital budget, the cash budget, and the budgeted balance sheet.

### 2.3.3. Qualities of an effective budget

An effective budget requires time and effort to develop and implement, especially for start-up organizations and those that have never prepared a budget before. Regardless of previous experience, every step of the budgeting process adds to the quality of the final document. According to Clifton (2008), an effective budget should have the following qualities:

**Realistic:** If a budget is to serve as a guide for fundraising efforts and program activities in the coming year, it must be well-reasoned and reflect current conditions. Unsubstantiated revenue projections and "wild guess" cost estimates will render a budget ineffective as a management tool.

**Consistent:** A budget must be consistent with short- and long-term strategic plans, and remain in line with the organization's mission.

**Flexible:** Budgets are based on a combination of facts and assumptions. If actual events and conditions vary from these assumptions, there must be opportunities to amend the budget to address revenue shortfalls and windfalls, and unexpected expenses. The budget should have contingency plans for when things don't go as well as expected, and when they go better than expected. This is simply good management, good stewardship of your supporters' money, and a major step toward fulfilling your mission.

**Measurable:** The basis on which the budget is created should be the same basis on which the books are maintained.

### 2.3.4. Budgeting approaches

Budgeting is done by individuals, families, groups, companies, and the government to plan, monitor, and control finances. It is everywhere; homemakers use it to manage their monthly expenses and savings; the government relies on it to run the nation.

#### 2.3.4.1. Traditional budgeting

McNally (2002) divided the approach to budgeting into four levels (period of the budget, forecasted values, forecasting process, and goal setting) to better analyze processes. Applying this structure to Nolan's findings, the traditional approach to budgeting usually focuses on a fixed timed period, usually coinciding with the company's fiscal year. Forecasting values remain static, and are not changed during the life of the budget-cycle (Nolan, 2005).

Jones (1998) further emphasized the forecasting process as the core differentiating element between traditional and modern approach. The traditional incremental budgeting process begins with last year's continuing budget figures as the base budget. These numbers are then adjusted to reflect inflation, growth, changing conditions and other information gathered from financial forecasts for the upcoming fiscal year (Rivero & Emblemsvag, 2007). Therefore, goals according to which performance evaluation is completed are set top-down. Senior management for example sets performance objectives - such as revenue and profitability ratios - and imposes these goals on the rest of the organization.

However, the traditional budgeting approach (also call incremental approach) had a number of problems as a comprehensive budgeting paradigm even given the era and environment (LeLoup, 1978, cited by Khan & Bartley, 2002). First, it confuses mutual adjustment and bargaining processes with the outcomes of budgeting.

It is due to this weakness that Khan & Bartley, (2002) concluded that "when traditional budgeting approach is defined as bargaining, are aware of no empirical case of a budgetary process which is non-incremental".

Khan and Bartley (2002) who argued that the approach was built on a series of analytical choices that severely limited its applicability and made it unsuitable for explaining the kinds of changes that were taking place in budgeting in the 1970s and 1980s also criticized the approach. It was a paradigm of micro-budgeting concentrating on the parts, not the whole. It defined budgeting as a bottom-up process of making marginal adjustments to estimates on an annual basis, without considering macro-budgetary attempts to shape the budget from the top-down. Instrumentalism looked at budgets by agency rather than by function or broader aggregates. It looked at change over a year rather than over longer time periods. No distinctions were made between discretionary spending and other types of mandatory categories. Budget totals, revenues, deficit or surplus, and other budget measures outside of appropriated accounts were ignored.

**2.3.4.2. Modern budgeting**

Modern budgeting creates a rolling budget. A budget that is continuously updated so that the time frame remains stable while the actual period covered by the budget changes. As each month passes, a one-year rolling budget would be extended by one month so that there would always be a one-year budget in place (Hosack, 2006). Forecasting values remain flexible. Budgeted revenues and costs are adjusted during the budget period according to predetermined variances between the budgeted and actual output and revenue (Bryan, 2010). The key difference in forecasting (Jones, 1998) is signified through the employed Zero-Based Budgeting (ZBB) approach. According to Akten, Giordano and Scheiffele (2009), ZBB or just-in-time budgeting, tries to counter today's extremeuncertainty.

ZBB was developed during the inflationary environment of the mid-1970s to avoid the trap of only building up upon last year's budget, as traditionally done (Wilhelmi & Kleiner, 1995). Thereby the budgeting process begins from the ground up, as though the budget was being prepared for the first time.

ZBB employs a "bottom-up" approach. This method starts with a base budget of zero and calculates the costs of running each program from scratch. On an annual basis, each cost associated with running a program must be justified before it can be included in the budget (Borjesson, 1997). The primary goal is to control undistributed costs that cannot be directly related to volume or revenue levels by obliging justification for incurred costs that have to be improved (Labbe, 2008). Consequently, goals to evaluate performance are a set in a participative approach meaning those responsible for achieving the budget goals are included in setting them (Brown, Evans & Moser, 2009).

**2.3.4.3. Best practices in budgeting**

There is a broad scale from traditional budgeting to modern budgeting, as defined above, to what are known as better budgeting practices, referring to the techniques of Activity Based Budgeting (ABB) and Beyond Budgeting (BB) (De Waal, 2005).

For activity, based budgeting (ABB) the goal is to accurately display relationships between revenues and costs incurred to generate the prior. The focus lies on generating a budget from an activity-based model of the organization, as opposed to the traditional departmental focus, not tracing but only allocating indirect costs (Narong, 2009).

The beyond budgeting (BB) approach takes this further by seeking to avoid theperformance trap. This trap involves dysfunctional behaviors that stem from evaluating line managers according to budgetary targets that have been set without reference to a credible outside source.

The approach replaces rigid budget-based performance evaluations with flexible benchmarked based comparisons (Hansen, Otley & Van der Stede, 2003).

### 2.3.5. Limitations of budgeting process

A rational adoption decision for formal budgeting procedures should require an evaluation of the associated costs as well as the benefits. Costs of a formal MCS include the easily measures of out of pocket costs associated with implementing and operating the system.

Other costs that are not so easily measured are the possibility that budgets create rigidity thereby limiting co-operation and creative response, over-emphasize short-term cost control and top-down authority, encourage gaming, and discouragement of employees. Further, arguably the benefits and costs associated with adopting a formal budgeting practice will not be the same for every business but will depend on business-specific contextual factors (Neely, 2007). Shastri and Stout (2008) agree and further structure limitations in budgeting into three major categories, that is, strategy, processes and slack.

According to the competitive strategy, Shastri and Stout (2008) argues that budgets are rarely strategically focused and are often contradictory, they concentrate on cost reduction and not on value creation, they constrain responsiveness and flexibility, and are often a barrier to change and they add little value - they tend to be bureaucratic and discourage creative thinking.

On the business process Shastri and Stout (2008) says that budgets are time consuming and costly to put together, they are developed and updated too infrequently - usually annually, they are based on unsupported assumptions and guesswork and they encourage gaming and perverse (dysfunctional) behavior.

Regarding budgetary slack, Shastri and Stout (2008) say that budgets strengthen vertical command and control, they do not reflect the emerging network structures that organizations are adopting, they reinforce departmental barriers rather than encourage knowledge-sharing, make people feel undervalued and encourage short-term gains only.

## 2.4. Theories related to performance

This section classifies the financial performance and Non-financial performance.

### 2.4.1. Financial Performance indicators

According to Danniel (2013), Indicator is a tool of management to pilot the evaluation/effort of activity, to animate and to organize a collective reflection in order to use efficiently the resources. The most popular profitability ratios are as follow:

#### 2.4.1.1. Profitability ratios

The profitability ratio compares the earnings reported by a business to its sales. It is a key indicator of the financial health of an organization (Lin & Su, 2012).

1. **Net profit margin**

This is used to measure return on sales and shows the percentage of profit earned on sales. This ratio is important because businesses need to makes profit to services in the long run (Matt Evens 2014). It is defined as follow:

$$\textbf{Net profit margin}= \frac{\textbf{net profit after tax}}{\textbf{sales Revenue}}*\textbf{100}$$

**2. Return on shareholders' Equity**

According to Helesen, (2012) Return on equity measures how much a company makes for each dollar that investors put into it. You calculate it by taking the net income earned (NI) by the amount of money invested by shareholders (SI) and multiplying the quotient by 100:

$$\textbf{Return on shareholders' equity}=\frac{\textbf{Net income available to common stockholders}}{\textbf{shareholders' equity}} * \textbf{100}$$

**3. Return on Total Asset**

The return on assets of these companies performance can be measured to identify whether the total assets are idle or not and he derived the method which can be used to measure the return of total assets (Gillingham, 2011).

This ratio measure the percentage of profit earned on the employment of asset, (Matt Evens, 2014). It is defined as follow:

**Return On Assets**$= \frac{\textbf{Net profit available to common stockholders}}{\textbf{Total Assets}} * \mathbf{100}$

**Return on Capital employed (ROCE)**

Return on capital employed is an accounting ratio used in finance, valuation, and accounting. It is a useful measure for comparing the relative profitability of companies after taking into account the amount of capital used (Lin & Su, 2012).

**ROCE =** $\frac{\boldsymbol{EBIT}}{\boldsymbol{Capital\ employed}}$

**EBIT** = Earnings Before Interest and Tax

**Capital Employed** = Total Assets – Current Liabilities.

### 2.4.1.2. Liquidity ratios

According to Matt Evens (2014), there ratios are measure of short-term performance. There are ratios which assess or evaluate the ability of the bank to meet or respond to its short-term obligation.

**1. Current ratio**

According to Matt Evens (2014) the main question this ratio addresses is: Does your business have enough current assets to meet the payment schedule of its current debt with a margin of safety possible losses in current assets, such as inventory shrinkage or collectable account?

This ratio is measure of comparison between short-term asset and short-term liabilities. It is defined as follow:

$$\mathbf{1.\,Current\ Ratio} = \frac{\mathbf{Current\ Asset}}{\mathbf{Current\ Liabies}}$$

**2.4.1.3. Solvency ratio**

Solvency ratios are a key component of the financial analysis which helps in determining whether a company has sufficient cash flow to manage the debt obligations that are due. Solvency ratios are also known as leverage ratios. It is believed that if a company has a low solvency ratio, it is more at the risk of not being able to fulfil its debt obligation and is likely to default in debt repayment.

- **Debt to equity ratio**

Debt to equity is one of the most used debt solvency ratios. It is also represented as D/E ratio. Debt to equity ratio is calculated by dividing a company's total liabilities with the shareholder's equity. These values are obtained from the balance sheet of the company's financial statements. It is an important metric which is used to evaluate a company's financial leverage (Winner, 2012). This ratio helps understand if the shareholder's equity has the ability to cover all the debts in case business is experiencing a rough time.

$$\mathbf{Debt\ to\ equity\ ratio} = \frac{\mathbf{Total\ Liabilities}}{\mathbf{shareholders'\ equity}}$$

- **Debt to Asset Ratio**

Another leverage measure, this ratio measures the percentage of a company’s assets that have been financed with debt. A higher ratio indicates a greater degree of leverage (Stock and Lambert, 2011).

**Debt to assets ratio** $= \frac{\boldsymbol{Total\ Debt}}{\boldsymbol{Total\ Assets}}$

- **Interest coverage ratio**

This ratio measures the company’s ability to meet the interest expense on its debt with its operating income, which is equivalent to its earnings before interest and taxes (EBIT). The higher the ratio, the better the company’s ability to cover its interest expense (Winner, 2012).

**Interest coverage ratio** $= \frac{\boldsymbol{Operating\ income\ (EBIT)}}{\boldsymbol{Interest\ Expenses}}$

### 2.4.2. Non financial performance

Non-financial performance is widely recognized as an important construct in the research strategy (Combs et al., 2015). Indeed, the emphasis on business performance is presented as one of the elements that distinguish this field from other areas of organizational studies (Glick, 2015).

#### 2.4.2.1. Indicators of Non-financial performance

Non-financial performance objectives are the areas of Non-financial performance that a company tries to improve, in a bid to meet its corporate strategy. After defining its corporate strategy, a company will identify the relevant Non-financial performance objectives to measure and configure the environment, to enable the objectives to be accomplished. According to Andy Neely, author of the book “Business Performance Measurement: Unifying Theory and Integrating Practice,” there are five main Non-financial performance objectives: speed, quality, costs, flexibility, and dependability (Oliver 2019).

