

**THE CHALLENGES OF BUDGET IMPLEMENTATION IN PUBLIC
INSTITUTIONS: A CASE STUDY OF UNIVERSITY OF NAIROBI**

BY

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Declaration

This research project is my original work and has not been presented for award of any degree in any University.

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Dedication

I dedicate this project to my loving parents who have brought me up to be whom I am today. I will forever be grateful.

Acknowledgement

I first of all thank our good Lord for enabling me complete this research project.

Special appreciation goes to my supervisor, Dr. J. Aduda for his encouragement, selfless guidance and inspiration during the stages of the study. His quick review of the drafts and fast responses has enabled me to complete the study.

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To all of you, I say thank you.

Abbreviation

ABB	-	Activity Based Budgeting
CHE	-	Commission of Higher Education
GNP	-	Gross National Product
HoD	-	Head of Department
MoE	-	Ministry of Education
MoF	-	Ministry of Finance
MoHEST	-	Ministry of higher Education Science and Technology
MTEF	-	Medium Term Expenditure Framework
NGOs	-	Non- governmental Organizations
NSSF	-	National Social Security Fund
PPB	-	Program me and Performance Budgeting
SPSS	-	Statistical Programme for Social Sciences
UK	-	United Kingdom
UoN	-	University of Nairobi
UMB	-	University Management Board
ZBB	-	Zero Based Budgeting

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Abstract

This study focused on the factors that influence budget implementation in public institutions in Kenya, a case study of University of Nairobi. The report gives an overview of the institution and the budget process it has adopted.

Public institutions which undertake budgeting on a hierarchical basis face a situation at each level in the hierarchy, there is a possibility that the original request will be changed in one way or another as the various budget are processed further and aggregated. One of the major challenges therefore that affect these budgets with regard to implementation is that since those that made the initial budgets, which were later amended during aggregation could resist the proposed budgets. The study aimed at investigating the challenges of budget at University of Nairobi.

To achieve objective of these study a descriptive study was done. The researcher used both primary and secondary method of collecting data. The respondents constituted Eight (8) Administrators, six (6) Bursars from the colleges of the university, eight (8) senior representative members of the budget Committee from Finance, Eleven (11) staff in finance and administration involved in budget preparation. The secondary data sources were used to supplement the data received from questionnaire. A content analysis and descriptive analysis were used. The data was presented using statistical measures pie charts, bar graphs, frequency tables and graphical presentations.

The study established the challenges encountered in budget implementation. The study concludes that University of Nairobi does not have efficient budget preparation procedures. Other challenges included insufficient funds allocated to department, institutional weakness which hindered effective budget implementation and the methods used to allocate funds to user department were unsatisfactory. The study further concludes that University of Nairobi faces various challenges in budget implementation. The study recommends that for University of Nairobi to curb challenges in budget implementation there is need for effective procedures and guidelines in the allocation of funds and operational implementation policies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Over the past two decades the word that was common term in all managers' vocabulary was "budgets". Budget is perhaps the most chosen course of action by the management and staff across all sectors in the institution. Management at all levels within the public, private sector has used the word budget as their shield or excuse when confronted or challenged about any decision. It is not uncommon to hear variations of the phrases "the budget does not permit", or "it's not in the approved budget" all because of the budget compliance. (Frederick, 2010)

A budget is the quantitative expression of a proposed plan of action by management for a specified period and aid to coordinating what needs to be done to implement the plan. (Horngren et al, 2003).A budget can cover both financial and non financial aspects of the plan and serves as a blue print for the company to follow in an upcoming period. It is an essential tool to every organization operation. It requires operating effectively and offering quality service which require incurring expenditure.

A budget is a method of accomplishing many managerial tasks, it is a means of planning for various revenue streams, a control mechanism for an administration to keep from spending too much, a procedure for controlling its units, a process to coordinate the many activities that an institution undertakes, and a way to communicate to all stakeholders and a summarization of the activities that the various units will undertake. It is also a technique for setting the institution priorities by allocating scarce resources to those activities that officials deem to be the most important and rationing it to those areas deemed less vital. (Goldstein, 2005)

Budgets are essentially forward looking they provide yardsticks for purposes of comparison (Drury, 2000). A budget is a means to an end, not an end in itself. It covers the area of responsibility of one specified person, so that performance can be measured at the end of budget period. This calls for preparation of budgets in conjunction with those who are to be responsible for achieving the budget performance. The basic reason for requiring budget estimates from users is that, higher officials do not have enough detailed information, time or specialized skills to prepare the plans themselves. This is the only point of convergence of the budgetary process in both private and public institution.

Budget implementation has become a challenge to many institutions because Public institutions are required to make accurate forecast for the implementation of certain programs or development using economic parameters. (Premchand, 1994) Some needs may not be for seen during budget proposals or cost estimate may change significantly. Budget reviews is needed to identify slip up in budgets. Budget implementation should be reviewed periodically to ensure programs are implemented effectively and identify financial variances. One of the challenges to users was that budgets were not reviewed once the budget was approved. The efficient budget process should have been administrated effectively in terms of initial planning, final approval, and subsequent monitoring of implementation (Weetman, 2006). There are several procedures for preparing a budget, some arise before implementing the budget (pre-stage), others during the budget period, and some after this implementation (post-stage).

The challenges in budget were budget proposals prepared by different department did not get 100 percent approval, they were scrutinized and reviewed before they got final approval. Expanding access and enrolment growth has compelled university management to give greater

scrutiny to the use of University resources and to be aware of budget use. (Shattock, 2000) Budget implementation became a difficult situation for an institution due to reduction of earlier request and the expenditure is high. The ceilings are usually below the prevailing rate of inflation, it forces management to implement internal cuts on activities and in ways that do not compromise productivity (Kiringai & West, 2002). The institution operates in a competitive and challenging environment, and to ensure it remains a market leader requires funds to invest in modern techniques. Budgeting facilitates resource allocation in the face of competitive demands (Shattock, 2000). In public University resource was the most acute difficult facing institution and this required proper planning and controlling resources through budget implementation.

A budget whether it was for a public institution or for a private company, was a basic and powerful tool in management. It served as a tool for planning and controlling the use of scarce financial resources in the accomplishment of organizational goals (Schick, 1999). A budget is a quantitative plan detailing out the methodology to be followed in resource acquisition, allocation, and utilization over a specified period of time. An effective budget is instrumental in controlling costs. It is a tool for performance evaluation and motivation at the workplace.

UoN is an institution of higher education with its history dating back to 1940's, when it was established as a Technical College of East Africa. UoN has experienced growth both in increase in number of student, enrollment and the programs offered which has been accompanied by expansion in facilities such as increase in faculties offering different degree programmes, research programme, Equipment and increase in demand for learning facilities. UoN has the main organ that runs the University matters at the Central Administration block, situated at the main Campus on Harry Thuku Road. The main organ of authority and control of business at the

University was the Council, the Senate dealing with student matters, and University Management board dealing overall operation of the UoN.

The reason for conducting a case study of UoN was to understand the changing budgeting process and challenges facing the institution in implementation of budget from the perspective of public institution. (Yins, 1989) believed that the purpose of conducting field research was not to find relationships or causal factors among variables, but to interpret and describe the practice.

1.1.1 Budget process at university of Nairobi

The concept of operating at the university was based on budget which is usually prepared at the beginning of the financial period and forwarded to the treasury for funding. The treasury would mostly grant the budget requested with amendments downwards, thereby reducing the requested funding for operations without reference to the institution. The institution would also factor in revenue collection within the organization which was normally applied to fund the budget.

The budget process started at Finance department, which would request department to prepare their budget proposals. The finance department would receive resource request from various department based on set budget guidelines. The budget submission from the department would be analyzed and compiled in accordance with Treasury guidelines. According to (Ifidon, 1999) the Accountant integrated and collated the various estimates from the various departments. A budget committee was usually created to manage each stage of budgetary process and to implement the strategy decisions (Weetman, 2006). The budget committee had the task of preparing, organizing and monitoring the budget in the seven colleges of the University. The committee would convene meeting to discuss the budget and or modify it within the University overall target. Budget committee perused through the final submission and prepared the draft

budget which is given to management for approval. The draft budget was submitted to UMB for consideration before it was forwarded to the University council for approval. Once approved it was then forwarded to the MoHEST, CHE and Treasury. Upon receipt of the printed estimates by the government an operational budget is prepared and submitted to the University council for approval and implementation at the beginning of the following year in accordance with section 22 of the University of Nairobi Act. The approved budget is implemented to the units and HoD is given authority to incur expenditure up to the approved ceiling. All expenditure requests are approved and processed through standard university accounting procedures.

