

**THE EFFECT OF BUDGETARY CONTROL ON EFFECTIVENESS OF NON
GOVERNMENTAL ORGANISATIONS IN KENYA**

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DECLARATION

I declare that this project is my original work and has not been submitted for examination in any other university.

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

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DEDICATION

I dedicate this project to my family and my fiancée for being supportive throughout my study. I have acquired a wealth of knowledge during my time at the university.

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LIST OF ABBREVIATIONS

NGO's	Non-Governmental Organizations
PBBS	Performance-Based Budgeting System
SACCOs	Savings and Credit Cooperative Societies
US	United States

ABSTRACT

Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals. Budgetary control systems are universal and have been considered an essential tool for financial planning. The purpose of budgetary control is to provide a forecast of revenues and expenditures this is achieved through constructing a model of how our business might perform financially speaking if certain strategies, events and plans are carried out. Most firms use budget control as the primary means of corporate internal controls, it provides a comprehensive management platform for efficient and effective allocation of resources. Budgetary controls enable the management team to make plans for the future through implementing those plans and monitoring activities to see whether they conform to the plan, effective implementation of budgetary control is an important guarantee for the effective implementation of budget in the organization. This study examined the budgetary control in Non-Governmental Organizations and its effects on their performance. The research target population consisted of 7,127 Non-Governmental Organizations. Thirty Non-Governmental Organizations were selected using convenience judgmental sampling technique, both local and international organizations with headquarters in Nairobi. A descriptive survey (questionnaires) was used in the data collection. The statistical package for social sciences version 17.0 was used to analyze the data using descriptive statistics, including means and standard deviation. The relationship between budgetary controls and performance of the NGOs was analyzed using correlation and regression analysis. The research findings established that there is a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%. The research recommends that employees need to be sensitized on budgetary controls and the effect on performance of the organization. It also recommends that other factors that influence performance apart from budgetary controls should be investigated by organizations. It also suggests that further research should be done on the same area but a larger sample should be used.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the business world today, organizations have developed a variety of processes and techniques designed to contribute to the planning and control functions. One of the most important and widely used of these processes is budgeting. Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals. Budgetary control systems are universal and have been considered an essential tool for financial planning. The purpose of budgetary control is to provide a forecast of revenues and expenditures this is achieved through constructing a model of how our business might perform financially speaking if certain strategies, events and plans are carried out (Churchill, 2001).

Most firms use budget control as the primary means of corporate internal controls, it provides a comprehensive management platform for efficient and effective allocation of resources. Budgetary controls enable the management team to make plans for the future through implementing those plans and monitoring activities to see whether they conform to the plan, effective implementation of budgetary control is an important guarantee for the effective implementation of budget in the organization (Carr and Joseph, 2000).

Most organizations have adopted broad budgetary control that ensures that the entire budget system is a control system, which it is the formation of a prior, during and

after the whole process of control system through the budget preparation, budget evaluation, reward and punishment by monitoring of budget execution. With a narrow budgetary control, an organization can prepare a good budget as a basis for performance management and standards on a regular basis in order to compare actual performance with the budget to analyze differences in the results and take corrective measures, which mainly involves the process of budget implementation, evaluation and control (Hokal and Shaw, 2002).

1.1.1 Budgetary Control

Budgetary control is the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. This process is necessary to control spending and meet various financial goals. Organizations rely heavily on budgetary control to manage their spending activities, and this technique is also used by the public and the private sector as well as private individuals, such as heads of household who want to make sure they live within their means (Dunk, 2009).

Budgetary control is a system of management control in which the actual income and spending are compared with planned income and spending, so that the firm can make decisions if plans are being followed and if those plans need to be changed in order to make a profit. Budgetary control is the one of best technique of controlling, management and finance in which every department's budget is made with estimated data. Then, the management conducts a comparative study of the estimated data with original data and fix the responsibility of employee if variance will not be favorable.

Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future (Epstein and McFarlan, 2011).

The management of the organizations implements budgetary control to prevent losses resulting from theft, fraud and technological malfunction. These instructions also help management to ensure that expenses remain within budgetary limits. The importance of budgetary control is that it can be implemented by three departments in an organization to enhance effectiveness. These departments are accounting department, statistical department and management department. Accounting department provides old data. Statistical department provides the tools and techniques of forecasting like probability, time series other sampling methods. Management department uses both department services to estimate the expenditures and revenue of business under the normal conditions of business (Suberu, 2010).

1.1.2 Effectiveness of Non-Governmental Organizations

NGOS have a role to play in implementation and proper utilization of the allocated budget. To achieve effectiveness in budget utilization most NGO's ensures that estimated budget. The resources of NGOS' should be managed effectively and efficiently to achieve its purpose. This implies that the organization should be able to achieve its objectives by minimizing cost. Thus managing implies co-ordination and control of the efforts of the organization for achieving organizational objectives. The process of managing is facilitated when management charts its future course of certain objectives in advance, and takes decision in a professional manner, utilizing the individual and group efforts in a coordinated rational manner (Drury, 2006).

One systematic approach for attaining effective management performance is budgeting. Budgets are monetized expressions of target to be accomplished in a given year by an individual, organization or nation. It is a deliberate attempt to achieve superior targets over time with available and expected resources. Such targets are influenced by the experiences of the past and expectation of the future (Douglas, 2004). With a well formulated budget, the management of NGO's can effectively to plan, coordinate, control and evaluates its activities.

It is a device intended to provide greater effectiveness in achieving organizational efficiency. To be effective, however, the functional aspects must outweigh the dysfunctional aspects. Because a budget plan exists, decisions are not merely spontaneous reactions to stimuli in an environment of unclassified goals. It is pertinent to note that management activities are the driving force behind every organization and of course necessarily unavoidable. These activities planning, organizing, directing and controlling of economic resources, are schematized to reflect the nature and objectives of the organization and must be tailored towards the attainment of the overall organization's predetermined objectives. This must be achieved effectively to ensure successful budget implementation (Donald, 2008).

1.1.3 The Effect of Budgetary Control on Effectiveness of NGO'S

Budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performance and taking suitable remedial action so that budgeted performance may be achieved effectively (Controllers report, 2001). Budgetary control is the system of controlling costs through budgets. It involves comparison of

actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done (Coates, 2005).

To achieve effectiveness in budget preparation the management team of the firm should ensure the budgets for the allocated projects are implemented with the stipulated time and costs to enhance efficiency (NGO's, 2013). The basic objectives of budgetary control are planning, coordination and control. It's difficult to discuss one without mentioning the other (Arora, 1995). A budget provides a detailed plan of action for an organization over a specified period of time.

By implementing proper budgetary control planning, the firm is able to reduce costs and improve on quality of its services based on its budgetary allocations. This helps to reduce on costs and achievement of goals is enhanced and thus organizational effectiveness (Mathis, 1989). By budgeting, managers coordinate their efforts so that objectives of the organization harmonize with the objectives of its parts. Control ensures that objectives as laid down in the budgets are achieved (Churchill, 2001).