#### 2.4.2.2. Speed

The objective of speed measures how fast a company can deliver its products and generates sales quotes. This objective was concerned with such issues as the time that it takes to manufacture and process one or more products of the company or the time that it takes to research a new product and develop it. Speed is extremely important within manufacturing operations and is a clear indicator of how efficient your operation is (Gronroos, 2019).

#### 2.4.2.2. Quality of a Product

Typically, quality is considered to measure how well a product conforms to certain specifications. However, it's more than that, according to Andy Neely. It's also how desirable the features of the product are; how reliable the product is; how durable it is; how easily it can be serviced; how well it performs its intended function; and, how much the customers believe in its value. All of these are relevant measures of quality (Spohrer & Maglio, 2018).

Quantity usually measures how well a product conforms to specifications. While this is important, it is much more than that, and the quality of the product is also extremely important. Having a desirable product that is reliable, durable, can easily be serviced, performs well, and your customers believe in it is definitely a substantial component within the objectives of performance (Parasuraman, 2019).

According to "Parasulaman, (2019), service quality is global judgment, or attitude, relating to the superiority of the service" service quality is customer's judgment about a product's overall excellence or superiority which is consistent with Parasuraman's definition.

Expand these definitions cover other conceptualizations in marketing and economics, and operations management.  Customer satisfaction can be described as judgments that a product, or service feature, or the product or service itself, provides pleasurable consumption. Service quality is a comparison of expectations with performance.

A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness (Oliver 2019).

Quality is a multi-dimensional phenomenon. Thus, reaching the service quality without distinguishing the important aspects of quality is impossible. In his discussion of service quality Gronroos (2019) refers to three dimensions of output technical quality, and organization's mental picture.

Also it has referred to dimensions of physical quality, interactive quality, and organizational quality as three dimensions of service quality. Although these attempts have had a major role in division of service quality into process quality and output quality, but they lack enough details. On this basis, Zeithaml et al. (2003) have referred to ten dimensions of service quality in their primary researches. But, in their further researches, they found a strong correlation among these dimensions.

**2.4.2.3. Costs reduction**

This objective looks at how much variation there is in the unit cost of a product as measured by changes in a variety of factors, including the volume and the variety of the products. Products that feature a greater variety tend to sport lower volumes and higher unit costs and vice versa. Ultimately, this affects the price of the product, the costs of producing it, and the profits to be obtained from that product (Gronroos, 2019).

Cost variation pertains to the objective of how much variation there is in the unit cost of a product as measured by changes in a variety of factors. These factors include volume and the variety of the products. Products that feature a wide variety of features tend to sport lower volumes and higher unit costs. This affects the price of the product as well as the costs of producing it, and the profits to be obtained from the product (Crosby, 2018).

Tough times in business may lead you to research and implement cost-cutting strategies. Even businesses that are profitable can benefit from cost reduction strategies to create an even higher profit margin on its products or services. Businesses have several options in reducing the costs of the business without sacrificing the quality of its service (Trombly, A. 2016).

One of the first places to start for cost reduction opportunities is by reviewing the profit margin on the products or services you are offering. Determine which of your products or services are bringing you the highest profits.

Focus your efforts on the products or services that are the most profitable and cut out the products or services that are not returning as high a profit to your business (Aston, 2018).

**2.4.2.4. Client/Customer Satisfaction**

The distinction between "consumer" and "customer" has often been lost in our everyday vocabulary, but knowing the difference can help you comprehend what client satisfaction means. The terms "client" and "consumer" are often used interchangeably. Company must keep their promises to the client in order to meet their criteria since many organizations now realize that satisfied consumers are crucial to their success.

A customer is someone who pays for an item or service but may or may not use it. The person who consumes a product or service directly is known as a consumer.

A person may be happy with the product or service they have used after using it for obtaining high levels of consumer satisfaction Businesses must continuously monitor and evaluate the thoughts, experiences, and opinions of their present and potential customers in order to guarantee customer happiness. The evaluation that a product or service produced a satisfying degree of fulfillment is known as satisfaction (Chantarat, 2017).

### 2.5. Relationship between budgeting and Performance in commercial bank

Most organizations, especially profit-oriented use financial measures to determine the performance of the organization. The fact that our case study is a commercial bank, which is profit institution, means that we shall use Non-financial performancemeasure since BK PLC does not deal in profit generating activities. Non-financial performance means the process of translating (strategic) choices to operational actions by organizing and managing operational processes in such a way that it contributes to the realization of (strategic) objectives (PWC, 2014). Non-financial to be used on this case study will include productivity, quality, innovation, performance measures teamwork, greater employee involvement and commitment, cost reduction andflexibility.

#### 2.5.1. Budgeting and Innovation

Innovation is the process of translating an idea or invention into a good or service that creates value or for which customers will pay (Schefczyk, 1993). Innovation can also be defined as the application of new ideas to the products, processes, or other aspects of the activities of a bank that lead to increased “value.” This “value” is defined in a broad way to include higher value added for the bank and benefits to consumers or other firms (Sarkis, 2000). Two important definitions are *Product/service innovation*: the introduction of a new product, or a significant qualitative change in an existing product. *Process innovation*: the introduction of a new process for making or delivering goods and services (Rosseger, 1986).

Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources, and includes all processes by which new ideas are generated and converted into useful products.

#### 2.5.2. Budgeting and service Quality

On the other hand, Sarkis (2000) defines quality as the degree to which a provided activity promotes customer satisfaction. For example, quality of service technologies used in the electronic or telephone networking business typically assists in optimizing network traffic management in order to improve the experience of network users. The notion of quality in business focuses on the savings and additional revenue that organizations can realize if they eliminate errors throughout their operations and produce products and services at the optimal level of quality desired by their customers (Schefczyk, 1993).

### 2.5.3. Budgeting and Teamwork

The forth indicator (teamwork) is the process where people in an organization or project work together in order to achieve the targeted goals. Teamwork is an important factor for smooth functioning of an organization (Froebel & Marchington, 2005).

Most of the organizational activities become complex due to advancement in technology therefore teamwork is a major focus of many organizations. Team members enhance the skills, knowledge and abilities while working in teams (Froebel & Marchington, 2005). Organizations which emphasize more on teams have results in increased employee performance, greater productivity and better problem solving at work (Cohen & Bailey, 1999).

### 2.5.4. Budgeting and Employee involvement

Employee involvement is the regular participation of employees in (1) deciding how their work is done, (2) making suggestions for improvement, (3) goal setting, (4) planning, and (5) monitoring of their performance. Employee involvement is based on the thinking that people involved in a process know it better and is more motivated to improve their performance.

Over the last few decades, management studies have been emphasizing employees' role, through an increased participation in the process for change. In fact, the influence of employees involvement in firms changing processes has been extensively reported in both academic and practitioner journals which strongly highlight its importance and potential on organizational changes (Welikala and Sohal, 2008; Sun, et al., 2000) through personal involvement on problem solving and decision-making. Pun, et al. (2001) highlighted that employees "involvement may provide the foundation for quality efforts and strategy development, and ensure that practices implemented conform to quality requirements that are followed by everyone in the organization.

Other researchers corroborate such propositions. As found by Powell (1995) employees' involvement was significantly correlated with overall corporate performance. Dow, et al. (1999) concluded that workforce commitment had a significant positive association with organizational performance. O'Brien (1995) observed that higher productivity and efficiency may be reached through employees' involvement and empowerment.

According to Dale, et al. (1997), results suggest a positive correlation between high employee involvement and companies' productivity and long-term financial performance.

### 2.5.5. Budgeting and Cost reduction

Roth and Menor (2003) define cost reduction as the process by which production costs are minimized in an organization. Cost reduction can also be defined as the process used by companies to reduce their costs and increase their profits. Depending on a company's services or product, the strategies can vary. Every decision in the product development process affects cost. Companies typically launch a new product without focusing too much on cost (Crane, 2012). Cost becomes more important when competition increases and price becomes a differentiator in the market.

## 2.6. Empirical literature review

Various researchers have conducted empirical studies on budgeting and institutional performance and effectiveness. Beginning with North America, Horngren (2008) in their recent surveys show just how valuable budgets can be. They assert that, a study of more than 160 organizations in North America listed budgeting as the most frequently used cost management tools and it was the tool with the highest value to the organization. Furthermore, they show that, study after study has shown the budget to be one of the most widely used and highest rated cost management tools for cost reduction and control. Highlighting one of the usefulness of budgeting to the users, they maintain that, advocates of budgeting claim that the process of budgeting forces manager to become a better administrator and puts planning in the forefront of managers' mind.

In the same book, Horngren *et al.* (2008) also point out that the result of a survey carried out in the same place (North America) shows that most managers still agree that budgeting, correctly used has significant value to management.

They reported that over 60% of the 160 companies in North America use budget and remarked budgeting as the top among thetop three cost management tools.

In a similar view, CIMA and ICAEW in 2004 on "The traditional role of budgeting in organization", revealed that budgeting and the accompanying process are indispensable. It was further found out that traditional budgeting remains widespread as some respondents revealed that as many as 99% of European companies have a budget in place and no intention to abandon it (Kennedy & Dugdale 1999, cited in CIMA-ICAEW, 2004).Consistent with this, Anand, *et al.* (2004) in a survey carried out in India found out that the use of budgets as a part of management control system is wide spread. Precisely, 88.7% of the respondents in their study prepared budgets.

They assert that nearly all the companies in Australia, Japan, UK, and USA prepare budgets (Anand, *et al.*, 2004).

The empirical studies of the relationship between institutions and fiscal performance provide empirical support for the assumption that a top-down budgeting process is associated with lower deficits and debts. In his pioneering study of budget procedures of 12 EU-member countries, von Hagen (1960) tests the hypothesis that a top-down process in the preparatory phase of the budget, and a top-down decision-making order in parliamentary approval is more conducive to fiscal discipline than bottom-up procedures. These two aspects are included in structural indices characterizing the budget process, which are found to have a significant relationship with deficit and debt levels. De Haan and Sturm (1994) extend the study to control for the composition and stability of government, and confirm that certain budget institutions, including top-down budgeting, are correlated with a more robust fiscal position. Woo (2003) takes a similar approach and constructs an index that broadly corresponds to a top-down budget preparation process. When expanding von Hagen's study to include nine East Asian countries, Woo confirms a strong relationship between these institutional arrangements and fiscal outcomes.

Hansen and Stede (2004) have examined the reasons to why organizations make budgets in practice. In the article "Multiple facets of budgeting: an exploratory analysis" the writers have analyzed the purposes to why organizations use a budget. They found four purposes, which correspond to the traditional reasons. In the article, data from a survey made on 57 managers that are responsible for setting the budget have been analyzed. The authors conclude that the four main purposes of budgeting are: (1) operational planning, (2) performance evaluation, (3) communication of goals, and (4) strategy formation.

The four purposes found by Hansen and Stede (2004) contain short term as well as long term planning (operational planning and strategy formation), they include communicating the budgets to the employees in order to ensure that everybody understand the organization’s objectives (communications of goals). Through the last purpose it covers performance evaluation. Hansen and Stede (2004) describe how the “qualities” for an organization determines the purposes of budgeting. Hansen and Stede conclude that performance evaluation often is used in large organizations and in organizations with clear and traceable resources.

For organizations, which appear in a competitive environment, the purpose of having budgets, as a way to communicate goals and strategies, is more significant than the other three reasons. Companies tend to put less importance on having the budget as performance evaluation in a competitive environment. However, it is vital to consider that these are just trends and that no generalizations can be made.

Hansen and Stede (2004) state that the importance of the purposes varies among organizations, for instance it depends on the size of the organization, the environment and the culture of the company. There is no single successful way of budgeting that can be used in order to fulfill each of the four purposes stated above.

Every budget demands its own certain level of budget participation, level of “difficulty” to reach targets and strategy formulation etc. to be effective.

Empirical results from a study by Faleti and Myrick (2012) on the Nigerian Budgeting Process summarized evidence of the positive effect of the formal budgeting process on employment performance. First, it was found that more formalized budgeting planning led to higher employment performance and sales revenues growth.