The most significant and major challenge for UoN was the provision of the finances required to achieve the vision of world class University. The principal determinant of UoN success depended on the availability of revenue for investment in quality programs. UoN revenue sources were from Government capitation, student tuition fees, endowment earnings, external research grants and revenue from income generating activities. UoN prepared its budgets once a year to cover the upcoming fiscal year. For the university, the fiscal year was from July 1st through June 30th. When working with capital construction projects or sponsored projects, the time period covered by the budget spans, the duration of the project rather than the fiscal year in use by the organization.

University has adopted a strategic planning processes to survive in a competitive and commercial environment nevertheless, there are problems with the implementation of strategic planning in University (Buckland,2008).University all over the world have struggled with how best to structure budgetary systems to ensure that resources are consumed in the most effective and efficient manner.

1.2 Statement of the problem

Public institutions which undertook budgeting on a hierarchical basis faced a situation at each level in the hierarchy, there was a possibility that the original request would be changed in one way or another as the various budget were processed further and aggregated. One of the major challenges therefore that affected these budgets with regard to implementation was that since those that made the initial budgets, which were later amended during aggregation would resist the proposed budgets (Heller &Aghvelli, 2005).

Over the years, public institutions have operated on a deficit budget. This has forced the institution to reduce the allocation to the user department and thus the implementation of the budget has been a challenge to the public institution. The funding level from the government was grossly understated over the years. Public institution had to use fund generated internally to complete some of the government initiated projects at the expense of other critical activities. The policy of releasing recurrent and development fund to public institution has been a hindrance to efficient administration of institution operation.

Mawathe (2008) did a study to investigate the challenges of budget implementation in the commercial banks in Kenya, the researcher wanted to establish if budget were fully implemented in banking industry and factors that affected budget process. The population of study was from respondents who had experience in the area. The researcher concluded there were challenges in budget implementation in the banking sector. Muthinji (2009) did the study of budget implementation in public sector, case studies of Commission of Higher Education. Most of the studies that have been done are of the views there are challenges in budget implementation.

The research in Kenya context is that a lot of resources are utilized in the administration of the budget process, it is worrying that targets are never realized. This is mainly because they are often based on unrealistic revenue projections. For instance, in the past, the government has included in the budget outturns uncommitted donor funds and receipts expected from the disposal of public corporations, which are never realized. In the end, the actual budget implementation tends to dictate policy priorities, despite the enormous resources put into the budget preparation, often resulting in a scenario where budget drives policy rather than the ideal where policy should drive budget Mwenda & Gachocho (2003). As a result, the budget goals remained largely unaccomplished. It is against this background that the study investigated challenges of budget implementation.

The study was based upon the need to analyze whether budget implementation in public institution in Kenya served the multiple roles of planning, controlling, communication and decision making. The study investigated the challenges of budget implementation a case study of UoN. What seems to be the best practice based on literature?

1.3 Objective of the study

The objectives of this study were:

- 1) To establish the challenges of budget implementation at the University of Nairobi
- 2) To determine the extent to which the challenges affect budget implementation at University of Nairobi.

1.4 Significance of the study

This study would be of significance to the following group of people:

Management-To the university management it would provide an insight into the various approaches towards budget implementation and how budgets could be used as a planning, control and performance measurement to ensure efficient utilization of resources.

Government-The study would be of importance to the government in setting benchmark in regards to financing of public University

Academicians-The study would be useful to the academicians, it will provide a useful basis upon which further research studies on budgeting could be conducted.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarized the studies from other researchers who have carried out their research in the same field of study. The specific areas covered in this study was challenges of budget implementation in public institution being a case study of UoN, budget process, reform in budget, factors influencing budgeting and challenges influencing budget implementation.

2.2 Budget

The corner stone of management control process in most institution is budgeting. Budgeting is defined as the act of preparing budget (Garrison & Noreen, 2003). Budgeting is a central process of control in accounting control systems. It facilitates the effectiveness and implementation of management function. Budgetary process contributed to planning, control, communication and performance evaluation (Weetman, 2006). The preparation of budget forced management to implement formal planning procedures, which encouraged departments to participate in the formation of the overall budget.

2.2.1 Planning

Management at each level are faced with the need to plan the resources under their control (Ryan, 2008). The planning period identified the goals to be attained during the fiscal year, and the financial plan (budget) necessary to achieve them. The budget must be well conceived and based upon combination of historical data and future financial projections. Planning is an attempt to make today's decision in contemplation of their futurity, it bridge the gap from where we are to where we want to be in the future (Koontz, 1998).

2.2.2 Controlling

Budget control is achieved through the matching of actual expenditure with plans. A budget assists managers in managing and controlling the activities for which they are responsible. Planning is concerned with internal resource allocation to achieve certain objectives whereas controls is concerned with the task of coordinating and using allocated resources to achieve predetermined levels of efficiency. It offered a number of control procedures such as communication, authorization of expenditure and performance evaluation (Moll, 2003).The control procedure are essential for efficiency.

2.2.3 Coordination

The budget serves as a vehicle through which the actions of the different parts of an organization could be brought together reconciled into a common plan without any guidance. Managers could each make their own decision believing that they are working in the best interests of the organization but sometime this may not be the case.(Drury,1992) agree that budgeting compels managers to examine the relationship between their own operations and those of other department and in the process, identify and resolve conflict.

2.2.4 Communication

To ensure that all the departments in the organization are kept informed of the budget process and the plans, lines of communication should be adopted and implemented. This would encourage the awareness of the importance of the budget through achieving the objectives (Weetman, 2006).For an institution to function effectively there was need to have definite lines of communication so that all are informed of the plans and policies. Therefore institution should have clear understanding of the part they are expected to play in achieving the annual budgets.

2.2.5 Decision making

Budget was one of the most important tools for decision making in the organization (Edwards et al, 2000). Decision making included pricing education, costing information in institution and these has been a widespread problems in applying this information in institution. (Buckland, 2005) puts, it is difficult to produce reliable information where overheads are obviously high and where academic managers, who have no background in costing or pricing are in charge of taking decisions.

2.3 Budget reviews

The budget process should not stop when the budgets have been agreed. Periodically the actual results should be compared with the budgeted results. Reviews enabled management to identify items that were not proceeding according to plan and to investigate the reasons for the difference. (Drury, 1992) puts the difference could be due to the fact that the budget was unrealistic to begin with or actual conditions were different from those anticipated. The institution is required to evaluate the actual performance and re-appraise the company's future plans.

2.4 Budget participation

Participative budgeting is defined as process in which managers is involved with, and has influence on, the determination of the budget (Shields & Shields ,1998). Literature suggest that if more responsibility and autonomy is given to a person, the person would be encouraged to be innovative because of knowing that a person would be identified with any successful result (Thomas, 2000). Participative budgeting has been defined as a means of communication and influence of managers in the budgetary process and the extent of their influence over the setting

of budgetary targets (Covaleski et al., 2003). According to (Drury, 2006) increasing individual's active participation in budget preparation and using budget as a tool to assist managers in managing their department can be a strong motivational device by providing a challenge. A major concern was the impact of participative budgetary on outcome variables such as job performance and employee effort. A Survey of 13 UK companies covered the issues relating to the managerial uses of budgetary information, the extent of participation by managers in setting their budgetary targets, and the sources of pressure to meet these budgetary targets Lyne's, (1988). the study revealed multiple roles and uses of budget. The relationship between participative budgeting and performance could be contingent upon the presence of moderating factors. Participative budgeting was mainly investigated by using budget participation as an independent variable, associated either directly with dependant variables.

