BUDGETING PRACTICES AND CHALLENGES IN DAIRY CO-OPERATIVE SOCIETIES IN KENYA

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DECLARATION

This Project is my original work and has not been submitted for a degree in any other university.

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This project has been submitted for examination with my approval as a university supervisor.

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DEDICATION

I dedicate this work to the Lord God Almighty who generously provided me with good health and all the resources I required during my period of study. I also dedicate it to my wife Grace, my daughter Joy and son Praise, for their encouragement, support, patience and perseverance throughout the course.
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Thanks to all my lecturers in all the subjects for delivering learning with all the humour which made it a joy to learn. Thanks to my colleagues for often taking me as a team member in the various assignments and sharing the workload together.

A number of people contributed to the success of this research paper. My sincere thanks go to many people who helped me directly and indirectly with the preparation of the research project particularly the respondents who made time to answer the lengthy questionnaire.
ABSTRACT

Poor financial performance in business is attributed to poor business planning, unrealistic and conflicting goals and targets, absence of stringent monitoring and evaluation of activities. However, through effective budgeting and stringent budgetary control process, these activities can be efficiently and effectively managed. The situation amongst the dairy co-operative societies in Kenya is not different and more often we have had various co-operatives close down due to poor financial management.

The objectives of the study were to establish the budgeting practices and challenges facing dairy co-operative societies in Kenya. The study targeted a sample of 35 dairy farmers’ co-operative societies in Central province out of whom 31 responded giving a response rate of 88.5%.

From the findings, the study established that 83.9% of the dairy co-operative societies considered budgeting as very important to their success. The study also established that all societies undertook some initial preparations and analysis before undertaking the budget process. However, it was also established that 25% of the societies did not prepare cash budgets, 74% did not prepare budget for acquisition of fixed assets and 54% did not prepare income and expenditure budget. The study also established that the production managers and Sales Managers were not fully involved in budgeting hence compromising the completeness and usefulness of the process. The study also established that the budgeting tools mostly used in dairy co-operative society was the budget committee, followed by budget manual and interdepartmental discussion groups in that order. The study also established that 77.4% of the dairy co-operative societies did not educate their budget officers in the area of budgeting and that 93.5% of the dairy co-operative societies used addition of some percentage on the previous years budget as an approach to budgeting, while justification of all costs as if programs was in use in 51.6% of the societies. Standards to compare with actual total cost per litre of milk sold were not in use in 45.2% of the co-operatives societies. Negotiation of budgets between higher level managers and departmental heads and communication of budget information down to lower level employees was done by nearly all the dairy co-operative societies. Escalation of costs beyond anticipation was the greatest challenge faced by the dairy co-operative societies. Other challenges facing them are lack of education for all involved, lack of participation by all individuals and budget complexity.
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LIST OF ABBREVIATIONS

ABB: Activity Based Budgeting

CIMA: Chartered Institute of Management Accounting

KCC: Kenya Co-operative Creameries

KDB: Kenya Dairy Board

PPBS: Planning Programming and Budgeting Systems

USA: United States of America

ZBB: Zero-Based Budgeting
CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Background of the study

Lucey (2002) defines a budget as a quantitative statement, for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows. A budget provides a focus for the organization aids the co-ordination of activities and facilitates control. Planning is achieved by means of a fixed master budget, whereas control is generally exercised through the comparison of actual costs with a flexible budget. Budgets maybe prepared for the business as a whole, for departments, for functions such as sales and production, or for financial and resource items such as cash, capital expenditure, manpower purchases etc. The process of preparing and agreeing budgets is a means of translating the overall objectives of the organization into detailed, feasible plans of action.

The budgetary process is an integral part of both planning and control. Too often budgets are associated with negative, penny-pinching control activities whereas the full process is much broader and more positive than that. Budgeting is about making plans for the future, implementing those plans and monitoring activities to see whether they conform to the plan. The key features of a sound budgetary system include frequent feedback on performance, flexible budgeting, availability of monetary and non-monetary incentives to motivate those involved in the budgeting process, participative budgeting, setting of realistic standards, controllability of the budgetary process and the use of multiple measures of performance (Hansen et al 1998).

According to Lucey (1995), some organizations do not obtain the range of possible advantages of budgeting because their budgeting systems are narrowly conceived. Marron (2006) highlighted the formidable budgeting challenges that face managers as how they should account for long-term obligations, how they should budget for them and how they should communicate them. Ndiritu (2007) concluded that although cash budget, as a management and control tool, was in place in Telkom (K) Limited, it was not effective in improving the management of cash. Mbaru (2005) found out that, there is a huge gap between budgets and actual expenditure in
Bamburi Special Products Limited. Osoro (2001) stressed that budgetary practices in relief organizations are clearly different from development organizations due to differences in donor funding and reporting requirements. The study revealed that more stringent controls exists in relief programs than in development ones. Muleri (2004) concluded that financial mismanagement in the development programs (Non Governmental organizations) is never taken too seriously. Obulemire (2006) found out that, public schools in Nairobi use budgets mostly to implement short-term operational plans with majority of the long-term plans being implemented without prior budgets.

Kenya’s agricultural policies have been changing over the years as stipulated in the various national development plans and sessional papers. Common themes in Kenya's agricultural policy have included increased food supply, security and self sufficiency, growth in agricultural employment, expansion in exports, resource conservation and poverty eradication. The release of the Swynnerton Plan in 1954 was a significant policy change that permitted indigenous Kenyan's to engage in commercial Dairy farming and strengthened marketing of farm produce by small scale farmers. These efforts saw the emergence of cooperatives and other agencies for the marketing of agricultural produce. The Dairy Industry Act was enacted in 1958 mainly to protect market interests of the then expanding large scale commercial dairy enterprises besides the need for a statutory body to enable continued and orderly marketing of dairy produce of improved quality. The dairy produce market was segregated into scheduled (urban or formal) and non-scheduled (rural or informal) categories with Kenya Co-operative Creameries (K.C.C.) being appointed as the sole agent of Kenya Dairy Board to carry out the marketing of dairy produce in scheduled areas.

The immediate post independence period saw a major land transformation exercise in the form of acquisition, subdivision and redistribution of the hitherto large scale settler owned agricultural farms. This period also caused a major shift in dairy farming, resulting in sharp drop in the cattle population in large scale farms and smallholders engaging and playing a more significant role in dairying. This trend has continued and currently approximately 625,000 smallholders produce an estimated 60% of Kenya's milk supply. In an effort to further streamline the sub sector, the government appointed a commission of inquiry on dairy development (The Kibaki Commission)
whose recommendations included abolition of the contracted milk quotas and opening up of K.C.C. to all farmers, provided milk supplied was of acceptable quality. Consequently K.C.C. became a guaranteed market to all raw milk and buyer of last resort enjoying unlimited government support. The growth in smallholder participation was the result of a deliberate government effort to build a strong dairy sector through the provision of highly subsidized animal health, production and breeding services. By 1980's the interventionist polices that centered on subsidized consumption and production services were rapidly becoming unsustainable resulting in the introduction of cost sharing measures. Specific policy actions included price decontrols, liberalization of marketing divestiture, commercialization and privatization of dairy support service. It was recommended that K.C.C. be opened for competition by allowing private sector entrepreneurs' participation in milk processing and marketing.

Despite a Dairy Development Policy, the onset of liberalization almost brought K.C.C. to a near collapse owing to the emergency of new players in the industry. A number of dairy co-operative societies in Kenya have in the recent past been crippled by financial mismanagement resulting to losses to dairy farmers. These include the collapse of the former Wangige Dairy Co-operative Society and the former Gatanga Dairy Co-operative society leading to losses to dairy farmers due to unpaid raw milk deliveries (KDB 2009). Kenya is largely self sufficient in milk production except during dry weather spells. Currently the production stands at 3.2 billion liters per annum. Though this is sufficient for domestic consumption, a lot more is required for the export market (KDB 2009).

After liberalization Kenya Dairy Board licensed 52 milk processors. However, only 34 of these are active presently processing 1,000,000 liters per day. However the total inbuilt capacity of Kenyan processors is estimated at 2.5 million liters per day. These processors produce a wide range of products namely Fresh Milk, Yoghurt, Mala, Ice Cream, Cheese, UHT, Powder Milk, Butter, and Ghee. Milk production in Kenya is based mainly on cattle, more so the dairy herd contributing 60% of the total production. Milk is also obtained from camels and goats. Kenya has an estimated cattle population of 13 million heads of which 3.3 million are dairy grade cows and 9.7 million are beef mainly zebu (Karanja 2009).
1.2 Statement of the problem

Kaplan (1992) found out that modern management accounting, a discipline that is expected to ensure that supremacy of the budget as a control and management tool is upheld has never performed to expectations. This discipline has been greatly criticized for producing reports that are too late, too complex, too internal, too distorted and too summarized to assist in decision making. Copeland (2000) noted that poor financial performance in business is attributed to poor business planning, unrealistic and conflicting goals and targets, absence of stringent monitoring and evaluation of activities. However, through effective budgeting and stringent budgetary control process, these activities can be efficiently and effectively managed. It is with this understanding that a lot of interest has developed to find out the situation amongst the dairy co-operative societies in Kenya. According to Garrison (1985) most managers have well-defined thoughts about what they want to accomplish and when they want them accomplished. The difficulty lies in how to communicate their thoughts and plans to others, so as to enable their companies attain the desired objectives.

Managers are faced with a formidable budgeting challenge on how they should account for long-term obligations and how they should budget for them. Communicating their vision to other managers and members of staff and securing their support is another big challenge. Even more challenging is to translate the budgets into actual performance of actual results (Marron 2006). Ndiritu (2007) evaluated how Telkom Kenya Limited has employed a cash budget as a management tool and the effectiveness of cash budgeting in improving the management of cash. Mbaru (2005) investigated the gap between budgets and expenditure in Bamburi Special Products Limited. The two studies revealed existence of many pitfalls with loose controls that make it impossible to use budgetary process to guide and control operations. They also revealed poor coordination between the various operational related departments vested with management of cash. Their findings led to call for stringent budget management practices in the organizations studied. Osoro (2001) and Muleri (2004) studied budgetary control and budgetary practices respectively, in NGOs in Kenya. Osoro (2001) found that budgetary practices in relief organizations are clearly different from development organizations due to differences in donor funding and reporting requirements. The study revealed that more stringent controls exists in
relief programs than in development ones. Muleri (2004) revealed that financial mismanagement in the development programs (Non Governmental organizations) is never taken too seriously. Obulemire (2006) found out that, public schools in Nairobi use budgets mostly to implement short-term operational plans with majority of the long-term plans being implemented without prior budgets. This position is contrary to Mbaru P.S. (2005) findings that confirms existence of capital budgets in Bamburi Special Products Limited, but pointed out that the highest level of achievement was about 7% of Capital budget. The above studies reveal that the practices adopted by various organizations and the challenges of budgeting faced are different. There is need to establish the budgeting practices and the challenges of budgeting in the dairy co-operative societies in Kenya.

1.3 Objectives of the study

The objectives of this study were:

1. To establish the budgeting practices among dairy co-operative societies in Kenya.
2. To establish the challenges of budgeting among dairy co-operative societies in Kenya.