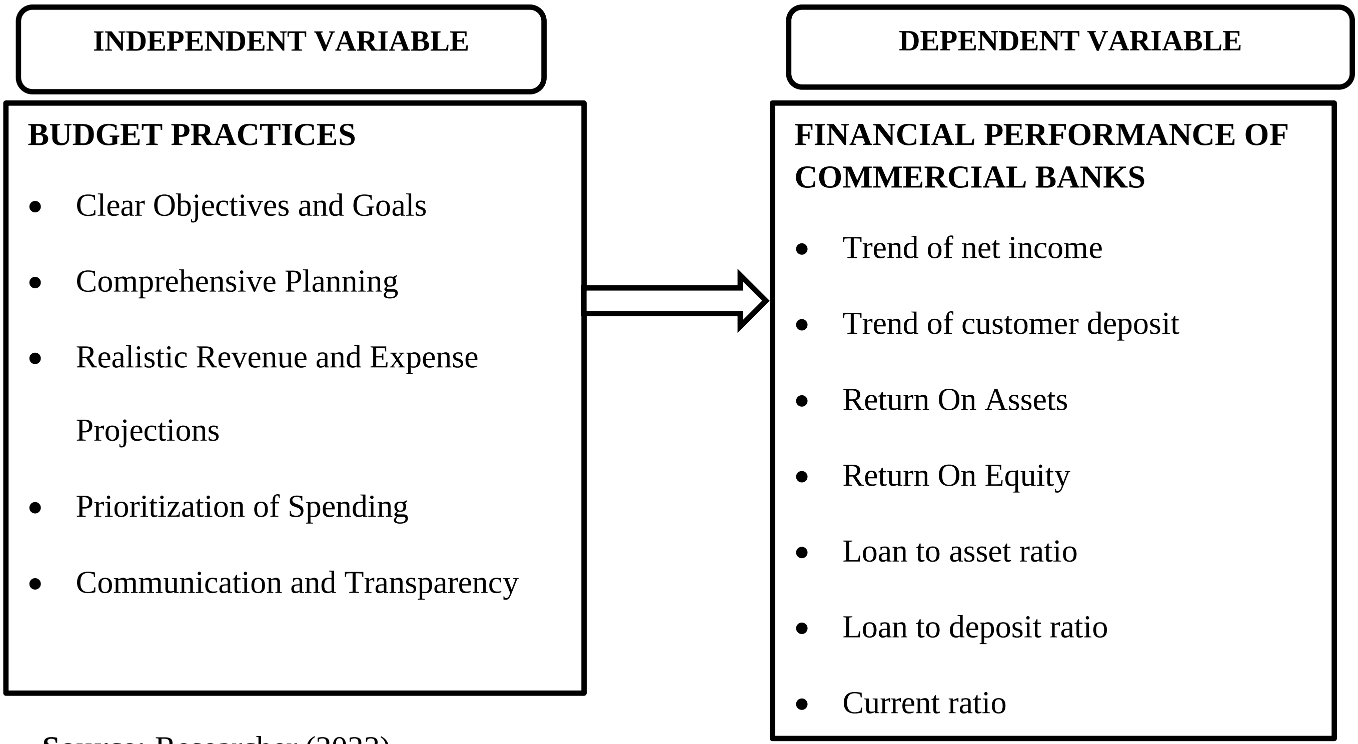
Second, budget goal characteristics were shown to strongly affect the budgetary performance of Nigerian ministries, departments and agencies (MDAs). More important, this reveals that clear budget goals led to higher goal achievement. Difficult (but attainable) budget goals increased the motivation of employees to achieve budget standards; thus, budget goal difficulty was found to lead to improved employment performance of Nigerian MDAs. Third, the results revealed that more formalized budgetary control tended to lead to higher employment performance and greater profit of a sector. This was explained by the fact that owing to management control, the total expense of a sector was minimized, resulting in employment performance growth and profit. It is interesting to note that formal budgeting planning and formal budgetary control differed in terms of their effect on financial performance. Formal budgeting planning had a greater impact on the employment performance growth and sales growth of MDAs than formal budgetary control. However, its impact on employment performance and profit growth was very weak, and formal budgetary control, in contrast, exerted a strong influence on the growth in employment performance and profit in MDAs.

On the other hand, research also shows that over 60% of companies are continuously trying to improve the budgeting process to meet the demands set for management in creating sustainable value (Ekholm & Wallin, 2000, cited in CIMA-ICAEW, 2004). According to Bourne (2004), Cranfield University in 2001 teamed up with Accenture's finance and performance management service line to undertake a large worldwide review of planning and budgeting. They focused on 15 companies in the US and Europe, which had already adjusted their budgeting, practice. In addition, the researchers reviewed over 100 academic and practitioner books on the subject. The result showed a widespread dissatisfaction with the budgeting process (Bourne, 2004).

**2.7. Conceptual framework**

A conceptual framework is an analysis instrument with many Changes and contexts. It is used to distinguish conceptual differences and theories. Powerful conceptual frameworks capture reality and do this in a way that is applicable (Steve, 2019). The below conceptual framework shows the relationship between the variables under study. The independent variable is budgeting and the dependent variable is Performance of commercial bank

**Figure 1.1: Conceptual Framework**




**Source:** Researcher (2023)

## 2.8. Research gap

Most of the studies conducted on budgeting and performance focused on firms and institutions in foreign countries. Horngren, et al. (2008) focused on North America, Anand, et al, (2004) focused on India, von Hagen (1960) focused on the European Union while Woo (2003) concentrated on East Asian countries. Apart from Faleti and Myrick (2012) whose study focused on Nigerian public institutions, no other available study has been conducted on the African continent and in particular, Rwanda. This has created scarcity of academic knowledge in the field of budgeting and organizational performance. This study is aimed at closing this academic gap by conducting the study on the local context to avail academicians and scholars with local content on budgeting and institutional performance.

Additionally, available empirical studies on budgeting and organizational performance (Hansen and Stede, 2004; Horngren, et al., 2008; Bourne, 2004) have tended to concentrate on profit making institution and given less attention to non-profit making institutions. As a result, these studies used only financial measures of performance such as net profit margin, return on assets, return on investments and return on equity. This means that other performance measures that are non-financial such as employee behavioral outcomes operational outcomes and structural changes have been given no attention. The current study tries to close this academic gap by focusing on budgeting management as performance tool in commercial banks.

# CHAPTER 3. RESEARCH METHODOLOGY

Research methodology includes the use of methods and procedures as well as the research approach. The methods or strategies used to locate, choose, process, and assess data on a subject are referred to as research technique. The many strategies and techniques that was employed to collect important data from the field and other sources are discussed in this chapter. It also describes the procedures and methods employed for data presentation, processing, analysis, and interpretation, as well as population and sample selection (Margret, 2007). This chapter discusses the research design, study population, sampling, tools and strategies for collecting data, validity and reliability tests, data processing, data analysis techniques, limitations, and ethical considerations.

### 3.1 Research Design

This study employed qualitative, quantitative, and descriptive studies to address the research topic.

A quantitative approach is used to gather data and analyze it. This can be done by questionnaires or statistical representation, and the results are numerical. The respondents are picked for this approach from the study's field.

In contrast, the information gathered utilizing a qualitative approach often through concentrated group or individual interviews is not measurable (Baikey, 2000)

In this inquiry, both primary and secondary data was employed. A variety of data collecting techniques, including surveys, interviews, and documentation, was used to directly gather primary data from the performance of Bank of Kigali Plc.

### 2.3. Population of the study

Research should be done on the population because it is a universal topic. The optimum research approach would be to collect data from the whole population since this would provide the group under investigation the broadest possible coverage (Barnett, 2008).

All Staffs of Bank of Kigali Plc made up the research population for this study. In this way, the target population was 151 employees of Bank of Kigali Plc who are in relationship with Budgeting. Those populations participated in answering the questionnaires related application of budget management within Bank of Kigali Plc.

### 3.3. Sampling procedure

Sampling methodology is the process a researcher uses to choose a sample from the entire population. On this side, the researcher has utilized the purposive sampling methodology, which is a sampling strategy in which the researcher utilizes her judgment to select respondents and only selects those who most closely match the study's objectives. Due to this, the investigation was solely focused on the staffs of Bank of Kigali Plc who are working with Bank of Kigali Plc.

The study used these techniques to apply the Yamane (2002) formula to compute the sample size. The following formula was used to determine the sample:

N= Population = 151

(e) $^2$= Sampling error = 10%

$$n = \frac{N}{1+N(e)^2} = \frac{151}{1+151(10\%)^2}$$

$$n = \frac{151}{1+151\ (0.1)^2} = 60$$

n = Sample size = 60

By applying Yamane formula, a sample of 60 sample size from 151 employees of BANK OF KIGALI PLC was chosen.

**Distribution of respondents**

| **Category** | **Population** | **Sample size** |
|---|---|---|
| Finance and accounting | 34 | 7 |
| Human resource | 22 | 5 |
| Procurement and logistics | 12 | 3 |
| Operations | 12 | 16 |

| | | |
|---|---|---|
| Marketing | 22 | 5 |
| Commercial and agency banking | 8 | 20 |
| Corporate | 16 | 2 |
| Internal audit | 10 | 1 |
| Risk and compliance | 15 | 1 |
| **Total** | 151 | **60** |

**Source:** Researcher, 2023

### 3.4. Data Collection Techniques and Tools

The followings are the instruments that were used in data collection:

#### 3.4.1. Questionnaire

A questionnaire as a set of inquiries designed to elicit information from the respondents. It can also refer to a set of questions that you administer to yourself. Both closed-ended and open-ended questions were included in the questionnaire for this study to allow respondents to express their general ideas as well as their specific responses to the questions (Grawitz, 1995). The questionnaires was distributed to the 60 employees of Bank of Kigali Plc was given as series of questions to answer as part of this study.

#### 3.4.2. Interview

The purpose of an interview is to collect information from a respondent through a face-to-face conversation (Williams, 1998).

The researcher asks questions verbally during interviews, which can be performed in-person or over the phone. To conduct the interview, the interviewer and respondents have personally met. It was carried out with the intention of obtaining information on the contribution of budgeting management to the performance of Bank of Kigali Plc. The directors and Head of departments were interviewed. This helped the researcher to know how budgeting management contribute to performance of Bank of Kigali Plc.

### 3.4.3. Documentation

In order to gather background knowledge and learn about other studies on the same topic, (Cooksey, 2008) state that reading books and other resources including text books, the internet, reports, and brochures is one of the data collection approaches.

The pertinent literature was reviewed for the sake of this investigation. This was done in order to find out more details on the issue.

In order to get secondary data that aided in the accomplishment of the study's goals, the researcher utilized documentation to examine the influence of budgeting management on the performance of Bank of Kigali Plc. Using this approach, the research began by asking questions based on investigations, analyses, and illustrations of existing written materials, electronic resources, and particularly the records and yearly reports of the Bank of Kigali Plc.

## 3.5. Validity and reliability tests

### 3.5.1. Validity of Instruments

Validity is a concept used to evaluate the quality of research (Trochim, 2006). Next, validity refers to how well the results among the study participants represent true findings and it's about accuracy of a measure. It is the extent to which an instrument measures what it intends to measure and describes the truth of research findings (Zohrabi, 2013). Instrument of this research was measured through the opinion of experts especially the research supervisor, who is more knowledgeable. In case uncertainty occurs or non-clarity observed, it was corrected before data collection at the field of study.

The validity was tested using Content Validity Index (CVI)

CVI= $\frac{Total\ numbers\ of\ relavant\ items\ in\ the\ instruments}{Total\ numbers\ of\ items\ in\ the\ instruments}$

If the calculated CVI was closer to 1 not less to 0.6  Sounders. 2010, the questionnaires was as considered valid

### 3.5.2 Reliability of Instruments

According to Drost (2011) reliability is the degree to which measurement is consistent or dependable. Reliability is also referred to as a stability of a measurement over a variety of conditions in which the results should be obtained (Nunnally and Drost, 2011). Internal consistency reliability measure consistency of different items of the same construct, Cronbach's alpha coefficient is used to determine internal consistency between items (Cronbach, 1951). If Cronbach's Alpha coefficient is greater or equal to 0.7, then the instrument was considered reliable.

$$\alpha = \frac{N * \overline{c}}{\overline{v} + (N-1) * \overline{c}}$$

N = the number of items

$\bar{c}$ = average covariance between item pairs

$\bar{v}$ = average variance

### 3.6. Data processing

Data processing occurs when data is collected and translated into usable information. Usually performed by a data scientist or team of data scientists, it is important for data processing to be done correctly, as not to negatively affect the product or data output.