Budgeting was one of the most important processes in management accounting. It facilitated the effectiveness and implementation of management functions. It contributed to the planning, control, communication and performance evaluation (Weetman, 2006). The preparation of the budget forced management to implement formal planning procedures, which engaged all departments to participate in the formation of the overall budget. This planning would encourage department to behave according to the expectations, and attention could be given to those who did not achieve their objectives. Budget could contribute to cost control procedures when managers spend their approved budget. It would assist effective management of activities, as it plans the department work and fulfils department needs.

2.5 Critical issues in budget

Although considerable time was paid to budget systems, there was general recognition that budget process still encountered several constraints and that budget outcomes could be unsatisfactory even when the budget system was well designed. A lot of literature on public expenditure management addressed problems of the practical aspects of managing the budget. The main concern was that, revenue and expenditure followed different patterns over the financial year and aggregate revenue tended to be below the projections on which the budget was based. These were the case in most developing countries that faced resource variability and had limited scope to smoothing consumption pattern (World Bank, 1998). Other budget management issues were based on the recognition that public budgets often differ from the accounting system used in the private sector. The main difference was that most government operate a cash based accounting system in which revenues and expenditure was recorded when fund actually changed hands. This could create perverse incentives for accounting officer since it was possible to improve the finances in any other year by delaying payments or accelerating receipts. In order to reduce this type of problem, many countries have attempted to improve budget implementation by introducing features of private sector accounting systems. A major reform was adoption of accrual accounting in which a transaction was recorded at the time the commitment was made (World bank, 1991).

2.6 Budget theories

Budget theory is the academic study of political and social motivations behind government and civil society budgeting. Agency theory is a relationship that exists where one party acts on behalf of another party. In budget a slack relation exists where managers intentionally use

participation to create slack, while the other argued that managers through anticipation reduced slack in their budgets. The relationship between budgetary participation and budget slack has been equivocal in the literature of management accounting. Budgetary slack has been singled out as one of the primary unsolved problems in budgetary control (Horngren, 1982). Budgetary slack is defined as the difference between the appropriated budget and true minimum costs (Moene, 1986). In a slack budget, (Young, 1985) proposed that slack is the amount by which subordinates understate their productive capability when selecting work standards against which their performance will be evaluated. In these perspectives, slack is the intentional underestimation of revenues and productive capabilities and/or overestimation of costs and resources in the budget and second, that slack is dysfunctional (Merchant, 1985). Agency theory-based researchers have argued that participation merely provides the opportunity for subordinates to insert slack to their budget. Thus, agency theory predicts a positive participation-slack relation. (Murray, 1990) argued that individuals who participate feel less of a need to incorporate slack in their budget estimates and accordingly will tend to propose more difficult tasks. Managerial propensities to create slack may be enhanced or diminished by the ways in which budgetary systems are designed and implemented (Merchant, 1985).

Stakeholders are those people and groups that affect, or can be affected by, an organization's decisions, policies, and operations” (Post *et al.*, 2002). The prime merit of the stakeholder concept is that it points out the important relational aspects of organizations, and it functions as a useful heuristic. The basic idea is that an organization's success depends on how it is able to manage its relationships with key groups, such as customers, employees, suppliers, communities, politicians, owners, and others, that can affect its ability to reach its goals. It becomes the manager's job “to keep the support of all of these groups, balancing their interests,

while making the organization a place where stakeholder interests can be maximized over time” (Freeman and Philips, 2002) see power as being displayed when one part in a relationship is able to impose its will on the other part. This could be through force (coercive power), material or financial resources (utilitarian power), or symbolic resources (normative power). Through power imbalance, conflicts, challenges and confusion, the influence on the institutionalized budgeting process could be substantive.

2.7 Budgeting in public institutions

The behavior of the actors in budgetary systems in different countries is affected by overall wealth and predictability in the budget environment. (Wildavsky, 1986) describes budgetary process in different countries based on these two dimensions. Wealth refers to differences in GNP and predictability refers to the degree of uncertainty a country is faced with in terms of resources available for spending verses demand for spending. Budgetary poverty implies an inability to generate adequate resource and budgetary uncertainty implies an inability to predict flow of expenditures and/or revenue in the near future.

Budgeting in public institution was normally a hierarchical process which started at the subunit level and ends at the “apex” of the hierarchy in this case the treasury, which could be outside the organization itself. Often, there are several tiers between these two levels of the budgetary hierarchy. Before the accounting officers prepare their estimates, the Treasury would issue circular advising them on the procedures and guidelines to be followed in preparing the estimates. The guidelines include, among other things, ‘ceilings’ on individual votes. A ceiling is the maximum allowed rate of growth of a budget head. The institution would request the department to prepare their budget proposals which were sent to finance department for

preparation to be forwarded to budget committee. The committee could adjust the request upwards or downwards before preparing the draft to be sent to the University management. The budget committee would go through the submission and prepares the draft budget. The draft budget would be submitted to UMB for consideration before it is forwarded to the Treasury. When the Treasury received the ministerial estimates, they would study to ascertain that they conform to the instructions contained in the issued Treasury Circulars. Once this is done, a meeting is arranged with the relevant officers of the ministries concerned in order to discuss their draft estimates. Once the proposals have been discussed and agreed upon by the Treasury, the estimates are printed in readiness for presentation to parliament.

Kenya being a low income country in sub Saharan Africa faced challenges of scarcity of resources to fund public university. The public university fall under the MoE which has an estimated total capita expenditure on education of Ksh. 117,284.7 million in 2009/2010 which is about half of what is required to finance budget by public university. The shortage of resources for education would translate to variances and thus reducing the allocation granted to public university.

2.8 Budget process in Kenya

The budget process in Kenya is made within the framework of the medium Term Expenditure format (MTEF).MTEF is a tool for linking policy, planning and budgeting over a medium term at the government level. It consist of a top down resource envelop and bottom up estimation of the current and medium term cost of existing policies. MoF would set ceilings for all sectors on a three year basis. The MoE would present education needs of University upon which their bidding process is based. Incremental budgeting on a top down principle is practiced and figures

are not based on cost activity plans but on available resources. Based on estimates, the MoE would release the revised (approved) budgets (Kiringai & West, 2002).

A public institution has a social responsibility to the country to improve level of education and enhancement of opportunities of those inside and outside the institution. A public institution gets support from the government by getting allocation of funds to operate its activities. It is then understood the purpose is to serve society through government support. However quality service in public university is influenced and limited by the financial allocation. Thus the budget goals of a public institution strongly determine the public institution performance. (Trentin, 2004)

Many developing countries in Africa have engaged in detailed planning exercise of various types, in the period after independence and this has resulted in a wide range of literature on planning. Little attention was paid to budget systems although this is generally recognized as the main instrument for allocating resources to specific recurrent and development activities. In recent years, budget systems have received more attention and literature on public expenditure management has become more common. The budget is increasingly recognized as the tool for economic management. It is nevertheless also recognized that a country could have a sound budget and financial system and still fail to achieve its intended targets. This suggest that the rules of the games by which the budget is formulated and implemented are equally important and that they do influence outcomes (Shick, 1999). This recognition has lead to a series of budget reforms systems that have a broader focus on public expenditure management. The reforms have been to shift focus from the annual budget to a MTEF approach to budgeting. Kenya

adopted MTEF in 1999 and implemented it for the first time in the budget presented in June 2000.

2.9 Steps in institutionalizing the MTEF process

For MTEF to deliver a sustained improvement in public expenditure management it was necessary for an institution to secure political commitment to a wide range reform programme of planning and budget system. The critical steps were, adhering to fiscal discipline and developing a budget negotiation framework to ensure that inter sector resource allocation, reflect the full cost of ongoing programme and the attainment of performance indicators. This implied a radical change in the culture of the civil service away from the traditional line item budgeting towards a focus on delivery of outputs (Kiringai & West, 2002).The core features of reform was to develop effective tools for accurate forecasting, ensuring appropriated funds are actually released to line agencies, and therefore enhancing the credibility of budget procedures and institutions. Reform is shifting away from traditional budgeting system of line item expenditure controls, to a system that focuses on delivery of specified outputs and outcomes , improving budget management and accounting systems and setting overall strategic framework based on the national consensus on development projects.