1.4 Significance of the study

The recommendations of this study will benefit government policy makers in policy formulation aimed at enhancing financial management and performance of the dairy sector of the economy. Dairy farmers in the country will also benefit through higher returns to their investment as sound budgetary practice and stringent controls will reduce excessive overhead costs and hence avail a greater proportion of the milk proceeds for payment for milk deliveries. The general public will also enjoy the benefits of higher returns to investment in the dairy sector as more and more people will be encouraged to engage in dairy farming resulting to increased direct and indirect employment. As more people engage themselves in dairy farming, the country will move towards food self sufficiency. This study will also form a basis for academics and further research and knowledge on the subject of budgeting and hence will benefit researchers in the area of budgeting.
CHAPTER TWO  
LITERATURE REVIEW

2.0 Introduction

Budgeting is one of the finance topics that have been extensively studied. This chapter defines budgeting, budgetary control and responsibility centers as outlined by various authors. The chapter also outlines the importance of budgeting, types of budgets, the process of budgeting, disadvantages of budgeting, budgeting challenges and finally reviews some of the empirical studies that have been carried out both locally and worldwide.

2.1 Budgeting, budgetary control and responsibility centers

A budget is a quantitative expression of a proposed plan of action by management for a specified period. It is also an aid to coordinating what needs to be done to implement that plan. A budget generally includes both financial and nonfinancial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period. A financial budget quantifies management's expectations regarding income, cash flows, and financial position. Just as financial statements are prepared for past periods, so can financial statements be prepared for future periods - for example, a budgeted income statement, a budgeted statement of cash flows, and a budgeted balance sheet. Underlying these financial budgets are nonfinancial budgets for say, units manufactured or sold, number of employees, and number of new products being introduced to the marketplace (Horngren et al 2005).

Lucey (2002) defines a budget as a quantitative statement, for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows. A budget provides a focus for the organization, aids the co-ordination of activities and facilitates control. Planning is achieved by means of a fixed master budget, whereas control is generally exercised through the comparison of actual costs with a flexible budget. Budgets may be prepared for the business as a whole, for departments, for functions such as sales and production, or for financial and resource items such as cash, capital expenditure, manpower purchases etc. The process of preparing and
agreeing budgets is a means of translating the overall objectives of the organization into detailed, feasible plans of action.

The budgetary process is an integral part of both planning and control. Too often budgets are associated with negative, penny-pinching control activities whereas the full process is much broader and more positive than that. Budgeting is about making plans for the future, implementing those plans and monitoring activities to see whether they conform to the plan (Lucey 2002). Managers monitor organization functions through responsibility centers. A responsibility center is any functional unit headed by a manager who is responsible for the activities of that unit. These centers comprise of Revenue centers, expense centers, Profit centers and Investment centers (Carter et al, 1997).

2.2 Importance of budgeting

Horngren et al (2005) asserts that budgets are an integral part of management control systems. When administered thoughtfully by managers, budgets promote coordination and communication among subunits within the company, provide a framework for judging performance and motivate managers and other employees.

2.2.1 Coordination

Coordination is meshing and balancing all aspects of production or service and all departments in a company in the best way for the company to meet its goals. Communication is making sure that those goals are understood and accepted by all employees. Coordination forces executives to think of relationships among individual departments and the company as a whole, and across companies (Horngren et al 2005).

2.2.2 Framework for Judging Performance

Plans enable a company’s managers to measure actual performance against budgets. Budgets can overcome two limitations of using past performance as a basis for judging actual results. One limitation is that past results often incorporate past miscues and substandard performance. The other limitation of using past performance is that future conditions can be expected to differ from the past. However, it is important to remember that a company’s budget should not be the only
benchmark used to evaluate performance. Many companies also consider performance relative to peers as well as improvements over prior years. The problem with evaluating performance relative only to a budget is that it creates an incentive for subordinates to set a target that is relatively easy to achieve. Of course managers at all levels recognize this incentive, and therefore they work to make the budget more challenging to achieve for the individuals who report to them. Negotiations occur among managers at each of these levels to understand what is possible and what is not. The budget is the end product of these negotiations (Horngren et al 2005).

2.2.3 Motivating Managers and Other Employees

Research shows that challenging budgets improve employee performance. That is because falling short of budgeted numbers is viewed by employees as failure. Most employees are motivated to work more intensely to avoid failure than to achieve success. As employees get closer to a goal, they work harder to achieve it. Therefore, many executives like to set demanding but achievable goals for their subordinate managers and employees. Creating a little anxiety improves performance, but overly ambitious and unachievable budgets increase anxiety without motivation – that’s because employees see little chance of avoiding failure. General Electric’s former CEO, Jack Welch, describes challenging budgets that subordinates buy into as energizing, motivating, and satisfying for managers and other employees, capable of unleashing out-of-the-box and creative thinking (Horngren et al 2005).

2.2.4 Human aspects of budgeting

According to Lucey (2002) the behavioral aspect of budgeting is of supreme importance but, as with many aspects of human behavior, they are complex, often contradictory and imperfectly understood. Considerable research has been carried out on this aspect of budgeting, but broad generalizations are difficult to make. On one point there does seem to be agreement. That is, that budgeting is not considered by participants as a neutral, objective, purely technical process which is a view adopted by many accountants. The human, subjective aspects cannot be overemphasized and are dealt with below in detail under the following headings: goal congruence, participation, motivation, goal definition and communication.
2.2.5 Goal congruence

The ideal budgeting system is one which encourages goal congruence. This simply means that the goals of individuals and groups should coincide with the goals and objectives of the organization as a whole. This is an ideal that is difficult to achieve completely but recognition must be given to the fact that organizational objectives cannot be imposed through the budgeting system without consideration of the influences of the local group and departmental objectives. There is growing evidence that authority imposed from above is less effective than authority accepted from below and that goal congruence is enhanced when there is a more participative management style rather than the traditional style of management with its emphasis on hierarchy and authority (Lucey 2002).

2.2.6 Participation

Budgets can be imposed by top management upon the budget holders or they may be evolved following participation of budget holders in the budget preparation. Participation promotes common understanding regarding objectives and makes the acceptance of the organizational goals by the individual much more likely. The control process is also assisted by participation of the budget holders into the investigation of solutions to the problems which may arise. If people are genuinely involved they feel part of the team and become more highly motivated. When there is genuine participation in the budgeting the process become known as bottom-up budgeting which is defined by Chartered Institute of Management Accounting as ‘a budgeting system in which all budget holders are given the opportunity to participate in setting their own budgets’ (Lucey 2002).

2.2.7 Motivation

The whole process of budget preparation and subsequent performance evaluation by budgetary control needs to be carried out so as to motivate managers rather than create resentment and adverse reactions. If the process is designed to be participative, encourages initiative and responsibility, is not seen merely as a pressure device, then the motivation of individuals will be strengthened. An emphasis on impossible targets, over emphasis on the short run, imperfectly set and understood objectives will cause motivation to be stifled. Research has shown that
motivation is increased when the reward-penalty system of the organization is consistent with the organization control system of which budgetary control is a primary example. It the control system is seen to be unconnected to the reward-penalty system, (ie, promotions, salary increases, bonuses, 'perks,) then the control system will be perceived to be of little importance by the managers concerned and consequently it will be ignored and so, by inference, will the organization's objectives (Lucey 2002).

2.2.7 Goal definition

In general, people work more efficiently when they have clearly defined targets and objectives. In a perfect world personal goals would coincide with organizational goals so that motivation would be at the highest and targets would be totally accepted and completely defined. Such an ideal is unattainable, but the importance of goal definition and of ensuring that individual aspirations and goals are considered is an important part of enlightened budget preparation. Clearly defined goals, agreed and accepted by the individuals concerned, will encourage goal congruence and increased motivation (Lucey 2002).

2.2.8 Communication

The process of communication, between and across the layers in the organization, is an important factor in all planning and control systems. If any control system, including budgetary control, is not accepted by the people who have to operate it they will hamper and obstruct the flow of information so that realistic planning and control decisions will be difficult to take. Research has shown that frequent, up to date feedback of information to a manager regarding his performance has a motivating effect. Undue delay, inaccurate data, reports containing details of items over which the manager has no control, all reduce motivation and severely restrict the usefulness of the information system (Lucey 2002).
2.3 Types of budgets

2.3.1 Incremental Budgeting

According to Drury (2002) this approach prepares the next annual budget by taking the existing operations and the current budgeted allowance for existing activities as the starting point. The base is then adjusted for changes which are expected to occur during the new budget period. The concern is on incremental operations and expenditure in the next budget period. In this approach past inefficiencies and waste inherent in the current way of doing things are perpetuated.

2.3.2 Activity Based Budgeting (ABB)

ABB aims at managing costs effectively by authorizing supply of only those resources that are needed to perform activities required to meet the budgeted production and sales volume. Cost objects are the starting point. Their budgeted output determines the necessary activities which are then used to estimate the resources that are required for the budget period. It involves; estimating the production and sales volume by individual products and customer, estimating the demand for organizational activities, determining the resources that are required to perform the organizational activities, estimating the quantity of each resource that must be supplied to meet the demand and lastly, taking action to adjust the capacity of resources to match the projected supply (Drury 2004).

2.3.3 Planning Programming and Budgeting Systems (PPBS)

PPBS involves; establishing the overall objective, identifying the programs to achieve these objectives and determining the costs and benefits of each program so that budget allocations are made on the basis of costs and benefits of the different programs. This approach is more applicable in non-profit organizations as it enables management to make more informed decisions about the allocation of resources to meet their objectives (Drury 2004).

2.3.4 Performance Budgeting

Performance budgeting is a system of planning, budgeting, and evaluation that emphasizes the relationship between money budgeted and results expected. Performance budgeting; focuses on
results, holds departments accountable to certain performance standards i.e. there is a greater awareness of what services taxpayers are receiving for their tax dollars, is flexible, often allocate money in lump sums rather than line-item budgets, giving managers the flexibility to determine how best to achieve results, is inclusive and involves policymakers, managers, and often citizens in the budget “discussion” through the development of strategic plans, identification of spending priorities, and evaluation of performance. Performance budgeting also has a long-term perspective by recognizing the relationship between strategic planning and resource allocation and focuses more attention on longer time horizons. Common characteristics of performance budgets include; agency identification of mission, goals, and objectives; Linkage of strategic planning information with the budget; development and integration of performance measures into the budget; and disaggregation of expenditures into very broad areas (such as personnel, operating expenses, and capital outlays) rather than more specific line-items. Jordan and Hackback (1999) defines Performance budgeting as "preparing the budget document with identified performance measures (Alberta 2009)

2.3.5 Zero-Based Budgeting (ZBB)

According Lucey (2002) zero based budgeting is a cost benefit approach whereby it is assumed that the cost allowance for any item is zero, and will remain so until the manager responsible justifies the existence of the cost item and the benefits the expenditure brings. In this way a questioning attitude is developed whereby each cost item and its level has to be justified in relation to the way it helps to meet objectives and how the expenditure benefits the organization. This is a forward looking approach as opposed to the all too common method of extrapolating past activities and costs, which is a feature of the incremental budgeting approach. ZBB was pioneered by P. Phyrr in the United States in the early 1970s and has gained wide acceptance probably because it is a simple idea obviously based on common-sense.

Zero based budgeting is concerned with the evaluation of the costs and benefits of alternatives and, implicit in the technique, is the concept of opportunity cost. approach does require explicit decisions to be made about what priorities the organization thinks are the most important. ZBB can be applied in both profit seeking and non-profit seeking organizations. The technique gained wide publicity when the then President Carter directed that all United States government
departments adopt zero based budgeting. In a manufacturing firm, ZBB is best applied to service and support expenditure including; finance and accounting, production planning and so on. These activities are less easily quantifiable by conventional methods and are more discretionary in nature. Manufacturing costs such as direct materials and labour and production overheads can be more easily controlled by well established methods which compare production outputs with resource inputs rather than using zero based budgeting.

ZBB can successfully be applied on service industries and to a wide range of non-profit seeking organizations. For example, local and central government departments, educational establishments, hospitals and so on. According to Horngren (2002) there are several different types of budgets used by business. These includes; strategic plan, capital budget, master budget, and continuous budgets.