### 3.6.1. Editing

Editing, according to Kerlinger (2003), is the process of finding and correcting errors in data obtained that was completed. To make the data complete, accurate, consistent, and intelligible, the researcher updated it.

### 3.6.2. Coding

Coding is the process of grouping replies into meaningful categories to expose their essential patterns (Cooksey, 2008). The researcher coded the data that is easy to understand. According to the provided questions, code frames was created. It was possible to generate coding frames by using the coding patterns that are produced as a consequence of logging the responses to the specified queries. Once the coding frames were created, frequency counts were done to facilitate tabulation.

### 3.6.3. Tabulation

Tabulation is the process of organizing data into statistical tables, such as the percentage and frequency of answers to particular inquiries (Grawitz, 1995). The tabulation process involves putting data into statistical tables, computing the frequency answers for each variable, and displaying the number of right answers to common questions and their projected percentages. The updated and processed data then was added to tables for statistical analysis. These tables, frequencies, and statistics were produced using Excel 2013 and SPSS 22.0 software.

## 3.7. Methods of data analysis

Kenneth A. Bailey made the statement “not all data was presented in their entirety” in 2013. The variable that was included was those that are most crucial to achieving the study's objective. He contends that after being edited and tabulated, the data are gathered in various table formats and may be used in other formats for statistical analysis. The qualitative analysis was applied in this investigation. Making observations on the respondents' perspectives on certain occurrences was necessary for this.

### 3.7.1 Mean

By dividing the total number of all recognized trial outcomes by the total number of occurrences, the mean is determined.

The formula for calculating the mean is as follows: (x) indicates the mean and x represents the trial's observed outcomes. According to Ghahramani (2018), $\bar{x}=\frac{1}{n}\sum_{i=1}^{n} xini$ (Pinto, 2012).

**Table 3.3: Evaluation of Mean**

| **Mean** | **Interpretation** |
|---|---|
| 1.00-1.49 | Strongly disagree |
| 1.60-2.49 | Disagree |
| 2.60-3.49 | Neutral |
| 3.60-4.49 | Agree |
| 4.5-5.600 | Strongly agree |

**Source:** (Berman and Saunders, 2018)

### 3.7.2 Standard Deviations (σ)

The standard deviation is a statistical number utilized to know the quality of the data that are distributed to the average. By formula, the standard deviation is computed as follows:

$\sigma = \sum_{i=1}^{n} \sqrt{\frac{1}{N}(\mathrm{x} - \mu)^2}$ (Ghahramani, 2018)

**Table 3.4: Evaluation of Standard deviation**

| **Standard deviation** | **Quality of data** |
|---|---|
| Standard deviation <0.5 | Low dispersion of data (homogeneity) |
| Standard deviation >0.5 | Big dispersion of data (heterogeneity) |

**Source:** (Saunder, 2018)

### 3.7.3 Correlation

In this study, correlation is employed to demonstrate the statistical association between two variables. As a result, researcher was able to determine how budgeting management and performance of Bank of Kigali Plc are related. The statistical rules on which the correlation coefficient is displayed are as follows.

**Table 3.5. Evaluation of Correlation**

| Correlation coefficient | Interpretation |
|---|---|
| r=1 | Perfect linear correlation |
| 0.9<r<1 | Strong linear correlation |
| 0.7<r<0.9 | High correlation |
| 0.5<r<0.6 | Moderate correlation |
| 0<r<0.5 | Weak correlation |
| r=0 | No correlation |

**Source:** (Franklin, 2019)

Apart from the methods stated above the following methods was also used in data analysis and interpretation;

### 3.7.4. Analytical method

A technique is a set of concentrated actions carried out in order to achieve one or more objectives (Williams, 1998). They are a set of guiding principles for any structured research and aid in the interpretation of the data gathered. The researchers can utilize this technique to conduct a more thorough examination of any data pertaining to the impact of budgeting management on Performance of Bank of Kigali Plc.

### 3.7.5. Historical method

The historical approach comprises of aiding in the knowledge of both past and contemporary occurrences (Rongere, 1999). It soon discussed a phenomenon's past in order to demonstrate how it has changed through time. This strategy assisted in gathering and analyzing historical data, such as the influence of budgeting management on performance of Bank of Kigali Plc. The approach made it easier to track how such facts evolved throughout the studied era, to understand historical obstacles and how to overcome them.

### 3.7.6. Statistical method

A set of mathematical techniques known as statistics may be used to create probabilistic models from the gathering and analysis of actual data. The statistical technique provides the possibility to assess and quantify the outcomes of study by permitting predictions (Grawitz, 1995). According to Moser and Kalton (2013), data is integrated in some form of tables, bar graphs, and pie charts for statistical analysis using SPSS version 20.0 after it has been modified and coded. The study's findings were counted and quantified using this technique. This approach uses a formula for adding together frequencies and percentages to evaluate quantitative data and show it in tables.

## 3.8. Limitations

Despite being a superb study, it was impeded by the difficulty to get extremely expensive books and papers. Even if the book could contain essential information, some of the books that we was have access to was not accessible; when we requested a book online, they offered us a fee that was too expensive. The researcher's time is the second important constraint that might prevent him or her from completing all of his or her obligations (including studies, occupations, and researches).

# CHAPTER 4: DATA PRSENTATION AND ANALYSIS

## 4.0. Introduction

The solutions to the research questions and testing of the hypotheses are included in this chapter. Each study question was validated using primary data collected from staffs of BANK OF KIGALI PLC. Personal identifications of respondents and other results relevant to the research goals make up the findings.

## 4.1. Profile of Bank of Kigali Plc

### 4.1.1. Historical background of Bank of Kigali Plc

Bank of Kigali Plc is an award-winning Rwandan institution with deep roots in the African financial space since its founding in 1966. Over the years, Bank of Kigali Plc has transformed into a premier one-stop shop, with a full range of financial services offered under a single roof. Today, it stands as the largest commercial bank in Rwanda by toal assets, and it has strategically positioned itself as the leading commercial financial institution in Rwanda, boasting a diversified portfolio of services that allow it to seamlessly serve a wide breadth of clients, including individuals, , large corporations, and other financial institutions in the region. The Group's activities range from retail and corporate banking to asset management and investment banking, as well as offering a comprehensive range of non-life insurance products and innovative enterprise solutions that stimulate growth in the Rwandan digital space.

#### 4.1.2. Vision

Bank of Kigali aspires to be the leading provider of the most innovative financial solutions in the region.

#### 4.1.3. Mission

Our mission is to be the leader in creating value for our stakeholders by providing the best financial services to businesses and individual customers, through motivated and professional staff.

#### 4.1.4. Values

Customer focus, Integrity, Quality & Excellence

### 4.2. Effectiveness of Budget management applied by Bank of Kigali Plc

The study also investigated the effectiveness of budgeting process at the BANK OF KIGALI PLC. This aimed at determining whether the budgeting framework is capable of achieving the intended objectives.

#### 4.2.1. Purpose of Budgeting at the Bank of Kigali Plc

The study sought to investigate the purpose of budgeting at the Bank of Kigali Plc. Questions were constructed on a five-point Lickert scale where . Table 4.2 shows the findings.

**Table 4.1: Purpose of Budgeting at the BANK OF KIGALI PLC**

| Item | Mean | Std. Dev. |
|---|---|---|
| Budgets promote coordination between various activities | 4.82 | 0.393 |
| Budgets enable effective resource allocation | 3.60 | 0.784 |
| Budgets encourage transparency in resource utilization | 4.61 | 0.495 |
| Budgets communicate institutional goals | 4.89 | 0.311 |
| Budgets primarily create cost reduction | 4.82 | 0.393 |
| **Aggregate mean** | **4.39** | **0.545** |

**Source:** Primary data (2023) using SPSS Statistics 22

Table 4.1 shows that most respondents agree to the statements on the purpose of budgeting at the BANK OF KIGALI PLC. It was established that budgeting at BANK OF KIGALI PLC promotes coordination between various activities (mean=4.82 and std.=0.393) and enable effective resource allocation confirmed by (mean=3.60 and std.=0.784). This indicates that budgeting process promotes teamwork between various departments and staffs. With effective resource allocation, it is worth to argue that budgeting ensures that all funds are put to proper and intended use. The study also established that budgets encouraged transparency in resource utilization (mean=4.61 and std.=0.495). This signifies the reduction in resource theft at the bank since activities' expenditures are budgeted for. Another purpose of budgeting at BANK OF KIGALI PLC was that the process communicates institutional goals (mean=4.89 and std.=0.311). This can be attributed to the fact that budget identifies the activities/projects and how much funds to be allocated for such activities which informs stakeholders about the goals and priorities of the bank. Lastly, respondents agreed that budgets primarily create cost reduction (mean=4.82 and std.=0.393). It is to be argued that during budgeting, the quality and cost-based approach to costing is adopted by the Bank.

Data from the interviews also provided mixed results with some respondents arguing that the budgeting process at the Bank is intended to guarantee continuity of operations, ensure effective coordination between various staffs and departments and effective resource allocation. This shows the extent of budgeting urgency at the BANK OF KIGALI PLC.

**Table 4.2: Effectiveness of the budgeting management at the BANK OF KIGALI PLC**

| Item | **Mean** | **Std.** |
|---|---|---|
| Banking budgeting is always strategically planned | 4.342 | .995 |
| I always participate in the budgeting process | 3.909 | .873 |
| We often review and revise our budgets | 4.270 | .762 |
| We create a formal budget for a business year | 3.973 | .608 |
| We use a formal budgeting cycle (i.e. planning, developing, implementation, control) | 4.540 | .697 |
| We use our executives’ experience to budget costs | 3.567 | 1.103 |
| Our budgeting is always based on the available cash revenues | 4.045 | .743 |
| The purposes of the budget are communicated to the whole institution | 3.666 | 1.337 |
| Our budgeting process considers government rules and regulations | 3.810 | 1.013 |
| **Aggregate Mean** | **4.39** | **0.545** |

**Source:** Primary data (2023) using SPSS Statistics 22

According to table 4.2, it was established that (mean=4.342 and std.=.995 agreed that BANK OF KIGALI PLC's budgeting is always strategically planned. This signifies that the budgets of the Bank are developed in line with the strategic plan to ensure that there is harmony of priorities. Secondly, all respondents (mean=3.909 and std.=.873) agreed that the always participated in the budgeting process of the Bank. This indicates that there is effective participatory budgeting which ensures that interests of various stakeholders in the Bank are covered by the budget. It was also agreed that BANK OF KIGALI PLC often reviewed their budget (mean=4.270 and std.=.762).

This signifies that there is flexibility among the budgeting staff, which ensures that any gap is identified and closed during the budget implementation. Findings also show that BANK OF KIGALI PLC creates a formal budget for a business year (mean=3.973 and std.=.608). This formal budget signifies that budgeting is done annually and this minimizes time and resource wastage on petty and recurrent budgets. In terms of budget phases, the mean which is equal 4.540 and std.=.697 of respondents agreed that BANK OF KIGALI PLC follows a formal budgeting cycles (identification of priorities, planning, formulation, implementation, monitoring and evaluation). This indicates that budgeting staffs are committed to ensure that all procedures are observed. Furthermore, the study found out that Bank of Kigali Plc used executives' experience in budgeting for costs (mean=3.567 and std=1.103). This finding signifies that expert advice is sought before the formulation and approval of the Bank budget. It was also agreed that budgeting is always based on the available cash revenues (mean=4.045 and std=.743. This indicates that there is careful forecasting to ensure that resources was available to meet the budget requirements. Regarding information sharing, (mean=3.66 and std=1.337) agreed that the purposes of the budget are communicated to the whole institution. This indicates that Bank of Kigali Plc stakeholders participate in the process whose goals are communicated in advance in order to allow them make informed decisions and contributions to the budget process. Lastly, it was agreed that the budgeting process at BANK OF KIGALI PLC considered government rules and regulations (mean=3.810 and std=1.013). As a public institution, this indicates that BANK OF KIGALI PLC is a law-abiding entity that prioritizes its relationship with the central government. Interviews with selected respondents also helped in explaining how various budgeting variables influence the effectiveness of the budgeting process at the BANK OF KIGALI PLC.