2.10 Reforms in the budgetary process

According (Diamond, 2003) puts that, budgetary process reform is involved in moving from traditional centralized input oriented systems to more modern devolved performance, based on systems focusing on the constraints of limited managerial capacity. In the last decade, academic concern with management change has been raised (Abernethy & Brownell, 1999).Strategic change is a complex construct, with a multiple dimension. University exists in a changing

environment and struggle with organizational problems faced by other organizations. University could change their management accounting system because of different internal and external factors. (Covaleski & Dirsmith, 1988) examined how budget practices were modified during periods of organizational decline and how actors were able to create and enforce institutional pressures and identified those participants involved in the change process.

Studies in the public sector identified a number of changes that took place as a result of the reform. For many of these studies, resistance to change was a core underlying concept (Modell, 2002) it was important to be aware of the existing organizational routines and their influence on organization practices before changes were implemented. Before change is introduced there is need to understand how institution operations are structured so that resistance is reduced. To overcome change in the organization, public sector used more forceful implementation of financial and efficiency based control method. It was not the resources or knowledge that gave someone power but the beliefs by others that one had the power to control (Hardy, 1996)

2.11 Budget implementation

Budget implementation is public expenditure policy and therefore the manner in which public expenditure is managed would impinge on the implementation of the budget (Premchand, 1995). Implementation or execution of the budget is an activity that took place throughout the financial year and was the cutting edge of the budget as it involved all branches of the government unlike the more technical and selective participation of officials in budget formulation. The way in which revenue and expenditure are grouped for decision making is the most important aspect of budgeting.

Implementation of the budget required an advance program of action evolved within the parameters of the ends of the budget and means available (Premchand, 1994). Budget is not only a financial plan that sets into view cost and revenue within an organization, but also a tool for resource allocation, control, co-ordination, communication, performance evaluation and motivation. According to (Weetman, 2006) budget aimed to serve the needs of management decision and to provide basis for management functions of planning and control. In the case of UoN resource allocation is one of the most difficulties facing the institution. (Thomas, 2000) it is a primary means to control organizations activities. Budgetary systems should be implemented to face the internal and external pressures. A key area in budget implementation process is to ensure the fulfillment of the financial and economic aspect of the budget.

2.12 Factors influencing budgeting process

The budget process should not stop when the budgets have been approved. Periodically actual results could be compared with budgeted results. This would enable management to identify the items that were not proceeding according to plan and to investigate reason for the variances. However differences may be due to the fact that the budget was unrealistic to begin with or that the actual conditions during the budget year were different from those anticipated. Other factors which influenced the budget were budgets could become out of date quickly in volatile conditions, the budgeting process could prove to be time consuming and expensive and staff could reject the budget established and could behave in a dysfunctional manner to ensure that objectives are not achieved. There also could be tendency to adhere to the budget rather than to take advantage of new opportunities that emerge or a tendency to base the budget for last year's with only minimal adjustments for price inflation and similar factors, rather than to prepare a realistic and feasible financial plan of what the business seeks to achieve.

2.13 Challenges in budget implementation

Managers could have well defined thoughts about what they want to accomplish and when they want it accomplished. The difficulty could occur in the way of communicating their thoughts and plans to others, so as to enable them attain desired objectives (Garrison, 1982). The UoN was facing a major challenge characterized by dwindling resources during a period of growing student enrolments, without a capacity to keep the two in balance. This state of affairs was compounded by decline in exchequer release of funds in real terms, inadequate endowment funds, and limited philanthropic, corporate contribution. If unchecked, this trend was likely to adversely affect the quality of the learning environment and the ability of the University to discharge its mandate and core functions. Against this background the UoN intended to mount efficient, integrated and aggressive processes of utilization of available resources, with a view to expanding levels and diversity of revenue sources. To achieve this desired position, UoN intended to put in place a number of long term plans comprising a combination of actions plans aimed at enabling the institution to operate within the available resources and minimize its budgetary deficits. The institution required planning and controlling its resources through a budget. A budget is an essential tool to every institution operation to run effectively and offer quality service.

The lack of a budgetary theory (Key, 1940), the author laid down a challenge for economist to resolve the basic budgeting problem faced of dealing with limited resources. The most rudimentary essentials of budgeting is recalled and unsatisfactory condition is observed on what basis shall it be decided to allocate X dollars to activity A instead of activity B. Writers of budgeting say little or nothing about the purely economic aspects of public expenditure. The budget makers do not have enough revenue to meet the requests of all spending agencies, and

must decide how scarce resources shall be allocated to alternative uses. The author suggested that solutions to this problem could be found through application of economic theory. He proposed that solution could be found through an improved understanding of the institutional arrangements, resource allocation decisions made, which would entail a careful and comprehensive analysis of budget process (Key, 1940).

In practice, achieving sustained improvements in operational efficiency was likely to be the hardest step in reforming the budget process. The ministry of finance was found to be unable to implement inter sectorial reallocations unless it had the capacity to assess the comparative worth of programmes. This would involve an iterative process based on an assessment of both allocative and operational efficiency since it would be wasteful to allocate resources to a high priority activity if they were not being utilized efficiently. This raised question about both recurrent programmes and the public investment programmes. Evaluation of benefits could reflect marginal efficiency and the fact that unit costs tend to arise as coverage increases. Also there was need to develop procedures that would ensure rigorous and appropriate project appraisal selection and design. Ensuring operational efficiency in the planning and budget system requires that the right incentives and institutional arrangements are in place. Management must be given greater discretion in running their operations. It was important that outputs or performance targets were specified in advance for ongoing programmes so that actual achievements could be compared to targets during implementation. Publication of annual reports highlighting all the achievements is one way of encouraging greater transparency and ensuring that management are held accountable.

The new approach to budgeting and budget reforms came with new sets of rules, procedures and guidelines. However, with time the players master the rule of the game and learn how to outwit them. The management would devise ways of taking care of their self interest. Equally new systems could become a routine over time and as the willingness to enforce the rules wanes, they were likely to be abandoned. The forward budget in Kenya is designed as a medium term programme review but although it covers three fiscal years instead of one, it rapidly degenerated into a routine incremental line item budgeting. To avoid it outcome, care must be taken to ensure that the guardians of the system remain in control and can enforce adherence.

It is difficult for developing countries to generate accurate forecasts of resource availability. Economies with a shallow revenue base would rely on external funding and would not be able to respond to adverse shocks, such as a deterioration of the term of trade. These could disrupt the attainment of targets, reduce accountability and damage the credibility of the budget process. Expenditure requirements and shortfall in revenue outcomes or withdrawal of donor support could force even the most committed government either to renege on its commitment to fiscal discipline or to cut back on programmed expenditure projects therefore threatening both allocative and operational efficiency. The lack of flexibility in responding to these threats could force budget makers to resort to the traditional technique of imposing across the board cuts. The imposition of budget cuts during implementation and the continued operation of a cash budget systems means that resource allocation in outer years would not achieve indicative budget ceilings and would preclude many of the presumed benefits of the budget approach.

Concern has been raised about limitation and weakness that have been linked to traditional budgeting process were becoming increasingly widespread, with the primary fear being that it

could potentially hinder and damage the institution performance. The process is inefficient and ineffective. Budgets prepared in advance are likely to face price increase between the time of preparation and the time when funds is spent or received. There is need to take into account when the institution is budgeting, what the costs or value would be when the expenditure is made or the income received. The budget committee should take into consideration the increase in cost when allocating funds to the user department.

The challenge in budget implementation lies with the institution weaknesses. The critical question in implementing the budget is not on what needs to be done but how to create an operating environment that would sustain the reform. The success of the budget process depends on introducing institutional arrangements that provide corrective incentives and assist in balancing priorities with affordability. The budget implementation has become a challenge to institution because of weaknesses in the planning and budget process. Poor forecasting ability has made the budgets to be prepared without consistent and reliable forecasts of macroeconomics performance and analysis of the implication for the budget. This means that the forward budget was not based on accurate and reliable assessment of the aggregate resource envelop. The credibility of the budget process has been a challenge because revenue forecasts have consistently exceeded actual collections, necessitating across the board cuts in appropriate estimates.

