

**CHALLENGES OF BUDGET IMPLEMENTATION AMONG RELIEF NON
GOVERNMENTAL ORGANIZATIONS IN KENYA**

BY

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DECLARATION

I declare that this is my own original work and to the best of my knowledge it has not been submitted for a degree award in any other University or institution of higher learning.

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This research project has been submitted for examination with my approval as University Supervisor

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DEDICATION

This work is dedicated to my parents Florence and Hezron Ooyi, my brothers Gideon Ooyi, Gevonce Ooyi and Paul Ooyi.

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I would like to extend my appreciation and gratitude to all who contributed their tremendous inputs towards completion of this research project . First and foremost, I am grateful to my University of Nairobi Supervisor Dr. Josiah Aduda for his tireless assistance, invaluable support, high quality and detailed work, experience and initiatives which guided me in enriching and completing my research project.

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ABSTRACT

The budget is a standard against which the actual performance can be compared and measured. Budgets are used to communicate top management's expectations to managers and employees. The budgeting process provides for coordinated planning among different functional areas (Bremser, 1988). Budgets are financial blueprints that quantify a firm's plans for a future period. Budgets require the management to specify expected sales, cash inflows and outflows, and costs; and they provide a mechanism for effective planning and control in organizations (Flamholtz, 1983). The study sought to determine the challenges of budget implementation among relief Non-governmental organizations. The target population comprised of relief Non-organizations, there are 144 relief Non-organizations hence the population of study is 144. From each stratum the researcher used simple random sampling to select 43 respondents. The questionnaire was used to collect mainly quantitative data although some qualitative data was collected from the open ended questions. The researcher administered a survey questionnaire to each member of the target population. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. The study found that budgets were effective in the relief Non-governmental organizations as they served their purpose of forecasting the future, assisting in control, acting as a means by which management communicates to other levels of departments. The researcher also found that in the process of budgeting, the relief non-governmental organizations faces some challenges which were inability to achieve the required value of new businesses, management of acquisition and maintenance costs, time constraints, desire for comfort budgets, lack of continuity in the committee, competence levels of budgeting teams, non-adherence to the laid down budgets by departments, lack of adequate authority to spend despite allocation, non-achievement of the main top line income earners and cost fluctuations or inflation on costs.

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LIST OF ABBREVIATIONS

NGO	Non-Governmental Organization
NIS	New Institutional Sociology
SPSS	Statistical Package for Social Science
US	United States

CHAPTER ONE :

INTRODUCTION

1.1 Background of the Study

Budgets are financial blueprints that quantify a firm's plans for a future period. A budget is a detailed plan outlining the acquisition and use of financial and other resources over some given time period. Budget is a standard against which the actual performance can be compared and measured; it stipulates which activities and programmes should be actively pursued. Management whether in private or public sector is required to specify expected revenues and expenditure. Budgets in an organization acts as a mechanism for effective planning and controlling (Flamholtz, 1983). The main purpose of a budget in any organization is for planning and controlling in order to achieve organizational goals and objectives (Schick, 1999).

Budget implementation has been for too long viewed primarily as a process concerned with the pre audit of bank bills and procedures of their payment (Berg and Skogley, 2002). Some viewed budget execution as an administrative process, while others analysed it as an extension of the budget implementation stage with the same strategies and game plans adopted by central and spending agencies. In reality, however, budget execution and related aspects of cash management are more than the sum total of the above elements (Zimmerman, 2003).

Budget execution represents the phase during which the multiple aspects of the resource use acquire an importance that is uniquely their own. It is also a phase where the relationship between central and spending agencies is even more important than it is during budget formulation stage. Formulation is a phase that is relatively short in its duration. Budget implementation, however, is a phase that is felt throughout the fiscal year. As an activity, it involves the mobilisation of human, material, and financial resources through a number of techniques and procedures (Willet, 2002). If the result of the budget implementation stage is a blueprint for the allocation of resources embodied in the budget document, budget execution has more onerous tasks to perform as it is to provide goods and services to the

community. Such provision involves all the departments of the organization, unlike the more technical and selective participation of officials in budget formulation.

Execution is the cutting edge of the budget and it is the phase in which the organization interact more actively with its community (Schermerhorn, 2003). Implementation is however a positive process and is dependent for its success on financial procedures and general administrative capabilities. For these reasons, implementation cannot be considered as a budgetary problem alone but has to be examined for its widest applications. Its importance has grown during recent years, primarily because many development plans have run around on the rock of implementation alone.

The process of formulating a development plan or the annual budget involves an implicit assessment of the implementation capabilities of their various agencies. The availability of performance budgets, with their emphasis on identification and measurement of the productivity and workload factors, will help such an assessment practice owing to the non-implementation of the performance budgeting and also because emphasis tends to be diverted to the financial aspects, the capabilities of the agencies per sector appear not to have been given due recognition. This built in optimism among organizational officials that somehow the machinery will be equal to the tasks expected of it which may also have contributed to the situation (Wildavsky, 2001).

1.1.1 Budget Implementation

The primary concern during the implementation of the budget is to ensure the fulfilment of the financial and economic aspects of the outlays. The financial tasks include spending the amounts for the purposes specified, minimizing savings, avoiding lapses and/or a rush of expenditure toward the end of the financial year. The economic tasks consist of ensuring that the targets of programs have been achieved. It is hoped to achieve these two purposes by budgetary controls exercised by the organization and the spending departments (Ross and Segal, 2003). The budgetary and economic tasks are rendered operational through the administrative process that comprises four major interrelated phases of work: an allocation system under the expenditure is controlled by release of funds, supervision of the acquisition of goods and services to ensure value for the money spent, an accounting system that records

an organization's transactions and provides a framework for the analysis of the implications and a reporting system that permits a periodic appraisal of the actual implementation of the policies.