2.3.6 Strategic plan and Capital budget

Strategic plan is the most forward looking budget. It sets out the overall goals and objectives of the organization. The strategic plan leads to long-range planning, which produces forecasted financial statements for five- to ten- year periods. Decisions made during long range planning include addition or deletion of product lines, design and location of new plants, acquisitions of buildings and equipments, and other long term commitments.

Long-range plans are coordinated with capital budgets, which detail the planned expenditures for facilities, equipment, new products, and other long term investments. Long -range plans and budgets give the company direction and goals for the future, while short-term plans and budgets guide day-to-day operations. Managers who pay attention only to short-term budgets will quickly lose sight of long term goals. Similarly, managers who pay attention only to the long-term budgets could wind up mismanaging day-to-day operations. There has to be a happy medium that allows managers to pay attention to their short-term budgets as while still keeping an eye on long term- plans (Horngren 2002).

2.3.7 Master Budget

The master budget is an extensive analysis of the first year of the long-range plan. A master budget summarizes the planned activities of all subunits of an organization- Sales, production,
distribution, and finance. The master budget quantifies target for sales, cost-driver activity. Purchases, production, net income, cash position and any other objective that management specifies. It expresses these amounts in the form of forecasted financial statements and supporting operating schedules. These supporting schedules provide the information that is too highly detailed to appear in the actual financial statements. Thus a master budget is a periodic business plan that includes a coordinated set of detailed operating schedules and financial statements. It includes forecasts of sales, expenses, cash receipts and disbursements and balance sheets (Horngren 2002).

2.3.8 Continuous or Rolling budgets

Continuous or rolling budgets are a very common form of master budgets that simply add a month in the future as the month just ended is dropped. Budgeting thus becomes an ongoing instead of periodic process. Continuous budgets force managers to always thing about the next twelve months, not just the remaining months in a fixed budgeting cycle. As they add a new twelfth month to a continuous budget, managers may update the other eleven months as well. Then, they can compare actual monthly results with both the original plan and the most recently revised plan (Horngren 2002).

2.4. The Budgeting Process

Whitehead and Upson (1982) assert that before operations for a period starts, the budgets are summarized and the details provide information which is used to prepare the master budget. This budget is a forecasted Profit and Loss account and balance sheet. The master budget incorporates the following budgets:

2.4.1 The Sales Budget

The preparation of this budget begins with a sales forecast. It is on this budget that many of the other budgets are based. To develop a sales budget one requires the following data:

(i) Unit sales by product line
(ii) Sales expected in each area or country
(iii) Sales of each month

(iv) Sales to customers or through agents at non-standard prices.

The initial forecast will be in quantities or units which will later be evaluated by using standard or budget prices or, where applicable, non-standard prices.

2.4.2 The production Budget

According to Whitehead and Upson (1982) the production budget is based on the sales budget and this relationship requires a co-ordination of sales and production policy so that sales targets can be aligned with the production capacity of the factory, after allowing for the available stocks and for supplies that can be obtained outside the factory. A production program has to be drawn up which will indicate in terms of the output the hours of work expected from each department and cost centre. The objects are to manufacture the products so that they are available on the dates specified by the customer or the sales department and, at the same time, to maintain a reasonably low level of stocks in order to avoid excessive obsolescence.

2.4.3 The Manufacturing or Production Cost Budget

This budget sets out the allowed expenditure for the output indicated in the production budget. As this is a cost of production budget it is closely linked with the cash budget and the master budget. There are subsidiary budgets for direct materials, direct wages and overhead expenses, and the production budget referred to above could, if desired, be included under the heading of this section. Other types of budgets in the master budget include the selling and Distribution cost budget, the purchasing budget, the cash budget.

2.5 Disadvantages of Budgets

A budget promotes manager’s gamesmanship, knowing they will be reduced, or they are in effect rewarded by getting what they probably really wanted. A budget may reward managers who set modest goals and penalize those who set ambitious goals that are missed. There is judgment and subjectivity in the budgeting process. A budget does not consider quality and customer service. Budgets can be seen as pressure devices imposed by management, thus resulting in bad labor
relations. Budget could result to departmental conflict arising due to disputes over resource allocation, and departments blaming each other if targets are not attained. It is difficult to reconcile personal/individual and corporate goals. Budget could forces managers may overestimate costs so that they will not be blamed in the future should they overspend (website: http://www.accounting-financial-tax.com/2008/07/)

2.6 Challenges of Budgeting

Porter (2008) outlines the challenges of budgeting as emanating from the approach to budgeting where incremental budget increases lead to; budgets that are not focused on the schools system’s current technology requirements, inadequate account management can result in expenditures that are unrelated to the items in the budget approved by the Board of Education, technical staff may not have needed skills causing excessive reliance on contracted services, staff training may not match system priorities, and no technology refreshment plan. On the other hand, use of Zero Based Budgeting approach may lead to; development of strategic plans aligned with the school system’s educational strategies, strategic plans that clearly identify projects (current and envisioned) and maintenance of service efforts, directors building budgets from the ground up – from zero – that are focused on the projects and maintenance efforts in the strategic plans, budgets being reviewed by the entire leadership team, regular review of strategic plans, performance results, and spending. Another budget strategy includes centralize account management to ensure proper oversight, then decentralized after zero-based budgeting, realigned staff to fulfill strategic plans and address program priorities, abandon projects if they were not aligned with system priorities, training plan should be centralized for oversight, alignment, and leveraging skills and implementation cost, Marketing campaign to raise awareness of staff, community, and political leaders to the need for technology, external reviews and recommendations for operations excellence, Increase efforts to secure grant and corporate support, restructuring technology funding through bonds or special taxes, Increase in entrepreneurial activity, and ensuring ZBB efforts are sponsored and supported at the top. To maximize support and understanding, maximize involvement in the process. The challenge in zero based budgeting is how to achieve new priorities, retain essential programs, and “throw
extra baggage off the wagon”. The other challenges of ZBB include oversights which necessitates a contingency fund to cover them especially in the first year (Porter 2008).

According to Minister for Finance, Republic of South Africa (2004) the challenges of budgeting in a developmental state do not stop at the need to get money to the school. The challenge is to ensure that the money is translated into qualified teachers, school books, water, electricity and sports equipment. The challenge even goes further. It is to ensure that education that is relevant and of high quality gets to the children in the school. This is indeed a tough challenge. In investing in expanding economic opportunities, we also have to be mindful that we must invest both in the long-term ability of societies to work, proper and invest and more immediate means of raising economic growth and employment. Often, investments in education and skills development take generations to yield an impact. Focus must also be on the shorter-term measures to boost growth. This requires careful regulation of markets, investment in roads, ports and rail systems, research and development and expanding energy capacity. One of the criticisms of our present budget framework is that we have not focused sufficiently on ensuring that our state enterprises are efficient, that our markets are functioning without being burdened by red tape, that we have the ports to take the goods we make, roads that link the places of production with markets. In yielding to Patrick Heller’s call to manage the delicate balance between growth and social development, my worry is that at the present time, we are strong on social development, strong on long-term human development, but weak on investing in economic growth in the medium term.

One of the key strategic decisions we need to take in budgeting over the next few years will be to improve the balance in our present budget structure, moving resources towards investing in economic growth and fostering the type of growth that can increase employment. It is not about either/or. The challenge of budgeting is not about all on social grants or all on road building; it is not about just spending on education versus spending all our money on fixing the ports. It is about managing this delicate balance. He concluded that managers have a critical role to play in translating financial resources into real inputs. You have the task of ensuring that these real inputs lead to better quality education, an improved health profile and in the final instance, genuine empowerment of people to lift themselves out of poverty (Minister for Finance Republic
of South Africa 2004). Marron (2006) highlighted the formidable budgeting challenges that faces the country as how should they should account for long-term obligations, how they should budget for them and how they should communicate them.

2.7 Theories of budgeting

2.7.1 Garbage Can budgeting theory

According to Reddick (2003) The garbage can theory was first developed by Cohen et al. (1972) to describe decision-making in colleges. It articulates that these educational institutions face decision situations involving unclear goals, unclear technology, and fluid participants. In this model, active decision-makers and problems track one another through a series of choices without great progress in solving problems. The most important feature of the garbage can theory entails four independent streams of decision-making: problems, solutions, participants, and choice opportunities. This kind of organization is a collection of choices looking for problems. Decision-makers have already devised strategies to solve problems, but are waiting for the appropriate time and place to implement them. Issues in the organization are available to be solved and the decision-maker must be quick to note any window of opportunity. The garbage can theory is clearly not a rational-comprehensive decision making approach such as program budgeting. In this former approach, people do not set out to solve problems. By contrast, solutions usually search for problems. People work on problems only when a particular combination of problems, solutions, and participants in a choice situation make it possible.

2.7.2 Budgetary Incrementalism theory

Reddick (2003) argues that the literature on budgetary decisions in the public sector is dominated by the theory of incrementalism and its various meanings. This theory suggests that policy makers use ‘rules of thumb’ in order to deal with the technical complexity of expenditure decisions. The nature of these simple decision rules has been investigated by studies of budgeting in international organizations, national governments, and state and local governments. A recent application of incrementalism at the sub national level was an examination of local government expenditures in the UK. The people who design the budget are concerned with relatively small increments to an existing base denoted as the fair share. It follows that budgeting
is incremental to the extent that it results in marginal changes in expenditure. Evidence of substantial annual shifts in spending would count as evidence of non-incremental budgeting. Incrementalism has two core attributes – marginality and regularity in outputs.

2.7.3 Short-run incremental theory of budgeting
Reddick (2003) defines short-run incrementalism as a process in which the relationships between actors are regular over a period of years, and a nonincremental process is one in which this relationship is irregular. The size (or lack thereof) of the increment or the method of calculation used does not matter, so long as the relationships between bureaus and Congress remain regular. Incrementalism suggests that policy makers use “rules of thumb” in order to deal with the technical and political complexity of expenditure decisions. Incremental budgeting occurs when actors in the process have many interests to fulfill and roles to play. To accomplish these tasks in a timely fashion, they rely on regular changes from the existing base of resources. This aid for calculation of incremental theory reduces the complexity of spending decisions. It is very unlikely that decisionmakers weigh all the costs of benefits of decision in the short-run when they determine next year’s budget. This would be too time consuming and take up too many resources, especially in a political setting. Regular changes, which incrementalism predicates, are much easier to make.

2.7.4 Long-run equilibrium theory of budgeting
According to Reddick (2003) the second view of budgetary decision-making examines it as a long-run event. In this view when the budget is in deficit (or surplus), there is a correction on either the revenue and or expenditure side to restore balance. This type of “force” pushes a budget in deficit towards balance over the longrun.

2.7.5 Rational Budget Theories: Program Budgeting and ZBB
According to Reddick (2003) a normative theory of budgeting is utopian in the fullest sense of that word: its accomplishment and acceptance would mean the end of conflict over the government’s role in society. In the 1960s and 1970s Wildavsky was best known as a critic of executive budget reforms such as performance budgeting, PPBS, and ZBB. He believed that
these reforms were wrong because they were not based on a satisfactory understanding of the budgetary process. Wildavsky believed that studies based on efficiency criteria were useful and there was a definite need for policy analysis. The problem was that with program budgeting, no one could do PPBS because of the political nature of the budgetary process (Jones, 1996). In addition to Wildavsky’s criticism, we have recently witnessed resurgence in rational explanations as budgetary approaches. For instance, Willoughby and Melkers (1998) argued that 47 of the 50 states used some sort of performance measures in their budgetary systems. Their survey findings indicated that states have a continued commitment to developing performance measures and willingness to use performance budgeting systems. A recent study by Lee and Burns (2000) reports that there is an ebb-and-flow in terms of state use of rational techniques such as performance budgeting. In their study, they have noticed that backsliding has occurred with some states moving away from this technique, which is going against the national trend. These authors speculate that states may not feel as compelled to jump on the reform bandwagon. Institutional memory reminds current participants in the budget process of past failures to implement PPB and ZBB (Lee and Burns 2000).