2.14 Empirical studies

Kiringai and West (2002) did a study on budget reforms and the medium term Expenditure Framework in Kenya. The study reviewed various budget systems and evaluated the strengths of MTEF process and the threats to its sustained implementation in the context of developing

countries like Kenya. The study identified a number of weaknesses in the planning and budgeting process that had continued to contribute to its poor performance namely, poor forecasting ability, lack of medium-term perspective, failure to cost future resource requirements, too many budgets, excessive political interference in budgeting, separation of the planning and budgeting process, failure of Planning groups to integrate strategic planning concerns into the budget cycle, failure of expenditure controls by line item, incremental recurrent budgeting especially on on-going programme resulting in redundant and rising programme implementation costs, delays in issuing resources due to unforeseen changes in revenue, emergency expenditures and unplanned activities, inadequate provision for the recurrent implications of development projects; funding of recurrent activities through the development budget to attract donor funding at the expense of accountability and transparency, discrepancies between development estimates and public investment programme poor quality of development projects due to poor targeting, high per unit costs and low completion rates, weak accounting systems, inadequate and at times lack of monitoring and evaluating systems and failure to develop management information systems. The paper concluded that, MTEF was a powerful tool if fully implemented and adopted as the best practice. However that resource allocation and implementation is flawed citing the following reasons, there was lack of a comprehensive development strategy that were based on realistic national resource constraints, excessive size of the government, failure to achieve aggregate fiscal discipline and poor quality of public expenditure.

Muleri (2001) did a study on budgeting practices in NGO in Kenya. The aim of the study was to establish effectiveness of budgeting practices among British NGOs in Kenya. The researcher looked at the concept from a different point of view and founds that most organization used

modern practices as zero based and philosophies to reduce financial mismanagement. The researcher observed that, there is a limitation on budgeting process which leads to cost cutting to achieve cost effectiveness, there is lack of solid base to enforce budgetary controls as a motivator and concluded that although profit was the main indicator of performance in public sector, budget management should be measured against the background of sound financial policies. The researcher concluded that budgeting is well accepted in evaluation and generally used to communicate plans and operations.

Wamae (2008) did a study was on challenges of budgeting at NSSF. The aim of the study was to establish the challenges of budgeting process and the challenges faced when drawing up a budget to be used by an organization and how organization can effectively face the budgeting challenges. The population constituted nine (9) boards of directors and sixteen (16) senior managers at NSSF who were concerned with budgeting issues at the organization. The researcher collected data by use of questionnaire, observation and interviews as main instrument of data collection. From the study the researcher found that that the organization faced challenges when drawing up budget and the biggest challenge included on commitment, various head of department did not take budget seriously leading to giving ambitious budgets which would end up not achieving target, leading to complaints from the board. The researcher concluded that budgeting was very effective at NSSF as they served their purpose assisting in control, used as a means by which management communicates to others level of department. The Researcher added that the process of budgeting at NSSF faced some challenges which were inability to achieve the required value of business, inadequate authority to spend despite allocation, cost inflation, poor participation and poor co-ordination of the exercise. The

researcher recommends, that all units in the organization should be involved in the budget preparation and enough time is allocated to prepare.

Kigochi (2008) did a study on Survey of operational Budgeting Challenges, in the insurance Industry in Kenya. The study surveyed the challenges of operational budgeting system in the insurance industry in Kenya. The study sought to bring out the challenges in formulating operational budgets in the insurance industry in Kenya and to propose solutions to the major challenges. The objectives of the study were to determine the challenges faced when formulating an operational budget in the insurance industry in Kenya and also to establish the effectiveness of those operational budgets. This study was descriptive in nature and the researcher used the survey method. The population of this study consisted of 42 currently licensed insurance companies in Kenya. Data for the study was collected using a structured questionnaire. The data collected was then analysed with the help of Excel Spreadsheets. From the findings, the researcher found that operational budgets were effective in the insurance industry as they served their purpose of forecasting the future, assisted in control, acted as a means by which management communicates to other levels of department, acted as a means of performance appraisal and also it motivated employees to do better. The study also found that the challenges faced when formulating the operational budgets were inability to achieve the required value of new business, management of acquisition and maintenance costs, time constraints, desire for comfort budgets, lack of continuity in the committee, competence levels of budgeting teams, non-adherence to the laid down budgets by departments, lack of adequate authority to spend despite allocation, non-achievement of the main top line income earners, cost fluctuation or inflation on costs, lack or poor participation, poor coordination of the exercise,

measurement of some factors was difficult (estimations) and at times it is inflexible to changes/adjustments and also it was expensive as a control/monitoring tool.

Obulemire (2006), did a study on survey of budget practices in secondary schools. The study aim was to look at benefits of budgeting by Public Secondary Schools Managers and to establish factors that secondary school consider when undertaking a budgetary process. The study established that most secondary schools do not have a strategic plan to guide them towards achievement of both long-term and short term objectives. The head of schools had received training in financial management on preparing budgets and the commonly prepared budget was income and expenditure budget with only a few schools preparing the cash budget and long term assets acquisition budget, despite the fact that most of them had incurred expenditure on long term investments. He notes that, there is lack of a solid base to enforce budgetary approach. The research finding concluded that activity based accounting was commonly used, but this could not be proved if it is actually done based on the principal of ABB.

2.15 Conclusion

Several researchers emphasized that budgeting can be related to other aspect of management accounting, such as cost accounting, resource allocation, responsibility accounting, decision-making and performance measurement and with multiple purpose, like controlling, communication, coordinating, allocating resources motivating employees and management (Covaleski et al,2003) support this relation, The purpose of a budget system is to serve the needs of managers in respect of the judgment and decisions its required and to provide a basis for the management functions of planning and control.

For many years institutions have operated a budgetary control system. This management accounting technique has been enormously successful yet during the last few years there have been signs of firms moving away from traditional budgeting, huge multinational organizations based in Europe are examples of the trend. They believe there is more to measuring and controlling business performance than can be expressed by traditional budget. The main influence on their thinking is the accelerating rate of change in the business environment. Which is not only changing but changing faster and faster as times moves on. Budget tends to reinforce the 'old' way of doing things. Budget managers have many other responsibilities pressing on them when the budget preparation is imminent.

To reflect changing circumstances, changes may need to be made, but this would have to be approved at a high level which would take considerable time and effort. The normal efficient approach to this situation is to use the same form as last year to meet the deadline and get on with the next task. Over the year's budget format becomes more and more divorced from reality and less effective in improving performance. Having said this budget is still very effective and necessary instrument of control for the vast majority of institutions. If budgets were removed without something better being put in place, the institution would almost certainly start to deteriorate (Ray, 2009). This study contributes to literature as prior studies have researched on effectiveness of budget. The studies combine the multiple roles of budget in planning, control, coordination, communication and decision making.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology used in the collection of data. This chapter specified the research design, data collection methods, data collection procedures and data analysis, data validity and reliability used.

3.2 Research design

This was the methods and procedures used in gathering information required to answer the research questions. The researcher used a descriptive study. A descriptive study enabled accurate profile of persons, events or situations to be collected. In the past several researchers had employed descriptive technique, this include Mawathe (2008), carried out a study on challenges of cash budget implementation case of commercial bank. Descriptive study aimed at finding out the what, where and how of a phenomenon. The method attempted to collect data from members of a population and described existing phenomenon by asking individuals the challenges in budget implementation.

3.3 Data collection method

The researcher used both primary and secondary method of collecting data. A questionnaire was used to collect primarily data. In order to identify the challenges in budget implementation at UoN self administered drop and pick questionnaire were distributed to employees involved in the budget process. This enabled the researcher to get adequate and accurate information from people with the experience. The researcher used structured questionnaires as the main data collection instrument. The questions had both open and closed end questions. The close end questions provided more structured responses and open ended questions provide more

information not covered in the questionnaire. The respondents constituted Eight (8) Administrators, six (6) Bursars from the colleges of the university, eight (8) senior representative members of the budget Committee from Finance, Eleven (11) staff in finance and administration involved in budget preparation. The data was collected exhaustively to get as much information from staffs that had experience in the preparation and implementation of budget at UoN.

