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Abstract

Purpose: Value addition in terms of agro-processing has played a big role in the economic development in emerging markets. This is visible in terms of rural transformation, industrialization, job creation all this significantly making a contribution to achievement of Sustainable Development Goals. Even when the contribution of agro-processing firms is eminent, they have remained financially stressed. Consequent to this reality, this study picked interest in examining the relationship between cost management practices and financial performance of agro-processing firms in the Acholi sub-region. The study specifically investigated the direct relationships among the variables.

Methodology: The study was grounded on pragmatic paradigm which allows for triangulation of methods thus mixed-methods approach was used. A cross-sectional design helped in collecting data at one point in time from 242 respondents using questionnaires and interview guides. Both random and non-random techniques were used in selection of agro-processing firms and respondents. Descriptive and inferential techniques were used in data analysis.

Findings: The findings revealed that cost management practices significantly and positively influence financial performance of agro-processing firms in the Acholi sub-region ($\beta = 0.642$, $t = 12.972$, $p < 0.001$) indicating that improvements in cost management practices are associated with enhanced financial performance.

Unique Contribution to theory, Practice and Policy: In line with this finding, the study recommends that agro-processing firms should strengthen cost management systems to enhance their financial performance. In line with the theories underpinning this study management of agro-processing firms should constantly aim at enhancing not only their internal capabilities, or even ensuring a fit between internal structures and external environmental conditions, but also aim at economizing on the transaction costs incurred without neglecting the benefits inherent in continuous sensing, seizing, and transforming their resource base to remain viable. The study cautions on the managerial sensitivity on how environmental conditions shape the cost structures and efficiency dynamics of agro-processing firms.

Keywords: *Financial Performance, Agro Processing, Value Addition, Acholi Sub-Region, Cost Management, Uganda*

JEL Codes: *M41, D24, L25, Q13*

INTRODUCTION

Value addition in terms of agro-processing has played a big role in the economic development of countries in emerging markets in Africa and elsewhere. Globally agro-processing market reached $8.7 trillion in 2023 (Hallowell & Conroy, 2025) with agro-industries contributing 20% to the gross domestic products (GDP) in Africa. Specifically, agro-processing sector contributed 5.5% to the GDP of U.S.A (Zahniser, 2024 as cited in United States Department of Agriculture [USDA] report, 2021), 12% to GDP in South Africa in 2023 (African Development Bank, 2024), 7.8% to GDP in Kenya (Kenyan Association of Manufacturers [KAM], 2024), and 8% to Uganda GDP (Walugembe, 2023). In East Africa, agro-processing firms have evidently driven economic growth by enhancing productivity, employment, and export competitiveness (FAO and UNIDO, 2020). It is good news that agro-processing has tremendously impacted many spheres of many economies in terms of job creation, industrialization and rural transformation internationally, regionally and locally. However, agro-processing firms have persistently faced challenge in financial performance, a financial health issue that has attracted attention of policy makers and practitioners (World Bank, 2023).

Financial performance in this study refers to a firm's ability to generate profits, meet short-term obligations, and manage long-term liabilities (Buallay, 2022). Using the resource-based perspective such a firm can ably use its tangible and intangible resources to turn around its financial performance to its favour (Ali et al, 2022). However, just like other regions of Uganda, Agro-processing firms in Acholi sub-region are struggling to improve profitability (MTIC, 2020; URSB, 2024), with their profit margin continuing to fall by 8.1% in 2020, 7.4% in 2021, 6.5% in 2022, 5.9% in 2023 and 5.3% in 2024 as reported by National Agricultural Research Organization (NARO, 2023; MoFPED, 2024). Their return on asset (ROA) also has remained below the acceptable benchmark of ≥6% (UMA, 2023), approximately 60% of firms in the region operating at a loss, recording an average ROA of -3.4% (UBOS, 2020). Further still as reported by National Planning Authority, (2024) 70% of agro-processing firms in Northern Uganda had liquidity ratios below 1:1 an indication of challenges in meeting short-term financial obligations. In line with World Bank, (2023) financial performance standards, failure to address these financial health issues could lead to increased firms' closures, loss of investor confidence, and reduced agricultural value addition, thereby undermining the region's broader economic development goals.

What is apparent is that different interventions have been devised by the government of Uganda for example through the Ministry of Finance Planning and Economic Development (MoFPED) to revamp financial performance of agro-processing firms supporting Ataik Sugar Factory (MoFPED, 2024). In collaboration with IFAD, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) also invested UGX 28 billion under the National Oilseed Project (NOSP) aimed at improving road infrastructure to strengthen market linkages (MAAIF, 2021). An investment of UGX 12 billion between 2018 and 2022, was made as part of the strategic partnerships between MAAIF, NAADS, Gulu Archdiocese, and Acholi District Local Governments supporting cassava commercialization and value addition, which resulted in the growth of firms such as Bukona Agro-processor (NAADS Report, 2022; MAAIF Report, 2022). Other Government and development agency initiatives can be cited aiming at strengthening the agro-processing sector for example the United States implemented value-added producer grants to support product innovation, expand market opportunities, and increase producer incomes (USDA, 2024). Similarly, the United Kingdom introduced DEFRA funding and capital grant schemes to