Neither of these phases can be performed in isolation of the other and their relationship, like others in the overall budget process, is symbiotic. The concerns in all these stages are three: to ensure legal accountability, to achieve efficient use of resource and to ensure the flexible use of resources and to ensure the flexible use of resources by avoiding the immobilisation of funds (Rose-Ackerman, 1996). The budgetary process by its very nature involves the allocation of funds to a few and the denial of many requests, and there is an obligation that those who are allotted funds actually spend them.

Proper Budgeting is a key success factor for most businesses, but it is a painful process that takes too much time and effort. Two key factors that influence budgeting process are the level of revenues collected and the availability of external resources to bridge the gap occasioned by shortfall in revenues. When revenues fall short of the projected level then budget implementation is affected to the extent that the expenditures have to be reduced either in capital or operating project hence affecting service delivery (Heller, 2005). External resources in the form of grants factored into the budget following commitment by donors also bring shortfall if not honoured. The government may fail to release funds or release funds late in the financial year thus affecting take off of projects. In addition, the budgeted amount may be affected by economics factors, lack of budget accuracy, lack of resources, lack of monitoring and evaluation thus affecting service delivery in NGOs (Pollitt 2004).

1.1.2 Challenges Of Budget Implementation Process

Proper Budgeting is a key success factor for most businesses, but it is a painful process that takes too much time and effort. Two key factors that influence budgeting process are the level of revenues collected and the availability of external resources to bridge the gap occasioned by shortfall in revenues. When revenues fall short of the projected level then budget implementation is affected to the extent that the expenditure have to be reduced either in capital or operating cost of the project hence affecting service delivery (Heller, 2005).

External resources in the form of loans and grants factored into the budget following commitment by donors also bring shortfall if not honoured. The government may fail to release funds or release funds late in the financial year thus affecting take off of projects. In addition, the budgeted amount may be affected by economic factors, lack of budget accuracy, lack of resources, lack of monitoring and evaluation thus affecting service delivery in NGOs (Pollitt 2004). Costs may increase due to inflation, unexpected changes in the economy, political instability, insufficient initial study of capital projects and budget overruns which are some of the challenges of operational budgetary process. Budgeting being historical in nature, overruns are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget. Since cash allocated to spending units for appropriated expenditure is generally controlled, these overruns turn into arrears in councils. Overruns are often as a result of off budget spending mechanisms (Lerner, 1968).

1.1.3 Non-Governmental Organizations

Non-Governmental Organizations (NGOs) can be defined as private organizations “characterized primarily by humanitarian or cooperative rather than commercial objectives that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic services or undertake community development” in developing countries, World Bank operational directive 14.70. According to the internal revenue service code 501 (c) (3) of the United States, it is a designation given to describe a group of organizations that are allowed to make profit but they are prohibited from distributing their profits or earnings to those in control of the organization.

NGOs are a subset of the broader non-profit sector that engage specifically in international development and by definition non-profit entity objective is not to earn a profit but their objective is to render as much suitable services as needed. Ideally their performance is to break even. This means that by and large and on a short term basis, their income should equal costs. NGOs are one group of players who are active in the efforts of international development and increasing the welfare of poor people in poor countries. They work both independently and alongside bilateral aid agencies from developed countries, private sector infrastructure operators, self – help associations and local governments.

They range in size from an individual to a complex organization with annual revenue of \$1 billion or more. The steady rise of NGOs has captivated the imaginations of policy makers, activists, and analysts (Fisher, 1997), leading some observers to claim that NGOs are in the midst of a “quite” revolution (Edwards and Holme, 1996). From this perspective NGOs are frequently idealized as organizations committed to “doing good” while setting aside profit or politics (Zivetz, 1991; Fisher, 1993). In the realm of international development, NGOs have been characterized as a new “favoured child” of official development agencies and proclaimed as a “magic bullet” to target and fix the problems that have befallen the development process (Edwards and Holme, 1996 P3). They are seen as being instrumental in changing mindset and attitudes (Keck and Sikkink 1998) in addition to being more efficient providers of goods and services (Edwards and Holme, 1996).

Most of the international Non-Governmental organizations operate in different countries with their Headquarters in the mother country, implementing programmes in the different countries of which a budget holder will be assigned to control a particular programme or subset of a programme. Each Budget Holder is responsible for the control of his/her budget and for the general financial administration of his/her area of responsibility. They typically receive annual notification of budgets and regular expenditure statements from the finance departments in prescribed formats comparing the actual spent to date versus the budget.

They monitor expenditure incurred during the financial year with reference to the budget for the year and notify as soon as possible the finance department if it foreseen that the budget for the year will unavoidably be overspent.