The secondary data sources were used to supplement the data received from questionnaire. The secondary data was obtained from UoN annual budget 2010/2011, Public expenditure review, budget for the period 2010/2011 and Medium Term Expenditure Framework (MTEF) 2010/2013, Performance Contract reports which were used by UoN to evaluate the department, the estimates of recurrent expenditure of the government of Kenya which has the allocated fund to the institutions.

3.4 Data analysis method

Before processing the responses, the completed questionnaire was edited for completeness and consistency. A content analysis and descriptive analysis was used. Content analysis was used to analyze the respondent views about challenges in budget implementation. The data was processed and grouped into categories. Descriptive analysis was used mainly to summarize the data collected. The data was edited for accuracy, uniformity, completeness and arranged for coding.

A computer programme SPSS version 17 was used to analyze the content analysis where some opinions beyond the structured questions were analyzed. SPSS is a computer package that can be used to generate frequencies, descriptive statistics, tables and graphs. The data was presented using statistical measures pie charts, bar graphs, frequency tables and graphical presentations.

3.5 Data reliability and validity

The data collected could be relied upon for reliability and validity. The data was collected from people who have been involved in the Budget preparation at UoN. Other source of information was historical record which was kept by the institution and was reputed to be good because the researcher could quote the source so that reader could seek for more information if necessary. The extent to which results are consistent over time and accurate representation of the total population under study could be repeated more than once and reproduce similar results, the data could be referred to be reliable. Validity determines whether the research truly measures what it was intended to measure or how truthful the research results were. Does the research instrument answer the research problem? (Joppe, 2000). A pilot test was done on some staff to ensure the validity of the data. The research instruments were pre-tested to confirm that they would serve the intended purpose before they were used fully to collect data. The pre- testing was done in three (3) departments which were excluded from the study sample. This was done to ensure reliability of the data collection tool. In a case study the pretest would form a good base upon which amendments to the questionnaire would be made. After the pretest, the questionnaire was appropriately amended.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. To enhance quality of data obtained, Likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point Likert scale. The data has been presented in form of quantitative, qualitative followed by discussions of the data results. The chapter concludes with critical analysis of the findings.

4.1 Respondents' demographic characteristics.

4.1.1 Gender

The study in this section aimed at establishing the gender. Majority of the respondents were males comprising 86 percent while 14 percent were females.

Table 4.1 Gender

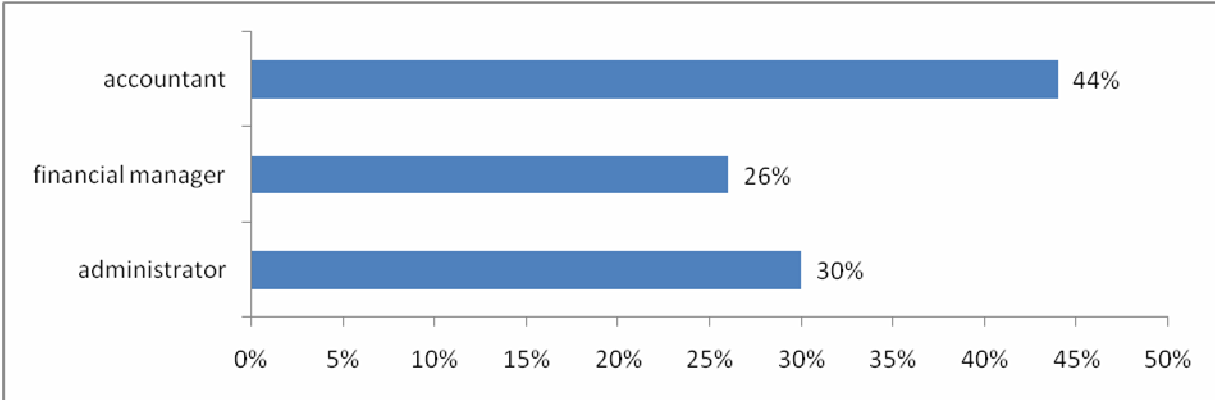
	Frequency	Percent
Male	24	85.7
Female	4	14.3
Total	28	100.0

Source: Research Data, 2010

4.1.2 Financial position

The study inquired on the financial position of the respondents. Results revealed in figure 4.1 showed that a majority of the respondents were accountants comprising 44 percent while 30 percent were administrators. Only 26 percent were financial managers.

Figure 4.1 Financial position



Source: Research Data, 2010

4.1.3 Length of time in the institution

In this section, the study aimed at establishing the length of time the respondents had worked in the institution. Data revealed in table 4.2 shows that most of the respondents had worked for a period of ten to twenty years comprising 36 percent while 29 percent had worked for a period of below ten years. 28 percent had worked for a period of twenty one to thirty years while only 7 percent had worked for a period of thirty years and above.

Table 4.2 Length of time in the institution

	Frequency	Percent
Below ten years	8	29
Ten-twenty years	10	36
Twenty one-thirty years	8	28
Thirty years and above	2	7
Total	28	100

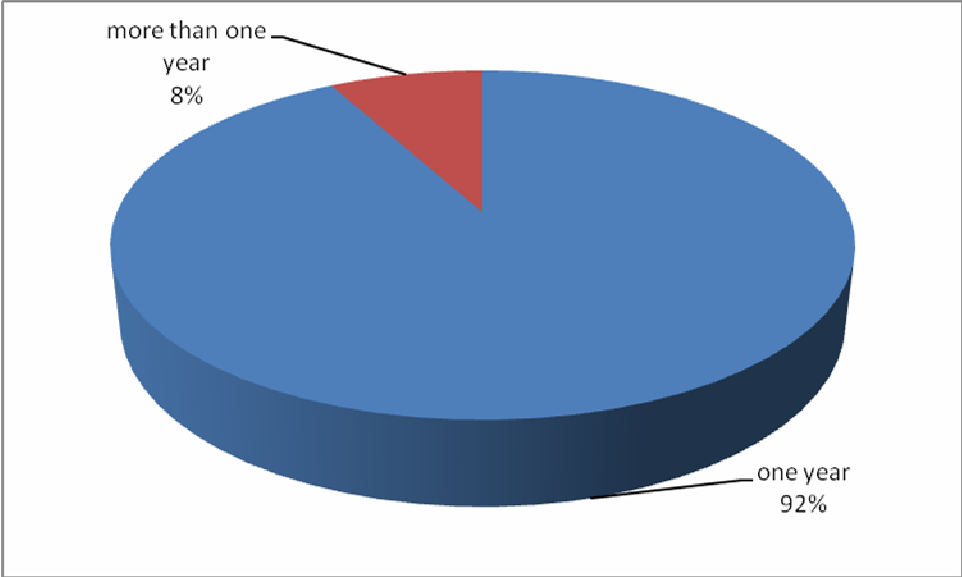
Source: Research Data, 2010

4.2 Budgeting in University of Nairobi

4.2.1 Time dimension UoN budget covers

The study went further to inquire on the time dimension that UoN budget covers. Results depicted in figure 4.2 showed that majority of the respondents cited that the UoN budget covered a one year time budget comprising 92 percent while 8 percent cited that the UoN budget covered more than one year as the time dimension.

Figure 4.2 Time dimension UoN budget covers



Source: Research Data, 2010

4.2.2 Whether the budget process at UoN takes appropriate time duration to prepare

The study in this section inquired the respondents view on whether the budget process at UoN took appropriate time duration to prepare. Results from table 4.3 revealed that most respondents agreed that the budget process at UoN took appropriate time duration to prepare comprising 78 percent while 22 percent disagreed.

Table 4.3 Whether the budget process at UoN takes appropriate time duration to prepare

	Frequency	Percent
Yes	22	78
No	6	22
Total	28	100

Source: Research Data, 2010

4.2.3 Persons responsible for making final decision on budget proposals

This section aimed at establishing the persons that were responsible for making final decision on budget proposals. Findings from the study revealed that the main persons responsible for making final decision on budget proposals were top management comprising 64 percent while 29 percent cited that the budget committee was responsible for making final decision on budget proposals.

