EFFECT OF BUDGET CONTROLS ON FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE ORGANIZATIONS IN MOMBASA COUNTY, KENYA

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree in any other university.

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This research project is submitted for examination with my approval as university supervisor/co-supervisor.

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LIST OF ABBREVIATIONS & ACRONYMS

ANOVA:	Analysis of Variance
FOSA:	Front Office Service Activities
ROA:	Return On Assets
SACCO:	Savings and Credit Co-operative Organizations
SASRA:	Sacco Societies Regulatory Authority
SME:	Small and Medium Enterprises

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ABSTRACT

The adoption of budget controls in many organizations has been slow paced and in some poorly implemented that leaves loopholes for fraud and misuse of organization resources. Some organization managers have failed to understand the direct impact between budget controls and financial performance, hence failing in giving budget controls the seriousness it deserves while in other organizations the budget controls are seen as a responsibility of the finance and accounting department and budget controls did not cut across the organization functions. The study examined the effect of budget controls on financial performance of SACCOs in Mombasa County. The theoretical review of the study comprised of four key theories i.e Accounting Theory in Budgeting Control, Theory of budgeting, Control theory and Stewardship theory. The study methodology comprised of a descriptive research design, a target population of 40 managers from SACCOs licensed and operating in Mombasa County. Data was collected using primary instruments i.e questionnaires and secondary instruments i.e financial statements. Data instruments were tested for reliability, validity and diagnostic tests. Data obtained was analysed using descriptive and inferential techniques aided by SPSS. Research concluded that budget controls have a positive and significant influence on targeted SACCOs. Specifically, it was concluded that, Budget monitoring, Budget planning and Budget review had a positive significant influence while insignificant effect was reported for Participative budgeting. The conclusion arrived led to the recommendations that SACCO managers ensure full adoption of budget control systems to ensure that they minimize on resource wastages. To ensure SACCO managers fully realize the benefit of Budget Controls, the study recommended for full involvement of all stakeholders in the budget making and where necessary training provided to stakeholders with less understanding of the budgeting process. There is also need for continuous monitoring of expenses to ensure that, all resources are used for intended purposes. Finally, the study recommended for ensuring the budgeting making process is comprehensive and all needs of the organization are adequately considered to get rid of re-allocation of resources that encourage mismanagement of resources.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Budgetary controls are management processes that involve financial planning and implementation in line to set out regulations to ensure that all activities are conducted within set objectives (Nwanyanwu & Ogbonnaya, 2018). Corrective measures are put in place to ensure resources are utilized as per expenditure plan and reviews done to help managers mitigate problems that may arise. Firm managers strive to gain better financial performance so as to meet their daily expenses, pay employees at the end of the month, give dividends to shareholders, invest in new portfolios and meet other financial obligations that may arise. A growth or slowdown in financial position of an organization can be a good indicator of firm's performance and competitive edge in the market. All business owners commit their resources to make profit and this can best be realized if revenue obtained is in excess of all expenditures and costs incurred by a firm (Libby & Lindsay, 2019).

The study theoretical framework was based on; Accounting Theory, Theory of budgeting, Control theory and Stewardship theory. Accounting theory provided a well thought framework that can be used by practitioners in the accounting and finance field that can go a long way in ensuring that budget controls are properly adopted and implemented to serve the purpose (Gachoka, Aduda, Kaijage & Okiro, 2018). The second theory was the theory of budgeting by Hirst in 1987 which focused on the contribution of budget control systems to the productivity of an organization (Munyao, 2018). The third theory of control was attributed to Walter Reckless who developed it in 1973, the underlying principle of the theory was that an organization should be able to make a comparison between actual and set performance standards (Mahroqi & Matriano, 2021). The fourth theory was Stewardship theory by Donald and Davis (1991), the theory explained that individuals entrusted with the running of an organization take responsibilities with utmost faithfulness and conduct business operations with high levels of accountability.

The Kenya Sacco portfolio is categorized into two; the first category comprises of Savings and Credit Co-operative Organizations that accept cash deposit from its members to finance its operations and category two made of SACCOs that do not rely on customer deposit, however, they end up being deposit taking SACCOs with time as practitioner rate deposit as the major source of finance for all SACCOs and a strategy that has been used to grow monetary administrations to individuals (Macharia, 2018). Mismanagement of depositor's funds and collapse of many SACCOs prompted the government to implement administrative powers under SASRA. Various acts of parliament have also been established over the years to allow strict reforms that saw the management assume the responsibility for the budget control with regards to financial disclosures within the company and provide assessments of control measures effectiveness. A research in this area will go a long way in ensuring SACCO managers track their financial performance against set objectives hence minimize losses and collapsing of SACCOs that has been witnesses in the country leading to loss of savings by clients.

1.1.1 Budget Controls

According to De-Romario, Dwija, Badera and Putra (2019) budgetary control as the mechanisms used by organization managers to ensure that processes are done in a streamlined manner and aid the attainment of objectives. The mechanism actually ensure that revenue of an organization is consistently gauged against the expenditures that the managers of an organization have planned over a period of time and solutions provided to all financial problems that an organization faces. Budget controls are also defined as means of correcting planning and execution of activities in an organization. At the planning stage, managers are able to assess all the organization needs both in short term and long term, outline the activities, the human resources, the financial resources and the risks that the organization may face over the financial year (Mwaguni, Mbugua & Rambo, 2020). Setting up of control systems involves everybody in the organization and should be integral to ensure all units of the organization move in the same direction.

Financial resources in organizations are scarce and do not meet all the financial needs and obligations hence managers are forced to adopt strict budget control measures that ensure high levels of efficiency and effectiveness. For most big organizations they have been implementing budget controls for many years and recorded tremendous levels of efficiency as compared to small organization who are yet to fully appreciate the importance of budget controls (Keng'ara & Makina, 2020). Budgetary control is necessary practice that allows administrators in the organization contribute to the overall plan of the organization and help it achieve its main goal (Chepkorir, Rugut & Langat, 2021).

Literature has established that many organizations have in place budget controls, however, there implementation has been faced by a varied number of challenges in their implementation due to poor planning, lack of support of top management and lack of skills by employees in the accounting and finance departments who end up copying competitor's strategies that fail to address their needs (Libby & Lindsay, 2019). Budgetary controls are a complex function which is related to participative budgeting, budget planning, budget monitoring and budget review which were used to assess how budget controls influence financial performance of SACCO in Mombasa.

1.1.2 Financial Performance

This terminology stands for a financial position of an organization in the utilization of key resources, efficiency in operation and its growth in the market as compared to competitors (Mahroqi & Matriano, 2021). The financial position is looked at the change in performance over time intervals, where a firm with positive growth and high profit margins is classified as a well performing organization while slow growth and low profits is an indicator of poor performance. An improvement of financial of organizations is heavily dependent on the quality of services offered, minimization of cost, employee competency, high potentials in the market place, access to credit and general relationship with all stakeholders of the organization (Ahmed & Nganga, 2019).

Managers in financial institutions and savings and co-operative societies in particular measure financial performance analyzing key components of financial statements (Libby & Lindsay, 2019). Financial analysis is in most cases focused on profitability, liquidity ratios, working capital ratios, Total Assets owned by a company and a comparison between total assets versus total liabilities, Revenue Earned and investments over a time period, Tobin Q and Market Value added. For this study, financial performance of savings and credit cooperatives was analysed through Market Value Added analysis to find out effectiveness of budget controls and operational capabilities of targeted SACCOs.

1.1.3 Budget Controls and Financial Performance

The practice of budget controls in organizations is complicated and requires standard requirements that cannot be easily compromised by individual within or outside the organization (Mahroqi & Matriano, 2021). Budget control systems are made to ensure effective production plans, minimization of expense and other costs that an organization can incur, effective budget has a way of checks and balances on all operations that have a bearing on the financial operations of an organization. A mismanagement of financial resources approved by the owners of the firm or its agents can deprive a firm of its ability to pay employees, repay loans, expand into new markets, develop its production process and compete effectively in the market.

To ensure that such challenges don't bring organizations into their knees, firm managers seek to develop budget control mechanisms to ensure that funds maximize firms output (Macharia, 2018). Firm objectives cannot be achieved if its financial resources are wasted and feed the interest of corrupt individuals in an organization. The budget making process has many activities from planning to implementation, however, the control systems in place have a significant role to ensure all set objectives in each administrative unit, department or division are full implemented. Unknown to many, every stage of the budget making process needs to have a control system that act as a guide on how activities was conducted and provided a framework for checks and balances (Libby & Lindsay, 2019).