The financial regulations detail the following as the main responsibilities of Budget Holders: They control income and expenditure within an agreed budget allocation and must ensure that the day to day monitoring is undertaken effectively. Budget holders are responsible to their group head for the income and expenditure appropriated to their budget allocations. The budget management, monitoring and control must comply with the agreement in the requirements of the donors who give the funds to the Program. The Budget Holder has a responsibility to manage the budgets. Management of budgets needs to be as flexible as possible if frontline staffs are to be able to target resources where they are most needed. They

may reasonably delegate authority to incur expenditure within their budgets, but they retain ultimate authority for control of such expenditure. The delegation authority and the flexibility enjoyed by the Budget Holder in managing their budgets should be balanced to the interests and objectives of the organization. This freedom should not undermine achievement of program objectives.

1.2 Statement of the problem

The budget is a standard against which the actual performance can be compared and measured. Budgets are used to communicate top management's expectations to managers and employees. The budgeting process provides for coordinated planning among different functional areas (Ramsey and Ramsey, 1985; Bremser, 1988). Budgets are financial blueprints that quantify a firm's plans for a future period. Budgets require the management to specify expected sales, cash inflows and outflows, and costs; and they provide a mechanism for effective planning and control in organizations (Flamholtz, 1983 pp.153-69). The divergent views on budgeting as a management control tool have provided major motivation for the present study. Furthermore, there is also a dearth of research involving surveys of budgetary practices in developing countries. Most of the research in this area has focused on the USA, the UK and Australia.

Budgeting is one of the fundamental decision-making processes in organizations since it is a management tool. During Cash budget formulation, officials determine the portion of the organization's resources that the manager of each unit will be authorized to spend. Budgets often establish performance goals for the unit in terms of costs, revenues, and/or production (Little et al., 2002). Budgeting and Financial Management have been at the core of economic reform programs in most nations around the world (Schick, 1999). These have also been the principal instruments of transformation and restructuring of the various sectors in several countries. While this is the case, there are growing challenges of budgetary crises and fiscal shocks felt in developing countries and transition economies.

Budget implementation is a worldwide problem. In Kenya, empirical studies have been carried out, Murrison (2001) carried out a survey of budgeting practices among the major British non- governmental organizations in Kenya and the extent to which budgets are used as tool of management control, Ndiritu (2007) carried a case study on the effectiveness of

cash budgeting at Telkom Kenya, Muthinji (2009) did a case study on the challenges of budget implementation at Commission of Higher Education. So far studies done do not focus on challenges of budget implementation among relief Non-governmental organizations.

1.3 Objective of the Study

The objective of the study was to determine the challenges of budget implementation among relief Non-governmental organizations.

1.4 Importance of the Study

Budget forms an important part of the organization's plan. It is for this primary reason that utmost care must be taken to ensure efficient and effective budget implementation. The results of this study are important in that it may enlighten NGOs management on the efficiency and effectiveness of budget implementation and recommend measures for improvement. The study may also help them in planning and controlling the implementation of projects and ensuring efficient utilization of resources.

The study may provide a useful basis upon which further studies on budgeting in the local authorities could be conducted, the study may also add to the body of knowledge in the Finance discipline. Findings on fundamental principles of budget implementation will provide information to the government that can be used to formulate policies in reference to budget implementation for better operations.

CHAPTER TWO :

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature. The chapter discusses the budget, the budget process, challenges of budget implementation, the empirical studies in budget implementation and a conclusion.

2.2 Theoretical Review

2.2.1 Institutional theory

Institutions may be regarded as settled habits that form “the rules of the game in a society” (North, 1993, p. 3). The institutionalization of habits is regarded both as an outcome and as a process reflecting the power of organized interests and the actors who mobilize them (Covaleski *et al.*, 1993). In a classic “new institutional sociology” (NIS) 2 study, DiMaggio and Powell (1983) divide the (mostly external) pressures affecting organizational development into competitive and institutional pressures. Institutional pressures may be divided further into coercive, normative and mimetic pressures (DiMaggio and Powell, 1983). Coercive pressures stem from political influence and problems of legitimacy, normative pressures arise from professionalization, while mimetic pressures stem from uncertainty (DiMaggio and Powell, 1983). In mimetic isomorphism “organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful” (DiMaggio and Powell, 1983). Institutions are legitimized by regulative elements exerting coercive pressures (e.g. rules and laws), by normative support from work roles and professional bodies, or by cultural-cognitive elements such as shared social meanings imposing mimetic pressures (Scott, 2001, pp. 55-9).

Oliver (1992) and Abernethy and Chua (1996) argue, however, that intra-organizational pressures have been neglected in classic NIS literature. Oliver (1992) categorizes the change pressures leading to the erosion or “deinstitutionalization” of old practices within an organization into political, functional and social pressures. For example, an increase in the

number of organizational members whose interests conflict with the status quo may lead to a mounting crisis. Functional pressures stem from a decline in the perceived utility or instrumentality of a practice that may be caused, say, by an increase in the perceived goal clarity (Oliver, 1992). Further, social pressures for deinstitutionalization may arise, for example, after a leader succession that creates historical discontinuity, which pre-empts the “reproducibility of activities over time” (Oliver, 1992). Oliver (1992) distinguishes moderating forces that cause entropy (e.g. personal and work role development in time) or inertia (high perceived costs of change) for institutionalized patterns. Further, Greenwood and Hinings (1996) noted that radical changes require “capacity for action” (skills) and power (control over decisions).