Forsythe (1997) argues that budget practitioners often become star struck by some new budget system. The most famous were PPBS in the 1960s and ZBB after Jimmy Carter became President. Most recently, performance budgeting has been proposed and adopted in many states. According to Forsythe, all of these techniques have one core element in common with each other. They are rational and believe in the proactive stance of budget personnel in searching for targets, efficiency and effectiveness in budgeting (Forsythe 1997).

2.7.6 Theory of Zero Based Budgeting (ZBB)

According to Windsor (1982) ZBB has been widely misunderstood to mean an annual reassessment of all expenditures from ground zero. ZBB was never intended to have this connotation for the manufacturing, capital, or service and support areas. A zero-base decision package is simply the minimum level of activity as judged by the managers involved; that minimum acceptable level might or might not be zero in their judgment. A zero-base level of activity is quite different from a zero level of funding. A company which eliminated all service
and support expenditures would, over the long run, be eroding its competitive position through, in effect, nonreplaced depreciation of its human and organizational assets. ZBB was never intended as a ground-up reassessment of all company activities on an annual basis. In the private sector, budgeting is a reflection of management decisions regarding competitive operations; budgeting does not drive those management decisions. We simply do not have an extant theory of ZBB as a zero-base review in the sense of zero-level funding. We may have a theory for the application of ZBB to comparable service and support activities in government agencies, as well as to major capital investment projects (Windsor 1982).

Conceptually, the ZBB model is as fully applicable to service and support expenditures in the public sector as in the private sector. But ZBB in government has not been utilized in this fashion. On the contrary, ZBB has been employed as a form of zero-base review for which there is no private sector model. ZBR should be more properly viewed as the systematic but periodic assessment of agency activities rather than as an annual budgeting technique. This employment arises from the misunderstanding of ZBB as beginning from a zero-level funding of all activities rather than, more properly, as an evaluation of alternative spending levels for discretionary or controllable activities. ZBB is theoretically transferable from the private to the public sector for such activities. Just as in the private sector, new capital expenditures can be handled through a ZBB procedure by definition, because use of a cost-benefit criterion for project evaluation itself involves development of a decision package (Windsor 1982).

2.7.7 A theory of governmental ZBB

Windsor (1982) Indicates that the private sector, ZBB depends on a managerial assessment, via cost-benefit evaluation in terms of contribution to profitability, of the relative worth of alternative decision packages and levels of activity within those decision packages. In the private sector, revenues are the appropriate measure of benefits for an economic enterprise. Presumably, the purpose of ZBB in the public sector is to subject expenditures to some form of comparable cost-benefit evaluation. Generally, however, public programs serve some constituency — even if executive, legislative, or bureaucratic — that forms an interest group favoring continuation of the particular program. Programs may be organized departmentally, functionally, or by both modes,
without much regard for comparability. This structural difficulty is only symptomatic of the underlying problem of multiple objectives and constituency attachment to specific programs. As a result, decision packages are not exactly comparable in terms of net benefit. It is important to remember that, in addition to the fact that benefits are not fully measurable, distribution of benefits and costs is at stake — a problem presumably not arising in economic enterprises precisely because of the profit motivation and the tying of ZBB procedures to compensation. In practice, a constituency receiving positive net benefits may support a program where the net social benefits are negative. Moreover, agency executives may well lose, rather than gain, when their budgets are cut, vitiating the compensation aspect of ZBB. Centralization of policy-making authority and alteration of the traditional budgetary process are precisely the heart of agency and legislative resistance to ZBB (Windsor 1982).

2.7.8 Budget Periodicity

In line with strategic planning and rational budget approaches, state government budgets can occur in one-year (annual periodicity) or two-year (biennial periodicity) intervals (Kearns, 1993). Biennial budget periodicity refers to those states that either budget for a biennium, or draft two one-year budgets every other year (Kearns, 1994). In keeping with rational budget reforms, it is noted that states which budget over longer time horizons should be able to act more strategically and reduce expenditures compared to states that budget annually. Some budget decision-makers prefer biennial budgeting because preparation costs, and overall expenditures are all lower, and the opportunities exist for more long-term planning, program evaluation, and legislative deliberation of spending decisions; many of these attributes are commonly associated with rational budgeting. Furthermore, the generally accepted precept of most traditional budgeting literature is that annual budgeting results in higher government spending than biennial budgeting (Kearns, 1994). Does the budget periodicity choice exert a discernable and significant effect on state spending when other factors are held constant? Evidence in favor of an impact on state spending of biennial budgeting bolsters further support for rational techniques in budget systems. Presumably states that have to budget every other year should have more time to consider policy options. Biennial budget should lend itself less to any incremental tendency from the increased
time horizon. No study, of which we are aware, has explicitly investigated the possibility that budget periodicity influences disaggregated expenditures (Reddick 2003).

2.8 Empirical Studies on budgetary practices

Yoingco and Guevara (1984) reviewed the budgetary practices and development in the Philippines. Their research findings claim that in one decade, the Philippines government was able to introduce major reforms which under the old society would have taken three decades. In budgeting the innovations permeated the whole budget process. Budgeting was aligned with the planning process to give it a definite direction. The reforms in budget legislation were synchronized with the shift to parliamentary system of government. What is also essential is the fact that the expenditure program is drawn and approved vis-à-vis the revenue program and financial constraints. They noted that now that the innovations have been introduced, there should be a persistent effort to train those who will be involved in operations. The training should also reach those from the local government since they are also expected to carry out budgetary improvements (Yoingco and Guevara 1984).

Ekstrom (1987) conducted a survey of budgetary practices in one hundred and twenty two smaller units of government with a population of less than 25,000 in upstate New York. His objective was to confirm the assumption that smaller units of government do not share in the application of budgetary innovations to the same degree as larger units that have greater resources and managerial expertise. From the results of his survey he concluded that innovation in the budget process in less populated local governments lags behind larger jurisdictions. He found evidence to the effect that the budget making process was typically conducted in an environment characterized by stability of actors and an absence of obvious fiscal stress. He indicates that little was revealed about the factors which contribute to these environmental conditions or how such conditions influenced budgetary decision making or the application of innovation to the process (Ekstrom 1987).

Melkers & Willoughby (1997) surveyed 50 states in the USA, to determine the existence of legislative or administrative initiatives requiring performance based budgeting. Their study was based on a literature review and a study of state administrators (executive and legislative budget
office's) by telephone in 1996 and 1997. They found out that most states had adopted a formal requirement for performance-based budgeting. Also, they found out that there does not seem to be a major difference between legislatively and administratively initiated reforms. Finally, they found out that a number of states have created oversight bodies and given them responsibilities that were once the purview of the central budget office (Melkers & Willoughby 1997).

In another study, Lee (1997) analyzed state budgeting practices for 25 years and found that; executive and legislative budget players were increasingly alike in their consumption of performance data and program analysis for purposes of budgetary decision making, there was a greater willingness on the part of budget players to revise performance measures as funding levels change and the introduction of oversight bodies with responsibility for developing and revising performance-based initiatives has implications for the role of central budget bureaus. Lee and Burns (2000) using regression analysis analyzed data obtained from surveys of state budget offices in 1990 and 1995 with the aim of establishing the current status of performance measurement practices and identify both the advancements and backsliding made by the states between the two years. Their survey findings dramatically emphasized the diversity among the states in their use of performance measurements. The results also made it clear that in any given time period some states maybe advancing in the use of performance measurement while others maybe backsliding, and that any single state may be expanding its use of performance measurement in one regard while backsliding in the other (Lee and Burns 2000).

Reddick (2003) examined the impact of three rival decision making theories on disaggregated US state budgetary output data. His study tested the impact of the different theoretical explanations on expenditure levels. The three budget models tested are the garbage can theory, incrementalism, and Rational approaches. The garbage can theory of budgeting argues that decisions are determined by the random mix of problems, solutions, participants, and choice opportunities in the decision-making process. Incrementalism focuses on expenditure decisions based on marginality and regularity from previous spending outputs. Finally, rational approaches to budgeting advocate that decision-makers think prospectively by systematically weighing policy options. The rational approaches he focused on here are program budgeting, Zero Based Budgeting, and biennial budgeting (representing more strategic long-term decision-making in
The results of the study demonstrated the uneven spread of rational techniques throughout the different areas of state finance. Incrementalism had relatively low explanatory power below the aggregates (except for education spending). It seems that larger categories such as total and education spending are more susceptible to incrementalism than smaller disaggregated categories. Therefore, at the aggregate level the budget may appear incremental, but when one examines further, there is more going on in the process. Garbage can budgeting is more prevalent at functional areas than for government as a whole. There was support for the garbage can theory of budgeting below the aggregates in five of the ten categories of state finance. Interestingly, there was no support for this model on total expenditures. It seems that the garbage can model is more prevalent at the disaggregated level, probably due to the ability of decision-makers to manipulate functional areas of the budget rather than the entire budget. This may be due to the difficulty of establishing government-wide agendas (Reddick 2003).

Osoro (2001) studied the budgetary control process in Kenya Non Governmental Organizations with specific reference to World Vision Kenya. The study establishes how accurately budget anticipates the level and direction of actual results. The analysis found out that budgetary practices in relief organizations are clearly different from development organizations due to differences in donor funding and reporting requirements. It established that more stringent controls exists in relief programs than in development ones. It is established that more complex control techniques are required in developmental programs than in relief programs, due to close donor supervision and need for monthly accountability in the later as opposed to the former whose funding is not followed with strict reporting requirements (Osoro 2001).

Muleri (2004) set out to determine how budgeting practice is actually done, to what extent the budgets are used as management and control tools and the mechanism international Non Governmental organizations adopt to control financial mismanagement. The study revealed that budgets are normally prepared using such modern practices as Zero based budgeting or priority based budgeting. The budget forms an integral part of the planning process and have become a standard practice. The study also revealed an over-emphasis on conformity to budgets and parameters (funds that can be mobilized) which tends to relegate proper financial management to
the periphery. His findings reveal that many organizations strive to spend without due regard to value for money and impact, and that once budgets are approved little effort is made to use the budgets to control the budget holders. Financial mismanagement in the sector is never taken too seriously. The push by funding organizations to spend (which in fact is a measure of success) has just worsened the matter. The findings led to call for stringent budget management practices in the sector (Muleri 2004).

There is need to utilize different expertise (finance and monitoring experts) in preparation and motoring of budgets. Mbaru (2005) sought to compare the budgets and the expost results for Bamburi Special Products Limited for a period of four years from 1998 to 2001. An analysis of variances between capital expenditure budgets and the four year performance budgets on one hand and the expost results on the other was done. The reason for deviations and remedial actions were sought. The analysis of variances depicts a huge variation from the set targets. The performance in the four years shows that only a small proportion of the expected profits were attained. The highest level of achievement accounts for only 7% of the budget. The capital expenditure was equally below the budget. Empirical evidence suggests that most budgets are set to be 80% to 90% achievable (Merchant and Manzori, 1989). This is in contrast to management accounting literature which suggests that for optimal motivation budget targets should be achievable 50% of the time (Mbaru 2005).