Firstly, interviews revealed that setting budgeting goals help the management team to remain on track in regard to budgeting priorities. At the Bank of Kigali Plc, during interview, respondents argued that a budget system consists of the elements that show how money is to be spent within the institution for the short and long terms. Therefore, the Bank of Kigali Plc uses budget objectives to accomplish goals for growth and sustainability with the finances at hand. It helps the budget implementation team to spend money on what it was budgeted for.

Pertaining to stakeholder participation in budgeting, respondents revealed that giving all stakeholders a chance to participate and contribute ideas to the budgeting process helps them to understand and own the budget. This becomes easy when such a budget is presented to them for implementation.

Regarding budget reviews, respondents revealed that Bank of Kigali Plc budgets are created on an annual basis for the upcoming year and are then reviewed periodically throughout the year to compare actual results with budgeted amounts. The goals are measured against the set targets to determine what has been achieved, the gaps and recommendations if any.

In terms of budgeting frequency, interviews further revealed that budgeting at Bank of

Kigali Plc is conducted annually in line with the national planning authority, which disburses funds annually. The responses given were analysed using means and standard deviations as discussed in the subsequent section.

### 4.2.2. Comprehensive planning

The study focused on determining the extent to which Bank of Kigali Plc practice comprehensive planning. The results are shown in Table 4.2

**Table 4.3: Comprehensive planning**

| **Comprehensive planning** | **Mean** | **Std. Dev.** |
|---|---|---|
| Line managers budget for their individual departments which are then combined to form the master budget | 4.57 | 0.471 |
| The budget plan stipulates the steps that should be taken in the budgeting process | 4.53 | 0.534 |
| The top management communicate the budget plans to thosepreparing the budget plan | 4.33 | 0.522 |
| Past data is used as a starting point to develop budget plans | 4.22 | 0.645 |
| The budget plan specify the allowances and variance that should be made to the various parameters | 3.99 | 0.552 |
| **Aggregate Mean** | **4.39** | **0.545** |

**Source:** Primary data (2023) using SPSS Statistics 22

Bank of Kigali Plc practice comprehensive planning to a great extent as evidenced by the aggregate mean of (*M*=4.39, *SD*= 0.545). To a very great extent, Line managers budget for their individual departments which are then combined to form the master budget and the budget plan stipulates the steps that should be taken in the budgeting process as indicated by mean scores of (*M*=4.57, *SD*= 0.471) and (*M*=4.53, *SD*= 0.534) respectively. To a great extent, the top management communicate the budget plans to those preparing the budget plan and use past data as a starting point to develop budget plans as evidenced by mean scores of (M=4.33, SD= 0.522) and (M=4.22, SD= 0.645). The budget plan specifying the allowances and variance that should be made to the various parameters was the least rated with a mean of (M=3.99, SD= 0.552) which implies that it is also practices largely. This shows that the management and subordinate staff of Bank of Kigali Plc were preparing budgets to improve on their operational efficiency. About the frequency of budget preparation, the study found that most of budget preparations in the banks studied were conducted on annual basis followed by quarterly and monthly basis respectively. The standard deviations recorded indicate that the respondents had a difference of opinions in regard to the extent to which Comprehensive planning is practiced by Bank of Kigali Plc.

### 4.2.3. Clear Objectives and Goals

The study focused on determining the extent to which Bank of Kigali Plc practice Clear Objectives and Goals. The results are as shown in Table 4.3.

**Table 4.4: Clear Objectives and Goals**

| Clear Objectives and Goals | Mean | Std. Dev. |
|---|---|---|
| The objectives and goals of my organization are clearly communicated to all employees | 4.27 | 0.626 |
| I have a clear understanding of my individual role in achieving the organization’s objectives | 3.95 | 0.714 |

| | | |
|---|---|---|
| Our team's goals and targets are well-defined and easy to comprehend | 3.89 | 0.960 |
| My personal goals align with the overall objectives of the organization | 3.88 | 0.722 |
| Feedback on my performance in relation to goals is provided on a consistent basis | 3.84 | 0.741 |
| **Aggregate Mean** | **3.97** | **0.751** |

**Source:** Primary data (2023) using SPSS Statistics 22

The study revealed that Bank of Kigali Plc practice Clear Objectives and Goals to a great extent as indicated by the aggregate mean of (*M*=3.97, *SD*= 0.751). The most highly rated statements were "The budgets control starts from the lowest levels of management and is refined and coordinated at the higher levels" and "I have a clear understanding of my individual role in achieving the organization's objectives" with mean scores of (*M*=4.27, *SD*= 0.626) and (*M*=3.95, *SD*= 0.714) respectively. This indicates that they were rated largely. Also rated to a great extent was the statement that "Our team's goals and targets are well-defined and easy to comprehend" with a mean score of (*M*=3.89, *SD*= 0.960). The least rated statement was that "Feedback on my performance in relation to goals is provided on a consistent basis" with a mean score of (*M*=3.84, *SD*= 0.741). The standard deviations recorded indicate that the respondents had a difference of opinions about the extent to which Bank of Kigali Plc practices Clear Objectives and Goals. The results indicate that budgetary control contributes positively to the performance of Bank of Kigali Plc. In addition, the study found that budgetary controls affect performance of Bank of Kigali Plc. The results further indicated that budgetary control assists in the assessment of the level of performance this implied that the management of Bank of Kigali Plc studied had implemented budgetary control as a way of improving on their financial performance. In addition the study found that budgeting affect performance evaluation of commercial banks.

### 4.2.4. Realistic Revenue and Expense Projections

The study focused on determining the extent to which Bank of Kigali Plc practice Realistic Revenue and Expense Projections. The results are as shown in Table 4.4

**Table 4.4: Realistic Revenue and Expense Projections**

| | Mean | Std. Dev. |
|---|---|---|
| Our expense projections are based on a thorough analysis of historical data among all levels of management | 4.35 | 0.600 |
| We regularly review and update our revenue and expense projections | 4.17 | 0.640 |
| Our financial projections are regularly updated to reflect changing circumstances | 3.73 | 0.682 |
| **Aggregate Mean** | **4.12** | **0.608** |

**Source:** Primary data (2023) using SPSS Statistics 22

The aggregate mean of (*M*=4.12, *SD*= 0.608) indicates that the Bank of Kigali Plc practice Realistic Revenue and Expense Projections to a great extent. Our expense projections are based on a thorough analysis of historical data among all levels of management to a great extent (*M*=4.35, *SD*= 0.600) while they make use of computers to assist in the coordination of the budgeting process also to a great extent (*M*=4.17, *SD*= 0.640). The least rated wasthat the firms ensures employee participation in the budgeting process enhance the success of budgeting with a mean of (*M*=3.73, *SD*= 0.682) which suggests that it was alsorated to a great extent. The difference in the respondents' opinion in regard to the extentto Realistic Revenue and Expense Projections among Bank of Kigali Plc is shown by the standard deviations recorded.

### 4.2.5. Communication and Transparency

The study focused on determining the extent to which Bank of Kigali Plc practice Communication and Transparency. The results are as shown in Table 4.5.

**Table 4.5: Communication and Transparency**

| Communication and Transparency | Mean | Std. Dev. |
|---|---|---|
| The bank communicate the outcome of budget decisions to all the relevant stakeholders | 4.60 | 0.462 |
| The managers have a clear understanding of the roles they should play in ensuring effective budgeting process | 4.33 | 0.549 |
| The management makes use of the budget to communicate the firm objectives and goals to enhance understanding and co-ordination | 4.30 | 0.715 |
| The bank enhance communication at the time of budgeting | 4.18 | 0.783 |
| The bank gives reasons for the budget decisions they make | 3.72 | 0.668 |
| **Aggregate Mean** | **4.31** | **0.635** |

**Source:** Primary data (2023) using SPSS Statistics 22

The aggregate mean of (*M*=4.31, *SD*= 0.635) indicates that the Bank of Kigali Plc practice Communication and Transparency to a great extent. To a very great extent, "the firms communicate the outcome of budget decisions to all the relevant stakeholders" and "the managers have a clear understanding of the roles they should play in ensuring effective budgeting process" as indicated by mean scores of (*M*=4.60, *SD*= 0.462) and (*M*=3.53, *SD*= 0.549) respectively. The least rated statements were that "The bank enhance communication at the time of budgeting" and that "the firms gives reasons for the budget decisions they make" with mean scores of (*M*=4.60, *SD*= 0.462) and (*M*=3.53, *SD*= 0.549) respectively which implies that they were rated to a great extent.

#### 4.2.6. Prioritization of Spending

The study focused on determining the extent to which Bank of Kigali Plc practice Prioritization of Spending. The results are as shown in Table 4.6

**Table 4.6: Prioritization of Spending**

| **Prioritization of Spending** | **Mean** | **Std. Dev.** |
|---|---|---|
| The Bank should prioritize investing in cutting-edge technology to enhance digital banking services | 4.59 | 0.467 |
| The Bank should focus on expanding its physical branch network to reach underserved areas | 4.37 | 0.499 |
| Prioritizing sustainable and socially responsible initiatives aligns with the Bank's long-term goals | 4.38 | 0.603 |
| The Bank should allocate more funds to marketing and brand promotion | 3.61 | 0.867 |
| **Aggregate Mean** | **4.34** | **0.584** |

**Source:** Primary data (2023) using SPSS Statistics 22

Lastly, the study revealed that Bank of Kigali Plc practice Prioritization of Spending to a great extent. This is shown by an aggregate mean of (*M*=4.34, *SD*= 0.584). The study found out that to a very great extent, the firms assesses "the budget implementation and its impact" and "whether resources have been appropriately and effectively" as indicated by mean scores of (*M*=4.59, *SD*= 0.467) and (*M*=3.57, *SD*= 0.499) respectively. The least rated statement was that "The Bank should allocate more funds to marketing and brand promotion" with a mean score of (*M*=3.61, *SD*= 0.867) which indicates that it was still rated to a great extent.

The standard deviations recorded indicate that the respondents had differing opinions in regard to the extent to which Bank of Kigali Plc practice Prioritization of Spending.

**Partial conclusion**

The purpose of third objective of the study is to analyse effectiveness of Budget management applied by Bank of Kigali Plc where The study revealed that Bank of Kigali Plc practice Clear Objectives and Goals to a great extent as indicated by the aggregate mean of (M=3.97, SD= 0.751). The most highly rated statements were "The budgets control starts from the lowest levels of management and is refined and coordinated at the higher levels" and "I have a clear understanding of my individual role in achieving the organization's objectives" with mean scores of (M=4.27, SD= 0.626) and (M=3.95, SD= 0.714) respectively. This indicates that they were rated largely. Also rated to a great extent was the statement that "Our team's goals and targets are well-defined and easy to comprehend" with a mean score of (M=3.89, SD= 0.960).

The aggregate mean of (M=4.12, SD= 0.608) indicates that the Bank of Kigali Plc practice Realistic Revenue and Expense Projections to a great extent. Our expense projections are based on a thorough analysis of historical data among all levels of management to a great extent (M=4.35, SD= 0.600) while they make use of computers to assist in the coordination of the budgeting process also to a great extent (M=4.17, SD= 0.640). The aggregate mean of (M=4.31, SD= 0.635) indicates that the Bank of Kigali Plc practice Communication and Transparency to a great extent. To a very great extent, "the firms communicate the outcome of budget decisions to all the relevant stakeholders" and "the managers have a clear understanding of the roles they should play in ensuring effective budgeting process" as indicated by mean scores of (M=4.60, SD= 0.462) and (M=3.53, SD= 0.549) respectively. The least rated statements were that "The bank enhance communication at the time of budgeting” and that “the firms gives reasons for the budget decisions they make” with mean scores of (M=4.60, SD= 0.462) and (M=3.53, SD= 0.549) respectively which implies that they were rated to a great extent.