These categorizations of change pressures provide insight into the analysis of the case city where, for example, a leader succession occurred. However, in a municipal context the categorization of pressures into external and internal is fuzzy as the city council both represents people facing external pressures and is a body that exerts (coercive) power over other members of the municipal organization. What is more, normative pressures may be exerted within an organization by central administrative staff over personnel in sub-units. Further, sub-units may mimic other sub-units in PM usage. Thus, the categorizations of intra-organizational pressures (Oliver, 1992) may intertwine with external pressures (DiMaggio and Powell, 1983). Furthermore, the relative importance of various pressures may still be unclear, although Modell and Wiesel (2007) suggest that coercive pressures tend to dominate other institutional pressures.

2.2.2 Psychological theory

Psychological theory can be used to explain both the causes and the effects of management accounting practices. As noted by Birnberg *et al.* (2007, p. 115), most management accounting research that uses psychological theory focuses on the effects of management accounting on the minds and behaviour of individuals and not on the effect of individual's minds on management accounting. In budgeting research, important questions are, for instance, how budgeting affects individuals' motivation and organizational performance (Covaleski *et al.*, 2007, p. 590). In this article, however, we study how motives, i.e.

dispositional factors of motivation rooted in the personality interact with participative budgeting to affect budget goal commitment.

Contextual or situational factors are much studied, e.g. from a contingency perspective (Chenhall, 2007), but personal characteristics like personality traits (Taggar and Parkinson, 2007) are less commonly taken into consideration in management accounting research. Further, motives are with some notable exceptions (Alam and Mia, 2006; Subramaniam *et al.*, 2002) not part of the explanations of behaviour in relation to accounting systems.

Striving to achieve a budget target, for example, is a matter of goal engagement and disengagement which is fundamentally determined by the interaction between contextual and individual factors, including motivational disposition (Heckhausen and Heckhausen, 2008b; Murray, 1938). Thus, “motivation” is related to action in a more complex way than just being the outcome of a process. Because situational behaviour may be aroused by completely different motives or goal states (Langens and Schmalt, 2008), we suggest in this paper that taking differences in motives into consideration may explain variation in, e.g. budget goal commitment and effects of participative budgeting in general. Thus, we follow Shields and Shields (1998) who argue that a more comprehensive model of management accounting should include the reasons why participative budgeting exists and not only the consequences.

2.2.3 Neo-classical economic theory

Management accounting provides information for management planning and control: such a portrayal is grounded in the neo-classical economic theory of the firm (Scapens and Arnold, 1986). However, as neo-classical economic theory is based on the core economic supposition of rationality and equilibrium, it has difficulty in evaluating processes of change (Burns and Scapens, 2000). Neo-classical economic theory is more interested in forecasting the rational outcomes rather than explaining the unfurling processes of moving from one equilibrium state to another. However, studying the processes of budgeting change requires a conceptualization of the ways in which new accounting practices evolve over time (Nelson and Winter, 1982).

Researchers are becoming increasingly aware of the importance of studying the relationship between accounting practices and other organisation routines so as to understand the institutionalisation of accounting practices, that is, where accounting practices become the norm and meanings are used to make sense of organisational activity (Burns and Scapens, 2000; Scapens, 1994). Burns and Scapens (2000), who apply OIE theory in their study, suggest that accounting practices can become routinised, and in time begin to constitute a part of the taken-for-granted assumptions and beliefs in an organisation. The main premise of OIE theory is that organisations and individual behaviour are influenced by the institutions in which they exist. A definition describing what an institution is was provided by Hamilton (1932, cited in Scapens, 1994, p. 306) as “a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of people”. This definition, according to Scapens (1994), brings out the social and cultural character of an institution and emphasises the importance of habitual behaviour, or cognitive institutions, which characterizes the underlying premise of institutional theory.

Hodgson and Screpanti (1991) suggest two principles as micro foundations of OIE: human behaviour cannot be reduced to the choices and decisions of isolated individuals alone – circumstances are, in part, a consequence of individual action and individuals are moulded by circumstances including their interaction with others; and factors sustaining human behaviour cannot be reduced to any *a priori*, abstract, general ahistorical hypotheses.

No assumption about rationality can remove the need for well-founded knowledge of human behaviour in its cultural and institutional context (Scapens, 1994). Old institutional economists view economic activity as a social phenomenon and they are interested in its relationship with social institutions. They regard the economic system as a micro-system of the larger societal or cultural system. In addition, they view human beings as cultural products influenced by and functioning in an evolving cultural process (Gruchy, 1984). Subsequently, institutions can shape the cognitive processes of individual actors (Hodgson, 1988).

2.3 Empirical Review

Premchand (1994) observed that, budget implementation is a company policy and determines the manner in which resources' are managed. The financial task in budget implementation includes spending money specified, maximizing saving and avoiding over expenditures during the end of the financial year. The benefits of monitoring either incomes or expenditures at the verification stage or the payments stage are sometimes debated. Actually, information is needed at each stage of the income or the expenditure cycle. Adequate recording of appropriations, revisions in appropriations, transfers between appropriation and apportionment, etc. is a prerequisite for good management (Abernethy and Stoelwinder, 1991)

In several developing countries, it is difficult to know exactly which budget is being implemented, because decisions concerning allocations and reallocations of appropriations are contained in various circulars and are not gathered into a single document. The budget implementation plan should be updated regularly to take into account decisions concerning appropriations (Anderson, 1993). Accounting commitments are essential in keeping budget implementation under control. They provide the basis for budget revisions. Decisions to increase or decrease appropriations and the preparation of cash plans must take into account commitments already made. In most organizations aggregate revenues tends to be below projection on which budget is observed and controlled (Kadondi, 2002).