1.1.4 SACCOs in Mombasa County

The Savings Credit and Cooperative industry has made significant improvement over the past decade in our country (Mombasa County, 2021). For a long time, SACCO were registered in Nairobi and only opened branches in Mombasa County to serve their clients. This trend has changed after formation of giant SACCOs in Mombasa such as Bandari SACCO and Mombasa Port SACCO that serve Kenya Ports Authority employee and the general public. The County government of Mombasa has in its register a total of 260 SACCOs. They range from the financial service offering, Teachers SACCOs, Hospital based SACCOs and Agricultural, the police and Boda-Boda and Matatu SACCOs.

SACCO sector in Mombasa is regulated by the national laws that are applicable to all SACCOs across the country. In the year 2008, the national parliament of Kenya enacted the Sacco Societies Act 2008 which details all the required rules and regulations that society members must follow when delivering services to members of the public (Rutto & Oluoch, 2017). The set of regulation has helped safeguard the sector from commercial banks and also the interests of clients as many SACCOs were facing a wide range of issues that include; lack of entrepreneurial vision, misunderstanding by members on SACCO principles and values, lack of focus on youth and gender equality, lack of innovation and misappropriation of resources by SACCO managers. The law provides the condition that must be met for a SACCO to be registered under Cap 490 of the act. The Act also led to the formation of many SACCOs as it allowed for the formation of SACCOs in every sector and for individual employers to ensure that economic development is enhanced.

1.2 Research Problem

Control measures adopted by financial institutions to regulate budget control process can also apply in the conduct of other activities as a baseline for resource utilization (Mahroqi & Matriano, 2021). Once a budget plan has been prepared, firm managers will effectively understand the best way to allocate and consume organizational resources towards set organization goals. The adoption of budget controls in many organizations has been slow paced and in some poorly implemented that leaves loopholes for fraud and misuse of organization resources. Some organization managers have failed to understand the direct impact between budget controls and financial performance, hence failing in giving budget controls the seriousness it deserves while in other organizations the budget controls are seen as a responsibility of the finance and accounting department and budget controls did not cut across the organization functions.

Over the past decades, financial institutional managers and SACCO managers in particular have made efforts to improve budget controls in their budgeting processes (Nwanyanwu & Ogbonnaya, 2018). The main objective is to ensure that individuals in an organization maintain financial discipline and work towards attaining organizational interest. SACCOs operating from Mombasa county as at end of 2021 were one hundred and twenty with a client base of twenty-two million plus which is a significant improvement compared to the past five years and witnesses an upward and downward growth in client numbers. The county has a huge banking network that challenges the existence of SACCOs as they offer related financial services with more widespread access in the whole county (Njiiri, Mwenja, Kiambati & Mbugua, 2020). Collectively, SACCOs in the county collected more than two billion shillings due to a raise in client deposits that totaled more than any other source of funds. Despite an improvement in revenue collection, SACCOs reported small improvement in profit margins due to misappropriation of finances and investment in portfolios with poor returns every financial year.

Researchers have made attempt to look into the relationship between budget controls systems and financial performance of Savings and Co-operative societies and other organizations, locally and internationally. Rutto and Oluoch (2017) carried out a study to establish the relationship between budget controls and performance of SACCOs in the county of Nairobi. The findings of the study established a positive and significant relationship between budget controls and financial performance of registered SACCOs. Nyumo (2020) determined the effect of internal controls on financial productivity of SACCOs based in the county of Meru. Findings of the study revealed a positive and significant influence of controls on targeted financial productivity. Njiru (2016) sought to determine the effect of internal controls on financial productivity of organizations operating in the water and sewerage sector. The findings stated that internal controls adopted by water and storage companies across the country influenced the financial positions of targeted organizations. Studies reviewed do not address the effect of budgetary control systems on financial performance of SACCOs operating in Mombasa County. Through the findings, the study provided an answer as to whether budget controls influence financial performance of SACCOs in Mombasa County.

1.3 Research Objective

To examine the effect of budget controls on financial performance of Savings and Credit Cooperative organizations in Mombasa County, Kenya.

1.4 Value of the Study

Study findings helped policy makers and agents in regulating and streamlining of financial sector. The study proved the importance of budget controls through literature on their applications in other parts of the country and beyond. Since the government required that governance of SACCOs be prudential so as to ensure clients' savings and assets were protected, this study enlightened government officials on positive steps made and what was to be done to better control systems through recommendations that will be provided.

The findings helped SACCO Managers in Mombasa understand best ways in handling the finances and assets as they carry out their services in the economy. The sector has become very competitive and many players are trying to venture in the same line, so it's prudent as each firm tries to gain a competitive edge, managers apply best strategies to ensure they do waste their resources.

Students and institutions interested in the sector were guided by the findings of this study as a reference point in understanding the cause effect of the phenomenon under study in the whole financial management spectrum that can be useful to academic students, financial scholars and lecturers in the universities. Theoretical assumptions tested and well explained in this study gives a new perspective on how budget controls can be done in the financial sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covered the study theoretical review i.e Accounting Theory in Budgeting Control, Theory of budgeting, Control theory and Stewardship theory. It also covered the literature reviewed, Conceptual framework and Research Gaps.

2.2 Theoretical Review

The study adopted four key theories i.e Accounting Theory in Budgeting Control, Theory of budgeting, Control theory and Stewardship theory to explain the underlying relationships between study variables.

2.2.1 Accounting Theory in Budget Control

This is an accounting theory accredited to Kaplan and Norton (1996), Kaplan explains accounting practices as based on logical principles that guide the operations of accountants and financial operators (Kaplan & Norton, 1996). Before the development of the accounting theory, accounting practices lacked necessary budget controls and mostly based on individual judgements. The development of the accounting theory provides an acceptable accounting standards and policy frameworks that is used by finance managers today. The assumptions of the theory have been adopted by firm managers to streamline the budget implementation processes by ensuring the right practitioners are involved, and managers ensure proper allocation of financial resources and involve all stakeholders in an organization in the budget making process (Obuogo, 2018).

The practise of accounting is dependent on competence levels of individual practitioners, to ensure quality accounting services are offered in an organization, as a result managers are required to hire the most qualified employees (Mwaguni, Mbugua & Rambo, 2020). Budgetary control systems are complicated hence needs high technical skills and integration of software's that make it simple to track transactions. It's prudent therefore for the management to provide training for its accounting employees and conduct seminars for key stakeholder to understand the budget making process and the controls in place to ensure that the resources of the organization are well guarded (Migot & Paul, 2019).

Accounting systems are required to have inbuilt feedback systems that can detect error and report to the financial controller for correction at the soonest time possible. A system that provides daily, weekly or monthly reports is more effective as the officials and stakeholders can easily track the flow and consumption of financial resources in the organization (Gachoka, 2018). The most underlying limitations of using accounting theory in budget controls is that accounting is utilitarian in nature and key principles in the practice are based on expediency rather than rules of logic (Ndimitu, Mwangi, Kisaka & Mwangi, 2018). Furthermore, accounting theory is less concerned with deductive generalization, its concepts and postulates are not rigorously defined and other fundamental assumptions are also not realistic. The theory was relevant in explaining budget monitoring and budget review in the budget control processes.

2.2.2 Theory of Budgeting

Hirst 1987 is accredited as the founder of the theory budgeting, Hirst states "budget controls are a set of systems used by finance practitioners in the allocation of resources in an organization. To minimize wastage of resources, organization have set in place detailed guidelines on how budgets can be formed (Hirst, 1987). The process of budget development is supposed to meet the needs of a department and the organization at large (Mwangi & Jagongo, 2019). The allocation of finances depends on what the organization prefers as a priority and its contribution to the general objective of the firm. Budgeting further encompasses plans for sourcing for finances, plans for growth and expansion and expenses to be incurred for the entire financial year.