### 4.3. Level of performance of Bank of Kigali Plc

This section analyses the indicators of performance in BANK OF KIGALI PLC such as the Trend of customers, Trend of deposit, turnover, net result, during the covered period of study. As it is said above, in the methodology part, the researchers used the interview and analyzed the annual reports of BANK OF KIGALI PLC for that reason; in this part the researchers analyzed the secondary data. During the covered period, the annual reports of the income statement and balance sheet have been used in analyzing of secondary data.

#### 4.3.1. Trend of customer deposit

The customer deposit is defined as the money transferred into a customer’s account in financial institutions. Those amounts of deposit constitute the financial means of finance institution. The table below shows the evaluation of deposit at BANK OF KIGALI PLC.

**Table 4.7: Trend of customers deposit of BANK OF KIGALI PLC 2018-2022**

| Year | Customer deposit | Change in % |
|---|---|---|
| 2018 | 531,959,345 | - |
| 2019 | 642,698,799 | 21% |
| 2020 | 790,811,261 | 23% |
| 2021 | 974,494,626 | 23% |
| 2022 | 1,075,188,572 | 10% |

**Source:** BANK OF KIGALI PLC, Annual Reports, 2018-2022

According to the table 4.7, the evolution of deposit of BANK OF KIGALI PLC from 2018 deposit increased up to 21% and 23% in 2020 and 2021 And 10% in 2022. This analysis the deposit in BK kept on increasing at different rates as from mobilization done by the Bank of Kigali to enhance the increase in deposits. The customers deposit at BANK OF KIGALI PLC had a positive evaluation during ours period of study. Through the interview with the BANK OF KIGALI PLC staff, the increase of customers deposit shows that the budget management performed which increased customer deposits.

### 4.3.2. Trend of the net income of BANK OF KIGALI PLC 2018-2022

The final result after all the assets and liabilities as balanced out. The net result is the main indicate of performance. The following table shows the evaluation of net results of BANK OF KIGALI PLC during the covered period.

**Table 4.8: Trend of net income of BANK OF KIGALI PLC**

| | **2018 “Frw’000”** | **2019 “Frw’000”** | **2020 “Frw’000”** | **2021 “Frw’000”** | **2022 “Frw’000”** |
|---|---|---|---|---|---|
| Net Income | 27,366,616 | 37,308,336 | 38,433,289 | 51,894,970 | 59,724,310 |
| Evolution | **-** | **0.36** | **0.03** | **0.35** | **0.15** |

**Source:** BANK OF KIGALI PLC, Annual Reports, 2018-2022

According to the table 4.8 the net income of BANK OF KIGALI PLC increasing during the period from 2018-2022. The Trend of net result of BANK OF KIGALI PLC of the research period where from 2018-2019 the net income increased up to 17% and from 2018-2019 the net income was 36% and becomes 3% from 2019-2020 and 35% in 2020-2021 and 15% from 2021 to 2022.

The profit plays a very determinant role in performance of an organization: the profit is first criteria of performance and efficiency of Bank of Kigali. The researchers conclude that the budget management of BANK OF KIGALI PLC is well used because the benefit increased from year to another.

### 4.3.2. Profitability Ratios analysis of BANK OF KIGALI PLC

Financial analysis involves analyzing the BK financial statement to extract information that can facilitate decision-making.

Therefore, virtually in use of financial data for some purpose is financial analysis. That is why in this work referring to the tools of financial analysis and different methods of financial analysis we have chosen the past performance methods to analyze BANK OF KIGALI PLC ROA, ROE and NIM.

#### 4.3.2.1 Return On Assets (ROA)

Although net income gives us an idea of how well a bank is doing, it suffers from one major drawback: It does not adjust for the bank's size, thus making it hard to compare how well one bank is doing relatives to another. A basic measure of bank performance that corrects for the size of the bank of the return on assets (ROA), mentioned earlier in the chapter, which divided the net income of the bank by the amount of its assets. ROA is a useful measure of how well a bank manager is doing on the job because it indicates how well a bank's assets are being used to generate profit.

ROA=$\frac{NET\ INCOME}{ASSETS}$x 100

**Table 4.9: Return on assets (ROA)**

| Year | 2018 (RWF 000) | 2019 (RWF 000) | 2020 (RWF 000) | 2021 (RWF 000) | 2022 (RWF 000) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Net Income | 27,366,616 | 37,308,336 | 38,433,289 | 51,894,970 | 59,724,310 |
| Total asset | 877,401,364 | 1,019,075,587 | 1,304,004,486 | 1,590,372,983 | 1,853,994,433 |
| **ROA** | **0.031** | **0.037** | **0.029** | **0.033** | **0.032** |

**Source:** BANK OF KIGALI PLC, Annual Reports, 2018-2022

The table 4.9 shows that, the ratio of return on assets during the covered period. The return on asset means that for 100 RWF invested in asset the bank has generated 3.1 in 2018 and 3.7 Frw in 2019 while in 2020 the investors generated 2.9 Frw, this reduction are caused by the impact of COVID 19 while in 2021 the return on asset increased to 3.3 Frw in 2021 and 3.2 Frw in 2022. This shows that BANK OF KIGALI PLC is profitable since there is a persistent increase of return on average assets as a result of Budget management and the researcher advice BK to increase return on assets in order to Payback the interest of its shareholders.

#### 4.3.2.2 Return On Equity (ROE)

Although ROA provides useful information about bank performance, we have already seen that it is not what the bank's owners (equity holders) care about most.

**ROE=** $\frac{\text{NET INCOME}}{\text{EQUITY}} \text{X } 100$

**Table 4.10: Return On Equity of BANK OF KIGALI PLC**

| **Formula** | **2018 (RWF 000)** | **2019 (RWF 000)** | **2020 (RWF 000)** | **2021 (RWF 000)** | **2022 (RWF 000)** |
|---|---|---|---|---|---|
| Net income | 27,366,616 | 37,308,336 | 38,533,134 | 51,894,970 | 59,724,310 |
| Total Equity | 194,705,081 | 220,810,886 | 259,344,020 | 285,700,114 | 319,076,357 |
| **ROE** | **0.14** | **0.17** | **0.15** | **0.18** | **0.19** |

**Source:** BANK OF KIGALI PLC, Annual Reports, 2018-2022

The table 4.10 shows the return on equity ratio is most important of all financial ratios to investors in the company. It measures the return on the money the investors have put into the company. This is ratio potential investors look at when deciding whether or not to invest in the company. ROE ratios are the following: 14%, 17%, 15%, 18% and 19% respectively. 100 RWF invested in equity the bank has generated 14 in 2018 and 100 RWF invested in equity the bank has generated 17 Frw in 2019, 100 RWF invested in equity the bank has generated 15 Frw in 2020 while in 2021 the investors generated 18 Frw and 19 Frw in 2022. All this shows that there is a budget management which will push the investors continuity to invest and increase the capital of BANK OF KIGALI PLC. As we seen in findings of this table ROE reduced year to year because BK increases its total assets where I advise BK to increase also its net income in order to increase return to the shareholders. And also shows how BK paid the yearly income returned on equity invested by its shareholders.

#### 4.3.2.4. Leverage ratios

Leverage ratios are a tool that determines the extent to which a bank depends on debt for purchasing assets and building capital.

**Table 4.11: Loan to asset ratios**

| Years | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|
| | **Frw’000** | **Frw’000** | **FRW’000** | **FRW’000** | **FRW’000** |
| **Liabilities** | 682,696,283 | 798,264,701 | 1,044,660,466 | 1,304,672,8 | 1,534,918,076 |
| **Total assets** | 877,401,364 | 1,019,075,587 | 1,304,004,486 | 1,590,372,983 | 1,853,994,433 |
| **Ratio** | **0.78** | **0.78** | **0.80** | **0.82** | **0.83** |

**Source:** BANK OF KIGALI PLC, Annual Reports, 2018-2022

Table 4.11 shows how an asset of the bank is financed by the debts. From the table above the ratio shows that asset of BANK OF KIGALI PLC has been financed by the debt. The information from the above able shows loan to assets ratio as one among indicators of BANK OF KIGALI PLC performance, loans was managed effectively by BANK OF KIGALI PLC due to the fact that the above results indicate that the assets of the bank was in loans issued to customers on the following range of percent: 78% in 2018 and 2019; 80% in 2020; 82% in 2021 and 83% in 2022. This also shows the from 2018 up to 2022 loan to assets ratios performing better because the bank invested more than its assets in loans and this means that the returns on assets was higher considering the fact that loans are the income generating through Budget management.

**Table 4.12: Loans to deposit ratio**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Loan granted | 568,104,724 | 678,005,885 | 851,099,810 | 990,267,321 | 1,134,512,318 |
| Total deposit | 531,959,345 | 642,698,799 | 790,811,261 | 974,494,626 | 1,075,188,572 |
| **LDR** | **107%** | **105%** | **108%** | **151%** | **106%** |

**Source:** BANK OF KIGALI PLC, Annual Reports, 2018-2022

Table 4.12 shows how this ratio measures the share of deposits invested in loans, therefore the above results indicate that among the amount of total deposits of 531,959,345 RWF to 1,134,512,318Rwf that have been received by BANK OF KIGALI PLC respectively during the year 2018 up to 2022 the loans on deposits was 107% in 2018, 105% in 2019; 108% in 2020, 151% in 2021 and 106% in 2022 of these customers deposits have been issued as loans to other customers. This indicates that the bank performed well as longer as it was effectively managing loans and reserves which finally brought enough interest on loans and reduced liquidity risks like paying interest while borrowing from other banks when cash reserves are not sufficiency. As the standard of central bank which indicates that loan to deposit ratio should not exceed 80% and the results above shows that BANK OF KIGALI PLC has ensured that has ability to cover withdrawals made by its customers while the researchers advice BK to take into consideration the regulation BNR during offering loan because from 2018-2022 the credit exceeds on 80 which means BANK OF KIGALI PLC has other financial resource to cover deposit such as interest received from different services, reserves and equity.

**Partial conclusion**

The purpose of second objective is to analyse the level of performance of BANK OF KIGALI PLC where The return on asset means that for 100 RWF invested in asset the bank has generated 3.1 in 2018 and 3.7 Frw in 2019 while in 2020 the investors generated 2.9 Frw, this reduction are caused by the impact of COVID 19 while in 2021 the return on asset increased to 3.3 Frw in 2021 and 3.2 Frw in 2022. This shows that BANK OF KIGALI PLC is profitable since there is a persistent increase of return on average assets as a result of Budget management and the researcher advice BK to increase return on assets in order to Payback the interest of its shareholders. ROE ratios are the following: 14%, 17%, 15%, 18% and 19% respectively. 100 RWF invested in equity the bank has generated 14 in 2018 and 100 RWF invested in equity the bank has generated 17 Frw in 2019, 100 RWF invested in equity the bank has generated 15 Frw in 2020 while in 2021 the investors generated 18 Frw and 19 Frw in 2022. All this shows that there is a budget management which will push the investors continuity to invest and increase the capital of BANK OF KIGALI PLC. As we seen in findings of this table ROE reduced year to year because BK increases its total assets where I advise BK to increase also its net income in order to increase return to the shareholders. Based on the results of second objective we concluded that first objective has been confirmed and verified.

## 4.4. Relationship between budgeting management and performance of BANK OF KIGALI PLC

### 4.4.1. Regression findings on study objectives

Regression analysis was carried out to determine the predictability potential of the independent variables on the dependent variable that's to say, to examine the effect of comprehensive planning, Clear Objectives and Goals, Realistic Revenue and Expense Projections, Communication and Transparency and budgeting evaluation on performance of Bank of Kigali Plc.

The following table indicates the coefficients of the independent variables studied. These were tabulated as follows.

**Table 4.13: Results of multiple regression coefficients.**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -.465 | .363 | | -1.278 | .204 |
| Comprehensive planning | .380 | .098 | .318 | 3.886 | .000 |
| Realistic Revenue and Expense Projections | .533 | .091 | .435 | 5.833 | .000 |
| Clear Objectives and Goals | .227 | .092 | .191 | 2.480 | .015 |
| Communication and Transparency | 0.208 | 0.086 | 0.214 | 2.419 | 0.018 |
| Budgeting evaluation | 0.219 | 0.104 | 0.179 | 2.106 | 0.038 |

The model findings show that Budgeting planning has a positive and statistically significant effect on Performance of Bank of Kigali Plc (Beta =0.380, P value = 0.015). The model findings reveal that a unit increase in budgeting planning results into an increase in Bank of Kigali Plc performance by 0.380. This may imply that an improvement in Comprehensive planning would lead to an improvement in the performance of Bank of Kigali Plc.