Budgeting systems are universal and have been considered an essential tool for financial planning. These systems are meant to organize and encourage the performance of organizations (Abernethy and Brownell, 1999). Traditionally, budgets were seen as the primary planning document. Budgets can be used as a control mechanism to regulate the behavior by specifying the means to produce a unit of output.

For companies aiming to achieve recognition for world-class performance, it may be necessary to move away from a purely reactive approach to benchmarking, which identifies what other groups or companies have already achieved, and move on to essentially a

proactive approach by identifying and defining the highest standards achievable. In this way they will be recognized as market leaders operating through innovative.

A study by Weisenfeld and Tyson (1990), in a sample of 68 US managers from two companies, found that budgeting and variance analysis can be positive tools, if the accounting information and communication process is functioning appropriately. A total of 90 percent of the respondents indicated that variances were a good way to measure their performance. All of them agreed that variance reports positively influenced them to improve performance and increase their bonuses.

A study by Blansfield (2002) of 250 respondents in the US, found that only 14 percent of companies have a fully integrated planning process that combines long term and operational planning, performance measures and reporting. The survey further underscored the fact that financial executives still struggle with the need to synthesize financial and non-financial data and performance measurements in a single system in which they can also perform planning, budgeting, forecasting, financial consolidation, reporting and analysis in real time.

Peter (2001) carried a study on budgetary controls in NGOs in Kenya. The study was to furnish a conceptual basis for evaluating the effectiveness of budgeting practices. The objective was how accurate budget anticipates the level and direction of actual results, what factors influence budget accuracy. The population of the study was a relief project spread all over the country; data was collected using primary and secondary data. It was concluded that budget controls practices in NGOs vary significantly between relief projects and development projects.

Murrison (2001) carried out a survey of budgeting practices among the major British non-governmental organizations in Kenya; he focused on budgeting practices used in British Non- governmental organizations in Kenya and the extent to which budgets are used as a management control. Data was collected from thirty relief projects of World Vision which were surveyed all over the country, the objective of the study was to determine how accurate budgets anticipate the level and direction of results, at the end of the research it was found that 100% of the Relief projects over estimates their income budgets.

Ndiritu (2007) did a case study on the effectiveness of cash budgeting at Telkom Kenya which was a public institution and focused on cash management budgeting process as an important tool of planning and controlling. A sample of twenty staff who were directly involved with cash budget preparation and implementation process were interviewed. The information sought included the cash budgetary process in the organization, and how the cash budget had been utilized as an effective cash management tool in the organization. The information was collected using an interview guide which was structured into two sections. However, after the study in the firm concerned, it has been found various loopholes which if not sealed may lead to high cash losses for the firm.

Muthinji (2009), did a study on the challenges of budget implementation at the Commission of higher education, the objective of the study was to identify the challenges of budget implementation and its effectiveness at the Commission. Data was collected from all departments and descriptive statistics was used to summarize the data. It was concluded that a budget is important for communication and there is an increasing trend towards decentralization.

2.4 Challenges of Budget implementation

Implementation of budget is an activity that takes place throughout the financial year and is a critical point for any institution to perform for it cuts across all departments in an organization. Budget implementation is a public expenditure policy and therefore the manner in which public expenditure is managed would impinge on the implementation of budgets.

There has been some evidence that companies have been showing considerable interest in preparing long-range plans. In a survey of 500 companies in the USA Srinivasan, (1987), concluded that formal strategic planning contributed to decisions that were important, risky, global, and involved divestments. Similarly, in another study, Capon et al. (1994) found that a majority of firms employed sophisticated corporate planning and corporate financial plans in their budgeting system. (Powell, 1992) found that strategic planning was important in the US companies but depended on the type of industry. Failure to plan and control projects end up not implementing what was budgeted.

Lack of Participation of employees in the process of budget preparation de -motivates them to achieve budget goals. According to (Ramsey, 1985) he observed that budgets should be used to motivate subordinates to increase their output and efficiency by encouraging their participation during budget preparation. According to Cook, (1968), in his study found that bonus and promotion or new assignments are positively correlated with budget performance. Shields and Young (1993) found that participative budgeting is used more frequently when lower level management and senior management within an organization are linked to budget preparation and implementation.

Evaluation and monitoring go hand in hand. Monitoring provides the raw data to answer questions. But in itself, it is a useless and an expensive exercise. Evaluation put those data to use and thus giving them value. Evaluation is where the learning occurs, questions answered, recommendations made, and improvements suggested (Bremser, 1988). Without monitoring, evaluation in council would have no foundation, there would be no raw material to work with, and be limited to the realm of speculation. As the old song says, "you can't have one without the other." A monitoring program should not be designed without clearly knowing how the data and information will be evaluated and put to use. Monitoring and review techniques among numerous alternative sanctions proposed in the 1980s and 1990s emerged and remains a popular and increasingly used measure today (Armstrong, 1996).

The budget process constitutes an important tool for governments to mobilize adequate resources for local authorities, translate policies into pro-poor investments and provide equitable and efficient quality health services. It also sets the targets for which governments can be held accountable. In many countries institutions are weak, budget processes are undemocratic and public participation opportunities are limited. Resources risk being diverted from the country's key social priorities at the very early stage of the budget formulation and resource allocation towards more politically or financially "profitable" sectors. Centralized budgets have been associated with the problems of either overestimation or underestimation (Kopp, 2004). According to Garrison (2008) a budget is part of a master budget in which management establishes goals throughout the organization that result in a budget for cash, a budgeted income statement, and a budgeted balance sheet he stated that

participative budgets have several advantages over imposed budgets, such as, motivation and commitment from participants and increased accuracy.