Various scholars have found the budgeting theory as very useful in management of financial resources in organizations across the world (Njiiri, Mwenja, Kiambati & Mbugua, 2020). Company managers are required to effectively use its resources, if the custodian of the organization resources minimizes the wastage of organization resources to ensure that all departments work under the budget provide then the organizations can achieve great efficiency levels (Orina, Obwogi & Nasieku, 2019). The theory has been found to be weak by various scholars, for example; the control for budgeting is in the hands of the firm managers hence, the theory excludes shareholders in the control process, although some organizations hold forums for budget discussions, managers rarely do reflect the suggestions of the stakeholders in their final budget plans (Mwangi & Jagongo, 2019).

The theory has gained support from scholars calling for a clear control system that streamline allocation and consumption of resources that will leave no room for fraud that can lead to collapse (Keng'ara & Makina, 2020). A control system without mitigation measures is bound to fail as problems cannot be detected early enough but wait until a loss has been suffered which may be long time and may take long too to fix as compared as when errors are identified at every stage of the budgeting process. It's prudent that managers budget within their means and source for necessary funds either through equity or commercial loans that meet the financial needs of every department and administrative of their organization (Manei & Omagwa, 2019). This theory was useful in explaining the importance of budget planning as way of enhancing financial performance in SACCOs in Mombasa.

2.2.3 Control Theory

The control theory was developed by Walter in 1973 and is based on the belief that organizations should be able to make a comparison between actual and set performance standards. Managers in organization develop both administrative controls, Social controls and self-controls to ensure that organization objectives are realized at all levels with effective utilization of organization resources (Mahroqi & Matriano, 2021). As a result, control systems should be implemented in every activities and incorporated at the planning stage of the budget making process to the implementation stage. Administrative controls help streamline processes and operations in an organization which positively contribute to overall productivity of a firm (Chepkorir, Rugut & Langat, 2021). While social controls look at the relationship between all the parties engaged in the organization. Lastly, self-controls are needed for individuals to ensure that their personal interest do not override the interests of an organization.

The assumptions of the theory have been adopted by managers across industry as they are useful in managing the conflict of interest between parties in an organization. Many organizations have failed and wound up their business for lack of control on conflict of interest that led to embezzlement of funds by managers for their own benefit (Chepkirui & Oluoch, 2021). Despite its importance in ensuring organization interest supersedes that of individuals contracted by the management, the theory has been heavily criticized by a number of scholars. Critics believe that the theory mainly focuses on the relationship at work and puts up measures that confine individuals to behave in a certain way as desired by the owners thereby depriving responsible people of the powers to make independent decisions. The application of control systems has been established to vary depending on the size of the organization, medium size organization have stronger control systems as employees are few and managers can directly relate with them unlike in parastatals and multinational organizations (Ahmed & Nganga, 2019).

For control systems in an organization, there is need for proper cordinationation and integration of activities to ensure that every activity can be easily measured and contributes to the main objective. Once objectives for each activity is defined, managers can develop plans to ensure team work and sharing of resources does not compromise the implementation of each activity (Awire & Nyakwara, 2019). For all individuals engaged at personal level or as a team, they are required to take fully responsibility for their actions and be accountable as when required to do so. The aspect of social controls as described in this theory was relevant to this study in the examination of participative budgeting as a budget control tool.

2.2.4 Stewardship Theory

Donald and Davis (1991) and the accredited founders of the theory and they jointly explain that individuals entrusted with the running of an organization take responsibilities with utmost faithfulness and conduct business operations with high levels of accountability. Different types of ownership delegate authority to managers to plan and implement a number of strategies that sustain and grow the business over years (Nwanyanwu & Ogbonnaya, 2018). According to proponents of the theory, managers who act as per the assumptions of the theory require less control and are motivated by exercising powers and need less motivation as compared to others.

Owners of the firm do not necessarily have to award managers hefty salaries and allowances to be motivated (Mahroqi & Matriano, 2021). The adoption of stewardship theory in organization has been positive as it advocates for collectivist, disregard of monitoring costs (Manei & Omagwa, 2019). Proponents of the theory stresses on emotional attachment and caring behavior, the problem of accounting for such behavior and action are subjective to personal upbringing and ethical orientation, hence, organizations develop rules and regulations that guide members of an organization on allocation and utilization of resources (Libby & Lindsay, 2019).

The theory has been criticized for basing its assumptions on individual morals which are subjective, ambiguity in how individuals should behave in a diverse workforce and misconceptions about the idea of stewardship (Musili & Wepukhulu, 2019). The theory of stewardship is more anchored on leadership and management plans that steer the organizations in its operations. Proponents give too much emphasis on leader's qualities and their abilities to enhance financial performance of their organizations (Nwanyanwu & Ogbonnaya, 2018). Assumptions were useful in explaining how managers in SACCOs were able to allocate and utilize resources as planned and improve the financial performance of SAACOs.

2.3 Determinants of Financial Performance

The study reviewed participative budgeting, Budget monitoring, budget planning and budget review.

2.3.1 Participative Budgeting

The practise encompasses inclusion of stakeholders in the budgeting process allows for the contribution of views and suggestion that come from the external environment (Gachoka, Aduda, Kaijage & Okiro, 2018). Giving room for outsider's participation make them play a role in the development and growth of an organization as all parties share the vision of the organization and play distinctive roles. The main goal of using this approach is to bring a sense of responsibility on the part of managers to ensure that shared goals are achieved both in financial, financial and in social standards. Managers who involve their juniors in making decisions also have better way of achieving set objectives. Given that stakeholders are only present during AGMs and special meetings; managers should engage employees to ensure they understand financial needs of the organization from different perspectives.

For public organization, involving shareholders in decision making is mandated by the law and happens once a year or more if an emergency matter arises (Muthama & Warui, 2021). For private entity, the involvement of stakeholders can be at the discretion of the manager and owners if there is need to gain new perspective on the financial market by inviting financial players in conferences and special training programmes. The involvement of individuals outside the organization varies from firm to firm based on the contributions that a manager feels that such entities can bring to the organization. Other managers consider financial information and budget plans to be sensitive that cannot be easily shared to competitors. In most organization participative budgeting has been seen to embrace the involvement of employees and departmental heads as they understand organization goals and are good custodians of organizational resources.

Organizations that highly involve their employees and key stakeholders in the budgeting process have been found to be more efficient (Waititu & Ngali, 2022). The organization in general is able to identify the specific needs of organizational units, the money required to run unit and department activities for a financial year and ration the available resources in the best way possible. When employees understand better the financial position of the organization and the objectives to be achieved at the end of the year, they tend to be more careful in the utilization of the resources and use the resources as planned. During the forums, managers also have a chance to explain the control measures adopted and the penalties that are applied if an individual is irresponsible.

2.3.2 Budget Monitoring

Monitoring is defined as the assessment process that ensure all planned activities are put and scrutiny as implementation is undertaken (Akinleye & Kolawole, 2020). The practise is in most cases an ongoing process unlike review which normally happens at the end of a project or an activity. Monitoring in budget process is geared towards ensuring high efficiency levels and control utilization of resources that may otherwise be used by individuals entrusted by firm management for their own personal needs. The monitoring activities in the budgeting process allows managers get real time information and feedbacks for any challenges that may arise and develop corrective measures that go a long way in minimizing wastages (Musili & Wepukhulu, 2019).

The critical nature of the monitoring activities in organizations make it necessary for managers to develop a plan on how to keep an eye on all processes, hire the right candidates especially with audit skills and train employees on importance of budget controls to ensure that every action taken aligns to set firm objectives (Abdi & Minja, 2018). Managers in financial institutions have failed to realize the benefits of monitoring processes on their finances by entrusting the accounting department and by extension the auditing departments to carry out checks and balances on financial matters (Ndegwa & Mungai, 2019). One key department such as the procurement and purchase department is responsible for a large percentage of organization expenditure, the human resource department also account for a huge part of expenses at every end month when employees are paid their salaries. A simple default on the figures from these departments may lead to huge losses, hence, it’s important for managers to ensure that all employees understand the role they employ in monitoring organization financial controls (Ndegwa & Mungai, 2019).

2.3.3 Budget Planning

Planning is a very important activity of the budgeting making process, at this stage, managers plan for what needs to be done and mobilize the needed resources to enable for implementation of the activities (Adow, Edabu & Kimamo, 2020). Managers and participants also ensure they brain storm the checks and balances that the organization adopts to ensure that whatever is adopted in the budget plan is actualized and organization objectives are realized. At this stage, all players at the organization have a chance to remodel business process, products and services offered, human resources and all other key areas of the organization subject to resource availability. The resources required for running of the organization can be obtained from income realized by organization or through borrowing from financial institutions.