The model findings show that Realistic Revenue and Expense Projections has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.533, P-value<0.05). The model findings reveal that a unit increase in Realistic Revenue and Expense Projections results into an increase in Bank of Kigali Plc performance by 0.533. This may imply that an improvement in Realistic Revenue and Expense Projections would lead to an improvement in the performance of Bank of Kigali Plc.

The model findings show that Clear Objectives and Goals has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.227, P value 0.000). The model findings reveal that a unit increase in management of budget results into an increase in Bank of Kigali Plc performance by 0.227. This may imply that an improvement in Clear Objectives and Goals would lead to an improvement in the performance of Bank of Kigali Plc.

The model findings show that Communication and Transparency has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.208, P value 0.000). The model findings reveal that a unit increase in Communication and Transparency results into an increase in Bank of Kigali Plc performance by 0.208. This may imply that an improvement in Communication and Transparency would lead to an improvement in the performance of Bank of Kigali Plc.

The model findings show that Budgeting evaluation has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.219, P value 0.000). The model findings reveal that a unit increase in Budgeting evaluation results into an increase in Bank of Kigali Plc performance by 0.219.

**Table 4.14: ANOVA findings of the model**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 32.78 | 5 | 6.556 | 9.768 | .000b |
| | Residual | 29.532 | 44 | 0.671 | | |
| | Total | 62.312 | 59 | | | |
| a. Dependent Variable: Bank of Kigali Plc Performance | | | | | | |
| b. Predictors: (Constant), comprehensive planning, Clear Objectives and Goals, Realistic Revenue and Expense Projections, Communication and Transparency and budgeting evaluation | | | | | | |

In testing the significance of the model, the P-value value obtained was 0.000 which was less than 0.05 level of significance and this indicates that the model was statistically significant in predicting the influence of the predictor variables on Bank of Kigali Plc performance. The findings in table above show that the model fits well the data on predictor variables and the dependent variable.

**Table 4.15: Model summary results**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .725[a] | .526 | .512 | .54074 |

a. Predictors: (Constant), comprehensive planning, Clear Objectives and Goals, Realistic Revenue and Expense Projections, Communication and Transparency and budgeting evaluation

According to the table 4.15 above, comprehensive planning, Clear Objectives and Goals, Realistic Revenue and Expense Projections, Communication and Transparency and budgeting evaluation, 51.2% of the total variations in Bank of Kigali Plc performance and the remaining 48.8% of the variations are explained by other factors. This indicates that the model was a good fit, thus comprehensive planning; Clear Objectives and Goals, Realistic Revenue and Expense Projections, Communication and Transparency and budgeting evaluation significantly predict Performance of Bank of Kigali Plc.

**Partial conclusion**

The purpose of this objective is to relationship between budget management and performance of BANK OF KIGALI PLC where the study found that there existed significance strong and positive correlation between Budget Management applied by BANK OF KIGALI PLC and performance as correlation coefficient ( $r=-0.741$, $P=0.039<0.05$). This shows that Budget Management contributes to the performance at 74.1%. This implies that an improved Budget Management applied by BANK OF KIGALI PLC has positive contribution on performance. This finding is supported by other researchers like Cooper (2014), confirmed that the role of financial institutions on improving Budget Management on performance is a vitally important. Based on the findings the alternative objective was verified and confirmed.

# CHAPTER FIVE:

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.0. Introduction

This section involves summary of the findings, conclusion drawn from the findings and recommendations for policy and practice. Both the conclusions and recommendations were made as per the general and specific objectives of the study. The purpose of the study was to assess the effect of budgeting management on the performance tool of commercial bank in Rwanda.

## 5.1. Summary of the Findings

### 5.1.1. Assessing the effeteness of Budgeting Management system is applied in Bank of Kigali PLC.

The first objective of the study is to assess effeteness of Budgeting Management system is applied in Bank of Kigali PLC where the purpose of budgeting at the BANK OF KIGALI PLC. It was established that budgeting at BANK OF KIGALI PLC promotes coordination between various activities (mean=4.82 and std.=0.393) and enable effective resource allocation confirmed by (mean=3.60 and std.=0.784). This indicates that budgeting process promotes teamwork between various departments and staffs. With effective resource allocation, it is worth to argue that budgeting ensures that all funds are put to proper and intended use. The study also established that budgets encouraged transparency in resource utilization (mean=4.61 and std.=0.495).

This signifies the reduction in resource theft at the bank since activities' expenditures are budgeted for. Another purpose of budgeting at BANK OF KIGALI PLC was that the process communicates institutional goals (mean=4.89 and std.=0.311). This can be attributed to the fact that budget identifies the activities/projects and how much funds to be allocated for such activities which informs stakeholders about the goals and priorities of the bank.

Lastly, respondents agreed that budgets primarily create cost reduction (mean=4.82 and std.=0.393). It is to be argued that during budgeting, the quality and cost-based approach to costing is adopted by the Bank.

It was established that (mean=4.342 and std.=.995 agreed that BANK OF KIGALI PLC's budgeting is always strategically planned.

This signifies that the budgets of the Bank are developed in line with the strategic plan to ensure that there is harmony of priorities. Secondly, all respondents (mean=3.909 and std.=.873) agreed that the always participated in the budgeting process of the Bank. This indicates that there is effective participatory budgeting which ensures that interests of various stakeholders in the Bank are covered by the budget. It was also agreed that BANK OF KIGALI PLC often reviewed their budget (mean=4.270 and std.=.762).

This signifies that there is flexibility among the budgeting staff, which ensures that any gap is identified and closed during the budget implementation. Findings also show that BANK OF KIGALI PLC creates a formal budget for a business year (mean=3.973 and std.=.608). This formal budget signifies that budgeting is done annually and this minimizes time and resource wastage on petty and recurrent budgets. In terms of budget phases, the mean which is equal 4.540 and std.=.697 of respondents agreed that BANK OF KIGALI PLC follows a formal budgeting cycles (identification of priorities, planning, formulation, implementation, monitoring and evaluation). This indicates that budgeting staffs are committed to ensure that all procedures are observed. Furthermore, the study found out that Bank of Kigali Plc used executives' experience in budgeting for costs (mean=3.567 and std=1.103). This finding signifies that expert advice is sought before the formulation and approval of the Bank budget.

It was also agreed that budgeting is always based on the available cash revenues (mean=4.045 and std=.743. This indicates that there is careful forecasting to ensure that resources was available to meet the budget requirements.

Regarding information sharing, (mean=3.66 and std=1.337) agreed that the purposes of the budget are communicated to the whole institution. This indicates that Bank of Kigali Plc stakeholders participate in the process whose goals are communicated in advance in order to allow them make informed decisions and contributions to the budget process. Lastly, it was agreed that the budgeting process at BANK OF KIGALI PLC considered government rules and regulations (mean=3.810 and std=1.013).

Bank of Kigali Plc practice comprehensive planning to a great extent as evidenced by the aggregate mean of (M=4.39, SD= 0.545). To a very great extent, Line managers budget for their individual departments which are then combined to form the master budget and the budget plan stipulates the steps that should be taken in the budgeting process as indicated by mean scores of (M=4.57, SD= 0.471) and (M=4.53, SD= 0.534) respectively. To a great extent, the top management communicate the budget plans to those preparing the budget plan and use past data as a starting point to develop budget plans as evidenced by mean scores of (M=4.33, SD= 0.522) and (M=4.22, SD= 0.645).

The budget plan specifying the allowances and variance that should be made to the various parameters was the least rated with a mean of (M=3.99, SD= 0.552) which implies that it is also practices largely. This shows that the management and subordinate staff of Bank of Kigali Plc were preparing budgets to improve on their operational efficiency. About the frequency of budget preparation, the study found that most of budget preparations in the banks studied were conducted on annual basis followed by quarterly and monthly basis respectively.

Bank of Kigali Plc practice Clear Objectives and Goals to a great extent as indicated by the aggregate mean of (M=3.97, SD= 0.751). The most highly rated statements were "The budgets control starts from the lowest levels of management and is refined and coordinated at the higher levels" and "I have a clear understanding of my individual role in achieving the organization's objectives" with mean scores of (M=4.27, SD= 0.626) and (M=3.95, SD= 0.714) respectively. This indicates that they were rated largely. Also rated to a great extent was the statement that "Our team's goals and targets are well-defined and easy to comprehend" with a mean score of (M=3.89, SD= 0.960).

The least rated statement was that "Feedback on my performance in relation to goals is provided on a consistent basis" with a mean score of (M=3.84, SD= 0.741). The aggregate mean of (M=4.12, SD= 0.608) indicates that the Bank of Kigali Plc practice Realistic Revenue and Expense Projections to a great extent. Our expense projections are based on a thorough analysis of historical data among all levels of management to a great extent (M=4.35, SD= 0.600) while they make use of computers to assist in the coordination of the budgeting process also to a great extent (M=4.17, SD= 0.640).

The least rated was that the firms ensures employee participation in the budgeting process enhance the success of budgeting with a mean of (M=3.73, SD= 0.682) which suggests that it was also rated to a great extent. The difference in the respondents' opinion in regard to the extent to Realistic Revenue and Expense Projections among Bank of Kigali Plc is shown by the standard deviations recorded.

Lastly, the study revealed that Bank of Kigali Plc practice Prioritization of Spending to a great extent. This is shown by an aggregate mean of (M=4.34, SD= 0.584). The study found out that largely, the firms assesses "the budget implementation and its impact" and "whether resources have been appropriately and effectively" as indicated by mean scores of (M=4.59, SD= 0.467) and (M=3.57, SD= 0.499) respectively. The least rated statement was that "The

Bank should allocate more funds to marketing and brand promotion” with a mean score of (M=3.61, SD= 0.867) which indicates that it was still rated largely.

The standard deviations recorded indicate that the respondents had differing opinions about the extent to which Bank of Kigali Plc practice Prioritization of Spending.

**5.1.2. The level of performance of BANK OF KIGALI PLC**

The second objective analyze the level of performance of Bank of Kigali Plc where the evolution of deposit of BANK OF KIGALI PLC from 2018 deposit increased up to 21% and 23% in 2020 and 2021 And 10% in 2022. This analysis the deposit in BK kept on increasing at different rates as from mobilization done by the Bank of Kigali to enhance the increase in deposits. The customers deposit at BANK OF KIGALI PLC had a positive evaluation during ours period of study. Through the interview with the BANK OF KIGALI PLC staff, the increase of customers deposit shows that the budget management performed which increased customer deposits. The net income of BANK OF KIGALI PLC increasing during the period from 2018-2022. The Trend of net result of BANK OF KIGALI PLC of the research period where from 2018-2019 the net income increased up to 17% and from 2018-2019 the net income was 36% and becomes 3% from 2019-2020 and 35% in 2020-2021 and 15% from 2021 to 2022.

The profit plays a very determinant role in performance of an organization: the profit is first criteria of performance and efficiency of Bank of Kigali. The researchers conclude that the budget management of BANK OF KIGALI PLC is well used because the benefit increased from year to another.

The ratio of return on assets during the covered period. The return on asset means that for 100 RWF invested in asset the bank has generated 3.1 in 2018 and 3.7 Frw in 2019 while in 2020 the investors generated 2.9 Frw, this reduction are caused by the impact of COVID 19 while in 2021 the return on asset increased to 3.3 Frw in 2021 and 3.2 Frw in 2022.

This shows that BANK OF KIGALI PLC is profitable since there is a persistent increase of return on average assets as a result of Budget management and the researcher advice BK to increase return on assets in order to Payback the interest of its shareholders.