According to Marks (1966) there is a problem of planning ahead for expenditure to be incurred in two years time. The variances observed in this study add to the already complex challenge of dealing with the future which is uncertain. Obulemire (2006) studied the budgeting practices in public secondary schools in Kenya. He collected primary data on budgeting practices and analyzed it to determine the important budgeting practices mostly used in public secondary schools. His study revealed that budgets are mostly used to implement short-term operational plans with majority of the long-term plans being implemented without prior budgets. His study results also revealed that a majority of schools in Nairobi did not educate staff about budgeting process and budget targets were initiated mainly by the principal, the bursar and Head of Departments. The cash budget and long-term asset acquisition budgets were least prepared. Obulemire suggests that a top to down budgeting approach be adopted in schools. Ndiritu (2007)
evaluated how Telkom (K) Limited employed a cash budget as a management tool, the
effectiveness of cash budgeting in improving the management of cash and appreciating the role
of liquidity management in the firm by ensuring sustenance of enough cash for operations while
investing excess cash profitably. The study also assessed the weaknesses the firm faces in
management of cash and how this management tool can be implemented as a strategy to alleviate
the same. The results of this study revealed that the firm ends up losing huge cash amounts due
to lack of established and operational mechanisms and strategies to harmonize cash collection
and expenditure. There were many pitfalls with loose controls which ensured that cash budget
does not capture the total cash movement in the organization. Another challenge was cash
planning mismatch due to poor coordination between the various operational related departments
vested with management of cash (Ndiritu 2007).

Karen S. and Stout D. E. (2008) studied the budgetary practices in Dutch-listed Companies and
found out that they prepare budgets that cover a fixed period and will generally not be changed
during this period. During this fixed period, regularly revised forecasts are prepared next to the
original budget. The budget covers one year, broken down by months, and supports the firm's
strategy. Business unit managers participate in setting targets of the business units. In most cases,
the standards are developed by lower-level management and are reviewed and approved by
higher levels of management. The budget targets are attainable with some extra effort. Targets
are used in the budgeting process. These targets are developed through participation of
subordinate levels of management. These standards are tight but attainable. Budgets have several
uses. They are used most frequently to motivate and reward managers, for planning purposes, to
evaluate activities, and for communication purposes. Budgets are related to long-term plans. The
profit-conscious style is used to evaluate the performance of managers. Any overspending of
budgets is evaluated in relation to the long-term goals of the firm {Karen S. and Stout D. E.
2008).

2.9 Empirical Studies on challenges of budgeting

In budgeting, dealing with the future which is uncertain, posses a great challenge to managers. In
his study to compare the budgets and the expost results for Bamburi Special Products Limited for
a period of four years from 1998 to 2001, Mbaru (2005) found out that, there is a huge variation
between the budgets and the actual results. The performance in the four years shows that only a small proportion of the expected profits were attained. The highest level of achievement accounts for only 7% of the budget. The capital expenditure was equally below the budget. Empirical evidence suggests that most budgets are set to be 80% to 90% achievable (Merchant and Manzori, 1989). This is in contrast to management accounting literature which suggests that for optimal motivation budget targets should be achievable 50% of the time. According to Marks (1966) there is a problem of planning ahead for expenditure to be incurred in two years time. The variances observed in this study add to the already complex challenge of dealing with the future which is uncertain (Mbaru 2005). Once budgets are approved, little effort is made to use budgets to control the budget holders (Mbaru 2005).

The challenge is that many organizations strive to spend without due regard to value for money and impact on their performance. These were the findings by Muleri (2004) who set out to determine how budgeting practice is actually done, to what extent the budgets are used as management and control tools and the mechanism International Non Governmental organizations adopt to control financial mismanagement. Another challenge revealed in this study is that financial mismanagement in the sector is never taken too seriously. The push by funding organizations to spend (which in fact is a measure of success) has just worsened the matter. His findings led to a call for stringent budget management practices in the sector (Muleri 2004). Lack of budgeting knowledge or expertise is a major budgeting challenge in Public secondary schools in Kenya. A study by Obulemire (2006) on the budgeting practices in public secondary schools in Kenya revealed that a majority of schools in Nairobi did not educate staff about budgeting process and that budget targets were initiated mainly by the principal, the bursar and Head of Departments. Another challenge highlighted in this study is the inability of public secondary schools in Nairobi to make budgets that cover both short term and long term activities. The cash budget and long-term asset acquisition budgets were least prepared in public secondary schools in Nairobi (Obulemire 2006). Existence of many pitfalls with loose controls which ensure that cash budget does not capture the total cash movement in Telkom (K) limited posed a serious budgeting challenge to the use of cash budget as a management tool for improving the management of cash. Poor co-ordination between the various operational related departments
vested with management of cash is another challenge. This caused a cash planning mismatch in Telkom (K) Limited (Ndiritu 2007).

Conclusion from literature review

Ndiritu (2007) evaluated how Telkom Kenya Limited has employed a cash budget as a management tool and the effectiveness of cash budgeting in improving the management of cash while Mbaru (2005) investigated the gap between budgets and expenditure in Bamburi Special Products Limited. Ndiritu (2007) and Mbaru (2005) confirm existence of budgetary processes in the sector. However, their studies revealed that there were many pitfalls with loose controls that make it impossible to use budgetary process to guide and control operations. The two studies reveal poor coordination between the various operational related departments vested with management of cash. Their findings led to call for stringent budget management practices in the organizations studied.

Karen S. and Stout D. E. (2008) studied the budgetary practices in Dutch-listed Companies while Osoro (2001) and Muleri (2004) studied budgetary control and budgetary practices respectively, in NGOs in Kenya. Obulemire (2006) established the budgetary practices in public secondary schools in Nairobi. Their findings converge on the fact that budget forms an integral part of the planning process and have become a standard practice in the sectors under study. However, the practices adopted are different. Osoro (2001) stressed that budgetary practices in relief organizations are clearly different from development organizations due to differences in donor funding and reporting requirements. His study revealed that more stringent controls exists in relief programs than in development ones. Muleri (2004) concluded that financial mismanagement in the development programs (Non Governmental organizations) is never taken too seriously which is contrary to Karen S. and Stout D.E. (2008)which noted that variations from the budget in Dutch listed companies are taken so serious that regularly revised forecasts are prepared next to the original budget.

Obulemire (2006) found out that, public schools in Nairobi use budgets mostly to implement short-term operational plans with majority of the long-term plans being implemented without prior budgets. This position is contrary to Mbaru P.S. (2005) findings that confirms existence of
capital budgets in Bamburi Special Products Limited, but pointed out that the highest level of achievement was about 7% of Capital budget. While Obulemire (2006) revealed that a majority of schools in Nairobi did not educate staff about budgeting process and budget targets were initiated mainly by the principal, the bursar and Head of Departments and that the cash budget and long-term asset acquisition budgets were least prepared, Ndiritu (2007) confirmed that cash budgeting was an integral part of cash management process in Telkom Kenya Limited, but noted that there were many pitfalls with loose controls which ensured that cash budget does not capture the total cash movement in the organization.

The reviewed studies converge at a conclusion that budgeting is an integral part of organizations management process all over the world and that there are many challenges of budgeting that limit effective use of budgeting as a management and control tool. However, evidence exist that show that there is no standard budgetary practice that is generally accepted or employed by organizations and that different organizations are faced with different challenges of budgeting. There is no study (that we know) that has been carried out in the dairy sector of the economy. This study aims at establishing the budgetary practices in the dairy co-operative societies in Kenya.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the steps to be adopted in studying the research problem in order to satisfy the research objectives. It contains the study area, population, research design, and data analysis. It also outlines discusses the test for reliability and shows the results of the test by use of Cronbach alpha.

3.1 Research Design

For the purpose of this study, the research design adopted was a survey of budgeting practices in the dairy farmers' co-operative societies in Kenya. The design is appropriate as a sample of thirty five dairy co-operatives was randomly taken and studied. Out of the thirty five dairy co-operative societies included in the sample, thirty one responded resulting in a response rate of 88.5%

3.2 Population and Sample size

This study was limited to Dairy Farmers Co-operative Societies in Kenya. The choice of the dairy sector was triggered by the important role the dairy sector plays in ensuring food sufficiency in the country and particularly a very important food component for young and growing population. The importance of the dairy sector cannot be overemphasized as the sector is a major employer both directly and indirectly. The sector therefore contributes immensely in job creation and poverty eradication among other benefits. According to Land O’Lakes (2009), a non governmental organization that works with farmers co-operative societies, there are 98 registered dairy co-operative societies in Central Kenya. A random sample of 35 dairy farmers’ co-operative societies in Central province was surveyed.

3.3 Data Collection

Primary Data was collected to achieve the objectives of this study. Data was collected from the head of finance or the Accountant in the dairy co-operatives by way of researcher administered
questionnaire which was developed in line with the objectives of the study (appendix 1). This ensured consistency in the interpretation of questions and hence results to answers that are consistent with the real situation on the ground. The Questionnaire consisted of part I and part II. Part I contained questions on the general information about the Dairy Co-operative society and its performance. Part II contained questions on the society’s budgetary practices. A five point Likert Scale was used to determine the practices mostly used in budgeting among the societies. The Likert Scale was used to determine the important budgeting practices mostly used in dairy co-operative societies. According to Mugenda et al (1999) the Likert scale can be used to rate or rank the subjective and intangible components in research. The numerical scale helps to minimize the subjectivity and makes it possible to use quantitative analysis.

3.4 Reliability of data

Reliability of the measures was assessed with the use of Cronbach’s alpha. Cronbach’s alpha allows us to measure the reliability of the different categories. It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltzm, et al, 1976). As a general rule, a coefficient greater than or equal to 0.5 is considered acceptable and a good indication of construct reliability (Nunnally, 1978).

Table 4.2 shows the overall Cronbach's alpha is 0.658 which is higher than 0.50 and hence the instruments used are termed as consistent and reliable.

Table 4.2 Overall Reliability analyses

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<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.658</td>
<td>15</td>
</tr>
</tbody>
</table>
CHAPTER FOUR
DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter outlines the findings of the survey and presents them in tables. The chapter also contains the analysis and interpretations of the survey findings. This study used a random sample of thirty five respondents mainly the head of finance or the Accountant in the dairy co-operative society whereby thirty one of them responded to the questionnaire constituting 88.5% response rate. Data analysis was done through Statistical Package for Social Scientists (SPSS). Frequencies, percentages and Likert Scales were used to display the results which were presented in tables.

4.2 Findings from the survey

From the findings the study results shows that (93.3%) of the dairy co-operative societies used strategic plan to guide their operations while 6.7% do not use strategic plans in their manageent. This implies that majority of the respondent co-operatives had a long-term strategic plan. The findings are as per table 4.1 and figure 4.1. The respondents further indicated that the strategic plan runs for a period of five years for the majority (77%) and for the minority (28%) for a period of 3 years. Only 5% of the respondents did not indicate the time their plan runs.

Table 4.2: Use of strategic plan in the management of the co-operative society

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>use strategic plan</td>
<td>28</td>
<td>93.3</td>
</tr>
<tr>
<td>Do not use strategic plan</td>
<td>3</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The study sought to know the current membership of the respondent’s co-operative. The findings varied but they ranged from 900 members to 16,866 members. This implied that the co-operative that had the minimum members had 900 members and the one that had most members had 16,866 members. This indicated that there were respondent’s co-operatives which served very
many farmers in the area. This could be as a result of the many dairy farmers in the area. Table 4.2 shows the membership of the dairy co-operative societies.