1.1.4 Non Governmental Organizations in Kenya

Most nongovernmental organizations are funded by international donors to implement and deliver various projects in different areas for example health, road construction, disaster responses management (Cherington and Cherington, 2003). To achieve efficient utilization of the allocated funds, proper control measures should be implemented to ensure that the management team account for the allocated funds

through minimization of efficient utilization of allocated funds. NGO's in Kenya use the budget is a tool by which managers compare costs and benefits of activities and select options that allocate resources appropriately. The management of the organization should develop policies that allow proper budgetary control procedures and processes (NGO's, 2009)

To facilitate effective implementation of budgetary control, the management should define proper budgetary control processes, this is achieved through planning, monitoring and control and evaluation (Carr and Joseph, 2000). Effective implementation of budgetary control highly impacts on the performance of NGO's in Kenya. In most cases budgetary control processes are not linked with considerations of labor controls (Hokal and Shaw, 2002).

1.2 Research Problem

Budgetary control is used by most organizations as a tool for proper management of resources in the organization and its activities. A firm with well formulated budgetary controls easily assigns its managers the responsibility for the use of designated financial resources to achieve their assigned operational objectives. Budget controls provides comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors, this is essential is reducing inefficiencies and poor budget practices leading to efficient allocation of scarce resources (Joshi and Abdulla, 1996).

Most NGO's in Kenya have shifted focus to budgetary control as a way of enhancing effectiveness in their services. Recognizing the role of budget and budgetary control has gained attention which has led some organizations to establish departments for implementation. This has attributed budget monitoring and project implementation committees as an integral part of the administrations to most nongovernmental organizations in Kenya (NGO's, 2013).

Studies have been done in relation to budgetary control globally and locally: Carolyn, et al. (2007) examined the association between effects of budgetary control on performance using a sample of large US cities Financial Bonds and found that effective level of budgetary control is significantly and positively related to bond rating. Dunk (2007) carried out a study in Europe on budgetary participation and managerial performance in non profit making firms and concluded a positive correlation between budgetary participation and managerial performance in non profit making organizations. Epstein and McFarlan (2011) carried out a study in Denmark on measuring efficiency and effectiveness of a non profit's performance, it was found that budgetary control was one of the important tools in achieving efficiency of in non profit making organizations.

Nyageng'o (2014) carried out a study to identify determinants to effective budget implementation among local authorities in Kenya. The results of the study revealed that effective budgetary controlled to improved performance of local authorities. Serem (2013) established that there is a weak positive effect of budgetary control on performance of Non-Governmental Organization's in Kenya measured by R square at 14.3%. Mwaura (2010) concluded that budgetary participation affects return on

capital employed, return on assets to a great extent. Gacheru (2012) in her study of the effects of the budgeting process on budget variance in NGOs in Kenya found out that budget preparation, budgetary control and budget implementation significantly influence budget variance.

From the review of past research most studies have concentrated on budgetary control and how it affects organizational performance in both the public and private sectors. This study is determined to fill this gap by trying to establish whether there is any relationship between budgetary control and effectiveness of NGO's in Kenya. To achieve this objective this study attempted to answer the following research question: what is the effect of budgetary control on effectiveness of NGO's in Kenya?

1.3 Objective of the Study

The objective of this study was to determine the effect of budgetary control on effectiveness of Non-Governmental Organizations in Kenya.

The specific objectives were:

- i. To establish the effect of monitoring and evaluation on effectiveness of Non-Governmental Organizations in Kenya;
- ii. To determine the effect of cost reductions on effectiveness of Non-Governmental Organizations in Kenya;
- iii. To determine the effect of availability of financial resources on effectiveness of Non-Governmental Organizations in Kenya.

1.4 Value of the Study

Other firms can benefit from the findings of this study by adopting proper measures of budget control to ensure efficient and effective utilization of available budget. The study, having examined the principle of budgeting; preparation, implementation and control, the other firms was in a better positioned in dealing with budgets and budgetary control matters. The findings of this study will provide more insights to the government and other policy makers in setting policies that encourage other firms to use budgets as a performance evaluation tool.

Researchers and academicians interested in this area or other related topics can use the findings of this study to serve as a good source for further research. In addition, an examination of the various prerequisites of the budgeting system will enable the reader to better appreciate the use of budget in evaluating performance in relation to predetermined set goals of the organization. Furthermore, an exploration of the dangers and problems associated with budget will also enhance the reader's knowledge in the use of budget as a performance standard.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section covers the theoretical framework of the study; it discusses theories that support budgetary control and effectiveness, determinants of effectiveness, empirical studies and the summary of the literature review.

2.2 Theoretical Framework

There are three theories that support budgetary control of firms namely the theory of budgeting, budgetary control model and accounting theory in budgetary control as discussed below:

2.2.1 The Theory of Budgeting

Hirst (1987) explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Shields and Young, 1993). Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

Budgets project future financial performance which enables evaluating the financial viability of a chosen strategy. In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets. Budgets are therefore merely a collection of plans and forecasts (Silva and Jayamaha, 2012).

They reflect the financial implication of business plans, identifying the amount, quantity and timing of resource needed (Shields and Young, 1993).The implementation of budgetary procedures. The establishment of short to medium-term objectives serves the purpose of providing estimates of future sales revenues and expenses, to provide short and long-term objectives for a coordinated management policy. Benchmarks for management and task controls are provided by comparing actual results with budgeted plans and to take corrective actions if necessary (Sharma, 2012).Budgets can further influence the behavior and decisions of employees by translating business objectives, and providing a benchmark against which to assess performance. Hancock (2009) even considered such operational planning as the backbone of management.

During budget preparation procedures, consideration of alternative courses of action becomes an integral part and leads to increased rationality. A budget allows a goal, a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Scott, 2005). Budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, facilitating control, and contracting with external parties (Selznick, 2008). Fisher exemplified this by “linking compensation to performance measures against the budget”, thereby making goals explicit, communicating goals and thereby coding learning and clarifying performance measures for individual employees of an organization (Goldstein, 2005).

2.2.2 Budgetary Control Model

In reference to Robinson and Last (2009), budgeting system is a tool used by the firm as a framework for their spending and revenue allocation. To ensure the firm's resources are not wasted, the organization must be able to come out with an effective budgeting system. This is important as it ensure that the outputs produced and services delivered achieve the objectives. According to this theory, a good budgeting system must be able to addresses the efficiency and effectiveness of the organization's expenditure. A good budget is determined by the level of income of the organization (Robinson, 2009).

The organization has to put proper controls that ensure that the budget is properly maintained and allocated. A firm that is able to run its operations efficiently is able to allocate more revenues for the organization. This is achieved through cutting costs in order to increase the quality and quality of goods and service offered by the firm. However, if an organization has lesser income they might have to find a way to fund their estimated budget by borrowing and tax restructuring (Robinson and Last, 2009). That is why the budget is mostly regarded as the control of expenditure .As the total amount of the annual expenditure; the organization must not exceed the allocation of budget.