Table 4.4 Persons responsible for making final decision on budget proposals

	Frequency	Percent
Top management	18	64
Budget committee	8	29
Other	2	7
Total	28	100

Source: Research Data, 2010

4.3 Budget preparation

In this section, the aim was to establish the respondents view on budget preparation. Results from table 4.5 showed that majority of the respondents agreed that budgets were used to forecast future and therefore good for planning shown by a mean of 1.50, budgets were used to control measures shown by a mean of 1.96, and that budgets were used to communicate to other levels in the departments shown by a mean of 2.25. The least cited statement on budget

preparation was that budgets were used to motivate employees to do better as was shown by a high mean of 3.39.

Table 4.5 Budget preparation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	SD
Budgets are used to forecast future and therefore good for planning	77%	11%	2%	4%	7%	1.50	1.17063
Budget are used to control measures	44%	37%	7%	1%	11%	1.96	1.25519
They are used to communicate to other levels in the departments	30%	33%	22%	11%	4%	2.25	1.12976
They are used to judge performance of the users	29%	25%	11%	25%	11%	2.64	1.41981
They are used to motivate employees to do better	7%	21%	18%	32%	21%	3.39	1.25725
Budgets are used as a means by which management communicates to other levels of department	14%	36%	21%	21%	7%	2.71	1.1818

Source: Research Data, 2010

4.4 Budget implementation

The study went further to inquire on the respondents views on budget implementation. Findings from the study revealed that majority of the respondents agreed that planning was important to the success of budget implementation as was shown by a mean of 1.64, the management can be able to overcome the challenges of budget implementation shown by a mean of 1.89, co-ordination among the various departments during budget execution is achieved shown by a mean of 2.67 and that there is proper communication during the process of budget preparation shown by a mean of 2.74.

Table 4.6 Budget implementation

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
The institution issue budget guidelines prior to preparing budgets	21%	18%	32%	14%	14%	2.82	1.33
All staff participates in budget preparation and discussion within their department	7%	11%	11%	54%	18%	3.64	1.12
Planning is important to the success of budget implementation	71%	11%	7%	4%	7%	1.64	1.22
There is proper communication during the process of budget preparation	15%	33%	15%	36%	1%	2.74	1.12
Leadership provided to the subordinate managers during execution is effective	4%	32%	25%	36%	4%	3.03	.999
Co-ordination among the various departments during budget execution is achieved	11%	43%	21%	18%	7%	2.67	1.12
The management can be able to overcome the challenges of budget implementation	32%	57%	4%	4%	4%	1.89	.989

Source: Research Data, 2010

4.5 Challenges in budget implementation

This section aimed at establishing the respondents view on the challenges of budget implementation. Findings from the study revealed that most respondents agreed that insufficient funds allocated to department affected budget implementation shown by a mean of 2.11,

institutional weakness could hinder effective budget implementation shown by a mean of 2.14, the method used to allocate funds to user department is unsatisfactory shown by a mean of 2.23, in some period budget include unattainable targets or standards shown by a mean of 2.33 and that the budget contained uncertainty which hinders effective implementation shown by a mean of 2.50. The least cited statement on challenges of budget implementation was that there may be tendency by user department to adhere to budget to comply to institution requirement shown by a mean of 3.74.

Table 4.7 Challenges in budget implementation

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Insufficient funds allocated to department affect budget implementation	41%	33%	7%	11%	7%	2.11	.345
Institutional weakness could hinder effective budget implementation	32%	46%	7%	4%	10%	2.14	.456
The method used to allocate funds to user department is unsatisfactory	19%	30%	7%	30%	15%	2.23	.465
In some period budget include	22%	48%	11%	11%	7%	2.33	.434

unattainable targets or standards							
The budget contain uncertainty which hinders effective implementation	10%	50%	21%	14%	4%	2.50	.546
New reforms in budgeting guidelines keep on changing and come with new set of rules which take time to learn and can be a challenge to budget implementation	22%	26%	19%	30%	4%	2.66	.577
Inability of users department to utilize the allocated funds hinders effective implementation of budget	18%	39%	14%	14%	14%	2.67	.657
Budget variances hinder effective budget implementation	18%	32%	21%	18%	11%	2.71	.9898
The budget	11%	14%	14%	43%	18%	2.92	.656

process is time consuming and expensive and may become volatile before implementation							
The budget process is routine and lack meaning	7%	11%	11%	41%	30%	3.74	.455
There may be tendency by user department to adhere to budget to comply to institution requirement	22%	59%	7%	1%	11%	3.84	.7687

Source: Research Data, 2010

4.6 Summary of findings and implications

The study revealed that a majority of the respondents were males comprising 86 percent while 14 percent were females. In addition, most of the respondents were accountants comprising 44 percent while 30 percent were administrators. Only 26 percent were financial managers. In addition, most of the respondents had worked for a period of ten to twenty years comprising 36 percent while 29 percent had worked for a period of below ten years. 28 percent had worked for a period of twenty one to thirty years.

On the topic of the time dimension UoN budget covered, the study revealed that majority of the respondents cited that the UoN budget covered a one year time budget comprising 92 percent while 8 percent cited that the UoN budget covered more than one year as the time dimension.

The study further revealed that the budget process at UoN took appropriate time duration to prepare.

On the issue of persons that were responsible for making final decision on budget proposals, the study revealed that the main persons responsible for making final decision on budget proposals were top management comprising 64 percent while 29 percent cited that the budget committee was responsible for making final decision on budget proposals.

On the area of budget preparation, majority of the respondents agreed that budgets were used to forecast future and therefore good for planning shown by a mean of 1.50, budgets were used to control measures shown by a mean of 1.96, and that budgets were used to communicate to other levels in the departments shown by a mean of 2.25. The least cited statement on budget preparation was that budgets were used to motivate employees to do better as was shown by a high mean of 3.39.

On the topic of budget implementation, majority of the respondents agreed that planning was important to the success of budget implementation as was shown by a mean of 1.64, the management can be able to overcome the challenges of budget implementation shown by a mean of 1.89, co-ordination among the various departments during budget execution is achieved shown by a mean of 2.67 and that there is proper communication during the process of budget preparation shown by a mean of 2.74.

On the issue of challenges in budget implementation, the study revealed that most respondents agreed that insufficient funds allocated to department affect budget implementation shown by a mean of 2.11, institutional weakness could hinder effective budget implementation shown by a mean of 2.14, the method used to allocate funds to user department is unsatisfactory shown by a

mean of 2.23, in some period budget include unattainable targets or standards shown by a mean of 2.33 and that the budget contained uncertainty which hinders effective implementation shown by a mean of 2.50. The least cited statement on challenges of budget implementation was that there may be tendency by user department to adhere to budget to comply to institution requirement shown by a mean of 3.74.

The findings of this study have implications to the University of Nairobi management. From the results in chapter four of this study, the management has to beware of the challenges it has to go through in their quest to implement the budgets. Since not all relevant individuals are involved in the process, implementation of budgets is bound to meet opposition from the disgruntled parties. The university should ensure that no one feels left out, especially those that are directly responsible for their implementation. The institution should also issue proper budget preparation and implementation guideline to the relevant staffs who oversee the budget implementation.

These implications also extend to the departments in various colleges of the university as the factors that facilitate budget implementation have been identified in this study and it is upon the college heads and departmental heads to effectively employ the best policies during budget preparation.

The findings are also beneficial to the Kenyan Government in its provision and supervision of budget implementation by public universities in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECCOMENDATIONS

From the data collected and data analysis the following conclusions, recommendation and suggestions for further research were made.

5.1 Summary

This study focused on the factors that influence budget implementation in public universities in Kenya, a case study of University of Nairobi. The study gives an overview of the institution and the budget process it has adopted. The study looked at some of the factors that influence budget implementation in public universities which included planning, controlling, communication and budget participation, reforms in budgets and constraints in budget implementation.

To achieve the objectives of the study, primary data was collected by use of questionnaire. A descriptive study was used to collect data. The questions had both open and closed end questions. The close end questions provided more structured responses and open ended questions provide more information not covered in the questionnaire. The respondents constituted Eight (8) Administrators, six (6) Bursars from the colleges of the university, eight (8) senior representative members of the budget Committee from Finance, Eleven (11) staff in finance and administration involved in budget preparation. The data was collected exhaustively to get as much information from staffs that had experience in the preparation and implementation of budget at UoN. Data relating to budget implementation and other aspects of the budget process was gathered and analyzed.