Table 4.2: Membership of dairy co-operative societies

<table>
<thead>
<tr>
<th>Membership in numbers</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 999</td>
<td>2</td>
<td>6.2</td>
</tr>
<tr>
<td>1000 - 1999</td>
<td>6</td>
<td>19.3</td>
</tr>
<tr>
<td>2000 - 2999</td>
<td>7</td>
<td>22.5</td>
</tr>
<tr>
<td>3000 - 3999</td>
<td>11</td>
<td>35.9</td>
</tr>
<tr>
<td>4000 - 4999</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>500 and above</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

Further it was important to get to know the total asset value of the co-operative. The study sought to get information concerning land, buildings, cooling system and any other Asset as part of total assets owned. As shown in table 4.3 below 6.95 per cent of the respondents have a total asset base worth Kenya shillings five million and below. 72% of the respondent dairy co-operative societies own assets valued between Kenya shillings five million and twenty five million while 175 own assets whose total worth is in excess of twenty five millions. Out of all the respondents, 6.5% did not answer to this question.

Table 4.3: Total Value of assets owned by co-operative societies

<table>
<thead>
<tr>
<th>Total value in Millions (Kshs)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 4.99</td>
<td>2</td>
<td>6.95</td>
</tr>
<tr>
<td>5 - 9.99</td>
<td>4</td>
<td>13.8</td>
</tr>
<tr>
<td>10 - 14.99</td>
<td>3</td>
<td>10.3</td>
</tr>
<tr>
<td>15 - 19.99</td>
<td>9</td>
<td>31.0</td>
</tr>
<tr>
<td>20 - 24.99</td>
<td>5</td>
<td>17.2</td>
</tr>
</tbody>
</table>
On another area the study sought to know the average delivery quantity per member. The findings shown in table 4.4 below indicated that 19.35% of the dairy co-operative societies received below five liters of milk per member every day. The table also shows that 61.34% of dairy co-operative societies received an average of between 5 and 13 liters of milk per member every day. Only 3.2 per cent of the respondent dairy co-operative society received an average of between 21 and 25 liters per member per day.

Table 4.4: Average milk deliveries in liters per member in co-operative societies

<table>
<thead>
<tr>
<th>Volume in Liters</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 4.99</td>
<td>6</td>
<td>19.35</td>
</tr>
<tr>
<td>5 – 8.99</td>
<td>9</td>
<td>29.07</td>
</tr>
<tr>
<td>9 – 12.99</td>
<td>10</td>
<td>32.25</td>
</tr>
<tr>
<td>13 – 16.99</td>
<td>3</td>
<td>9.68</td>
</tr>
<tr>
<td>17 – 20.99</td>
<td>2</td>
<td>6.45</td>
</tr>
<tr>
<td>21 – 24.99</td>
<td>1</td>
<td>3.20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

In regard to the staff categories employed by the co-operatives, the findings showed that all the co-operatives societies employed supervisory staff and lower level staff while 19.35% did not employ managerial staff. Out of those who employed managerial staff 48.38% employed 1 to 3 members of managerial staff, while only 12.9% employed over ten employees in management
level (table 4.5 a). The supervisory staff employed by dairy co-operative societies ranged between 1 and 25 members of supervisory staff. 67.74% of the societies employed between 1 and five supervisory members of staff while 12.59% of the co-operatives employed over ten members of staff in supervisory level (table 4.5b). 67.73% of co-operative societies employed over thirty employees in lower level while 6.5% of them employed less than ten employees in the lower level (table 4.5c)

**Table 4.5a: Managerial Staff employed by co-operative societies**

<table>
<thead>
<tr>
<th>Number of Managerial staff</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6</td>
<td>19.35</td>
</tr>
<tr>
<td>1-3</td>
<td>15</td>
<td>48.38</td>
</tr>
<tr>
<td>4 – 6</td>
<td>4</td>
<td>12.91</td>
</tr>
<tr>
<td>7 – 9</td>
<td>2</td>
<td>6.45</td>
</tr>
<tr>
<td>10 and above</td>
<td>4</td>
<td>12.91</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Table 4.5b: Supervisory Staff employed by co-operative societies**

<table>
<thead>
<tr>
<th>Number of supervisory staff</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>21</td>
<td>67.74</td>
</tr>
<tr>
<td>6 - 10</td>
<td>3</td>
<td>9.67</td>
</tr>
<tr>
<td>11 - 15</td>
<td>1</td>
<td>3.22</td>
</tr>
<tr>
<td>16 - 20</td>
<td>4</td>
<td>2.92</td>
</tr>
<tr>
<td>21 - 25</td>
<td>2</td>
<td>6.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Table 4.5c: Lower level Staff employed by co-operative societies

<table>
<thead>
<tr>
<th>Number of lower level staff</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 10</td>
<td>2</td>
<td>6.47</td>
</tr>
<tr>
<td>11 - 20</td>
<td>3</td>
<td>9.67</td>
</tr>
<tr>
<td>21 - 30</td>
<td>5</td>
<td>16.12</td>
</tr>
<tr>
<td>31 - 40</td>
<td>7</td>
<td>22.58</td>
</tr>
<tr>
<td>41 and above</td>
<td>14</td>
<td>45.16</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100</td>
</tr>
</tbody>
</table>

4.6 Findings on Co-operative Budgeting Practices and Challenges

To begin with in this section the study sought to establish the importance of budgeting to the success of the respondent's dairy co-operative societies. The findings were as per table 4.6 whereby 83.9% of the respondents indicated budgeting was very important while 16.1% indicated it was important. Therefore all respondents indicated budgeting was important to the success of their Co-operative.

Table 4.6: Importance of budgeting to the success of the dairy co-operative society

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important</td>
<td>5</td>
<td>16.1</td>
</tr>
<tr>
<td>Very important</td>
<td>26</td>
<td>83.9</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Further all respondents indicated they undertook some initial preparations and analysis before undertaking the budget process for their co-operative.

Table 4.7a shows that 75% of the respondents prepared cash budgets while 25% did not prepare cash budgets. Budget for acquisition of fixed assets was prepared by 26% while 74% of the dairy
co-operative societies did not (table 4.7b). On the other hand 46% of dairy co-operative societies prepare Income and expenditure budget while 54% did not prepare any income and expenditure budget (table 4.7c).

**Table 4.7a: Preparation of Cash budget**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare Cash Budget</td>
<td>23</td>
<td>75</td>
</tr>
<tr>
<td>Do not Prepare Cash Budget</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Table 4.7b: Preparation of budget for acquisition of fixed assets**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare budget for acquisition of fixed assets</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td>Do not prepare budget for acquisition of fixed assets</td>
<td>23</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Table 4.7c: Preparation of income and expenditure budget**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepare Income and expenditure budget</td>
<td>14</td>
<td>46</td>
</tr>
<tr>
<td>Do not prepare Income and expenditure budget</td>
<td>17</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
The study also sought to establish the level of participation by the General manager, the Finance manager/Accountant, the production manager/quality controller and the sales manager in budget preparation. The findings are as per table 4.8 below.

Table 4.8: Participation in budget preparation

<table>
<thead>
<tr>
<th></th>
<th>Least involved</th>
<th>Less involved</th>
<th>Moderately involved</th>
<th>More involved</th>
<th>Most involved</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>24</td>
<td>0</td>
<td>3.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>31</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td>Production Manager</td>
<td>12</td>
<td>1</td>
<td>13</td>
<td>5</td>
<td>0</td>
<td>2.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Sales and Marketing Manager</td>
<td>18</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>4</td>
<td>2.1</td>
<td>1.4</td>
</tr>
</tbody>
</table>

A five point Likert scale was used to interpret the extent of involvement in budget making by the General manager, the Finance manager/Accountant, the production manager/quality controller and the sales manager ranging from least involved to most involved. According to the scale the manager who was least involved was awarded 1 while the manager who was most involved were awarded 5. Within the continuum are 2 for less involved, 3 for moderately involved and 4 for more involved. Mean and standard deviation was used to analyze the data. Managers with a mean close to 1 were considered least involved while those with a mean close to 5 were considered most involved. On the same note the higher the standard deviation the higher the variations among the responses. According to the table all respondents considered the finance manager to be most involved in budget preparation with a mean of 5. The general manager was more involved with a mean of 3.6; production manager was moderately involved with a mean of 2.5 while the Sales and Marketing Manager was less involved with a mean of 2.1. There occurred variations in response in regard to the production manager and the Sales and Marketing Manager among the respondents reason for a high standard variation of 1.4.
On the budgeting tools mostly used in the respondent's co-operative Society, the findings are as shown in table 4.9. According to the table Budget committee was more used with a mean of 4.1 followed by budget manual (3.3) and interdepartmental discussion groups (3.1). Suggestion system (1.9) and Brainstorming groups (1.8) were less used. There occurred high variations in response among the respondents reason for high standard deviation; interdepartmental discussion groups (1.9), budget manual (1.8) and Budget committee (1.6)

Table 4.9: Budgeting tools mostly used in dairy co-operative Societies

<table>
<thead>
<tr>
<th>Budget Tool</th>
<th>Least used</th>
<th>Less used</th>
<th>Moderately used</th>
<th>More used</th>
<th>Most used</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget committee</td>
<td>6</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>23</td>
<td>4.1</td>
<td>1.6</td>
</tr>
<tr>
<td>interdepartmental discussion groups</td>
<td>13</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>14</td>
<td>3.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Suggestion system</td>
<td>19</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>2</td>
<td>1.9</td>
<td>1.2</td>
</tr>
<tr>
<td>budget manual</td>
<td>10</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>15</td>
<td>3.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Brainstorming groups</td>
<td>22</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>3</td>
<td>1.8</td>
<td>1.3</td>
</tr>
</tbody>
</table>

The study further sought to establish the proportion of participants in budget making that were educated in the field of budgeting. From the findings 77.4% of the dairy co-operative societies had not educated their employees in the budgeting process, while only 22.6% indicated that their employees had been educated. Therefore majority of the respondent co-operative employees had not been educated about the budgeting process. This information is given by table 4.10 below.

Table 4.10: Participants education in budgeting process

<table>
<thead>
<tr>
<th>Education status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educated participants in budgeting process</td>
<td>7</td>
<td>22.6</td>
</tr>
<tr>
<td>Non educated participants in budgeting process</td>
<td>24</td>
<td>77.4</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

40
On another note in regard to the budget approaches used in the respondent’s co-operative, this study found out that, addition of some percentage on the previous years budget with 93.5% representation was used together with Justification of all costs as if programs (51.6%). However, considering the cost of activities necessary to achieve desired level approach was not used in majority of the co-operatives. This was represented by 90.3% of the respondents. All the respondents did not give any other approach used in their co-operative. The findings are demonstrated in table 4.11 below.

Table 4.11: Budget approaches used

<table>
<thead>
<tr>
<th>Budget approach</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>used</td>
<td>Not used</td>
</tr>
<tr>
<td>Justification of all costs as if programs</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>addition of some percentage on the previous years budget</td>
<td>29</td>
<td>2</td>
</tr>
<tr>
<td>Considering the cost of activities necessary to achieve desired level</td>
<td>3</td>
<td>28</td>
</tr>
<tr>
<td>Any other</td>
<td>0</td>
<td>31</td>
</tr>
</tbody>
</table>

In regard to standards against which actual total cost per litre of milk is compared in the respondents co-operative, the findings indicated that 54.8% of the respondent co-operatives compared the actual total cost per litre to standard total cost per litre, while 45.2% of the respondent co-operatives did not compare the actual total cost per litre to the standard total cost (table 4.12).
Table 4.12: Use of standard total cost per litre to measure actual costs performance

<table>
<thead>
<tr>
<th>Use of standard total cost per liter</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>use standard total cost per liter to measure actual cost performance</td>
<td>17</td>
<td>54.8</td>
</tr>
<tr>
<td>Do not use standard total cost per liter to measure actual cost performance</td>
<td>14</td>
<td>45.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.13 below shows the response to the question on whether or not budgets were negotiated between top management and departmental heads. 96.8% of the respondents indicated that their co-operative budgets were negotiated between higher level managers and departmental heads while only 3.2% of the respondents indicated that their co-operative budgets were not negotiated.