A financial plan act as a key road map for every organization, it not only outlines the vision, mission and objectives of the organization but also outlines the action plan that has to be followed to meet expectations (Ali, 2022). No organization has achieved financial excellence without effective budget planning that encompasses control systems. The planning gives time frames to which budget plans are reviewed and assessment done to understand the direction that the organization is taking, whether making profits or losses (Imo & Des-Wosu, 2018). A loss making organization will easily realize the bottlenecks in its budget plans and weaknesses in control systems that were adopted.

2.3.4 Budget Review

Every budget plan has a set periodic review that must be carried out by the team implementing the budget as agreed at the budgeting stage. The reviews aim to make a comparison between the actual outcomes and the expected outcomes, discrepancies can be identified and the financial trajectory of the organization can easily be identified (Macharia, 2018). The reviews can be done by a monitoring committee, an audit team or external financial experts that can give an independent report of the financial position. Managers in organization are required to put in place a clear procedure on how budget reviews can be done, who qualifies the review and sharing of information once the review is complete. Once the reviews are done, the management is also expected to ensure that the same is communicated to shareholders to avoid panic and lose of trust when losses are realized.

Continuous improvement in financial performance of an organization can be achieved if set objectives and goals are met (Keng'ara & Makina, 2020). A controlled financial performance through periodic reviews i.e quarterly and half yearly can help an organization become more competitive in the market and sustain its operations even in the most turbulent times. Future plans of an organization and its vision relies heavily on budget reviews to ensure that managers do not veer off the performance track. To ensure budget reviews are most useful, every aspect of the organization must be appraised and measure taken to ensure that every unit of the organization contribute to the growth and sustainability of the organization.

2.3.4 Firm Size

A key determinant to productivity, operational and sustainability of businesses both big and small. The concept of firm size has gained much interest in research and practise, however, its implications has been varied depending on sector or management of an organization (Adow, Edabu & Kimamo, 2020). High performing organization tend to be increase in size exponentially especially if managers plough back resources to the firm, diversify or acquire new business lines to increase its portfolios. The size of the firm gives it many advantages in terms of market share, recruitment of skilled and experienced employees, acquisition of latest and sophisticated technologies and a competitive edge in the market.

The size of the firm is determined by the number of investors willing to commit their resources based on the expected returns they can get. In the technology industry it has been observed that an innovative idea managed by an individual or a small team grows into a big company for example, Facebook, Twitter and Instagram due to funding it received from investors (Nwanyanwu & Ogbonnaya, 2018). Another determinant of the firm size is availability of resources and capital to fund development projects. Due to economic turbulences, income levels may not be able to meet firm expenses and other financial obligations hence the best way for a business to exploit opportunities in the market will be to access credit from financial institutions.

2.4 Empirical Review

Rutto and Oluoch (2017) carried out a study to establish the relationship between budget controls and performance of SACCOs in the county of Nairobi. An explanatory research design was adopted for the study and data collected from 40 SACCOs fully registered and in operation. Researcher relied on primary data sourced and collected data from study participants through surveys as the target population was manageable and less finances and human resources was needed to carry out the activity. The findings of the study established a positive and significant relationship between budget controls and financial performance of registered SACCOs. The study recommended for improved sharing of information between budgeting parties and maintenance of daily records on financial transactions.

Nyumo (2020) determined the effect of internal controls on financial productivity of SACCOs based in the county of Meru. The number of SACCOs engaged in the study included 96 employees picked from 24 SACCOs registered and operating within Meru County. The study settled on a cross-sectional approach in conducting the study. Primary data and secondary data was collected using questionnaires and data collection sheets and analysed through descriptive and inferential methods. The study established that internal controls adopted by counties licensed and operating within Meru County had a positive and significant relationship with financial performance.

Njiru (2016) sought to determine the effect of internal controls on financial productivity of organizations operating in the water and sewerage sector. The study targeted sewerage and water companies across Kenya and targeted senior internal auditors in all companies that totaled to 65. The study approach adopted by the study was descriptive and sample done using purposive method as the targeted senior auditors are directly in charge of control systems. Primary sources of data formed the main approach of data collection and study participants were provided with structured questionnaires based on a scale. Study participants were given enough time and necessary clarifications in areas they had difficulties. The findings of the study stated that internal controls adopted by water and storage companies across the country had a positive and significant effect on financial performance.

A study jointly conducted by Hatharasinghe and Karunarathna (2017) examine the relationship between budget controls and productivity of small business in the state of Sri-Lanka. The study targeted 40 Small and medium enterprises in major urban centres across the country. The study relied on both primary and secondary data collection techniques from senior officers, finance officers, marketers, sales agents and accounting clerks in SMEs. Analysis of SME productivity was based on Return on Assets measures adopted by the study. The study established that a sensible relationship between budget controls and productivity of small and medium enterprises in major cities in Sri-Lanka.

Chaudhary (2018) examined the relationship between budgetary control and financial performance of Nepal Oil Corporation. The study approach adopted by the study was a descriptive in nature and targeted a total of 60 members of staff spread across engineering, finance and administration, accounting and projects departments. The study relied on primary data collection tools such as questionnaires in a structured format. Analysis of study data established a direct effect of controls on financial productivity oil processing organizations. The positive and significant influence was caused by effective setting of financial objectives, efficient utilization of funds and right investment decisions.

Al-Mahroqi (2021) carried out an assessment to look into the relationship between controls systems used in budgeting and financial performance of Oman Based Telecommunication companies. The researcher relied on a survey approach and collected research data through primary means and study participants were given questionnaires to fill and engaged directly through an interview. The study adopted descriptive statistical measures to assess the relationship between the study variables, as a result Microsoft excel was effectively used to compute means, modes and standard deviations. The study reported a significant effect of controls systems and financial productivity of Telecommunication organizations. Recommendations were made for top managers to fully support budget control systems to ensure more benefits are realized.

Abdi (2015) conducted an investigation on measures used for internal control system and their effect on private commercial banks in Mogadishu, Somalia. The study relied on a descriptive research design as a guideline in conducting the research. The study was based mainly of the participant's demographic information in the accounting and finance departments. The study relied on questionnaires to collect primary with the support of interview for senior managers in selected private banks. In total the study targeted 33 employees. The study established that, private commercial banks in the city of Mogadishu have elaborate control systems that ensure that cash is properly managed and duties of all employees are clearly outlined.

A study was done by Abuga (2019) investigated how budget controls influence financial performance of Tea Firms in Kisii, Kenya. The study relied on a correlational design and targeted 70 senior managers working in the tea factories. The study relied on primary and secondary data sources which complemented each other and gave complete coverage of the variables under study. It was found that effective planning, implementation and control are key measures that have contributed to improved financial performance of tea factories. The study suggested for improvement of hiring processes that ensure skilled and qualified employees are brought into the companies and continuous training to ensure employees learn best practices to deal with occurring problems.

2.5 Summary of Literature Review and Research Gaps

The section covered a comprehensive review of theories, concepts and past studies to show the existing relationship between budget controls and financial performance in organizations. Studies reviewed such as: Nyumoo (2020) determined the effect of internal controls on financial productivity of SACCOs based in the county of Meru. The research did not look into the concept of budget controls and its effect on financial performance. Hatharasinghe and Karunarathna (2017) sought to identify the effect of budgetary control in Small and Medium Scale Enterprises performance in Sri Lanka. The study was not done in the SACCO sector. Chaudhary (2018) examined the relationship between budgetary control and financial performance of Nepal Oil Corporation. The study was not done in the SACCO sector. Limited studies were conducted to determine the cause effect of variables adopted in this study and how they affect SACCOs in Mombasa County, a research gap that the study filled.