Decentralized budgeting is thought to reduce variations between budgeted and actual expenditure (i.e. increase budget accuracy), by placing responsibility for budgeting in the hands of those who are best able to forecast expenditure requirements. Research has consistently found that accuracy is one of the most important objective companies have for their budgeting and planning process yet it poses a lot of challenges to meet. Budget accuracy is important to a company's financial and operational performance, both in the short run and over the long term. At the very least, there must be appropriate financial controls in place to be profitable and ensure there is adequate cash to meet obligations. Firms should allocate the right resources to the activities that will produce the highest returns (Jones, 2006).

Accuracy is critical to the effectiveness of Performance Management. Assessments of how well objectives are met depend on how realistic these objectives were from the start. Organizations that spend too much time ensuring calculations and formulas are correct, as well as addressing the mechanical details of rolling up and consolidating departmental and business unit budgets ensure that the budget is consistent with their strategic objectives (Anderson, 1993).

2.5 Summary of the chapter

Budget implementation in NGOs is an important aspect for it ensures the planned project is implemented. As they are prepared in advance, they give a detailed activity of what the organization will undertake. There is need to take into account when an organization is doing its budgeting by estimating what the costs or value will be when the expenditure is made or the income is received. If there is likely to be an increase in costs then, there is need to make sure that the budgeting committee also estimate for an increase in what the organization will charge in fees for services or in sales of products.

This study concludes that the relationship between budget emphasis and attitudes towards the budgetary process increases motivation and proper control There is also need to keep the

budget calculations for the organization's budget because some stakeholders may be willing to provide a supplementary revenue if the management can show clearly that the budget calculations are based on a smaller rate of inflation than actually proven to be the case (Gupta, 2006).

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that will be followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. Specifically the following sub-sections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

Creswell (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Further Dooley (2007) notes that a research design is the structure of the research, it is the “glue” that holds all the elements in a research project together. The study adopted a descriptive cross-sectional research design, which according to Kothari (2004), used when the problem has been defined specifically and where the researcher has certain issues to be described by the respondents about the problem. Survey designs have also been found to be accurate in descriptive studies and generalizations of results (Ngechu, 2004). Cross-sectional survey designs survey a single group of respondents at a single point in time.

3.3 Target Population

According to Ngechu (2004), a study population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. Thus the population should fit a certain specification, which the researcher was studying and the population should be homogenous. Keya (1989) states that individuals or things or elements that fit a researcher specification. The population can be divided into sets, population or strata and which are mutually exclusive.

The target population comprised of relief Non-governmental organizations, there are 144 relief Non-governmental organizations hence the population of study is 144. This population was chosen since the people in the management are the ones involved in the day to day budgeting of the organization and thus are well conversant with the challenges facing budget

implementation in their organization. Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study.

Table 3.1: Target Population

Level	No in Position	Percentage of Total Population.
Relief organisations	144	100.0
Total	144	100.0

Source: Researcher, (2012)

3.4 Sample Size

Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms will be selected in order to make a sample. Stratified proportionate random sampling technique was used to select the sample. According to Deming (1990), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance. From each stratum of the study, the researcher used simple random sampling to select 43 respondents. According to Cooper and Schindler (2003), random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used.

Table 3.2: Sampling Frame

Level	Frequency	Percentage	Sample size
Relief organisations	144	30	43
Total	144	30	43

Source: Researcher, (2012)

3.5 Data collection

According to Ngechu (2004), there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collects specific data. Donald (2006) notes that there are two major sources of data used by respondents' primary and secondary data.

Primary data is information gathered directly from respondents and for this study the researcher will use questionnaires. The questionnaire was used to collect mainly quantitative data although some qualitative data was collected from the open ended questions. Secondary data involved the collection and analysis of published material and information from other sources such as annual reports, published data. Thus in this study the researcher employed the use of survey questionnaire for data collection.

3.5.1 Data Collection Instrument: Survey Questionnaires

The researcher administered a survey questionnaire to each member of the target population. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

Secondary data was collected for this study. This data was useful for generating additional information for the study from already documented data or available reports. Cooper and Schindler (2003) further explain that secondary data is a useful quantitative technique for evaluating historical or contemporary confidential or public records, reports, government documents and opinions. Mugenda and Mugenda (2003) add that, numerical records can also be considered a sub category of documents and those records include figures, reports and budgets. This basically implies the incorporation of valuable statistical data in the study.

3.5.2 Data Collection Procedure

The researcher administered the questionnaires individually to all employees of relief Non-governmental organisations who are the sample population. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received and to

achieve this, the researcher maintained a register of questionnaires which were sent and which were received.

3.6 Pilot Test

The researcher carried out a pilot study to pretest and validate the questionnaire and the interview guide. According to Cooper and Schindler (2003), the pilot group can range from 15 to 100 subjects depending on the method to be tested but it does not need to be statistically selected. This was in line with a qualitative research design methodology employed in this research project.

According to Somekh, and Cathy (2005) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which is employed by this study is a measure of the degree which data is collected using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

To establish the validity of the research instruments the researcher sought the opinions of experts in the field of study especially the lecturers in the department of management finance. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity

According to Walliman (2001), reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures.