The return on equity ratio is most important of all financial ratios to investors in the company. It measures the return on the money the investors have put into the company. This is ratio potential investors look at when deciding whether or not to invest in the company. ROE ratios are the following: 14%, 17%, 15%, 18% and 19% respectively. 100 RWF invested in equity the bank has generated 14 in 2018 and 100 RWF invested in equity the bank has generated 17 Frw in 2019, 100 RWF invested in equity the bank has generated 15 Frw in 2020 while in 2021 the investors generated 18 Frw and 19 Frw in 2022. All this shows that there is a budget management which will push the investors continuity to invest and increase the capital of BANK OF KIGALI PLC. The ratio shows that asset of BANK OF KIGALI PLC has been financed by the debt. The information from the above able shows loan to assets ratio as one among indicators of BANK OF KIGALI PLC performance, loans was managed effectively by BANK OF KIGALI PLC due to the fact that the above results indicate that the assets of the bank was in loans issued to customers on the following range of percent: 78% in 2018 and 2019; 80% in 2020; 82% in 2021 and 83% in 2022.

This also shows the from 2018 up to 2022 loan to assets ratios performing better because the bank invested more than its assets in loans and this means that the returns on assets was higher considering the fact that loans are the income generating through Budget management.

Measures the share of deposits invested in loans, therefore the above results indicate that among the amount of total deposits of 531,959,345 RWF to 1,134,512,318Rwf that have been received by BANK OF KIGALI PLC respectively during the year 2018 up to 2022 the loans on deposits was 107% in 2018, 105% in 2019; 108% in 2020, 151% in 2021 and 106% in 2022 of these customers deposits have been issued as loans to other customers.

This indicates that the bank performed well as longer as it was effectively managing loans and reserves which finally brought enough interest on loans and reduced liquidity risks like paying interest while borrowing from other banks when cash reserves are not sufficiency. As the standard of central bank which indicates that loan to deposit ratio should not exceed 80% and the results above shows that BANK OF KIGALI PLC has ensured that has ability to cover withdrawals made by its customers while the researchers advice BK to take into consideration the regulation BNR during offering loan because from 2018-2022 the credit exceeds on 80 which means BANK OF KIGALI PLC has other financial resource to cover deposit such as interest received from different services, reserves and equity.

### 5.1.4. To find out the relationship between Budgeting Management system and performance of Bank of Kigali Plc

The third objective find out the relationship between Budgeting Management system and performance of Bank of Kigali PLC where Budgeting planning has a positive and statistically significant effect on Performance of Bank of Kigali Plc (Beta =0.380, P value = 0.015). The model findings reveal that a unit increase in budgeting planning results into an increase in Bank of Kigali Plc performance by 0.380. This may imply that an improvement in Comprehensive planning would lead to an improvement in the performance of Bank of Kigali Plc. The model findings show that Realistic Revenue and Expense Projections has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.533, P-value<0.05).

The model findings reveal that a unit increase in Realistic Revenue and Expense Projections results into an increase in Bank of Kigali Plc performance by 0.533. This may imply that an improvement in Realistic Revenue and Expense Projections would lead to an improvement in the performance of Bank of Kigali Plc. The model findings show that Clear Objectives and Goals has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.227, P value 0.000). The model findings reveal that a unit increase in management of budget results into an increase in Bank of Kigali Plc performance by 0.227. This may imply that an improvement in Clear Objectives and Goals would lead to an improvement in the performance of Bank of Kigali Plc. The model findings show that Communication and Transparency has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.208, P value 0.000). The model findings reveal that a unit increase in Communication and Transparency results into an increase in Bank of Kigali Plc performance by 0.208. This may imply that an improvement in Communication and Transparency would lead to an improvement in the performance of Bank of Kigali Plc. The model findings show that Budgeting evaluation has a positive and statistically significant effect on Performance of Bank of Kigali Plc (B=0.219, P value 0.000). The model findings reveal that a unit increase in Budgeting evaluation results into an increase in Bank of Kigali Plc performance by 0.219.

### 5.2. Conclusion

The main purpose of this study is to analyze the effect of budget management on performance of commercial banks where where budgeting at BANK OF KIGALI PLC promotes coordination between various activities (mean=4.82 and std.=0.393) and enable effective resource allocation confirmed by (mean=3.60 and std.=0.784). This indicates that budgeting process promotes teamwork between various departments and staffs. With effective resource allocation, it is worth to argue that budgeting ensures that all funds are put to proper and intended use. The study also established that budgets encouraged transparency in resource utilization (mean=4.61 and std.=0.495).

This signifies the reduction in resource theft at the bank since activities' expenditures are budgeted for. Another purpose of budgeting at BANK OF KIGALI PLC was that the process communicates institutional goals (mean=4.89 and std.=0.311). This can be attributed to the fact that budget identifies the activities/projects and how much funds to be allocated for such activities which informs stakeholders about the goals and priorities of the bank. The difference in the respondents' opinion in regard to the extent to Realistic Revenue and Expense Projections among Bank of Kigali Plc is shown by the standard deviations recorded. The study revealed that Bank of Kigali Plc practice Prioritization of Spending to a great extent. This is shown by an aggregate mean of (M=4.34, SD= 0.584). The study found out that to a very great extent, the firms assesses "the budget implementation and its impact" and "whether resources have been appropriately and effectively" as indicated by mean scores of (M=4.59, SD= 0.467) and (M=3.57, SD= 0.499) respectively. The least rated statement was that "The Bank should allocate more funds to marketing and brand promotion" with a mean score of (M=3.61, SD= 0.867) which indicates that it was still rated largely. The level of performance of Bank of Kigali Plc where the evolution of deposit of BANK OF KIGALI PLC from 2018 deposit increased up to 21% and 23% in 2020 and 2021 And 10% in 2022. This analysis the deposit in BK kept on increasing at different rates as from mobilization done by the Bank of Kigali to enhance the increase in deposits. The customers deposit at BANK OF KIGALI PLC had a positive evaluation during ours period of study. Through the interview with the BANK OF KIGALI PLC staff, the increase of customers deposit shows that the budget management performed which increased customer deposits. The net income of BANK OF KIGALI PLC increasing during the period from 2018-2022. The Trend of net result of BANK OF KIGALI PLC of the research period where from 2018-2019 the net income increased up to 17% and from 2018-2019 the net income was 36% and becomes 3% from 2019-2020 and 35% in 2020-2021 and 15% from 2021 to 2022. The return on equity ratio is most important of all financial ratios to investors in the company. It measures the return on the money the investors have put into the company. This is ratio potential investors look at when deciding whether or not to invest in the company. ROE ratios are the following: 14%, 17%, 15%, 18% and 19% respectively. 100 RWF invested in equity the bank has generated 14 in 2018 and 100 RWF invested in equity the bank has generated 17 Frw in 2019, 100 RWF invested in equity the bank has generated 15 Frw in 2020 while in 2021 the investors generated 18 Frw and 19 Frw in 2022. All this shows that there is a budget management which will push the investors continuity to invest and increase the capital of BANK OF KIGALI PLC. The ratio shows that asset of BANK OF KIGALI PLC has been financed by the debt. The relationship between Budgeting Management system and performance of Bank of Kigali PLC where Spearman correlation is used to evaluate the relationship between the variables. The study sought to determine the correlation between the variables. From the correlation results, the study found that there existed significance strong and positive correlation between Budget Management applied by BANK OF KIGALI PLC and performance as correlation coefficient ( $r=-0.741$, $P=0.039<0.05$). This shows that Budget Management contributes to the performance at 74.1%. This implies that an improved Budget Management applied by BANK OF KIGALI PLC has positive contribution on performance. Both hypothesis has been confirmed and verified.

### 5.3. Recommendations

- The study recommendations are in line with the study variables, findings and conclusions of the study. Based on the findings and the conclusions, this study recommends that the Bank of Kigali Plc should consider enhancing the budgetary control measures such as comprehensive planning, Realistic Revenue and Expense Projections, budget evaluation and budget reporting as ways of enhancing their performance.

- The study recommends that these measures are put in place to plan for the future and this should include contingent plans for the unknown. This will enable them to be steady and plan for any losses that may arise.
- The study recommends that comprehensive planning be enhanced in BK so as to make plans and targets to which such bank must strive to achieve.
- The study recommends that Realistic Revenue and Expense Projections be encouraged in Bank of Kigali Plc so as to improve the teamwork and improve chances of achieving institutional goals.
- The study further recommends that budget evaluation be enhanced in the Bank of Kigali Plc in order to identify areas of concern and hence come up with ways that best address such concerns.
- Finally, the study recommends that budget-reporting strategies be adopted by Bank of Kigali Plc to assess performance levels and identify the difference between the actual and desired performance levels.
- The study further recommends that financial regulations enhance the rules and standards to which all Bank of Kigali Plc must comply to improve the financial performance of such bank and consequently improve the standards in the financial sector.

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# APPENDIX

## APPENDIX 1: LETTER OF INTRODUCTION TO RESPONDENTS

I am student at Kigali Independent University ULK pursuing a degree in Master's Degree in Business Administration (MBA). Your bank has been selected to take part in a study I am undertaking titled ***"Budgeting Management as performance tool in Commercial Banks. Case of Bank of Kigali Plc (2018-2022)"***. Herein attached, find a questionnaire designed to assist in collecting the necessary data for this research. The study is purely for academic purposes and all information collected from you shall be treated as confidential. In no way shall your name appear in the final report. Upon your request, a copy of the thesis shall be availed to you. Your assistance, cooperation and honest responses were highly appreciated.

## PART A: QUESTIONNAIRES RELATED TO OBJECTIVES

Within the scale limits of 1-5 please indicate to what degree you comply with the following sentences in the context of your bank. Where: 1 stands for Strongly Disagree, 2 for Disagree, 3 is Neutral, 4 is Agree, and 5 is Strongly Agree.

### 1. Purpose of Budgeting at the Bank of Kigali Plc

| **Item** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|
| Budgets promote coordination between various activities | | | | | |
| Budgets enable effective resource allocation | | | | | |
| Budgets encourage transparency in resourceutilization | | | | | |
| Budgets communicate institutional goals | | | | | |
| Budgets primarily create cost reduction | | | | | |

**2. Effectiveness of the budgeting management at the BANK OF KIGALI PLC**

| **Item** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|
| Banking budgeting is always strategically planned | | | | | |
| I always participate in the budgeting process | | | | | |
| We often review and revise our budgets | | | | | |
| We create a formal budget for a business year | | | | | |
| We use a formal budgeting cycle (i.e. planning, developing, implementation, control) | | | | | |
| We use our executives' experience to budget costs | | | | | |
| Our budgeting is always based on the available cash revenues | | | | | |
| The purposes of the budget are communicated to the whole institution | | | | | |
| Our budgeting process considers government rules and regulations | | | | | |

**3. Comprehensive planning**

| **Items** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|
| Line managers budget for their individual departments which are then combined to form the master budget | | | | | |
| The budget plan stipulates the steps that should be taken in the budgeting process | | | | | |
| The top management communicate the budget plans to those preparing the budget plan | | | | | |
| Past data is used as a starting point to develop budget plans | | | | | |
| The budget plan specify the allowances and variance that should be made to the various parameters | | | | | |

### 4. Clear Objectives and Goals

| Items | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| The objectives and goals of my organization are clearly communicated to all employees | | | | | |
| I have a clear understanding of my individual role in achieving the organization's objectives | | | | | |
| Our team's goals and targets are well-defined and easy to comprehend | | | | | |
| My personal goals align with the overall objectives of the organization | | | | | |
| Feedback on my performance in relation to goals is provided on a consistent basis | | | | | |

### 5. Realistic Revenue and Expense Projections

| Items | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Our expense projections are based on a thorough analysis of historical data among all levels of management | | | | | |
| We regularly review and update our revenue and expense projections | | | | | |
| Our financial projections are regularly updated to reflect changing circumstances | | | | | |

### 6. Communication and Transparency

| Items | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| The bank communicate the outcome of budget decisions to all the relevant stakeholders | | | | | |
| The managers have a clear understanding of the roles they should play in ensuring effective budgeting process | | | | | |
| The management makes use of the budget to communicate the firm objectives and goals to enhance understanding and co-ordination | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The bank enhance communication at the time of budgeting | | | | | |
| The bank gives reasons for the budget decisions they make | | | | | |

**7. Prioritization of spending**

| **Items** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|
| The Bank should prioritize investing in cutting-edge technology to enhance digital banking services | | | | | |
| The Bank should focus on expanding its physical branch network to reach underserved areas | | | | | |
| Prioritizing sustainable and socially responsible initiatives aligns with the Bank's long-term goals | | | | | |
| The Bank should allocate more funds to marketing and brand promotion | | | | | |

Thank you for your cooperative!!!!!!