stimulate the adoption of new technologies, improve productivity, and support environmental sustainability objectives (World Bank, 2021). Also in attempt to promote domestic production and enhance competitiveness of local firms, the government of Uganda implemented the Buy Uganda Build Uganda (BUBU) policy, accompanied by financial and advisory support mechanisms (Ministry of Trade, Industry and Cooperatives [MTIC], 2020; National Planning Authority [NPA], 2024). Far from refuting the contributions in terms of impact these policy and institutional interventions have made, the fact is that agro-processing firm are still facing financial health challenges as portrayed above. As researchers we align our thoughts with scholars like (Mitchel et al., 2025) who prescribe solutions to the above financial performance challenges in cost management practices a firm is using.

This study defines cost management as systematic processes of planning and controlling costs aimed at improving profitability and resource utilization (Singh and Kohli, 2021). Accordingly, such efforts reflect an organisational strategic emphasis on having cost control processes that align organizational budgets with performance goals (Yadav et al., 2022). Other scholars like Nguyen & Tran, (2021) in attempt to expound on an associated concept of operational efficiency state that characteristically such a firm has the ability to minimize waste and costs while maximizing quality and output relative to input. It means that such an operationally efficient agro-processing firm has the potential to streamline production processes and enhance not only the throughput, but also reduce operational delays, and improve financial outcomes (Kim & Lee, 2024).

Different perspectives have been used in the study of financial performance including credit management systems (Kule, Kamukama & Kijjambu, 2020); corporate board leadership structure (Rwakihembo et al., 2023); managerial competencies (Amanyire et al.,2024); tax incentives (Aheebwa et al., 2025) and strategic management practices (Rwakasoro et al.,2025). Despite the fact that these studies exhibit context differences in terms of interrogating financial performance among private limited firms, NGOs sector, small and medium enterprises, they exhibit inconclusive results regarding the extent to which cost management practices influence financial performance among agro-processing firms. For example, whereas, Mwila et al., (2022; Romero, 2023 and Roffia et al., (2024) confirm a positive link, Chen, (2023) highlight contradictions where weak internal controls and unreliable data undermine financial gains; with Ussahawanitchakit, (2017) also confirming with evidence that activity-based costing improves competitiveness but not direct profitability. Such inconsistencies highlight the need for further clarification on how and when cost management practices influence performance (Puetz et al., 2024; Schuler et al., 2025). Moreover, neither of these studies were carried on cost management practices and financial performance of agro-processing firms in the Acholi sub-region. We observe also that prior research even when it extensively examines the link between cost management practices and financial performance, their work has been concentrated in developed countries such as USA (Demoras, 2020), Italy (Roffia et al., 2024) in emerging economies like India (Alakkas et al., 2023) and China (Chen, 2023), leaving limited evidence from developing regions. Consequent to this analysis on literature this study picked interest in examining the relationship between cost management practices and financial performance of agro-processing firms in the Acholi sub-region. Indeed, as observed an increasing number of scholars have directed attention towards understanding the internal organizational factors that influence financial success including cost management. These studies have focused on examining the organizational mechanisms that can be relied on to enhance competitiveness, and financial success of agro-processing firms but most of them ignored cost management practices. The study specifically investigated the direct relationships among the

variables. Theoretically this study contribution is three-way focused: 1) it reminds agro-processing firms to leverage the potential of having systematic processes of planning and controlling costs; 2) the government draws the idea of putting in place policy interventions that aim at enhancing the knowledge and skills of agro-processing firm operators; 3) reminds management to constantly aim at enhancing not only their internal capabilities or aiming at ensuring a fit between internal structures and external environmental conditions, but also aim at economizing on the transaction costs incurred without neglecting the benefits inherent in continuous sensing, seizing, and transforming their resource base to remain viable.

Review of literature and hypothesis development

Theoretical Review

This study is anchored on four theories in a complementary way i.e resource based theory, contingency theory, transaction cost theory and dynamic capabilities theory as explained below.

Resource Based Theory

The resource based theory which owes origin from seminal work of Barney (1991), explain intra-industry performance differentials and sources of sustained competitive advantage (Lockett et al., 2009). His emphasis is the strategic importance of internal resources in the growth of the firm. One of the most influential operationalization of resource based theory is Barney's VRIN framework, which suggests that for resources to provide sustainable competitive advantage, they must be valuable, rare, inimitable and non-substitutable. Whereas the theory has been critiqued for its definitional and operational ambiguity and its limitation in terms of methodological guidance on how to empirically identify and measure such resources across diverse organizational settings (Högerle et al., 2020; Hidayat et al., 2021), it provides a robust theoretical lens for examining how internal firm capabilities, particularly cost management practices and operational efficiency, influence financial performance (Naila et al., 2025; Vijay & Bamel, 2021). In the context of this study for example it is assumed that internal organizational capabilities such as budgeting systems and cost control mechanisms constitute valuable, rare, and inimitable resources that drive competitive advantage (Barney, 2021). Firms that develop strong budgeting and cost control capabilities are better able to coordinate resources, minimize inefficiencies, and sustain profitability over time. In line with Resource-Based View a study by Msomi & Olarewaju, (2021) and Waweru et al., (2024) highlight that SMEs and agro-processing firms that adopt strong budgeting and cost control systems are more resilient to economic shocks and demonstrate improved financial sustainability.