The study established the challenges encountered in budget implementation. The challenges as found out included insufficient funds, institutional weakness, the method used to allocate budget

was unsatisfactory and budget included unattainable targets. The study further found out that the institutions used the budget to serves the multiple roles of planning, controlling coordination and communication. The study established that participation in budget preparation is another important issue because it reflects degree of consensus and ownership from the persons involved.

After the study, it was recommended that the institution should strive to address the above challenges with a view to introducing changes that will create an enabling environment for proper implementation of the budget and the process thereof. Similar studies should be extended to other industries in the region.

5.2 Conclusions

The study concludes that University of Nairobi has budget preparation procedures but they are not efficient. One of the objectives of the study was to establish the challenges affecting institution in implementing budget. From the finding the staffs seem not to be sure whether guidelines are issued prior to preparing the budget. The study shows the user could adhere to budget to comply with the institution requirement without the initiative to understand the reason they were preparing the budget.

The study further concludes that University of Nairobi faces various challenges in budget implementation. The major challenge is reduced revenue leading to shortage of available resource for its operation. These has lead to institution to reduce the request made by user department which hindered effective budget implementation and the methods used to reduce the request from user department were unsatisfactory.

The institution did not involve all the staff in budget preparation. It could be deduced that the budget do not involve the users who are involved with day to day operation of the budget and could have vital information which could lead to better decision if they were taken into account in budget preparation. The acknowledgement that budget have a role to play in the organization is an important factor that helps in budget implementation.

5.3 Policy Recommendations

The study recommends that for University of Nairobi to curb challenges in budget implementation there is need for procedures and guidelines in the allocation of funds and operational implementation policies. For successful implementation of the budget, it requires the institution to train its staff on the process involved in budget preparation and key factors they should take into account when making proposals. A budget process that is well understood proves to be practical and will be good for planning hence reduce resistance in budget implementation. A detailed action plan need to be identified and the programmes to be undertaken in the training. One format should be adopted which should be circulated to functional managers who are in charge of departmental operation.

There seems to be existence of a budget committee but not all staff is aware of their existence. The budget committee needs to be more vibrant in their role and not only be convened when budget time comes. The budget committee should understand the user department needs and challenges they faced. Before adjusting user request they should ask functional managers to justify their budget before it is modified. This will make the user department to understand the reason why budget proposal were not approved as request by the budget committee.

There was broad agreement among the respondent regarding the budget being used to forecast the future and good for planning. Disagreement existed with the budget being used to motivate the employees to do better. Some of the respondents were very critical about motivation provided in their organizations. Furthermore, in the implementation of budgets, motivating the staff, good leadership during budget preparation and coordination are the most important factors for the success of budget implementation. . The institution should introduce mechanism which motivates staff while performing their duty. Budgets which are well conceived and well implemented could motivate staff to do better and reduce challenge in budget.

5.4 Limitations of the study

The findings of this study, however, should be considered in the light of their limitations. The researcher could not get responses from the top executive of the University who are key decision makers in the budget approvals. The researcher was forced to use head of department and Administrators to fill in the questionnaire which might have compromised the level of responses.

There was limitation on resources and time available to carry out the research. The researcher used a lot of money on stationery, transport from one college to another and several visits were made to the respondent to check if they had finished filling in the questionnaire,

Another limitation was secrecy of the institution documents. Every company has its code of ethics that restricts staff to divulge confidential information to the public. The research was constrained since detailed information on the extent to which the decision of management could have affected the budget could not be disclosed.

5.5 Suggestion for further research

This study focused on investigating the challenges of implementing budget at University of Nairobi. A similar study should be undertaken focusing on other related institution. The respondent should be broadened to include not only middle manager but top level manager of the institution.

This research study has given attention to challenges facing public institution in public University in implementing budgets. A study can be carried out comparing and contrasting public and private University highlighting the budget issues, finance and management of budget in this institution.

A further research can be carried out on the influence of budget participation on the University performance. The impact of participative budget on outcomes variables, such as job performance, job satisfaction and employee effort. A link could be done, to establish the participation of subordinate managers in the budget process could lead to greater understanding of budgets and reduce the challenges of implementation of budgets

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Appendix I

LETTER OF INTRODUCTION

Dear respondent,

MBA RESEARCH ON CHALLENGES OF BUDGET IMPLEMENTATION AT UNIVERSITY OF NAIROBI

I am a postgraduate student at the School of business, University of Nairobi. Am carrying out a research proposal, on the challenges facing public institution in implementing budget. The topic of the research is challenges of budget implementation in public institution: A case study of University of Nairobi.

To undertake this study your feedback and suggestion is highly recommended. I kindly request you assist filling in the attached Questionnaire.

The Information you give will be treated with strict confidence and will be used for academic purpose only.

Your assistance toward this is highly appreciated.

Thank you

Elizabeth W. Gachithi
MBA Student University of Nairobi

Appendix II

Questionnaire

Kindly answer the following questions by ticking the appropriate box: []

PART A: GENERAL INFORMATION

1. What is your gender?
Male [] Female []

2. What is your functional position?
Administrator []
Financial Manager []
Accountant []
Other specify []

3. What is the Length of time you have worked with the institution?
Below 10 years []
10 -20 years []
21 -30 years []
30 years and above []

4. What is the time dimension does the UoN budget covers?
3 months []
6 months []
1 year []
More than 1 year []

5. Do you think the budget process at Uon takes appropriate time duration to prepare?
Yes [] No []

6. Who makes the final decision on budget proposals?
Top Management []

Budget Committee []

Finance Manager []

Other specify []

PART B: SPECIFIC QUESTION TO RESEARCH

6. BUDGET PREPARATION

Budgets have a number of purpose, indicate how important you think that each of the following is relevant for the institution in budget preparation

Using a rating scale of 1 to 5 please indicate the importance of the statement on the budget preparation:-

Strongly agree Agree Neutral Disagree strongly disagree

5 4 3 2 1

	5	4	3	2	1
	5	4	3	2	1
Budget are used to forecast the future and therefore good for planning					
Budget are used to control resources					
They are used to communicate to other levels in the departments					
They are used to judge performance of the users					
They are used to motivate employees to do better					
Budget are used as a means by which management communicates to other levels of department					

7. BUDGET IMPLEMENTATION

Using a rating scale of 1 to 5 please indicate the importance of the statement on the budget implementation:-

Strongly agree Agree Neutral Disagree strongly disagree

5 4 3 2 1

	5	4	3	2	1
	5	4	3	2	1
The institution issue budget guidelines prior to preparing budgets					
All staff participates in budget preparation and discussion within their department					
Planning is important to the success of budget implementation					

There is proper communication during the process of budget preparation					
Leadership provided to the subordinate managers during budget execution is effective					
Coordination among the various departments during budget execution is achieved					
The management can be able to overcome the challenges of budget implementation					

8. CHALLENGES IN BUDGET IMPLEMENTATION

Using a rating scale of 1 to 5 please indicate the importance of the statement on the challenges of budget implementation:-

Strongly agree **Agree** **Neutral** **Disagree** **strongly disagree**
5 **4** **3** **2** **1**

	5	4	3	2	1
Budget variances hinder effective budget implementation					
In some period budget include unattainable targets or standards					
The budget contain uncertainty which hinders effective implementation					
Insufficient funds allocated to department affect budget implementation					
Inability of user department to utilize the allocated funds hinders effective implementation of budget					
Institutional weakness could hinder effective budget implementation					
The budget process is routine and lack meaning					
The method used to allocate funds to user department is unsatisfactory					
The budget process is time consuming and expensive and may become volatile before implementation					
There may be tendency by user department to adhere to budget just to comply to institution requirement					
New reforms in budgeting guidelines keep on changing and come with new set of rules which take time to learn and can be a challenge to budget implementation					

(Any additional comments you would like to provide on budgeting)

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Thank you for your time and cooperation