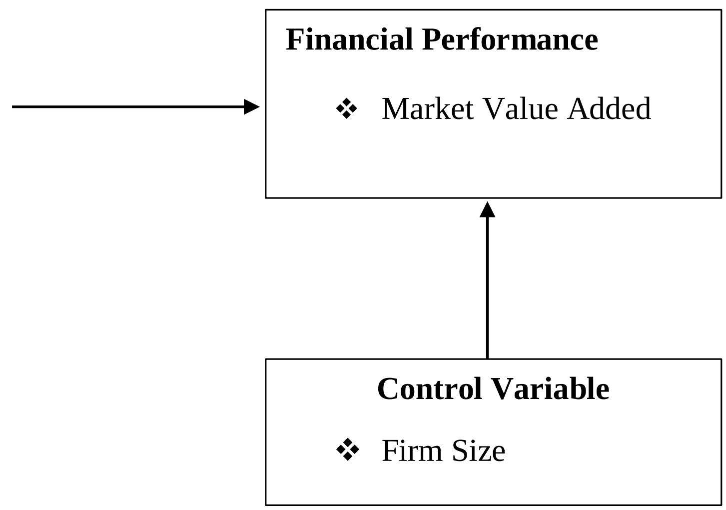
2.6 Conceptual Framework

This a diagrammatic illustration of the relationship between dependent and independent variables of the study. It's also defined as an illustration of the cause effect of the variables under study as illustrated in figure 2.1 below;

Budget Controls

Participative Budgeting

- Joint Goal setting
- Stakeholder Involvement



Independent variables **Dependent variable**

Figure 2.1: Conceptual framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered the research design, target population, sample and sampling technique, data collection techniques, reliability and validity test and data analysis techniques, diagnostic tests, significance and measurement of variables.

3.2 Research Design

A research design is a framework guiding the researcher in undertaking study activities i.e data collection and reporting of the study findings (Hervie & Winful, 2018). This research adopted a descriptive research design, an effective design in collection of data to describe the study phenomenon in its current status for single or multiple variables (Creswell, 2013). The study design was appropriate for this study as it allowed for a thorough investigation on the relationship between budget controls and financial performance of SACCOs in Mombasa.

3.3 Target Population

Mbokane (2019) defines a target population as the sum of people or units that a research is targeting to base its findings. To fit into a target population, the people of units targeted should have common features so that observations made by the research are easy to generalize on the whole population to avoid bias. The study targeted 40 SACCOs licensed and operating in Mombasa County as indicated by SASRA (2021). Given that, the target population was small at 40, one manager from the SACCOs was included in the study through a census method.

3.4 Data Collection

Research data was sourced from primary and secondary sources. Primary data was mainly collected through structured questionnaires. The study used an ordinal scale to measure qualitative data from questionnaires structured on 5-point Likert scale. Using a likert scale was best suited for the questionnaires as it made it easy for respondents to give their responses (Zarrouk, El-Ghak & Al-Haija, 2017). Structured questionnaires were given directly to study participants once research approval was given by the management. The study used ratios for secondary data, this information mostly came from financial statement of targeted SACCOs in order to examine the financial performances of the SACCOs over time. From the financial statements the study extracted data relating to Liquidity, Return on assets, Net profits, Quick ratios and Tobin's Q.

3.5 Reliability and Validity

3.5.1 Reliability

Research instruments need to be tested for consistency before a full scale study is done to ensure that data collected is reliable and can give a true reflection of the phenomenon under study. Data collected from a pilot test can be tested for reliability by use of Cronbach Alpha test and an Alpha of more than 0.7 shows that the research instruments are reliable (Marshall and Rossman, 2014). Galli (2018) argues that a Cronbach's Alpha value of between 0.75 and 1.0 reliability of the instrument is acceptable. Reliability was tested using a Cronbach Alpha, a score of 0.7 and above showed a strong reliability and findings of the study was reliable for reporting and publishing.

3.5.2 Validity

At the pilot stage, research instruments are required to undergo validity tests to check if questions adopted are useful in obtaining needed information from the study participants. During the research process, the supervisor or professor can review the questionnaires to ensure that questions adopted in the questionnaire help the researcher or student attain the research objectives (Marshall & Rossman, 2014). Validity was assessed through approval by supervisor computation instruments adequacy using KMO Bartlett Test.

3.7 Diagnostic Test

The study tested for normality and multi-collinearity. Autocorrelation was detected using Durbin-Watson statistic. Assumption was assessed using a histogram, distribution of residual values was used to check whether distribution was normal. Multicollinearity is assumed to occur when there are inter-correlations. Multicollinearity was tested using Value Inflation factors and correlation coefficients. Heteroscedasticity and homoscedasticity was measured through Breuch Pagan Test. Ordinary Least Square was used in this study to assess linearity of the model based on homoscedasticity assumptions.

3.8 Data Analysis and Presentation

This section reviewed Data analysis techniques i.e Descriptive and Inferential statistics and Test of significance.

3.8.1 Data Analysis

Once data was sourced from questionnaires and financial statements, the researcher further sorted, edited and coded the relevant data into Social Package for Social Sciences for computation and interpretation. Inferential statistics was used to carry out Correlational analysis, Analysis of variance, Diagnostic tests, Regression analyses and check model fitness. Model adopted for analysis of variable relationships is given as;

$$Y: \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where β_1, β_2, β_3 and β_4 were the regression coefficient of the independent variables

Y = Financial performance
α = Constant
X_1 = Participative Budgeting
X_2 = Budget Monitoring
X_3 = Budget Planning
X_4 = Budget Review
X_5 = Firm Size
ε = error term

3.8.2 Tests of significance

Furthermore, multiple linear regression and t-tests was used for testing the associations between variables of the study. The results were assumed to be significant if p-values of study variables fall within a significance level of 0.05 hence the value expected should be less than 0.05 for the test to be accepted. Significance of the test were determined by the t-value obtained in the analysis which aimed at assessing the deviation of the mean and standard deviation from the tested value. An F-test was done to check the overall significance of the model and its fitness.

3.9 Operationalization of Variables

Table 3.1: Operationalization of Variables

Variable	Sub-variable	Measure of indicators	Measurement Scale	Supporting literature
Financial performance	Profitability Liquidity	Market Value Added	Ratio	Njiru (2016)
Participative budgeting	Joint Goal setting Stakeholder Involvement	Goal/ performance Expectation management	Ordinal	Mutungi (2017)
Budget Monitoring	Process assessment Supervision	Effectiveness Flow of activities	Ordinal	Abuga (2019), Hatharasinghe & Karunathna (2017)
Budget planning	Goal setting Resource allocation	Need assessment Efficiency	Ordinal	Al-Mahroqi (2021)
Budget Review	Planned objectives Actual results	SMART Variation	Ordinal	Chaudhary (2018)
Firm size	Firm value of equity Total assets	Total Assets	Nominal	(Nwanyanwu & Ogbonnaya, 2018)

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

Analysis of data is provided in the following sections; Pilot test results, Diagnostic test results, Correlational results, Model Summary, Analysis of Variance, Regression co-efficient and discussion of research findings.

4.2 Pilot Test

The study conducted a pilot study to check on reliability of study instruments through a Cronbach Alpha test. Validity of research instruments was assessed through approval of the supervisor in relation to the relevance of the research questions in providing appropriate of instruments prior to collection and analysis

4.2.1 Reliability Results

Data collected from a pilot test was tested for reliability by use of Cronbach Alpha test. The results of the test are illustrated in the table below;

Table 4.1: Reliability Results

Variable	Number of items	Cronbach's Alpha
Participative Budgeting	40	.732
Monitoring	40	.855
Planning	40	.901
Budget Review	40	.877

Source: Research Data (2022)

Reliability of the research instruments was tested using a Cronbach Alpha, a score of 0.7 was obtained for all the variables, the scores showed a strong reliability and findings of the study was reliable for reporting and publishing.