Contingency Theory

The theory's foundation lies in the work of organizational scholars such as Lawrence and Lorsch (1967), and Donaldson, (2001), who argued that organizational effectiveness depends on the fit between internal structures and external environmental conditions. It is built upon several core assumptions that underpin its explanatory logic; 1) rejection of one-size-fits-all prescriptions for organizational design and managerial decision-making: The theory posits that no single approach to organizing, controlling, or managing is universally effective across all contexts (Donaldson, 2001); 2) necessity of fit between an organization's internal characteristics (such as structure, technology, processes, and managerial systems) and the external contingencies it faces (e.g., market volatility, technological complexity, regulatory environments) (Grabner & Moers, 2023); 3) holds that the appropriateness and effectiveness of any given managerial system or control

mechanism is conditional upon specific situational factors (Otley, 1980); 4) causal linkage between contingency fit and performance outcomes: that organizational performance whether operational, financial, or strategic is significantly influenced by the degree of congruence between managerial practices and contextual variables (Ghanbari et al., 2022). Despite the criticisms which have been lebelled against it i.e lacking predictive specificity (no prescriptive guidance on the optimal configurations for achieving a fit between organizational structures, processes, and contextual variables), it supports the premise that the impact of cost management practices on financial performance is not deterministic but rather contingent on firm-specific and environmental factors such as firm size, age, and ownership structure. In the agro-processing sector, where firms operate under varied regulatory, technological, and market conditions, contingency theory enables the examination of how such contextual differences shape the effectiveness of internal management practices (Donaldson, 2021; Otley, 1980). For example, smaller firms may require more flexible cost structures and informal control mechanisms, while larger firms might benefit from formalized systems and economies of scale (Mark & Erude, 2023).

Dynamic Capabilities Theory

Dynamic Capabilities Theory is one of other theories that were advanced to complement the resource based theory (Teece et al., 1997) as they attempted to come up with a robust explanation on how competitive advantage can be sustained in rapidly changing and uncertain environments (Teece et al., 2016). While the resource based theory emphasizes unique firm resources as sources of competitive advantage (Barney, 1991), ynamic capabilities theory focuses on the firm's ability to integrate, build, and reconfigure internal and external competencies to respond to dynamic environments (Teece, 2007; Ellström et al., 2022). One of its greatest strength lies in the recognition of environmental dynamism, arguing that firms operate within increasingly complex, uncertain, and rapidly evolving external conditions (García-Valenzuela et al., 2023). Impliedly as per this assumption, static resource advantages are insufficient for sustained competitiveness; instead, firms must continuously sense, seize, and transform their resource base to remain viable (Teece, 2007). Even when criticism has been labeled on it for example that it suffers from conceptual vagueness and definitional ambiguity, which complicates operationalization and empirical measurement (Winter, 2020), its relevance lies in offering a compelling conceptual foundation for examining the interrelationship between cost management practices and financial performance in agro-processing firms operating within resource-constrained and uncertain environments such as the Acholi sub-region. These firms are often exposed to volatile input markets, inconsistent access to infrastructure, policy shifts, and climatic variability all of which necessitate constant organizational adaptation (Mutua, 2021). In such settings, cost management cannot be treated as a static set of practices; rather, it must be approached as a dynamic capability embedded in firm routines that evolve over time to accommodate internal constraints and external shocks (García-Valenzuela et al., 2023).

Transaction Cost Theory

Transaction cost theory originally opined by Ronald Coase in one of his seminal articles titled *"The Nature of the Firm"* (1937), posited that firms emerge primarily to economize on the transaction costs incurred in using the price mechanism in markets. It assumes that that organizing production within firms reduces the costs of negotiating, monitoring, and enforcing numerous market exchanges, but other refinements by Williamson (1975, 1981, 1985) later introduced in behavioral dimensions i.e, opportunism, uncertainty, bounded rationality, and asset specificity as