In some countries for example Malaysia the budgeting process is done through a political process which is mainly done in the parliament. Budget is important not only as political tools but also as a pledge between the ruling organization and the public as their commitment to satisfy the need and demand of the people. Budget also can be used an indicator of the performance of the ruling government. It is a statement of

whether they are competent in administering the organization and the national resources (Sawhill and Williamson, 2001). One of the models of budgeting system is Performance Based Budgeting System. According to Robinson and Last (2009), performance-based budgeting system (PBBS) aims to improve the efficiency and effectiveness of public expenditure. Unlike other budgeting system, PBBS use the resources to ensure that it can help in achieving the expected results and outcome based on the targeted area or planning. In simple words, the PBBS is seen as managing for results (Marc Robinson and Duncan Last, 2009).

Compared to the traditional budgeting system which focuses on the amount of inputs, performance based budgeting system focused more towards the outcome. As the organization spending stretches annually, it is important to understand the nature of spending of the organizations which is always being stated in the budget. It is therefore essential for the organization to understand its budgeting system and give priority to urgent matters that require attention. In order to find out the relationship between the budgeting system and the organizational performance, it is important for the firm to determine the patterns of the expenditure of the organization and its performance (Phyrr, 1970).

2.2.3 Accounting Theory in Budgetary Control

Kaplan and Norton (1996) ,accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development. Otley and Pollanen (2000), the purpose in developing a theory of accounting is to establish standard for judging the acceptability of accounting methods. Procedures

that meet the standard should be employed in practice of accounting. Horvath (2009) argues that the accounting methods that fail to meet the standard should be rejected. Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation. The money measurement concept in accounting has contributed to a greater extent in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath and Seiter, 2009).

Theory in accounting guide in the selection of principles and roles to be applied in particular circumstance. The accounting theory in budget control has come up with different models of analysis for example cost volume profit analysis and standard costing which serve as a standard setting in budgeting. Theory has an important normative role in the evaluation of budget and control procedures to be adopted. Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances. Horngren (2002) argues that accounting theory view a firm as a separate entity in which its activities are distinct from its owners. These principles serve as an impetus to the general philosophy of budget itself as a tool for effective management (Horngren, Forster and Dater, 1997).

Budget as a tool for standard setting and performance measurement utilize several accounting concept to a greater extent. Accounting theory has developed models in which standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an

instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. When implementing the accounting theory historical data is instrumental since this data serve as an input for making forecast. The cost accounting theory developed by Wedgwood in early 20th century which stress on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Hopwood, 1976).

2.3 Determinants of Effectiveness

There are several determinants to effective budget implementation of budgets among organizations. These included adequate availability of financial resources, competent human resource, participation of both staff and other stakeholders in the budgeting process, proper planning, evaluation, monitoring and control of the budget process and staff motivation (Srinivasan, 2005).

2.3.1 Adequate Availability of Financial Resources

Adequate availability of financial resources is one of the determinants of effectiveness. To achieve an effective budget, the organization must ensure that it have adequate access to financial resources in order to finance its projects and to carry out its activities. The management team should plan and come up with a budget before implementing projects (Dunk, 2001).

The organization must allocate adequate financial resources and other structures that facilitate effective implementation of projects and other organizational for example adequate allocation for funds to facilitate effective budget implementation. These resources should be both financial and physical resources (Hancock, 2009).

2.3.2 Competence of Human Resource

Competence of human resource is another determinant of effectiveness. To successfully execute its activities the organization should ensure that it has competent human resource with knowledge and skills on efficient and effective means of budgetary control processes and procedures (Horngren, 2002).

The organization should be well equipped with knowledgeable and skilled employees who are well conversant with budgetary control measures to effectively implement the budgetary control processes and allocation. Employees play an integral role in the process of planning, monitoring control and evaluation processes of budget implementation this highly contributes to monitoring budget expenditures and accountability in the use of the budget (Silva and Jayamaha, 2012).

2.3.3 Participation of both Staff and other Stakeholders

All individuals responsible for achieving results should be consulted in the formulation of budgets. No system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organisation should communicate the outcome of budget decisions to all the relevant staff. Budgets have an important part to play in the communication of objectives, targets and responsibilities throughout the organization. Carried out properly, this can have considerable benefits in promoting co-operation at all levels (Callahan and Waymire, 2007).

Participation assures full co-operation and commitment for making budgets successful. Participation also makes budgets realistic and workable (Simiyu, 2002).

To ensure that the process of implementing the budget is successful, the management and the employees should work together to ensure that the interests of all stakeholders are fully represented when making key decisions involving budgetary allocations in key projects.

2.3.4 Proper Planning

In order to carry out budgetary control, it is necessary to formulate a fully co-ordinated detailed plan in both financial and quantitative terms for a forthcoming period. The duration of the period is usually one year. The plan needs to be in line with the long term development strategy of the organization, although in the shorter term of a budget year, conditions may prevail which could dilute this aim. For example a depressed economy could lead to a temporary departure from the long term plans. Therefore, before formulating the budgets, the policy to be pursued during the forthcoming trading period needs to be established (Dunk, et al, 2001).

Once budgets are operating throughout an organization, it is important that feedback is made available to the managers responsible for its operation. This is often done by means of monthly budget reports. These reports contain comparisons between the budget and the actual position and throw up differences which are known technically as variances. The budget plans must be properly co-ordinated in order to eliminate bottlenecks. Individual budgets should be co-ordinated with one another to ensure that the implementation process is conducted effectively in order to save time and costs (Horngren, Forster and Dater, 1997).

To facilitate proper planning, the management team should define the patterns of expenditure and revenue over the life of the project or the activity that the organization is undertaking. A predetermined budget of possible costs that was incurred carrying out the activities planned in a project should be made. Realistic planning of finances is key to the implementation of a project or programme (Joshi and Abdulla, 1996).

2.3.5 Evaluation

Evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures (Hancock, 2009).

The process of developing an evaluation plan in cooperation with an evaluation workgroup of stakeholders will foster collaboration and a sense of shared purpose this highly contributes towards achieving an effective budgetary control (Simiyu, 2002).

2.3.6 Monitoring and Control of Budget Process

Monitoring and control of budget process is a determinant of effectiveness, once the budgets have been implemented they need to be monitored and controlled to ensure effectiveness in aligning budgets over a defined period of time (Horngren *et al.*, 1997).

A professional and transparent approach to budget planning will help convince investors, development banks and national or international donors to make financial resources available if the organisation implements proper monitoring and control of budget process. This is achieved through ensuring that the estimated budget does not deviate from the actual outcome in order to take appropriate actions where necessary (Otley and Van der Stede, 2003).