The researcher selected a pilot group of 25 individuals from the target population at 3 Humanitarian NGOs to test the reliability of the research instrument. This was achieved by first stratifying the individuals according to level of management. The researcher also put in consideration gender equity and geographical background of individuals.

The pilot data was not be included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identifying items that require modification. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measure what is intended.

3.7 Data Processing and Analysis

The researcher perused completed questionnaires and document analysis recording sheets. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS. Content analysis was used to test data that is qualitative in nature or aspect of the data collected from the open ended questions. According to Baulcomb, (2003), content analysis uses a set of categorization for making valid and replicable inferences from data to their context. All the variables in the study was measured using data collected from the questionnaire.

The following regression model

$$Y = \beta_0 + \beta_1BA + \beta_2SMC + \beta_3PE + \beta_4BPR + \beta_5BPC$$

Where

- Y = Budget Implementation
- BA = Budget Accuracy
- SMC = Staff motivation and Commitment
- PE = Performance Evaluation
- BPR = Budget Participation and Rewards
- BPC = Budget Planning and Control

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings on the challenges of budget implementation among relief Non-governmental organizations. From the study population target of 43 respondents from 144 relief Non-governmental organizations were selected and presented with a questionnaire, out of 43 respondents, 41 respondents filled and returned their questionnaires, constituting 95.3 % response rate. Data analysis was done through Statistical Package for Social Scientists (SPSS). Frequencies and percentages were used to display the results which were presented in tables, charts and graphs.

4.2 Analysis and Interpretation

4.2.1 General Information

From the findings on the respondents departments, the study found that respondents were from various departments which were financial accounting, accounts, public affairs, communication, transport, human resource, research and development, IT, monitoring and evaluation, operations, logistics, administration, credit and project. On the respondents designation, the study revealed that respondents were in various designations which were communication managers, transport managers, accounts assistants, finance officers, account clerks, program assistants, accountants, administration officers, monitoring and evaluation officers, field officers, credit officers, budget control officers, supervisors, accounts managers, human resource assistants, operation officers and program officers. The study also found that respondents had worked in their organizations for 2 to 20 years; this is an indication that they have had a vast knowledge about their organizations and thus they were in a position to give credible information to the study.

Table 4.3 : Length of time worked in the organization

	Frequency	Percent
0-5 years	10	24.4
5-10 years	17	41.5
10-15years	6	14.6
15-20 years	3	7.3
above 20 years	5	12.2
Total	41	100.0

From the findings on the length of time the respondents had worked in their organizations, the study found that 41.5% of the respondents indicated that they had worked for 5 to 10 years, 24.4% of the respondents indicated that they had worked for 0 to 5 years, 14.6% of the respondents indicated that they had worked for 10 to 15 years, 12.2% of the respondents indicated that they had worked for above 20 years whereas 7.3% of the respondents indicated that they had worked for 15 to 20 years, this is an indication that most of the respondents had worked long enough in their organizations.

Table 4.4: How often they prepare budget

	Frequency	Percent
monthly	3	7.3
quarterly	18	43.9
bi annually	12	29.2
annually	8	19.5
Total	41	100.0

On how often the organization was preparing budget, the study revealed that 43.9% of the respondents indicated on a quarterly basis, 29.2% of the respondents indicated bi annually, 19.5% of the respondents indicated annually whereas 7.3% of the respondents indicated monthly, this is an indication that NGOs prepared their budget frequently.

Table 4.5: Period covered by the budget

	Frequency	Percent
monthly	5	12.2
quarterly	15	36.6
bi annually	13	31.7
annually	8	19.5
Total	41	100.0

From the findings on the period covered by the budget, the study revealed that 36.6% of the respondents indicated quarterly, 31.7% of the respondents indicated bi annually, 19.5% of the respondents indicated they prepared their budgets annually whereas 12.2% of the respondents indicated monthly, this is an indication that most of the organizations prepared their budgets at different times of the year.

Table 4.6: Time of budget revision

	Frequency	Percent
monthly	4	9.8
quarterly	19	46.3
bi annually	11	26.8
annually	7	17.1
Total	41	100.0

From the findings on the time of budget revision, the study found that 46.3% of the respondents indicated quarterly, 26.8% of the respondents indicated bi annually, 17.1% of the respondents indicated annually whereas 9.8% of the respondents indicated monthly.

4.2.2 Challenges of Budget Implementation

Table 4.7: Efficiency of the budget implementation

	Frequency	Percent
very efficient	12	29.3
efficient	24	58.5
moderate	5	12.2
Total	41	100.0

From the finding on the extent to which budget implementation in the organization was efficient, the study found that 58.5% of the respondents indicated efficient, 29.3% of the respondents indicated very efficient, whereas 12.2% of the respondents indicated moderate, this is an indication that budget implementation was efficient to some extent in the organizations.

Table 4.8: Department participation in budgetary planning

	Frequency	Percent
yes	38	92.7
no	3	7.3
Total	41	100.0

On whether the respondents departments was involved in the budgetary planning, the study found that most of the respondents as shown by 92.7% indicated that their departments were involved in budgetary planning, whereas 7.3% of the respondents indicated that their departments were not involved in the budgetary planning.