central drivers of transaction costs. A revised version of transaction cost theory has a foundational base in bounded rationality assumption, which posits that individuals have limited cognitive capacity to process complex information and foresee all contingencies in a transaction (Simon, 1957; Williamson, 1985). This assumption is particularly salient in dynamic and uncertain environments such as agro-processing in Acholi sub-region, where decision-makers often operate with incomplete data, volatile input prices, fluctuating weather conditions, and inconsistent policy regimes. As a result, contracts and agreements are inherently incomplete and cannot anticipate every possible future scenario (Buvik & Andersen, 2020). This incompleteness introduces risks that firms must manage through governance structures, such as relational contracts or vertical integration, which are designed to accommodate flexibility and adaptation. By integrating these insights into the original framework it is demonstrated that firms which make governance decisions--make-or-buy, based on critical analysis and relativity of costs of organizing transactions internally as opposed to external markets easily achieve market stability (Williamson, 1996). Despite its limitations i.e focusing on minimizing the cost of transactions as the central goal of firm behavior (Williamson, 1985; Langlois, 1992) and overlooking other strategic objectives such as innovation, learning, quality improvement, and value creation which are critical factors in the long-term competitiveness and survival of firms, the theory it provides a theoretical lens through which the efficiency and effectiveness of cost management practices in agro-processing firms can be analyzed. In the context of Acholi sub-region's agro-processing sector, transactions are frequently marked by high asset specificity such as machinery tailored to specific crop types hence creating sunk cost risks and limiting flexibility in redeploying investments (Ali et al, 2022). Similarly, the sector is often exposed to considerable uncertainty, stemming from erratic weather patterns, political and regulatory fluctuations, and volatile input markets (Zhou et al., 2023). Moreover, opportunism by actors in the supply chain such as breaches of informal agreements or misrepresentation by trading partners exacerbates the risks associated with open-market transactions (García-Valenzuela et al., 2023). Thus, the theory is instrumental in explaining how these environmental conditions shape the cost structures and efficiency dynamics of agro-processing firms. Firms that strategically internalize certain operations (e.g., sourcing raw materials directly from farmers or investing in in-house transport logistics) or adopt hybrid governance structures (e.g., long-term relational contracts with trusted suppliers) can reduce the need for extensive contract monitoring and enforcement. These decisions are guided by the principle of minimizing ex-ante and ex-post transaction costs, thereby improving operational efficiency through more predictable input flows, reduced negotiation and enforcement frictions, and better coordination of production schedules (Habiburrochman & Rizki, 2020).

As researchers we see these four theories creating a unified framework for explaining cost management practices and financial performance of firms. How? Resource based theory provides a robust theoretical lens for examining how internal firm capabilities, particularly cost management practices and operational efficiency, influence financial performance (Naila et al., 2025; Vijay & Bamel, 2021). We extract that firms which can develop strong budgeting and cost control capabilities are better able to coordinate resources, minimize inefficiencies, and sustain profitability over time. Contingency theory advances that organizational performance whether operational, financial, or strategic is significantly influenced by the degree of congruence between managerial practices and contextual variables (Ghanbari et al., 2022). It therefore means that agro-processing must do all they can to manage contextual differences in terms of leveraging environmental factors that constitute opportunities for them. From dynamic capabilities theory, we

extract that firm resources in their static form cannot be a source of sustained competitiveness rather emphasising the imperative of firms to build their capacity to sense, seize, and shape new market opportunities that can enable them thrive in the current market volatility and technological dynamism (Denrell & Powell, 2015). Finally, the importance of operational efficiency is emphasized by the transaction cost theory arguing that firms should aim at minimizing the cost of transactions as their main performance goal (Williamson, 1985; Langlois, 1992). The theory explains that environmental conditions should be prime inputs in shaping the agro-processing firms' cost structures

Empirical Review

Cost Management Practices and Financial Performance

Buallay, (2022), define financial performance as a firm's ability to generate profits, meet short-term obligations, and manage long-term liabilities, whereas (Singh and Kohli, 2021) looks at cost management as systematic process of planning and controlling costs aimed at improving profitability and resource utilization. In the context of agro-processing firms it means that if an organisation has in place systematic cost control processes well aligned to budgets no doubt financial performance goals will be achieved (Yadav et al., 2022). It reflects an idea that operationalisation of structured cost management techniques impacts positively financial indicators like profitability, return on assets, liquidity, and solvency. Quite a number of previous studies have confirmed the association between cost management practices and financial performance (Demoras, 2020; Roffia et al., 2024; Alakkas et al., 2023; Momtaz & Parra, 2025; Adenutsi et al., 2025; Arinaitwe & Kobusingye, 2025; Namataka & Mwesigwa, 2024). These scholars used different approaches and report different findings, for example in a qualitative case study conducted in the USA, Demoras, (2020) revealed that modern costing strategies like activity-based costing (ABC), target costing, and lean principles significantly improve profitability. Roffia et al., (2024), in a study on 120 Italian SMEs revealed that implementation of cost accounting practices (cost accounting adoption) has a close association with firm resilience and financial outcomes. Similarly, Alakkas et al., (2023) in their quantitative survey in India observed same results just like Momtaz & Parra, (2025) in Europe, Adenutsi et al., (2025) in Ghana, Arinaitwe & Kobusingye (2025) in Uganda, Ciza et al., (2025) in Democratic Republic of Congo and Moeini, (2025) in Canada and the United States. This study benefits from these studies extracting that cost management systems impact on business growth, sales, and profitability (Alakkas et al., 2023); that integrating environmental, social, and governance practices into operational and cost structures improve financial performance (Momtaz & Parra, 2025); that firms adopting structured cost-saving mechanisms related to energy efficiency, waste management, and operational optimization achieve better financial outcomes than firms lacking such systems (Adenutsi et al., 2025); that budgeting and cash flow management significantly improve profitability and enterprise stability (Arinaitwe & Kobusingye, 2025); that enterprises practicing structured budgeting and regular financial monitoring realise stronger growth and operational efficiency (Namataka & Mwesigwa, 2024); that proactive cost control, expenditure monitoring, and financial planning positively correlate with profitability, operational efficiency, and cash flow stability (Talikoti, 2025); that reliable accounting information significantly improves access to both formal and informal financing, which subsequently enhances firm profitability and sustainability (Ciza et al., 2025); that digital financial systems reduce uncertainty and strengthen financial decision-making among resource-constrained enterprises (Malkus et al., 2025). On the contrary however, several