2.3.7 Staff Motivation

By setting challenging but realistic targets well designed budgets can play a significant part in motivating managers. The targets must be clear and achievable, and the manager should participate in setting his or her own budget (Hansen et al., 2003). The budget gives senior management a means of judging the performance of their teams. It must be remembered; however, that adherence to the budget alone cannot measure all aspects of a manager's performance.

For an effective budget implementation, the budget plan should be more clear and accurate, the financial resources should be readily available and enough, both the staff and interested stakeholders should be involved in the budget process, the staff actively involved in the budget should be motivated to facilitate successful implementation of the budget process (Hansen et al., 2003).

2.4 Empirical Studies

Joshi and Abdulla (1996) examined some aspects of budgetary control and performance valuation systems by utilizing data based on a questionnaire survey of 42 medium and large size companies located in the State of Bahrain. The study found that the conventional form of budget controllability principle was practiced to a great

extent. It was concluded that bonus is affected by budget performance along with new assignments, but not salary.

Callahan and Waymire (2007), according to government statistics, at the end of June 2006, there was over \$7 trillion of corporate, state, and local government, asset-backed structured finance bonds outstanding with much of it rated by only a (literal) handful of bond rating companies that establish creditworthiness of corporate entities and of governmental units. Linking bond ratings to performance is important particularly in a governmental setting where credit ratings remain a key feature of municipal debt management, and debt is the key source of capital. In this study, the researchers examined whether budgetary control and its relationship with performance, using a sample of large U.S. cities over the 2003-04 timeframe. The study found that the effective level of budgetary control was significantly and positively related to bond rating.

Ong'onge (2009) conducted a descriptive survey, using a population of 1,200 registered savings and credit Cooperative Societies (SACCOs) in Nairobi, a sample size of 40 SACCOs was selected using a simple random sampling method. Primary data was collected using a semi-structured questionnaire. Descriptive statistics especially percentages were used to establish the budgetary process used by the SACCOs. The study found that budgets in SACCOs serve to aid control, aid both short and long term planning, communicate plans, and coordinate activities and also to evaluate performance. Majority of SACCOs used a combination of both top-down and bottom-up approach when preparing budgets.

Chemweno (2009) evaluated how the firm has employed an operational budget as a management tool. It set out to determine how operational budgeting practice is actually done, the basis of budget formulation and to what extent the budgets are used as a management and control tool. The study concentrated on companies offering mortgage financing in Kenya. The data was collected mainly through detailed questionnaires and analyzed using descriptive statistics by way of summary statistics, tables and percentages. The study revealed that budgets are normally prepared on an annual basis. It was found that all the major Kenyan mortgage financing institutions have an operational budgeting process which they considered extremely important since it is outlined in the organizations objectives, targets, means of achievements, cost of achievement and responsibilities.

Mwaura (2010) conducted an investigation into the participatory budget setting and budget commitment as a factor that affects performance of the NSE listed companies. This study used a causal research design to identify cause and effect relationship. The population of interest in this study comprised 55 companies listed where it considered only 53 still operating ones. Data for this study was both quantitative and qualitative hence both descriptive and content analysis techniques was employed. The descriptive statistical tools helped the researcher to describe the data and determine the extent used. In addition, to quantify the strength of the relationship between the variables, the researcher used a multiple regression. The study concluded that budgetary participation affects return on capital employed and return on assets to a great extent. It was further found that budgetary participation affects return on investment and budget commitment to moderate extents.

Badu (2011) conducted an investigation of budgeting and budgetary Control at Ernest Chemist Laurea. The aim of this study was to conduct research concerning the budgeting practice in Ernest Chemist, a pharmaceutical company based in Ghana, and identify the perception of the budgeting experts in the company and assess their views towards the current status of the company. This research was necessary in order to assess the possibility of solving any problem this organization may face in designing an effective budgeting and budgetary control system. A self-designed interview questionnaire was sent to a member of staff in the company to seek his views on the problems and concerns regarding budgeting and budgetary control in the organization. The results of the study indicated that the appropriate system of budgeting and budgetary control had been adopted and used to prepare the pharmacy's budgets but there were a few problems associated with ethical issues which were also revealed.

Marcormick and Hardcastle (2011) carried out a study on budgetary control and organizational performance in government parastatals in Europe. A sample of 40 government parastatals were used for establishing the relationship between budgetary control and organizational performance, secondary data was used and a period of ten years was reviewed. A regression model was used for data analysis and the results of data analysis revealed a positive relationship between budgetary control and organizational performance of government parastatals.

Karanja (2011) examined the effect of budgetary control process in Saccos with specific reference to SACCOs in Nyeri County. Descriptive research design was chosen because it enables the researcher to generalize the findings to a larger population. The population of this study was the 120 finance officers of SACCOs in Nyeri according to ministry of cooperative development and marketing 2011. From

each stratum the study selected 30% of stratum population using simple random sampling method. Primary data is information gathered directly from respondents and for this study the researcher used questionnaires. The study concludes that finance and administration departments participated in budgetary control processes. Budgetary control processes are not intimately linked with considerations of labor controls. Participation of all the stakeholders makes the budgetary process too lengthy and time consuming.

In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

A study by Serem (2013) examined the budgetary control in Non-Governmental Organizations and its effects on their performance. The research target population consisted of 7,127 Non-Governmental Organizations as provided in the Non-Governmental Organization Board of Kenya. 30 NGO's were selected using convenience judgmental sampling technique for this study, both local and international organizations with headquarters in Nairobi and its environs. The study findings established that a weak positive effect of budgetary control on performance of NGO's in Kenya and suggested the need of sensitizing employees on budgetary controls so as to improve its consequent effect of performance.

2.5 Summary of Literature Review

Budgets are considered to be the core element of the control-process and consequently vital part to the umbrella concept of performance measurement. Research has shown that there is no single approach to budgeting suitable for all businesses. Instead, the suitability of a particular approach is argued to be contingent upon characteristics of a business including its size, strategy, structure, and also management's perception of the uncertainty of the environment within which the business operates to best link its budgetary control procedures that is planning, evaluation, monitoring and control.

This is supported by Serem (2013) who explains that there is a weak positive effect of budgetary control on performance of Non-Governmental Organization's in Kenya measured by R square at 14.3%. The research recommends that employees need to be sensitized on budgetary controls and the effect on performance of the organization. From the above literature little has been done in relation to budgetary control and effectiveness of nongovernmental organizations, this is however geared to establish whether there is any relationship between budgetary control and effectiveness of nongovernmental organizations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the approaches and techniques the researchers used when collecting data, analyzing the data and presenting the findings. These include the research design, target population, data collection methods and data analysis techniques.

3.2 Research Design

The study used a descriptive survey study research design which was aimed at examining the budgetary controls in NGOs in Kenya. A descriptive survey is usually concerned with describing a population with respect to important variables with the major emphasis being establishing the relationship between the variables. The advantage of this type of research design is that it is easy to understand as recommended by (Kothari, 2005). This design attempts to collect data from members of the population and describes existing phenomenon with reference to budgeting controls.