Table 4.13: Budget negotiation between higher level managers and departmental heads

<table>
<thead>
<tr>
<th>Budget negotiation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiated budgets between top management and departmental heads</td>
<td>30</td>
<td>96.8</td>
</tr>
<tr>
<td>did not Negotiate budgets between top management and departmental heads</td>
<td>1</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The study also sought to establish what information the management of the co-operatives communicated to their employees during budgeting process. According to the findings majority of the respondents indicated that all the information enquired were communicated to the employees. This is given as Targets to be achieved (96.7%), Environmental expectations (87.1%), strategic plan details to be implemented (87.1%), Variance between actual & budgeted
(93.5%) and Budgeting guidelines (80.6%). This indicated that majority of the information was communicated to the employees. These findings are given in table 4.14.

**Table 4.14 Communicated of budgeting process to Employees**

<table>
<thead>
<tr>
<th>Information type</th>
<th>Frequency</th>
<th>Communicated</th>
<th>Not Communicated</th>
<th>Percent</th>
<th>Communicated</th>
<th>Not Communicated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targets to be achieved</td>
<td>30</td>
<td>1</td>
<td>29</td>
<td>96.7</td>
<td>3</td>
<td>3.3</td>
</tr>
<tr>
<td>Environmental expectations</td>
<td>27</td>
<td>4</td>
<td>23</td>
<td>87.1</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Strategic plan details to be implemented</td>
<td>27</td>
<td>4</td>
<td>23</td>
<td>87.1</td>
<td>4</td>
<td>12.9</td>
</tr>
<tr>
<td>Variance between actual &amp; budgeted</td>
<td>29</td>
<td>2</td>
<td>27</td>
<td>93.5</td>
<td>2</td>
<td>6.5</td>
</tr>
<tr>
<td>Budgeting guidelines</td>
<td>25</td>
<td>6</td>
<td>19</td>
<td>80.6</td>
<td>6</td>
<td>19.4</td>
</tr>
</tbody>
</table>

Finally the study sought to establish the Challenges faced by the respondents' dairy co-operative society during budgeting. The findings are as per table 4.15 below.

**Table 4.15: Challenges faced by the respondents society during budgeting**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Least</th>
<th>Less</th>
<th>Moderate</th>
<th>More</th>
<th>Most</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of top management support and involvement</td>
<td>28</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1.3</td>
<td>0.9</td>
</tr>
<tr>
<td>Lack of education for all involved</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>17</td>
<td>3.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Participation of all individuals</td>
<td>12</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>11</td>
<td>3.1</td>
<td>1.8</td>
</tr>
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<td>Lack of understanding of the business environment</td>
<td>22</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1.8</td>
<td>1.3</td>
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<tr>
<td>Setting of unrealistic targets by managers for personal gains</td>
<td>25</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Budget complexity</td>
<td>12</td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>9</td>
<td>3.0</td>
<td>1.7</td>
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<tr>
<td>Conflicts among managers</td>
<td>27</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1.3</td>
<td>0.9</td>
</tr>
<tr>
<td>Non –communication to employees during budgeting</td>
<td>28</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1.3</td>
<td>1.0</td>
</tr>
<tr>
<td>escalating costs beyond anticipation</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>23</td>
<td>4.2</td>
<td>1.6</td>
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<tr>
<td>Budget implementation</td>
<td>16</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>2.5</td>
<td>1.7</td>
</tr>
</tbody>
</table>

From the findings majority of the respondents indicated escalation of costs beyond anticipation as the most common challenge they faced during the budgetary process. Table 4.14 above shows that this challenge portrays a mean of 4.2. The other challenges which were moderately faced were Lack of education for all involved (3.3), Participation of all individuals (3.1) and Budget complexity (3.0). Budget implementation was a moderate challenge faced by the respondent’s co-operatives. On the other hand Lack of understanding of the business environment (1.8) was a less challenge together with Setting of unrealistic targets by managers for personal gains (1.5). The least faced challenges were given as Non –communication to employees during budgeting (1.3), Conflicts among managers (1.3) and Lack of top management support and involvement (1.3). There occurred high variations among individuals in regard to Participation of all individuals (1.8), Budget complexity (1.7), escalating costs beyond anticipation (1.6) and Budget implementation (1.7). This indicates the reason why the standard deviation was high.

4.7 Summary of the findings

From the survey results, the study found out that 93.3% of dairy co-operative societies use long term strategic plans as a guide to management actions while 6.7% of the dairy co-operative
societies did not use long term strategic plans. These strategic plan runs for a period of five years and three years for 77% and 28% of the dairy co-operative societies respectively. 5% of the respondent dairy co-operative societies did not indicate the time their strategic plan runs. The study established that the co-operatives membership at the time of the survey ranged from 900 members to 16,866 members. Further in regard to the co-operatives total asset value, the study established that the total value of assets owned by dairy co-operative societies ranged from a low of half a million for smaller societies to a high of 671 millions for giant co-operative societies. Out of all the respondents, 5% did not reveal the details of their assets and their values. Further the study revealed that the average milk deliveries per member for individual dairy co-operative societies was between 3 liters per member and 25 liters per member. In regard to the staff categories employed by the co-operatives, the findings showed that all the co-operatives societies employed supervisory staff and lower level staff while 19.35% did not employ managerial staff. Out of those who employed managerial staff 48.38% employed 1 to 3 members of managerial staff, while only 12.9% employed over ten employees in management level. The supervisory staff employed by dairy co-operative societies ranged between 1 and 25 members of supervisory staff. 67.74% of the societies employed between 1 and five supervisory members of staff while 12.59% of the co-operatives employed over ten members of staff in supervisory level. 67.73% of co-operative societies employed over thirty employees in lower level while 6.5% of them employed less than ten employees in the lower level.

The study found out that 83.9% of the dairy co-operative societies consider budgeting as very important to success of their society while 16.1% consider budgeting as important. Further, the study established that all dairy co-operative societies undertook some initial preparations and analysis before undertaking the budget process. Also established by the study is the fact that 75% of the respondents prepared cash budgets while 25% did not prepare cash budgets, budget for acquisition of fixed assets was prepared by 26% while 74% of the dairy co-operative societies did not and the other hand 46% of dairy co-operative societies prepared income and expenditure budget while 54% did not prepare any income and expenditure budget. On the findings with regard to the extent of participation by the General Manager, the Finance manager, the production manager and the sales managers’ in the budget making process, the study established that the finance manager was most involved in budget preparation with a mean of 5. The general
manager was more involved with a mean of 3.6; production manager was moderately involved with a mean of 2.5 while the Sales and Marketing Manager was less involved with a mean of 2.1. The study also established that the budgeting tools mostly used in the respondent's co-operative society was the budget committee with a mean of 4.1 followed by budget manual with a mean of 3.3 and interdepartmental discussion groups with a mean of 3.1. Suggestion system and brainstorming groups were least used with a mean of 1.9 and 1.8 respectively.

Further the study established that 77.4% of the dairy co-operative societies did not educate their budget officers in the area of budgeting. This is in comparison to 22.6% of the co-operative societies who had educated the employees involved in the budgeting process. The study also found out that, addition of some percentage on the previous years budget was the budgeting approach used by 93.5% of the dairy co-operative societies while justification of all costs as if programs was in use in 51.6% of the societies. However, considering the cost of activities necessary to achieve desired level approach was not used in 90.3% of the co-operative societies. respondents. No other approach other than the listed approaches was found to be in use in any of the respondent's co-operative societies. In regard to standards against which actual total cost per litre of milk is compared in the respondents co-operative, the findings indicated that 54.8% of the respondent co-operatives compared the actual total cost per litre to standard total cost per litre, while 45.2% of the respondent co-operatives did not compare the actual total cost per litre to the standard total cost. On a similar note 96.8% of the respondents indicated that their co-operative budgets were negotiated between higher level managers and departmental heads while only 3.2% of the respondents indicated that their co-operative budgets were not negotiated between higher level managers and departmental heads. The study also established that targets to be achieved was communicated to employees by 96.7% of the societies, environmental expectations was communicated to employees by 87.1% of the societies, strategic plan details to be implemented was communicated down to employees by 87.1% of the societies, variance between actual and budgeted results was communicated down to employees by 93.5% of the societies and budgeting guidelines were communicated down to employees by 80.6% of the societies.

Finally, the study established that, escalation of costs beyond anticipation was the greatest challenge faced by the dairy co-operatives societies with a mean of 4.2. The other challenges
which were faced by dairy co-operative societies were Lack of education for all involved with a mean of 3.3, lack of participation of all individuals with a mean of 3.1 and budget complexity with a mean of 3.0. Budget implementation was a moderate challenge faced by the respondent's co-operatives with a mean of 2.5. On the other hand lack of understanding of the business environment with a mean of 1.8 was a less challenge together with Setting of unrealistic targets by managers for personal gains which had a mean of 1.5. Non-communication to employees during budgeting process, conflicts among managers and lack of top management support and involvement were found to be least faced challenges with a mean of 1.3 each.

4.7 Implications of the findings

Long term strategic plan was not used as a guide to management actions by 6.7% of the co-operatives. The implication is that these dairy societies have no clear direction that guides management decisions and actions. This is a risky position as lack of a clear direction can lead to failure of the society in the long run. The study findings that the co-operatives societies membership at the time of the survey ranged from 900 members to 16,866 members implies that some dairy co-operative societies are very small and hence weak as evidenced by low membership and low assets base while others are very big and strong. The revelation by the study that average milk deliveries per member for individual dairy co-operative societies was between 3 liters per member and 25 liters per member implies that dairy farming was very low in some areas and high in others. This clearly implies that some society members were able to keep their production high despite the drought that faced the country at the time of the survey while members of other societies were unable to cope with the hush weather conditions. The study findings also showed that 19.35% of the dairy co-operatives did not employ managerial staff. This implies that those societies do not benefit from the services of qualified and experienced managers.

The study established that 83.9% of the dairy co-operative societies consider budgeting as very important to success of their society while 16.1% consider budgeting as important. Further, the study established that all dairy co-operative societies undertook some initial preparations and analysis before undertaking the budget process. The implication here is that budgeting is considered as an essential tool for the success of the dairy co-operative societies. However, the
study also established that 25% of the societies did not prepare cash budgets, 74% did not prepare budget for acquisition of fixed assets and 54% did not prepare any income and expenditure budget. On the same note, the study revealed that production manager was moderately involved in budget making while the Sales and Marketing Manager was less involved. The implications are that not all high level managers are involved in the budgetary process and hence the completeness and usefulness of the budgets compromised. The study also established that the budgeting tools mostly used in the respondent’s co-operative society was the budget committee with a mean of 4.1 followed by budget manual with a mean of 3.3 and interdepartmental discussion groups with a mean of 3.1. Suggestion system and brainstorming groups were least used with a mean of 1.9 and 1.8 respectively. This shows that some approaches to budgeting such as suggestion system and brainstorming groups were least used. This translated into lesser employees getting a chance to participate in the budget making process. Lack of any initiative to educate budget makers by 77.4% of the dairy co-operative societies in the area of budgeting implies that a lot of employees charged with the responsibility of making budgets are not specialists in the area of budgeting. This implies low quality of the product of the budgeting process.