other studies on the nexus between cost management practices and financial performance report otherwise. For example, Ussahawanitchakit, (2017), using structural equation modelling on 142 Thai firms in the canned and processed food sector, showed that ABC enhances organizational development and competitiveness but has no direct effect on financial success. Owusu et al., (2024), through a quantitative study involving 246 SMEs in Ghana, demonstrated that proactive investments in prevention and appraisal costs significantly enhance profitability, whereas failure costs are detrimental, just like Alu & Ogedengbe, (2023), when using a conceptual qualitative approach rooted in management accounting theory, report that whereas disciplined cost practices are key to financial sustainability in volatile markets, no sufficient evidence for empirical validation. Statistically insignificant effects were also reported by Oluwayemisi & Elkanah, (2022) in Nigeria challenging conventional cost management assumptions and suggesting that traditional cost-cutting may be ineffective in contexts marked by unstable market conditions and inflationary pressures. Yet for some studies for example Eton et al., (2021), even when it found out that sound financial management practices significantly enhanced profitability, the study did not isolate cost management, limiting its focus on cost-specific strategies. Its generalizability is also limited by the localized scope. Elsewhere cost management systems are only effective when accompanied by managerial capability and organizational support structures (Paa & Archer, 2025). Other studies further highlight methodological limitations for example, the small sample (Mwila et al., 2022), which limits the robustness of the findings. We observe equally that most prior studies focus on manufacturing firms, urban SMEs, or technologically advanced enterprises, leaving limited evidence on rural agro-processing firms operating in post-conflict and resource-constrained settings. Additionally, many studies emphasize general financial management without isolating specific dimensions of cost management practices such as budgeting, cost allocation, and cost control. These contextual and methodological gaps justify the need for further empirical investigation into how cost management practices influence the financial performance of agro-processing firms in the Acholi sub-region. Hence, the study hypothesised that:

H1: There is a positive relationship between cost management practices and financial performance of agro-processing firms in the Acholi sub-region.

Methods

Acholi sub-region comprising of districts like Gulu, Kitgum, Pader, Amuru, Agago, Lamwo, Nwoya, and Omoro provides a compelling context for this study due to its unique socio-economic history characterized by decades of conflict, post-war recovery challenges, infrastructural limitations, and increasing interest in agro-industrialization. Understanding the role of cost management practices on financial performance of agro-processing firm will not only inform firm-level strategies for improving profitability and sustainability but will also guide policymakers and development agencies in designing interventions aimed at strengthening rural agro-processing value chains. To achieve the study objectives pragmatic paradigm (Sekaran & Bougie, 2016) was used in guiding the investigation. This choice is based on the belief that reality can be both singular and multiple, which allows for both statistical measurement and meaningful contextual interpretation (Shannon-Baker, 2015). This philosophical orientation also allows for triangulation of methods thus mixed-methods approach was used where objective and subjective assumptions (Pawar, 2020; Creswell, 2019) provided a strong foundation to the whole process of interrogating effects of cost management practices on financial performance. The data collection techniques were chosen in line with the epistemological stance where questionnaires and interview guide

helped in collecting data from agro-processing firm managers, finance/account officers, production and operations officers, and marketing and sales officers at one point in time (Creswell, 2018). *Table 1* below contains population and sample details plus sampling techniques used. Before going for the final survey we subjected the instruments to validity and reliability test and results confirm consistency and stability within the tools as shown in *table 2 and 3* below.

Table 1: Population, Sampling Frame and Sampling Techniques

District/Municipality/ City Name	Population	Probability	Sample Size	Sampling Technique
Gulu City	10	0.11	8	Proportional stratified sampling
Gulu District	5	0.06	4	Proportional stratified sampling
Kitgum Municipality	7	0.08	6	Proportional stratified sampling
Kitgum District	4	0.05	3	Proportional stratified sampling
Omoro District	7	0.08	6	Proportional stratified sampling
Nwoya District	14	0.16	11	Proportional stratified sampling
Amuru District	17	0.20	14	Proportional stratified sampling
Pader District	10	0.11	8	Proportional stratified sampling
Lamwo District	7	0.08	6	Proportional stratified sampling
Agogo District	6	0.07	5	Proportional stratified sampling
Total	**87**	**1**	**70**	

Source: District/Municipal/City Reports 2025

As can be seen in the *table 1* above proportionate stratified sampling was used in ensuring not only unbiased sampling of respondents but also to ensure that each district in Acholi region was represented (Ahmed, 2024). Purposive sampling was used to select one respondent from the management level within each agro-processing firm. These individuals were chosen based on their strategic oversight, institutional knowledge, and decision-making authority regarding cost management and financial performance.