3.3 Population

The population of the study consisted of the current registered list of 7,127 organizations operating in Kenya which was obtained from the NGOs coordination Board. The target population varied from those NGO's operating locally and globally respectively. This is because most of these NGO's deal with different activities and functions (Kuada, 2012).

3.4 Sample Design

This study used random sampling method to select 30 NGOs operating across the country with Headquarters in Nairobi. The selected sample ranged from international to local NGOs which collaborated with community based organizations. The advantage of sampling is that it saves time and resources.

3.5 Data Collection

The study used structured questionnaires for purposes of collecting data. The questionnaires consisted both closed and open questions. Closed questions provide a more structured response. A five point likert scale ranging from strongly agree to strongly disagree were used in measuring the extent of the responses provided. The structured questionnaires were administered through a drop and pick later method at an agreed time with the researcher. To achieve the objective of the study, the dependent variable was measured using performance indicators from the recent annual reports. Secondary data sources were used to supplement the data received from questionnaires.

The independent variables will consist of budgetary control which involves planning, monitoring, control and evaluation. These variables were used in measuring the extent of budget control. The data on the budget control was obtained using structured questionnaires by use of a likert scale.

3.5.1 Validity and Reliability

The participants were briefed early in advance by the researcher on the need and importance of the study and permission sought for their participation in order to have their full support. Guidance on how to answer the questionnaire was available from

the researcher. This ensured high completion rate and accuracy of the information provided. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional expert in a particular field.

3.6 Data Analysis

Data was analyzed to establish the measures of central tendency that include the mean, mode, and median highlighting the key findings. Inferential statistics was used to establish the relationship between the variables of the study and qualitatively by content analysis. Analysis of variance (ANOVA) was used to determine the significance relationship of the variables. The study used regression analysis to determine the extent to which budgetary control affects effectiveness of Non-Governmental Organizations in Kenya.

3.6.1 The Analytical Model

The study adopted a linear regression model to test the relationship between the variables in budgetary control as the independent variables and NGO's effectiveness as the dependent variable. The empirical model is thus:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where Y= Organizational effectiveness is the dependent variable which was evaluated using the questionnaire by measuring the level of satisfaction that the project achieves to the community.

β_0 = intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = coefficients

X_1 = Planning, this was evaluated by use of a questionnaire by defining the patterns of expenditure and revenue for a project or an activity.

X_2 = Monitoring and Control was evaluated using a questionnaire by reviewing reports are prepared frequently and taking appropriate actions where necessary.

X_3 = Evaluation was evaluated using a questionnaire by determining the comparisons between the budget allocated and the actual position from budget reports

X_4 = Adequate availability of financial resources was determined using the questionnaire by determining the amount of financial resources committed to a particular project or activity.

X_5 = Cost Reduction was evaluated using the percentage of cost reduction in projects. Monthly review from budget reports.

X_6 = Performance was evaluated using a questionnaire by determining the time spend in a certain project and the budgetary costs allocation for the project.

ε = error term

3.6.2 Variables and Variable Measurement and Selection

Organizational performance was used to measure effectiveness, organizational performance indicators. All the variables in the present study was measured by interval and ratio scales. The study used organizational performance indicators of NGO's in Kenya to measure effectiveness. Independent variables that was used to measure budgetary control of NGO'S in Kenya included planning, monitoring and control, evaluation. To achieve the objective of this study, the independent variables was measured using the frequency at which budgetary control is implemented in order

to achieve effectiveness of NGO's. Mean and Standard Deviation within a range of five points was used to measure all the independent variables.

3.6.3 Tests of Significance

Whereby Y is the dependent variable organizational effectiveness, β_0 is the regression constant or Y intercept $\beta_1 \dots \beta_6$ are the coefficients of the regression model. The basis of the model is to help in determining whether NGO's in Kenya implement budgetary control procedures in order to achieve effectiveness and organizational performance. This was measured using the three key independent variables that is planning, monitoring and control and evaluation. Information was obtained by the use of structured questionnaires. Coefficient of determination was used to establish whether the model is a good predictor. The test of significance was the ANOVA test.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented to establish the effect of budgetary control on effectiveness of NGOs in Kenya. The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.2 Response Rate

Lucey (1996) defines the response rate as the extent to which the final data set includes all sample members and it is calculated as from the number of people with whom interviews are completed divided by the total number of people in the entire sample, including those who refused to participate and those who were unavailable. The study targeted 30 NGOs in collecting data and all 30 of them responded.

4.3 Data Validity

Table 4.1: summary of the measurement reliability (Cronbach's alpha)

Cronbach's Alpha	N	Cronbach's Alpha Based on Standardized Items	No of Items
.855	10	.100	3

Sources: Research Data

Construct reliability was measured by internal consistency reliability that indicated the homogeneity of items comprising a measurement scale (DeVellis, 2003). Internal consistency gives the extent at which items in a model are inter-correlated. Thus, high

inter-item correlations explain that the items of a scale have a strong relationship to the latent construct and are possibly measuring the same thing.

4.4 Data Validity

Table 4.2: Reliability Coefficients

Scale	Cronbach's Alpha	Number of items
Planning	0.765	4
Monitoring and Control	0.814	4
Evaluation	0.803	4
Cost Reduction	0.803	4

Source :Reseach data

Usually, the internal consistency of a measurement scale is assessed by using Cronbach's coefficient alpha. It is generally recommended that if a measurement scale having a Cronbach's coefficient above 0.50 is acceptable as an internally consistent scale so that further analysis can be possible.

4.5 Descriptive statistics

Table 4.2 Descriptive Statistics

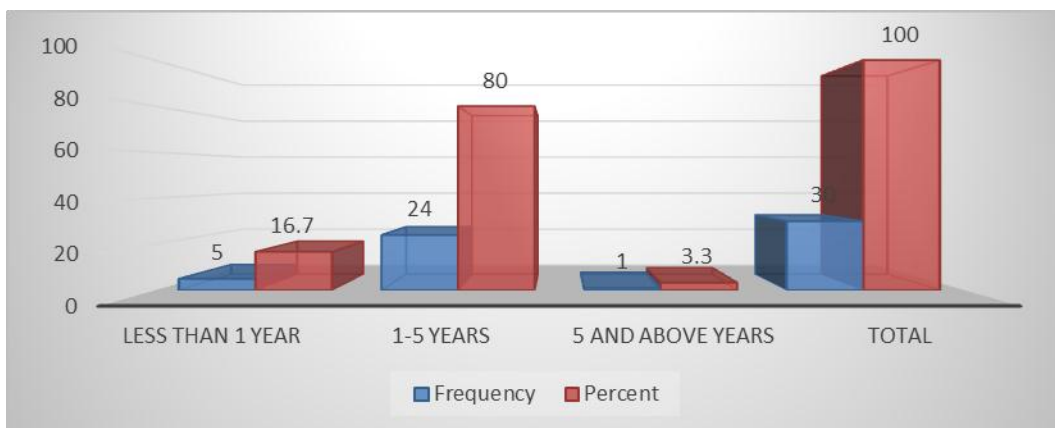
	Planning (Likert 1- 5)	Monitoring and Control (Likert 1- 5)	Evaluation (Likert 1- 5)	Cost Reduction (Likert 1- 5)
Mean	1.340	2.493	1.119	1.323
Median	1.432.00	1.7720	2.493	2.32
STDEV	2.332	2.221	4.304	2.64
Min	0.231	1. 358	2.493	2.143
Max	1.00	2.001	3.1200	2.325

Source :Reseach Data

Since alpha value was above 0.5, the study instruments yielded fairly reliable data for this research, thus measuring the relationship between independent variables (Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance) and the dependent variable (Organizational effectiveness) was reliable and valid.