The budgeting approach that was mostly used by 93.5% of the dairy co-operative societies was addition of some percentage on the previous year’s budget, while justification of all costs as if programs was in use in 51.6% of the societies. However, considering the cost of activities necessary to achieve desired level approach was not used in 90.3% of the co-operative societies. This implies that more modern approaches to budgeting like considering the cost of activities necessary to achieve desired level of activity was not popular with the societies. The implication of use of addition of some percentage on the previous year’s budget as an approach to budgeting is that some activities are included in current year’s budget just because they were part of the previous year’s budget. Standards to compare with actual total cost per litre of milk sold were in use in 54.8% of the respondent co-operatives. The implications are that close to a half of all dairy co-operative societies did not measure their actual total cost per liter of milk sold against any standard. It therefore means that about 50% of the dairy co-operative societies are not able to measure their performance in terms of total cost of liter of milk sold. Negotiation of budgets between higher level managers and departmental heads was not done by 3.2% of the
respondents. The implication is that some of the employees could take budgets as imposed on them and hence reduce the level of acceptance of the budgets. The study also established that targets to be achieved was communicated to employees by 96.7% of the societies, environmental expectations was communicated to employees by 87.1% of the societies, strategic plan details to be implemented was communicated down to employees by 87.1% of the societies, variance between actual and budgeted results was communicated down to employees by 93.5% of the societies and budgeting guidelines were communicated down to employees by 80.6% of the societies. The implication is that not all employees were aware of what they were working towards and the environment in which they operate.

Escalation of costs beyond anticipation was the greatest challenge faced by the dairy co-operative societies. The implication is that the budgeted expenditures prepared at the beginning of the financial year were significantly different from the actual expenditures. This diminishes the usefulness of budgeted expenditure as a guide to spending. The other challenge which was faced by dairy co-operative societies was lack of education for all involved. This implies that those involved in budget making did not have a good command of the process of budgeting. Lack of participation of all individuals and budget complexity were also noted as challenges facing the dairy co-operatives societies. This implies that some budget officers were overburdened with budgeting tasks whiles other officers were not actively involved. This also reduces the acceptance and ownership of the results of the budgeting process by all members of staff. Budget implementation was a moderate challenge faced by the respondent’s co-operatives societies. This could mainly be as a result of lack of education about the budgeting process and failure by some members of staff to participate in the budget process.
CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.2 Conclusion
Poor business planning, unrealistic and conflicting goals and targets, absence of stringent monitoring and evaluation of activities is considered as the cause of business failures. However, through effective budgeting and stringent budgetary control process, these activities can be efficiently and effectively managed. The situation amongst the dairy co-operative societies in Kenya is not different and more often we have had various co-operatives close due to poor financial management.

The study objectives were to establish the budgeting practices among dairy co-operative societies in Kenya and the budgeting challenges facing dairy co-operative societies in Kenya. The significance of this study is that recommendations made to government policy makers and management of co-operative societies, if implemented would enhance financial management and general performance of the dairy sector through sound financial management practice. The study would also form a basis for academics and further research and knowledge on the subject of budgeting. Future studies in budgeting and particularly in the dairy sector can use the results of this study as reference material.

From the findings of this study, long term strategic plan was not used as a guide to management actions by 6.7% of the co-operatives. The study also found out that membership of the societies at the time of the survey ranged from 900 members to 16,866 members. It was also established that the average milk deliveries per member for individual dairy co-operative societies was between 3 liters per member and 25 liters per member. The study findings also showed that 19.35% of the dairy co-operatives did not employ managerial staff. The study also established that 83.9% of the dairy co-operative societies consider budgeting as very important to success of their society while 16.1% consider budgeting as important. Further, the study established that all dairy co-operative societies undertook some initial preparations and analysis before undertaking the budget process. However, the study also established that 25% of the societies did not prepare
cash budgets, 74% did not prepare budget for acquisition of fixed assets and 54% did not prepare any income and expenditure budget. On the same note, the study established that production manager was moderately involved in budget making while the Sales and Marketing Manager was less involved. The study also established that the budgeting tools mostly used in the respondent's co-operative society was the budget committee, followed by budget manual and interdepartmental discussion groups in that order. Suggestion system and brainstorming groups were least used. The study also established that 77.4% of the dairy co-operative societies did not educate their budget officers in the area of budgeting.

The study also established that 93.5% of the dairy co-operative societies used addition of some percentage on the previous years budget as an approach to budgeting, while justification of all costs as if programs was in use in 51.6% of the societies. However, considering the cost of activities necessary to achieve desired level approach was not used in 90.3% of the co-operative societies. Standards to compare with actual total cost per litre of milk sold were not in use in 45.2% of the respondent co-operatives. Negotiation of budgets between higher level managers and departmental heads was not done in 3.2% of the societies. The study also established that targets to be achieved was communicated to employees by 96.7% of the societies, environmental expectations was communicated to employees by 87.1% of the societies, strategic plan details to be implemented was communicated down to employees by 87.1% of the societies, variance between actual and budgeted results was communicated down to employees by 93.5% of the societies and budgeting guidelines were communicated down to employees by 80.6% of the societies.

Escalation of costs beyond anticipation was the greatest challenge faced by the dairy co-operative societies. The other challenge which was faced by dairy co-operative societies was lack of education for all involved. Lack of participation of all individuals and budget complexity were also noted as challenges facing the dairy co-operatives societies. Budget implementation was a moderate challenge faced by the respondent's co-operatives societies.

5.3 Recommendations

This study recommends that Government policy makers should formulate a policy that make it mandatory for all dairy co-operative societies to prepare and have in place a strategic plan that
guides the direction of all management actions. The study also recommend that the ministry of co-operatives should launch a campaign aimed at recruiting more members for the societies with low membership in order to make them strong and at the same time intensify supervision of the management of the giant societies to ensure proper financial management and hence enhanced benefits to members to encourage current members to stay on and new members to join. The study also recommends that a research be undertaken to establish how some societies were able to maintain high productivity levels despite the hush weather conditions. The skills and knowledge should be imparted to those dairy farmers whose productivity was low in order to boast productivity in future dry spells. Recommendation that Government policy makers make a policy that make it mandatory for all dairy co-operative societies to employ qualified and experienced management staff to enhance chances of success is also made. The study also recommends that Government policy makers formulate a policy that make it mandatory for all dairy co-operative societies to prepare all types of budgets and that the ministry of co-operatives should go further and enforce implementation of the policy and conduct regular system audits to ensure adherence to policy guide lines.

It is also recommended that government policy makers should make it a matter of policy for all high level managers to be fully involved in budget making process and that the officers in charge of budgeting process open up the budgeting process to accommodate suggestions from all members of staff and also compose brainstorming groups to enrich the budget making process with ideas. The study also recommends that top management of the co-operative societies should make a training program and ensure budget makers are well trained in the budgeting process. Government policy makers should also come up with a requirement that the ministry of co-operatives plan and execute training programs for the dairy co-operative societies in all areas including budgeting. The management of co-operative societies should also be educated on the importance of using more modern approaches to budgeting to enhance accuracy and avoid inclusion of unnecessary activities in the budget just because they were part of the previous years budget. The study also recommends that all dairy co-operative societies develop standard total cost per liter of milk sold against which they measure actual total cost per liter. This will enable them to be able to ascertain when costs are going overboard and be able to take corrective actions well in time. It is also highly recommended that all budgets should be negotiated between
lower level employees and high level managers to enhance acceptability and ownership of the budgets by all employees. All information regarding the budgeting process should also be communicated to enhance awareness. The study also recommends that the budget makers in dairy co-operative societies be trained in budgetary process and particularly on how to use price level indices to accurately predict the future prices of goods and services. Further research should be undertaken to establish the extent of variance between budgeted expenses and actual expenses and further establish that part of the variance that is as a result of unexpected price changes.

5.4 Limitations of the study

The study was carried out at time when the country was facing a severe drought that killed some of the livestock and adversely affected the production of the ones that survived. Dairy activities were therefore at low levels and hence non availability of key managers in their offices was limiting. The time within which the research was to be completed and the resources available were also limited.

5.6 Suggestions for further studies

This study suggests that further research be undertaken in dairy co-operative societies to establish the relationship between sound budgeting practices and performance. It would also be interesting to establish the relationship between budgeted income and expenditure and actual income and expenditure in the dairy co-operative societies in Kenya. This study also suggests that a further research be carried out to establish how members of some dairy co-operative societies managed to maintain high milk production levels despite the devastating drought prevailing in the country at the time of the study.
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APPENDIX 1: QUESTIONNAIRE FOR DAIRY FARMERS CO-OPERATIVES

High level of confidentiality will be accorded the information in this questionnaire and will be used for academic purposes only. Any difficulties experienced will be discussed with you during the interviews.

Date ....................................... Questionnaire number ...........................................

PART I

General information about the Co-operative society

1. Do you use long term (strategic) plan as a guide to management actions for the Co-operative?
   Yes ( ) No ( )

2. What is the current membership (in numbers) of your co-operative society?.............

3. What is the total Asset Value of the Co-operative
   (a) Land - Number of acres ..................... Value Kshs. ......................
   (b) Buildings: Total value of building .....................
   (c) Cooling System: Total Value............................
   (d) any other Asset : Total Value ............................

4. What is the average delivery quantity (litres) per member ..............................

5. How many of the following staff categories are employed by the Co-operative?
   Managerial Staff ............................
   Supervisory staff............................
   Lower level staff ............................

Part II

Co-operative Budgeting Practices and Budgeting challenges

6. Is budgeting important to the success of your Co-operative?
7. Do you undertake some initial preparations before undertaking the budget process?

Yes ( ) No ( )

8. What kind of Budgets does your Co-operative prepare? (Tick as appropriate)

- Cash Budget
- Budget for acquisition of fixed assets
- Income and expenditure budget

9. To what extent are the following involved in preparation of the budget in your society?

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<th>Least involved</th>
<th>Most involved</th>
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- General Manager
- Finance Manager
- Production Manager
- Sales & Marketing Manager

10. Which tool is used most in your Co-operative society?

- Budget committee
- Interdepartmental discussion groups
- Suggestion system
- Budget manual
- Brainstorming groups
- Any other (specify)

11. Are the following budget approaches used in your Co-operative society?

- Justification of all costs as if programs
- Addition of some percentage on the previous years budget
- Considering the cost of activities necessary to achieve desired level of operation
- Any other (specify)

12. Do you use standard total cost per liter as a measure of actual total cost per liter?

Yes ( ) No ( )
13. Are your budgets negotiated between higher level managers & departmental heads?

   Yes ( )  No ( )

14. What information do you communicate to employees during budgeting process?

- Targets to be achieved  Yes( )  No ( )
- Environmental expectations  Yes( )  No ( )
- Strategic plan details to be implemented  Yes( )  No ( )
- Variance between actual & budgeted  Yes( )  No ( )
- Budgeting guidelines  Yes( )  No ( )

15. What Challenges do you face during budgeting process for your Society?

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<th>Least</th>
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</table>

- Lack of top management support and involvement ( ) ( ) ( ) ( ) ( )
- Lack of education for all involved ( ) ( ) ( ) ( ) ( )
- Participation of all individuals ( ) ( ) ( ) ( ) ( )
- Lack of understanding of the business environment ( ) ( ) ( ) ( ) ( )
- Setting of unrealistic targets by managers for personal gains ( ) ( ) ( ) ( ) ( )
- Budget complexity ( ) ( ) ( ) ( ) ( )
- Conflicts among managers ( ) ( ) ( ) ( ) ( )
- Non-communication to employees during budgeting process ( ) ( ) ( ) ( ) ( )
- Escalating costs beyond anticipation ( ) ( ) ( ) ( ) ( )
- Budget implementation ( ) ( ) ( ) ( ) ( )