Table 2: Content Validity Index

Variable /Constructs		Relevant Ratings	Total Ratings	CVI Score	No. of Items
Cost Management Practices	Budgeting	52	65	0.80	13
	Cost Control	61	75	0.81	15
	Cost Allocation	24	55	0.44	11
Financial Performance	Profitability	59	70	0.84	14
	Liquidity	47	55	0.85	11
	Solvency	50	60	0.83	12

Source: *Primary Data, 2026*

Table 3: Reliability Results

Variable/Constructs		Anchor points	Cronbach's Alpha	No. of Items
Cost Management Practices	Budgeting	Five Point	.895	13
	Cost Control	Five Point	.919	15
	Cost Allocation	Five Point	.024	11
Financial Performance	Profitability	Five Point	.918	14
	Liquidity	Five Point	.775	11
	Solvency	Five Point	.869	12

Source: Primary Data, 2026

The study operationalised study variables drawing from previous studies i.e cost management practices was operationalized through budgeting and cost control (Ahmad et al., 2020; Demoras, 2020; Olando, 2021), whereas financial performance was evaluated using profitability, liquidity, and solvency (Ichsani et al., 2021; Gulesci et al., 2020). Following the recommendations from Tabachnick & Fidell, (2019) the dataset was evaluated for compliance with the assumptions of parametric statistical techniques, and evidences of conformance are shown in *tables 4,5,6* specifically for normality, Multicollinearity and independence of errors.

Table 4: Kurtosis and Skewness Characteristics

	Financial Performance	Cost Management Practices
Mean	4.0071	4.1690
Median	4.0837	4.3011
Variance	.339	.325
Std. Deviation	.58240	.56972
Minimum	2.04	2.17
Maximum	4.94	5.00
Range	2.90	2.83
Interquartile Range	.84	.66
Skewness	-.745	-1.309
Kurtosis	.047	1.673

Table 5: Multicollinearity Test

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
1	(Constant)	.802	.151		5.299	.000		
	Cost Mgt Practices	.143	.048	.139	2.986	.003	.546	1.833

a. Dependent Variable: Fin

Table 6: Independence of Errors

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.846[a]	.715	.713	.31200	1.801

a. Predictors: (Constant), Cost Mgt

b. Dependent Variable: Fin

Having ascertained the normality of data, regression technique was used to analyse the data.

Findings

Response rate

A total of 250 questionnaires were distributed to respondents drawn from 70 agro-processing firms. Of these, 242 questionnaires were successfully completed and returned, representing an individual response rate of 96.8%. In addition, 13 key informants participated in the qualitative interviews.

Because the unit of analysis for this study was the firm, responses from individual participants within the same firm were aggregated to generate a single firm-level score. Consequently, the 242 individual responses were consolidated into 70 firm-level cases for analysis using SPSS Version 27. Since usable responses were obtained from all the sampled firms, the study achieved a firm-level response rate of 100%.

The high firm-level response rate was attributed to the use of a personal data collection approach, supported by trained research assistants and cooperation from firm management, which facilitated access to respondents and enhanced participation. This ensured that all sampled firms were represented in the final dataset used for analysis.

Table 7: Response Rate

Data collection method	Target sample	Actual response	Rate (%)
Questionnaire	250	242	96.8%
Interviews	30	13	Not applicable

Source: *Primary Data, 2026*

Demographic characteristics of respondents

In this section we present respondent characteristics in terms of gender, age, education level, position, job tenure and employment type. These details are shown in *table 8* below.

Table 8: Profile of the respondent

Items	Frequency	Percent	Cumulative Percent
Gender			
Male	159	65.7	65.7
Female	83	34.3	100.0
Total	**242**	**100.0**	
Age Group of participants			
18-25	17	7.0	7.0
26-35	80	33.1	40.1
36-45	100	41.3	81.4
46-55	45	18.6	100.0
Total	**242**	**100.0**	
Level of Education			
Certificate	64	26.4	26.4
Diploma	62	25.6	52.1
Bachelor's Degree	74	30.6	82.6
Post graduate degree	38	15.7	98.3
Others	4	1.7	100.0
Total	**242**	**100.0**	
Position of the participant			
Manager	47	19.4	19.4
Accounts/Finance Officer	55	22.7	42.1
Production and operations officer	77	31.8	74.0
Marketing and sales officer	63	26.0	100.0
Total	**242**	**100.0**	
Year of experience			
Less than 2 years	38	15.7	15.7
2-5 years	74	30.6	46.3
6-9 years	60	24.8	71.1
10-13 years	58	24.0	95.0
More than 13 years	12	5.0	100.0
Total	**242**	**100.0**	
Employment Type			
Full-time	157	64.9	64.9
Part-time	30	12.4	77.3
Contract	47	19.4	96.7
Other	8	3.3	100.0
Total	**242**	**100.0**	

Source: *Primary Data, 2026*

The study results as shown in *table 8* above reveal that the majority of respondents were males (65.7%), while 34.3% were females. This suggests that male employees dominated participation within the studied firms. It shows the extent of inclusion of both genders.