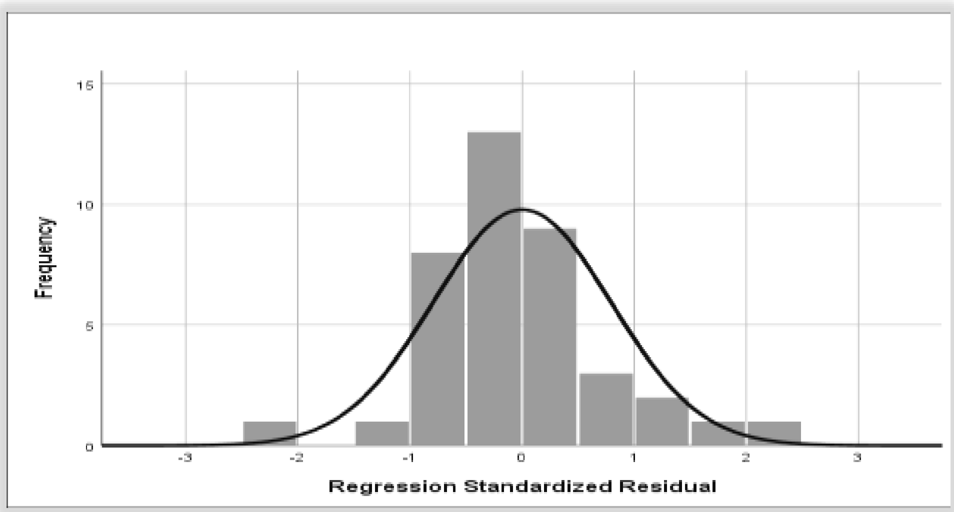
4.3 Diagnostic Tests

The assumptions tested for the study model were on Normality, Multi-collinearity, Auto-correlation, linearity and Heteroscedacity**.** The model was checked if it was a good model that meets the four fundamental regression assumptions.

4.3.1 Normality Results

The normality of residual assumption was tested with histogram of residuals. Findings are presented in the figure below;

Figure 4.1: Normality Results



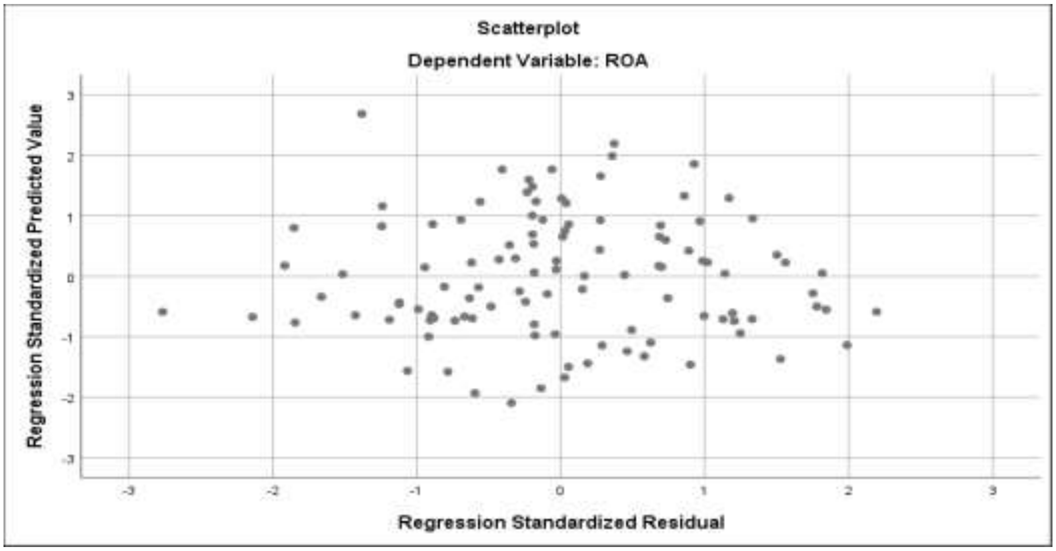
Source: Research Data (2022)

The results in figure 4.1 show that the assumption was met; the histogram has bell shaped curve typical of a normal variate. Constant variance gave an indication that the model was free from biases inherent in models that do not meet the normality requirement.

4.3.2 Heteroscedacity

The study made the assumption of Heteroscedacity was assessed using the plot of residuals versus fitted values. Lack of an apparent pattern of the plot point is desired scenario to indicate that the assumption was met.

Figure 4.2: Heteroscedacity



Source: Research Data (2022)

Meeting the normality and constant variance assumption indicates the linearity assumption was also met. This implies that the Budget control and performance have a linear relationship and therefore fits a linear model.

4.3.3 Multi-collinearity Results

The study tested multi-collinearity using Value Inflation factors, the findings obtained for the test are illustrated in table 4.2:

Table 4.2: Multi-collinearity

	Collinearity Statistics	
Variable	**Tolerance**	**VIF**
Participate Budgeting	.324	3.086
Budget Monitoring	.601	1.664
Budget Planning	.749	1.524
Budget Review	.876	1.141
Firm Size	.753	2.033

Source: Research Data (2022)

Multicolinearity assumption states that there should be no highly correlated IVs. The VIF should be less than 10 comply with the assumption. The results in table 4.2 shows that the condition is not violated; all the VIF values are all less than 10.

4.3.4 Auto-correlation Results

The study tested the Autocorrelation assumption using Durbin-Watson statistic. Finally, states that there should be no autocorrelation in the data. The assumption assumes that the errors from the regression are independent.

Table 4.3: Auto-correlation Results

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.809[a]	.655	.614	.372	1.807

a. Predictors: (Constant), PB, BM, BP, BR, FS

b. Dependent Variable: Financial Performance

Source: Research Data (2022)

Key:

PB= Participative Budgeting

BM= Budget Monitoring

BR= Budget Review

BP= Budget Planning

FS= Firm Size

In this study, the DW statistic is 1.807, close to 2 an indication of no autocorrelation. All the assumptions are met and therefore the model is adequate.

4.4 Descriptive Results

Descriptive analysis was carried out to look into the magnitude to which independent variables affect the dependent variables of the study i.e Participative budgeting, Budget monitoring, Budget planning and Budget review.

Table 4.4: Descriptive Statistics.

Variable	N	Mean	Std.dev	Skewness	Kurtosis
Participative Budgeting	40	3.8175	1.230	.778	.007
Monitoring	40	2.8647	0.980	1.022	1.616
Planning	40	3.0900	1.231	1.038	1.340
Review	40	3.1500	0.879	.870	1.286
Firm Size	40	12.142	1.032	.867	.930
Financial performance	40	3,357,000. 79	1.377	.786	.688

Source: Research Data (2022)

Overall mean for participative budgeting was 3.8175 and a std.dev 1.230, indicates that, most of the managers agreed to the participative statements. Implication of these findings is that, SACCOs involve stakeholders in the budgeting process that enables them contribute their views and suggestions. On budget monitoring, result shows that, the mean is 2.8647, this results means that most of the managers agreed that there is budget monitoring. Monitoring ensure that planned activities are put and scrutinized as implementation is undertaken. On budget planning, results showed a mean of 3.0900 indicating that planning is entrenched in SACCOs critical in ensuring that current and future needs of the organization are set and resources availed for their implementation. Furthermore, results on budget review revealed a mean of 3.1500 indicating that the managers agreed that Budget review is practiced in the SACCOs which is important in making comparison between the actual outcomes and the expected outcomes. The SACCOs are therefore able to identify discrepancies and stay in the financial trajectory of the organization. Descriptive statistics on firm size revealed a mean of 12.142 on log of Assets, firm size varied over the years and SACCOs recorded Unique sizes with minimal variations. Lastly, analysis on financial performance gave a mean of 3,357,000. 79 of market value added which also varied over the years due to supply and demand factors in the market, foreign exchange, inflation rates and investor confidence in the financial market. The skewness and kurtosis organization values are indicative of positive skewed data for all the variables.

4.5 Correlational Analysis results

Study variables were correlated to assess the nature and significance of relationships between budget monitoring, budget planning, review and participative budgeting. Correlation values and p-value recorded are as illustrated below in the table.

Table 4.5: Correlational Analysis

Variable		FP	BM	BP	BR	FS	PB
FP	Pearson Correlation	1					
	Sig. (2-tailed)						
BM	Pearson Correlation	.878**	1				
	Sig. (2-tailed)	.000					
BP	Pearson Correlation	.761**	.898**	1			
	Sig. (2-tailed)	.000	.000				
BR	Pearson Correlation	.692**	.804**	.845**	1		
	Sig. (2-tailed)	.000	.000	.000			
FS	Pearson Correlation	422**	511**	592**	601**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
PB	Pearson Correlation	.388*	.426*	.406*	.415*	.437*	1
	Sig. (2-tailed)	.015	.008	.010	.000	.000	
N = 40							

Source: Research Data (2022)

Key:

PB= Participative Budgeting

BM= Budget Monitoring

BR= Budget Review

BP= Budget Planning

As presented above, in order of their strength, participative budgeting had a weak correlation while budget monitoring had the strongest correlation. The second highest correlated variable was budget planning and budget review respectively. The correlation outcome revealed that budget control factors positively and significantly correlate with financial productivity of targeted SACCOs.