4.5.1 Budget Time Dimension

Table 4.1: Budget Time Dimension

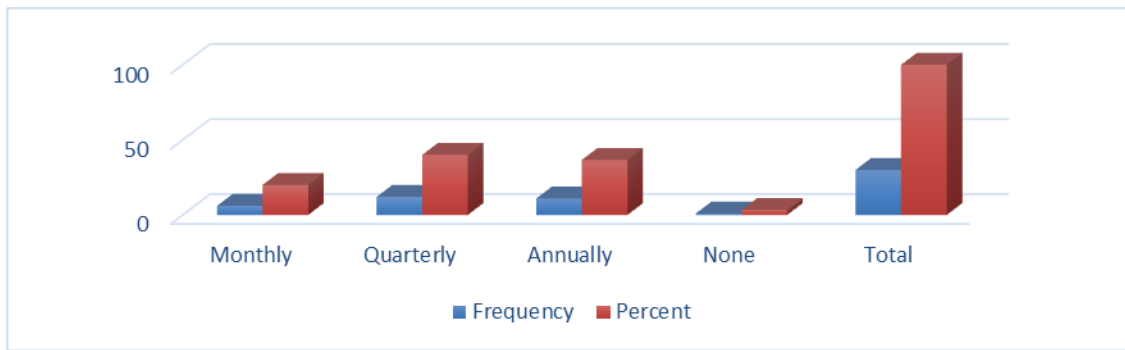


Source: Research Data

From the figure 1 above, 80% of the respondent’s organizations prepare budget on budget period range of between 1-5 years while 16.7% prepare on less than a year. Only 3.3% prepare for 5 and above years.

4.5.2 Budget Review Frequency

Table 4.2: Budget Review Frequency

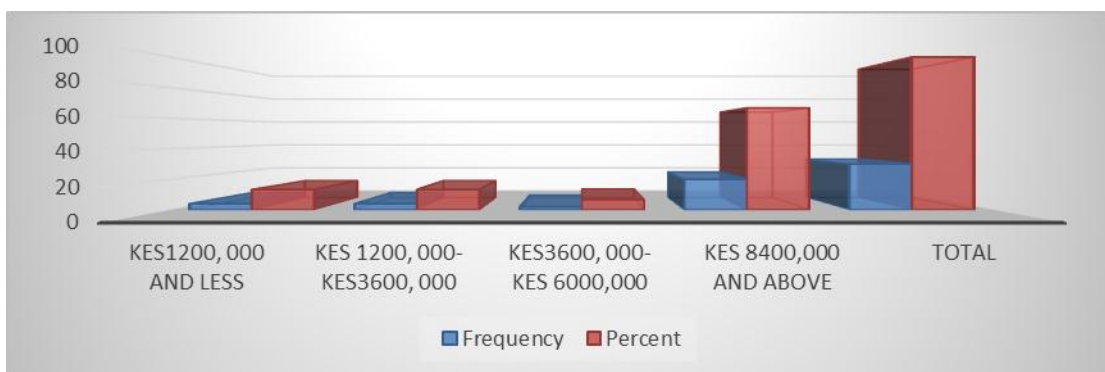


Source: Research Data

Figure 2 illustrates that 40% of the organizations review their budgets quarterly, 36.7% annually, and 20% monthly while only 3.3% don't review at all.

4.5.3 Annual budget Revenue

Table 4.3: Annual Budget Revenue



Source: Research Data

The table 2 shows that 20 out of the 30 organizations have large budgets of over 8,400,000

4.6 Correlation Analysis

This section presents a discussion of the results of inferential statistics. Correlation analysis was used measure the strength and relationship between independent

variables i.e. Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance. Regression analysis established the relative significance of each of the variables on Organizational effectiveness.

The Pearson product-moment correlation coefficient (or Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by r . The Pearson correlation coefficient, r , can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association, that is, as the value of one variable increases the value of the other variable decreases.

Table 4.4: Correlation Analysis

	Y	X1	X2	X3	X4	X5	X6
Y	1.0000						
Planning	0.9927	1.0000					
Monitoring and Control	0.9111	0.8679	1.0000				
Evaluation	0.9775	0.8163	0.7568	1.0000			
Adequate Availability Of Financial Resources	0.9183	0.6931	0.5371	0.2071	1.0000		
Cost Reduction	0.8437	0.8123	0.9567	0.8579	0.6381	1.0000	
Performance	0.9273	0.8345	0.8507	0.7612	0.6173	0.6524	1.0000

Source: Research Data

The study in table 5, show that all the predictor variables were shown to have a positive association between them at a significant level of 0.05 and hence included in the analysis. There was strong positive relationship between the independent and the dependent variables.

The correlation between Organizational effectiveness and Planning was 0.9927, the correlation between Organizational effectiveness and Monitoring and Control was 0.9111, the correlation between Organizational effectiveness and Evaluation was 0.9775, the correlation between Organizational effectiveness and Adequate availability of financial resources was 0.9183, the correlation between organizational effectiveness and cost reduction was 0.8437 and lastly the correlation between organizational effectiveness and performance was 0.9273.

4.7 Linear Regression Model

Analysis in table above shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.326, that is, 32.6% of the total variation in organization effectiveness is explained the changes in planning, monitory and control, evaluation, adequate availability of finance, cost reduction and performance.

Table 4.5: Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.578	.326	.264	1.76350

- a. *Predictors:* (Constant), Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance
- b. *Dependent Variable:* organizational effectiveness

Analysis in table above shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent

variables) R square equals 0.326, that is, 32.6% of the total variation in organization effectiveness is explained the changes in planning, monitory and control, evaluation, adequate availability of finance, cost reduction and performance. The Analysis of Variance (ANOVA) was used to check how well the model fits the data. The results are presented in table 13.

Table 4.6: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.045	6	.123	.678	.0025
	Residual	5.102	30	.177		
	Total	5.628	36			

- a. *Predictors:* (Constant), Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance
b. *Dependent Variable:* organizational effectiveness

Source: Research Data

The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). Since the significance value of the F statistic is small (0.000 smaller than say 0.05) then the predictors variables table banking, financing costs, investments risks, investment and financing knowledge, management weakness explain the variation in the dependent variable which is investment decision of SMEs.