Findings (*see table 8 above*) show that most respondents were in the 36–45years age group (41.3%), followed by those aged 26–35 years (33.1%), 46-55 years (18.6%) while 18–25 years (7.0%) constituted the smallest proportion. This indicates that the study largely engaged

respondents who are in their prime working age and are likely to possess substantial professional experience and organizational knowledge on cost management practices and organizational performance.

More still results indicate that the largest proportion of respondents held a Bachelor's degree (30.6%), followed by those with Certificate (26.4%) and Diploma (25.6%) qualifications. A smaller proportion had postgraduate qualifications (15.7%), while 1.7% fell under other categories. This distribution suggests that the respondents were generally well-educated, with sufficient academic and professional training to understand and respond effectively to the study variables.

Additionally, the majority of respondents were production and operations officers (31.8%), followed by marketing and sales officers (26.0%), accounts/finance officers (22.7%), and managers (19.4%). This indicates that the study drew responses from a wide range of functional departments within the organizations demonstrating the diversity in responses.

The analysis of job tenure shows that most participants had 2–5 years of experience (30.6%), followed by those with 6–9 years (24.8%) and 10–13 years (24.0%), while only 5.0% had more than 13 years of experience. The mix of relatively experienced and moderately experienced staff enhances the credibility and depth of the data collected.

Finally results indicate that the majority of respondents were employed on a full-time basis (64.9%), followed by those on contract (19.4%), part-time (12.4%), and other arrangements (3.3%). This suggests that most respondents were permanently engaged in their respective firms, which increases the likelihood of consistency and reliability in their responses.

Empirical findings

Effect of Cost Management Practices on Financial Performance

Regression analysis was done to assess the effect and the direction of the relationshipbetween cost management practices and financial performance of agro-processing firms in the Acholi sub-region.

Table 9: Regression Analysis Results

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.271	.213		5.971	.000
	Cost management practices	.656	.051	.642	12.972	.000
R = .642						
R Square = .412						
Adjusted R Square = .410						
F Change = 168.274						
Sig, F Change = .000						
Sig. = .000						

a. Dependent Variable: Financial performance

Source: *Primary Data, 2026*

The results presented in *table 9* above show that cost management practices have a strong and statistically significant positive effect on financial performance(R=.642). This is consistent with the study's hypothesized positive relationship that management practices are positively associated with financial performance, (H_1). The model summary indicates a correlation coefficient (R = 0.642), suggesting a strong positive relationship between management practices and financial performance. The coefficient of determination ($R^2 = 0.412$) implies that cost management practices explain 41.2% of the variation in financial performance, while the adjusted R^2 (0.410) confirms the stability and reliability of the model after adjustment for sample size. The ANOVA results further confirm that the model is statistically significant ($F = 168.274$, $p < 0.001$), meaning that cost management practices significantly predict financial performance and the relationship is not due to chance. The coefficient results provide the main basis for confirming the hypothesis, showing that cost management practices have a positive and significant effect on financial performance ($B = 0.656$, $\beta = 0.642$, $t = 12.972$, $p < 0.001$), implying that a one-unit increase in cost management practices leads to a 0.656 improvement in financial performance, holding other factors constant.

Discussion of Findings

The study was set to assess the relationship between cost management practices and financial performance (H_1). Results as shown *in table 9* above reveal that cost management practices have strong, positive, and statistically significant relationship with financial performance among the selected agro-processing firms in Acholi sub-region ($r = 0.642$, $p < 0.01$). Thus, the findings provide compelling evidence that the effective cost management practices are a critical driver of firm-level financial outcomes among agro-processing firms in the Acholi sub-region, thereby offering strong empirical support for H_1, which predicted a significant positive relationship between cost management practices and financial performance. This result suggests that as firms adopt structured and disciplined approaches to managing costs they are better positioned to enhance profitability, maintain adequate liquidity, and ensure long-term solvency. Similar voice is refelected in the qualitative study extracts from agro processing firm managers. For example respondent number 1 reported, thus

[….]….“Our organization prepares annual budgets through a participatory process involving departmental heads, finance staff, and top management. Budget estimates are based on projected production volumes, expected market prices, operational requirements, and previous financial performance. After preparation, the budget is reviewed and approved by management and the board. Implementation is monitored through periodic budget reviews, expenditure controls, and variance analysis to ensure that actual spending aligns with planned activities [….]..”

[ ]…“The cooperative uses bulk purchasing of raw materials during harvest seasons. Proper budgeting and expenditure control ensure that limited resources are used efficiently. Effective cost management has helped the cooperative reduce unnecessary expenses and improve profitability.”[…] Said respondent number 9

These quantitative and qualitative findings are in agreement with prior empirical studies which establish that structured cost management systems enhance firm performance. For example, Wanjiru (2014); Gogo (2021); Alakkas et al., (2023) and Colletah et al., (2024) who reported that cost management practices significantly improve financial outcomes such as profitability and growth. Similarly, Akinyomi & Bamwa, (2025) confirm that cost management accounting

practices consistently enhance financial outcomes, particularly in SMEs within emerging economies. Equally, Oluwagbemiga et al., (2014); Robinson et al., (2025), in their empirical study on manufacturing firms found that structured cost management techniques such as budgeting, standard costing, and cost control significantly improve profitability indicators including return on assets and net profit margin, confirming cost management as a key driver of financial performance.