4.6 Regression Analysis

The study carried out regression analysis to assess Model summary, Analysis of variance and Regression co-efficient. Findings are presented in the sections that follow.

4.6.1 Model Summary

The study adopted a model summary to assess the fitness of multiple linear regression model in determining the relationship between variables.

Table 4.6: Model Summary

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.809[a]	.655	.614	.372	1.807

a. Predictors: (Constant), rev, part, plan, mo

b. Dependent Variable:

Source: Research Data (2022)

As shown in the table above, the study had a R-square of 0.655, the value shows that the four independent variables adopted by the study covered 65.5% of all factors affecting financial productivity at SACCOs in the County of Mombasa. An adjustment of R-Square a percentage more than 60% which proves that budget controls are significant in enhancing financial productivity of SACCOs in Mombasa County.

4.6.2 ANOVA Results

The study conducted an analysis of variance and the results proved that the model adopted for the study was fit in explaining variable relationships.

Table 4.7: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.896	4	2.224	16.112	.000[b]
	Residual	4.693	35	.134		
	Total	13.589	39			

a. **Dependent Variable:** Fin perf Predictors: (Constant), Part, Plan, Mon, Brev,

Source: Research Data (2022)

As shown in the table above, Analysis of variance revealed that the model adopted in this study was fit and useful in determining the relationship between the four independent variables and the dependent variable of financial performance. F-values of 16.112, P-value .000 reveal a model with a right fitness.

4.6.3 Regression Co-efficient

Co-efficient of regression was used in assessing the extent to which the independent variables had a bearing on financial productivity of targeted SACCOs. The results of the analysis are illustrated in the table below;

Table 4.8: Regression Co-efficient

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.711	.421		1.689	.100
Participative Budgeting	.053	.059	.100	.902	.373
Budget Monitoring	.233	.107	.282	2.183	.036
Budget Planning	.140	.041	.220	3.583	.001
Budget Review	.491	.111	.517	4.422	.000
Firm Size	.389	.071	.411	3.275	.000

a. **Dependent Variable:** Financial Performance

Source: Research Data (2022)

The analysis obtained a positive regression of all variables i.e Participative (β = 0.053), Review (β = 0.491), Monitoring (β = .233) and Planning (β = 0.140) to financial performance. Three of the variables were significant i.e Review (P-value = .000), Monitoring (P-value = 0.036) and Planning (P-value = 0.001) while Participative budgeting was insignificant (P-value = 0.373). The results prove that budget control factors under study positively and significantly influence financial performance of SACCOs in Mombasa County.

FP = .711+.053 Participative +.233 Monitoring + .140 Planning + .491 Review + .389 Firm size

4.7 Discussion of Findings

Analysis of data on budget controls and financial performance of SACCOs in Mombasa revealed that research instruments were reliable as all variables recorded a Cronbach Alpha of more than 0.7. Diagnostic tests revealed that; data was normally distributed, no Heteroscedacity as there was lack of apparent pattern of the plot, distribution of residuals was linear and there was no multicollinearity and autocorrelation.

Analysis of participative budget scored a mean of 4.8175 indicating that study participants agreed that participative budget positively influence financial productivity. The least influential factor to financial performance was involvement of stakeholders, involvement of department and preparation of departmental budgets before final budget with the highest influence. Inferential analysis revealed a weak positive correlation ($r=.388$, $p=.015$) and positive insignificant regression with financial productivity ($\beta=.233$, $p=.373$). In contrast, Al-Mahroqi (2021) who assessed the relationship between controls systems used in budgeting and financial performance of companies dealing with Telecommunication services in the State of Oman. The study established a positive and significant relationship between budget control systems and financial performance of Telecommunication firms in the state of Oman.

Analysis of budget monitoring scored a mean of 2.8647 indicating that study participants agreed that budget monitoring affect financial performance. Comparison made between plans and actual performance had the least influence on financial performance while control budget activities by head of departments and review of costs by executive committee had the highest influence. Inferential analysis revealed a positive correlation ($r=.878$ $p=.000$) and positive significant regression with financial productivity ($\beta = .233$, $p=.036$). The findings of the study were similar to findings by Nyumo (2020) which determined the effect of internal controls on financial productivity of SACCOs based in the county of Meru. Findings of the study revealed a positive and significant influence of controls on targeted financial productivity

Analysis of budget planning scored a mean of 3.0900 indicating that study participants agreed that budget planning affect financial performance. Covering all aspect of organization vision in the budget had less influence on financial performance while linking budget, objectives and goals had the highest influence on financial performance of SACCOs. Inferential analysis revealed a positive correlation ($r=.761$, $p=.000$) and positive significant regression with financial productivity ($\beta =.140$, $p<.001$). The study findings positively relate to that of Mbuthia (2019) which investigated the relationship between control systems in budgeting and financial productivity of commercial banks in Kenya. The study found that effective planning was the most effective tool used in control budgeting positively influence financial productivity.

Analysis of budget review scored a mean of 3.1500 indicating that study participants agreed that budget review positively influence financial productivity. Budget review in departments had less impact while monitoring of budget deviations had the highest influence on financial performance. Inferential analysis revealed a positive correlation ($r=.692$, $p=.000$) and positive significant regression with financial productivity ($\beta=.491$, $p=.000$). Similar results were established by Hatharasinghe and Karunarathna (2017) whom examined the relationship between budget controls and productivity of small business in the state of Sri-Lanka. The study established that a sensible relationship between budget controls and productivity of small and medium enterprises in major cities in Sri-Lanka.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summaries of the research findings, Conclusions, Recommendations and Recommendations for further studies.

5.2 Summary of Research Findings

This section provides summaries for findings on; Participative budgeting, Budget monitoring, Budget planning and Budget review.

5.2.1 Participative Budgeting

Participative budgeting positively affected financial productivity of SACCOs in Mombasa County, however, its effect was insignificant. The least influential factor to financial performance was involvement of stakeholders while involvement of department and preparation of departmental budgets before final budget had the highest influential. The findings of the study are different to that of Al-Mahroqi (2021) which assessed the relationship between controls systems used in budgeting and financial performance of companies dealing with Telecommunication services in the State of Oman. The study established a positive and significant relationship between budget control systems and financial performance of Telecommunication firms in the state of Oman.

5.2.2 Budget Monitoring

The study established that budget monitoring positively influences financial productivity. Comparison made between plans and actual performance had the least influence on financial performance while Control budget activities by head of departments and review of costs by executive committee had the highest influence. The findings of the study were similar to that of Nyumo (2020) who determined the effect of internal controls on financial productivity of SACCOs based in the county of Meru. Findings of the study revealed a positive and significant influence of controls on targeted financial productivity.

5.2.3 Budget Planning

The study established that budget planning positively influences financial productivity. Covering all aspect of organization vision in the budget had less influence on financial performance while linking budget, objectives and goals had the highest influence on financial performance of SACCOs. The study findings positively relate to that of Mbuthia (2019) which investigated the relationship between control systems in budgeting and financial productivity of commercial banks in Kenya. The study found that effective planning was the most effective tool used in control budgeting positively influenced financial productivity.

5.2.4 Budget Review

The study established that budget planning positively and significantly influences the financial performance of SACCOs in Mombasa County. Budget review in departments had less impact while monitoring of budget deviations had the highest influence. Similar findings on budget review were reported by Hatharasinghe and Karunarathna (2017) whom examined the relationship between budget controls and productivity of small business in the state of Sri-Lanka. The study established that a sensible relationship between budget controls and productivity of small and medium enterprises in major cities in Sri-Lanka.

5.3 Conclusion

A conclusion was made by the study that controls adopted for the budgeting processes in Mombasa SACCOs greatly influence financial productivity. The conclusion was made after findings established all four varies i.e Participative budgeting, Budget review, budget planning and budget monitoring significantly influence financial productivity. Specifically, the study concludes that Budget monitoring, Budget planning and Budget review positively and significantly influence financial performance of SACCOs in Mombasa County while Participative budgeting positively influence financial productivity although relationship was insignificant.