Consequently, the study accepted the hypothesis that all the population values for the regression coefficients are not 0. Contrary, if the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable, and the null hypothesis that all the population values for the

regression coefficients are 0 should have been accepted. The regression output of most interest is the following table of coefficients and associated output:

Table 4.7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(C-Constant)	0.903	0.123		7.367	0.000
	Planning	0.9273	0.028	0.158	2.021	0.045
	Monitoring and Control	0.9927	0.027	0.101	1.157	0.210
	Evaluation	0.9111	0.030	0.105	1.194	0.234
	Adequate Availability Of Financial Resources	0.9775	0.028	0.147	1.686	0.093
	Cost Reduction	0.8437	0.056	0.105	1.194	0.234
	Performance	0.9183	0.034	0.147	1.686	0.210
a. Dependent Variable: organizational effectiveness						

Source: Research Data

From the Regression results in table below, the multiple linear regression model finally appear as

$$Y = 0.903 + 0.158PL + 0.101MC + 0.105EV + 0.147AA + 0.105CR + 0.147P$$

4.6 Discussion of Research Findings

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable (organizational effectiveness) and independent variables (Planning, Monitoring and Control, Evaluation, Adequate availability of financial resources, Cost Reduction, Performance). From the findings, one unit change in Planning results in 0.158 units increase in organizational effectiveness. One unit increase in monitoring and Control results in 0.101 units increase in organizational effectiveness. A unit change in evaluation results in 0.105 unit increases in organizational effectiveness.

One unit change in adequate availability of financial resources results 0.147 unit increases in organizational effectiveness. A unit change in cost reduction results in 0.105 unit increase in organizational effectiveness. A unit change in Performance results in 0.147 unit increase in organizational effectiveness. The t statistics helps in determining the relative importance of each variable in the model.

As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case, the most important variable was monitoring and control, adequate availability of financial resources, planning, performance, evaluation and cost reduction respectively. This study findings are in line with Scott, 2005), who contends that during budget preparation procedures, consideration of alternative courses of action becomes an integral part and leads to increased rationality.

A budget allows a goal, a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be

forward looking rather than looking back (Budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, facilitating control, and contracting with external parties (Selznick, 2008).

For proper budgetary control to be done, programmes and plans should be the basis for allocation of financial resources (Nyageng'o, 2013). Planning had a very good and positive correlation (0.993) with organizational effectiveness. Also clear result targets should be set indicating budget outcome goals and objectives being linked to programmes. Building of consensus is useful by way of discussing the goals to be met with all stakeholders since decisions reached here will be based on plans and programmes in the budget. This also goes along way to help identify the type and level of resources to provide in order to achieve the set objectives and goals (Nickson and Mears, 2012). The findings established a positive correlation (0.9183) between adequate availability of financial resources and organization effectiveness. Planning as part of the budgeting system involves long range planning, strategic planning and short term planning. Proponents of budgeting however argue that budgets help to allocate resources, coordinate operations and provide a means for performance measurement. Mwaura (2010), agrees with this view that budgeting is the most widely used technique for planning and control purposes.

Budget monitoring in terms of budget reviews is important as it paves way for budget adjustments. This is shown by a correlation of 0.9111. It also permits continuous assessment of budget variances in terms of actual against the budgeted so that reasons for differences between actual and budgeted performance are always given in a budget conference (Karanja, 2011). Similarly, results on monitoring and control established significant negative perceptions among staff with a majority not sure of

monitoring and control being implemented in NGOs. The agreement of budget priorities is not done in budget conference and neither are budget reviews which are useful in determining the budget variances done. According to Marcormick and Hardcastle (2011), financial control and monitoring helps to ensure efficient and cost-effective program implementation within a system of accountability, coupled with constant program implementation for better budget implementation in accordance with agreed plans.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This research established the existence of budgetary controls in NGOs, their performance and also determine the effects of budgetary controls on their performance. This research examined how budgetary controls affect performance in NGOs in Kenya, 30 organizations were sampled using convenience judgmental sampling, and drop pick technique was used to collect data from respondents.

All 30 questionnaires were collected and analyzed using the Statistical Package for Social Sciences (SPSS 17.0) using descriptive statistics, both correlation and regression analysis was employed in the research to investigate the relationship between the budgetary controls and performance of NGOs. The various variables affecting budgetary controls; planning, monitoring and control, and participative budgeting were examined individually and compared to performance, means were used based on the likert scale used of 1 to 5 which were later analyzed using percentages.

5.2 Conclusions

This research examined the budgetary controls and concludes that the NGOs generally have budgetary controls at different levels of organizations; it established that most of them have planning, monitoring and controls, and budget participation. Planning contributed the highest towards the positive performance of the NGOs followed by Monitoring and Control and finally budget participation. It also

established that there is above average performance in all the NGOs in Kenya based on the findings, that is, both financial and non-financial performance indicators which include revenue growth, community participation, dollars spending, new donor acquisition and efficiency are above average at 71.11%. Most of the organizations have the required 30% administration cost and 70% program costs which a standard requirement for NGOs.

Finally this research determined the effects of budgetary controls on performance of NGOs using correlations and regression methods established the relationship and have also concluded that there is a low positive relationship between budgetary controls and Performance. This means that budgetary controls might not be the only reason for high Performance; many other factors may affect the performance of an NGO.

5.3 Policy Recommendations

Budgetary controls are important in influencing performance therefore more efforts should be made by management of organizations both profit and non-profit to sensitize the employees on its importance so as to enhance performance. It also recommends that organizations should develop more formal practice in the development of budgetary controls, that is, Planning, Monitoring and Control and budget participation. Most organizations have minimal formal budget controls in their organizations hence the need to develop a clear policy on budget control processes.

Based on the findings, organizations need to investigate other factors that contribute to better performance apart from budgetary controls, like employees motivation and invest more in staff development in order to enhance their performance. Monitoring

and Controls shows the highest contribution towards performance hence. More training should be done to the managers on how to conduct more efficient controls and monitoring.

The findings also indicate that budget participation has an impact on the organizations Performance hence the budgetary controls should not be top-down in nature, instead the top management should make efforts to elicit feedback from subordinates at different levels in developing the organizations budget. As such, top management needs to understand that the positive impact of budgetary participation on managerial.

Performance works both directly, as a consequence of management involvement in the budgetary process, as well as indirectly, when managers' commitment to the organization increases due to their participation and involvement in the budgetary control process.

5.4 Limitations of the Study

The researcher experienced various limitations in the course of the study; financial constraints, one of the major problems that the researcher encountered is inadequate financial support which consequently slowed down the process of data collection and production of the final report of the study in time. Time constraints was a limitation as the research involved distributing questionnaires to different organizations most of whom were busy to spare enough time to respond. The duration within which the research was undertaken was also short leading to so much strain in time management and that's why the research focus on Nairobi area only.