Such findings however contradict studies such as Ussahawanitchakit, (2017) and Chen (2023), which found no direct or significant effect of cost management practices on financial performance due to contextual challenges such as weak internal controls and poor cost data systems. In addition, a study on SMEs in Rwanda found that although firms had adopted cost accounting techniques, commercial success is slow and insignificant with several firms still experiencing poor financial performance or failure (Regine, 2024). This study therefore adds to the ongoing debate by providing empirical evidence from a resource-constrained agro-processing context (Acholi sub-region), demonstrating that cost management practices can exert a direct and substantial influence on financial performance when effectively implemented.

The positive and significant relationship between cost management practices (budgeting and cost control) and financial performance observed in this study is also consistent with the Resource-Based theory which posits that internal organizational capabilities such as budgeting systems and cost control mechanisms constitute valuable, rare, and inimitable resources that drive competitive advantage (Barney, 1991). Firms that develop strong budgeting and cost control capabilities are better able to coordinate resources, minimize inefficiencies, and sustain profitability over time. In line with resource-based theory a study by Msomi & Olarewaju, (2021) and Waweru et al., (2024) highlight that SMEs and agro-processing firms that adopt strong budgeting and cost control systems are more resilient to economic shocks and demonstrate improved financial sustainability.

Beyond resource-based theory, the findings are further reinforced by dynamic capabilities theory, which emphasizes a firm's ability to integrate, build, and reconfigure internal competencies in response to changing environments. As articulated by Teece et al., (2016) and further extended in recent empirical work (e.g., Stoeber & Kanbach, 2025; Zhang et al., 2023), dynamic capabilities enable firms not only to possess cost management systems but to continuously adapt and refine them to suit volatile market conditions. In this regard, effective budgeting and cost control are not merely static routines but evolving capabilities that enhance operational flexibility, responsiveness, and long-term financial performance. Empirical studies such as Mikalef et al., (2016) and Warner & Wäger, (2019) demonstrate that firms with stronger dynamic capabilities are better positioned to translate management practices into superior performance outcomes, particularly in uncertain and resource-constrained environments.

In addition, the results resonate with contingency theory, as reflected in Otley (1980), by demonstrating that the effectiveness of cost management practices is context-dependent. This study contributes to theory by showing that in resource-constrained and post-conflict environments such as the Acholi sub-region, cost management practices become even more critical, thereby strengthening the explanatory power of resource-based theory, dynamic capabilities theory, and contingency perspectives in explaining firm performance.

Empirically, these findings are in agreement with a growing body of literature that emphasizes the positive impact of cost management practices on firm performance, particularly in developing economies where firms operate under significant financial and operational constraints. However,

the strength of the relationships observed in this study may also reflect the unique context of agro-processing firms in the Acholi sub-region, where resource scarcity and market uncertainties necessitate a stronger reliance on internal efficiency mechanisms. This suggests that cost management practices may have a more pronounced effect in such contexts compared to more developed and resource-abundant environments.

Conclusion

Evidently the study results confirm an existing relationship between cost management practices (budgeting and cost control) and financial performance among agro-processing firms in the Acholi sub-region. This study concludes that cost management practices impact on financial performance in multiple ways. This way agro-processing firms that unceasingly aim at improving their budgeting and cost control processes achieve their financial performance goals better than their rivals. The reason could be that their cost control processes are well aligned to budgets thanks to operationalisation of structured cost management techniques leading to achievement of financial performance goals in the areas of profitability, return on assets, liquidity, and solvency.

Theoretical Implications

This study makes several contributions to existing theoretical frameworks by empirically validating and extending the resource-based theory, dynamic capabilities theory, contingency theory, and transaction cost theory within the context of agro-processing firms in a developing economy setting. First, in relation to the resource-based view, the study reinforces the argument that firm performance is driven by internal resource capabilities rather than external market forces alone. However, it extends resource-based theory by demonstrating that cost management practices do not directly create performance gains in isolation; rather, their value is realized through operational efficiency. This introduces a more refined understanding of resource deployment, emphasizing that resources must be effectively transformed through operational processes to generate competitive advantage. Second, the findings strengthen dynamic capabilities theory by providing empirical evidence that firms must continuously reconfigure and align cost management practices such as cost control mechanisms with operational processes to achieve sustained financial performance. Third, the study contributes to contingency theory by empirically confirming that the effectiveness of cost management practices depends on firm-specific characteristics. This reinforces the theoretical position that there is no universal best practice; rather, organizational effectiveness is contingent upon internal structures, resources, and capabilities. Finally, the study makes a significant contribution through transaction cost theory by demonstrating that effective cost management practices reduce inefficiencies associated with internal transaction costs such as waste, coordination failures, and production delays. The findings suggest that firms that effectively control costs and streamline operations reduce internal transaction frictions, thereby improving efficiency and financial outcomes. This extends transaction cost theory by showing that internal cost control mechanisms not only reduce external transaction costs but also enhance internal operational governance, which ultimately contributes to superior firm performance.

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