The study concludes that participative budgeting had the weakest correlational effect on financial performance of SACCOs in Mombasa County. The study also concluded that budgeting monitoring has a strong correlational effect on financial performance of SACCOs in Mombasa County. Furthermore, the study concluded that budgeting planning has a strong correlational effect on financial performance of SACCOs in Mombasa County, and the study concluded that budget review had a moderate correlational effect on financial performance of SACCOs in Mombasa County.

5.4 Recommendations

The study established that, budget controls positively influence financial performance of SACCOs in Mombasa County, hence it's recommended for SACCO managers to ensure that they full adopt budget control systems to ensure that they minimize on resource wastages. To ensure SACCO managers fully realize the benefit of Budget Controls, the study recommends for full involvement of all stakeholders in the budget making and where necessary training provided to stakeholders with less understanding of the budgeting process. Finally, the study recommends for ensuring the budgeting making process is comprehensive and all needs of the organization to get rid of re-allocation of resources that encourage mismanagement of resources.

5.5. Suggestions for Further studies

The model used in the study covered 61.4% of the factors affecting financial performance in SACCOs in Mombasa County, hence, further studies should be done to look into other factors affecting financial performance of the targeted SACCOs. The study was done only in Mombasa; other counties should also be studied by scholars to find out how budget controls affect performance of SACCOs in those counties. Furthermore, the study only focused on SACCOs, budget controls are also critical to other organizations such as Microfinances which have received less attention on the same aspect.

5.6 Limitations of the Study

Study had limitations in accessing secondary data from targeted SACCO financial statements. When SACCO officials were contacted, the indicated that financial statements were available on their websites, however, some statements were missing for some financial years. A special request to the managing directors who authorized availing of hard copies that made it possible for further data collection though at a limited timeframe.

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APPENDIX 1: DATA COLLECTION SHEET

SACCO	PB	BM	BP	BR	FS	FP (000)
2NK Sacco Society Ltd	2.7	3.2	3.4	3.9	9.01	3,300.00
Afya Sacco Society Ltd	3.0	2.3	3.1	4.2	10.33	3,412.00
Airports Sacco Society Ltd	3.6	2.9	2.4	3.1	11.09	2,980.00
Ardhi Sacco Society Ltd	3.7	2.2	3.4	3.5	14.22	3,000.00
Bandari Sacco Society Ltd	4.2	2.6	3.3	3.6	13.10	3,213.00
Baraka Sacco Society Ltd	2.8	3.1	2.8	2.7	9.77	3,344.00
Biashara SACCO Society Ltd	3.7	3.5	2.8	3.0	15.09	3,501.00
Boresha Sacco Society Ltd	3.2	3.0	2.5	3.8	12.11	3,456.00
Capital Sacco Society Ltd	4.0	4.4	3.3	3.6	13.44	3,534.00
Cosmopolitan Sacco Society Ltd	3.1	2.6	3.9	3.0	13.08	3,654.00
County Sacco Society Ltd	4.2	4.0	3.9	3.3	12.23	3,600.00

Daima Sacco Society Ltd	3.4	3.2	3.0	2.7	11.09	3,000.21
Elimu Sacco Society Ltd	2.0	1.99	3.2	2.8	14.55	2,988.00
Faridi Sacco Society Ltd	3.9	2.3	2.8	3.1	14.78	3,700.01
Goodway Sacco Society Ltd	2.6	3.2	2.9	3.7	15.00	3,800.00
Harambee Sacco Society Ltd	4.2	3.7	3.5	3.6	12.66	3,234.00
Hazina Sacco Society Ltd	4.3	3.1	2.9	3.4	13.05	3,330.00
Imarika Sacco Society Ltd	3.4	2.8	3.0	3.1	11.22	3,457.00
Imarisha Sacco Society Ltd	4.5	2.3	4.3	2.9	12.11	3,500.00
Jamii Sacco Society Ltd	2.8	3.1	3.0	3.8	10.09	3,678.00
Jitegemee Sacco Society Ltd	2.4	2.7	3.1	2.9	9.77	3,700.00
Kenversity Sacco Society Ltd	2.1	3.2	3.7	3.9	11.77	3,675.00
Kenya Bankers Sacco Society Ltd	2.4	2.7	3.1	3.2	12.34	3,560.05
Kenya Police Sacco Society Ltd	2.0	1.8	3.4	3.2	10.98	3,560.00
Kwetu Sacco Society Ltd	3.7	2.5	2.4	1.9	14.32	3,457.00
Lengo Sacco Society Ltd	3.3	3.5	3.7	3.8	13.44	3,500.00
Mafanikio Sacco Society Ltd	2.3	3.4	2.9	4.0	15.66	3,677.00
Magereza Sacco Society Ltd	4.2	3.7	3.6	3.1	12.45	3,231.00
Mombasa Port Sacco Society Ltd	2.9	2.4	2.7	3.4	11.09	3,342.00

Mwalimu National Sacco Society Ltd	2.4	3.6	2.0	2.6	13.56	4,001.00
Nation Sacco Society Ltd	3.1	3.2	3.7	2.8	10.09	3,789.00
NSSF Sacco Society Ltd	2.8	2.6	3.0	2.9	13.45	3,803.11
Safaricom Sacco Society Ltd	2.5	2.0	2.5	3.4	12.33	3,876.12
Sheria Sacco Society Ltd	3.4	3.1	2.9	1.7	11.00	3,768.21
Stawisha Sacco Society Ltd	3.6	2.7	3.2	2.8	10.98	2,899.11
Stima Sacco Society Ltd	3.0	2.8	2.5	3.2	13.08	2,933.00
Trans-National Times Sacco Society Ltd	2.6	1.9	2.7	2.8	12.33	3,422.00
Ushuru Sacco Society Ltd	2.5	2.4	3.6	1.7	11.89	3,367.00
Yetu Sacco Society Ltd	3.2	2.4	2.9	3.0	14.22	3,410.00
Wanandege Sacco Society Ltd	3.0	2.5	2.6	2.9	13.55	3,456.00

N/B: MVA =(Price *number of common shares) – Book value of Equity

APPENDIX 2: QUESTIONNAIRE

1. Participative Budgeting

Please indicate how much you agree or disagree with each of the following statements on a scale of 1 to 5. The scale is indicated as follows; 5 - Strongly Agree (SA); 4 – Agree (A); 3 – Neutral (N); 2 – Disagree (D); and 1 - Strongly Disagree (SD).

Statement	**1**	**2**	**3**	**4**	**5**
Approved Budgets are shared with all Departments					
Leadership and support is given to all the Subordinates Throughout the budget by managers					
All the stakeholders to the budget are involved					
All departments are always involved in the budgeting process					
Each department prepares a budget prior to the Overall budget					

2. **Budget Monitoring**

Please indicate how much you agree or disagree with each of the following statements on a scale of 1 to 5. The scale is indicated as follows; 5 - Strongly Agree (SA); 4 – Agree (A); 3 – Neutral (N); 2 – Disagree (D); and 1 - Strongly Disagree (SD).

Statement	**1**	**2**	**3**	**4**	**5**
Managers hold budget conferences/meetings regularly to review performance					
Comparison is made between plans and actual performance and the difference is reported often					
We have Budget policies to check on spending					
Control of the budget activities is done by the head of departments					
The costs of activities are always reviewed by the executive committee					

3. Budget Planning

Please indicate how much you agree or disagree with each of the following statements on a scale of 1 to 5. The scale is indicated as follows; 5 - Strongly Agree (SA); 4 – Agree (A); 3 – Neutral (N); 2 – Disagree (D); and 1 - Strongly Disagree (SD).

Statement	**1**	**2**	**3**	**4**	**5**
Our organization has Long term and short term Budget Plans					
Our budgets have clear goals and objectives					
Our Budgets cover all the aspects of our Mission					
When budgeting, outcome goals and objectives are linked to programmes					
All departments prepare budget plans prior to the budget year					

4. **Budget Review**

Please indicate how much you agree or disagree with each of the following statements on a scale of 1 to 5. The scale is indicated as follows; 5 - Strongly Agree (SA); 4 – Agree (A); 3 – Neutral (N); 2 – Disagree (D); and 1 - Strongly Disagree (SD).

Statement	**1**	**2**	**3**	**4**	**5**
Continuous comparison of budgets and actual results is done					
Top management holds budget conferences to review performance					
There is clear tracking of results in my company					
Deviations are normally monitored.					
Budget adjustments are done in my company as need arises.					