Lack of corporation, the researcher experienced a lot of unwillingness to cooperate among most of the respondent organization, some never even responded and others even delayed in responding to the questionnaires. It was difficult to have face to face communication as most of the respondents preferred use of emails and this was the main challenge during the whole research period. The likert scale that was used might have produced some bias as it is possible that the respondents provided non-committal answers by responding to neutral range of scale. Some respondents were biased while giving information due to reasons such as privacy and busy Schedules at their work place.

5.5 Suggestions for Further Research

The sample size used may have been quite small to enable get an overall picture of the total NGOs in Kenya. Therefore more research in this area should focus on increasing the sample size and cover a larger number of organizations both in Nairobi and outside so as to enhance better generalization of the results. Sample should also be representative of the entire population under study.

More research has to be done on the individual aspects of budget controls such as planning, participative budgeting, monitoring and control and relationship with organizational performance. This is in line with the suggestion of Carr and Joseph, (2000) who argues that to facilitate effective implementation of budgetary control, the management should define proper budgetary control processes, this is achieved through planning, monitoring and control and evaluation.

This study dwelt on Non-Governmental organizations and measures on performance were difficult to measure especially because they involve both financial and non-financial indicators. Hence more research should also be done in other sectors like the parastatals and private sectors. This research concluded that there is a low positive relationship between budgetary controls and performance hence other factors may have influence on performance apart from budgetary controls. Therefore more research need to be done on factors that influence performance on NGOs.

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APPENDIX 1: QUESTIONNAIRE

PART A: GENERAL QUESTIONS (Please tick in the appropriate box provided).

1. Please indicate, generally, the time period covered by your budgets?

(a) Less than 1 year () (b) 1-5 years () (c) 5 and above years ()

2. How often is the budget reviewed?

(a) Annually () (b) Monthly () Quarterly (c) (d) None ()

3. What is your approximate annual budget revenue?

(i) KES1,200,000 or less (ii) KES 1,200,000- KES3,600,000 (iii) KES3,600,000-KES 6,000,000 (iv) KES 6,000,000 and above

PART B: Planning

Please tick the following statements by indicating the level of agreement that you agree or disagree with the activities below: Strongly Disagree (i) Disagree (ii) Not sure (iii) Agree (iv) Strongly Agree (v).

I II III IV V	The organization has a long term and short term budget plans	I	II	III	IV	V
	The organization has a long term and short term budget plans					
	The budgets have clear goals and objectives					
	When budgeting, outcomes, goals and objectives					

are linked to programs and organizational activities					
The organization put priorities for the coming annual budget conference and Committees					
Organizational departments prepare budget plans prior to the budget year					

PART C: Monitoring and Control

Please tick the following statements by indicating the level of agreement that you agree or disagree with the extent to which these activities are carried out in the organization. Statement Strongly Disagree (i) Disagree (ii) Not Sure (iii) Agree (iv) Strongly Agree (v).

1. Managers hold budget conferences and meetings regularly to review performance
i (), ii (), iii (), iv () and v ()
2. The organization has budget policies that monitors budget spending i(), ii(), iii(),
iv() and v()
3. Control of the budget activities is done by the departmental heads i (), ii (), iii (),
iv () and v ()
4. The costs of activities and functions of the organizations are constantly reviewed
by the executive committee i(), ii(), iii(), iv() and v()
5. The organization's budget performance evaluation reports are prepared frequently
i(), ii(), iii(), iv() and v()
6. The organization's budget deviations are reported to budget committees i(), ii (),
iii(), iv() and v()

7. Managers always take timely corrective actions when adverse variances are reported i(), ii(), iii(), iv() and v()
8. There is a regular follow up on budget plans by the budget committee and departmental heads i(), ii(), iii(), iv() and v()

PART D: Evaluation

Please tick the following statements by indicating the level of agreement that you agree or disagree with the extent to which evaluation is implemented in the organization. Statement Strongly Disagree (i) Disagree (ii) Not Sure (iii) Agree (iv) Strongly Agree (v).

1. How often does the management of the organization review the budget i (), ii (), iii (), iv () and v ()
2. How often does the organization review the process of budget allocation i (), ii (), iii (), iv () and v ()
3. The organization engages its stakeholders in making key budget decisions i (), ii (), iii (), iv () and v ()
4. The organization conducts regular audit of the estimated and actual budget i(), ii(), iii(), iv() and v ()
5. The management team reviews regularly the implementation of budgetary control measures in the organization i(), ii(), iii(), iv() and v ()

PART E: Effectiveness

Please respond to the following statements provided below (Please tick in the appropriate box provided). Please tick the following statements by indicating the level of agreement that you agree or disagree with the extent to which evaluation is implemented in the organization. Statement Strongly Disagree (i) Disagree (ii) Not Sure (iii) Agree (iv) Strongly Agree (v).

1. The level of project performance of the organisation

i. High ii. Average iii. Below Average iv. Poor

2. The organisation executes its projects within the stipulated deadline

i. Yes ii. No

3. Please respond to the following statements provided below (Please tick in the appropriate box provided). The estimated percentage of costs reduction by the organisation:

(a) 0-3% () (b) 3-10% () (c) 10-20% () (d) 20% and Above ()

3. Financial Efficiency

(a) The percentage of administrative efficiency as a percentage of administrative expense divided by total expenses in the past year.

i) 0-5% () (ii) 5-10% () (iii) 10-15% () (iv) 20% and above ()

(b) Program efficiency as a percentage of program expenses divided by total expenses in the past year.

Table 8:Table 3 planning

Sources	Mean	Std. deviation
The organization has a long term and short term budget plans.	3.8	1.03
The budgets have clear goals and objectives	4.2	1.24
When budgeting, outcomes, goals and objectives are linked to programs and organizational activities.	3.6	1.17
The organization put priorities for the coming annual budget conference and Committees.	4.3	1.14
Organizational departments prepare budget plans prior to the budget year	4.3	1.12

Table 9:Monitoring and Control

Sources	Mean	Std. deviation
Managers hold budget conferences and meetings regularly to review performance	3.8	1.03
The organization has budget policies that monitors budget spending	4.2	1.24

Control of the budget activities is done by the departmental heads	3.6	1.17
The costs of activities and functions of the organizations are constantly reviewed by the executive committee	4.3	1.14
The organization's budget performance evaluation reports are prepared frequently	4.3	1.12
The organization's budget deviations are reported to budget committees	3.9	0.96
Managers always take timely corrective actions when adverse variances are reported	3.7	1.03
There is a regular follow up on budget plans by the budget committee and departmental heads		

Table 10: Monitoring

	Mean	Std. deviation
Sources		
How often does the management of the organization review the budget	3.8	1.03
How often does the organization review the process of budget allocation	4.2	1.24
The organization engages its stakeholders in making key budget decisions	3.6	1.17

The organization conducts regular audit of the estimated and actual budget	4.3	1.14
The management team reviews regularly the implementation of budgetary control measures in the organization	4.3	1.12