Table 4.9: Importance of budget to the department

Factors	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
To forecast the future	28	12	1	0	0	1.3415	.52961
Assist in control	27	12	2	0	0	1.3902	.58643
As a means by which management communicates to other levels of department	4	29	7	1	0	2.1220	.59980
As a means of performance appraisal	0	26	13	2	0	2.4146	.59058

To motivate employees to do better	2	24	15	0	0	2.3171	.56741
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From the findings on the importance of budgets to the department, the study revealed that respondents strongly agreed that it helps to forecast the future as shown by mean of 1.3415 and assist in control as shown by mean of 1.3902, the study further revealed that respondent agreed that budgets acts as a means by which management communicates to other levels of department as shown by mean of 2.1220, to motivate employees to do better as shown by mean of 2.3171 and as a means of performance appraisal as shown by mean of 2.4146.

Table 4.10: Challenges of budget implementation faced by the organization during the financial year

Challenges	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
Planning and controlling	4	26	4	7	0	2.3415	.88345
Lack of staff motivation	5	11	13	11	1	2.2927	.93581
Government influence	2	4	15	15	5	2.6341	.12021
Corruption	3	7	15	10	6	2.2195	1.12943
Lack of monitoring and controls	7	18	9	4	3	2.1951	.90010
Lack of financial resources	5	16	14	3	3	2.0732	.20461
Poor budget Accuracy	6	16	13	6	0	2.4634	.92460

From the findings on the respondents level of agreement on the various challenges of budget implementation faced by their organizations in the financial year, the study found that respondents agreed that there was lack of financial resources as shown by mean of 2.0732, lack of monitoring and controls as shown by mean of 2.1951, corruption as shown by mean of 2.2195, lack of staff motivation as shown by mean of 2.2927, planning and controlling as shown by mean of 2.3415 and poor budget accuracy as shown by mean of 2.4634. Respondents were however neutral on government influence as shown by mean of 2.6341.

Table 4.11: Budget Participation and Rewards challenges of budget implementation

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
Participation of all the stakeholders makes the budgetary process to be too lengthy and time consuming.	3	21	5	10	2	2.4829	1.08257
Association of extrinsic rewards with budgetary achievement as a means to motivate managers does not really help in budget implementation.	5	18	5	11	2	2.4829	1.14976
Bonus and promotion or new assignments are not correlated with budget performance.	2	14	9	13	3	3.0244	1.08369
Low level management do not have a significant role in both the initial and revision stages of budget preparation.	4	10	10	12	5	3.0976	1.20010
Lower level management and senior management within council are not linked to budget preparation and implementation.	4	12	9	10	6	3.0488	1.24401

From the findings on the respondents level of agreement on various statements that relate to budget participation and rewards challenges of budget implementation, the study revealed that respondents agreed that participation of all the stakeholders makes the budgetary process to be too lengthy and time consuming and association of extrinsic rewards with budgetary

achievement as a means to motivate managers does not really help in budget implementation as shown by mean of 2.4829 in each case, respondents were neutral on bonus and promotion or new assignments are not correlated with budget performance as shown by mean of 3.0244, lower level management and senior management within council are not linked to budget preparation and implementation as shown by mean of 3.0488 and low level management do not have a significant role in both the initial and revision stages of budget preparation as shown by mean of 3.0976.

Table 4.12: Major challenging stages in the budgetary process is the Performance Evaluation

Challenges of Budget implementation	Very great extent	Great extent	Moderate	Less extent	Not at all	Mean	Std deviation
There is poor feedback in the budgeting process for attainment of the expected quality and standards in planning, control & leadership	9	18	10	4	0	2.2195	.90863
The Feedback does not critically focus on the extent to which employees have achieved expected levels of work during a specified time period	3	21	13	4	0	2.4390	.77617
Budgets being a standard for performance are not used to evaluate the organizational performance	5	16	9	5	6	2.4805	1.25523
Budgeting at council does not place a high importance on the budget-to-actual comparison for performance evaluation purposes	6	10	11	11	3	2.4780	1.18733

On the extent to which major challenging stages in the budgetary process contribute to the challenges at respondents organizations, the study found that the following were rated to great extent, there is poor feedback in the budgeting process for attainment of the expected quality and standards in planning, control & leadership as shown by mean of 2.2195, the feedback does not critically focus on the extent to which employees have achieved expected levels of work during a specified time period as shown by mean of 2.4390, budgets being a standard for performance are not used to evaluate the organizational performance as shown by mean of 2.4805 and budgeting at council does not place a high importance on the budget-to-actual comparison for performance evaluation purposes as shown by mean of 2.4780.

Table 4.13: Management overcoming challenges of budget implementation

	Frequency	Percent
strongly agree	19	46.3
agree	20	48.8
neutral	2	4.9
Total	41	100.0

On the respondents level of agreement on whether the management can be able to overcome the challenges of budget implementation in their organizations, the study found that most of the respondents as shown by 48.8% agreed, 46.8% of the respondents strongly agreed whereas 4.9% of the respondents were neutral, this is an indication that the management can be able to overcome the challenges of budget implementation in their organizations.

The study revealed that the possible solutions to the major challenges in budget implementation facing the organizations were proper mechanism in monitoring budget implementation, following budget recommendations, involving all the departments in budget implementation, efficient planning and control of budgets, constant and consistent performance evaluation, constant review of budgets, having budget controls, early planning, transparency and accountability, staff involvement, sticking to the proposed budget, proper feedback system, proper budget forecast, training budget planners and adopting technology to improve on accuracy.

Table 4.14: Extent to which various aspect of budget affects its implementation

	Very great extent	Great extent	Moderate extent	Less extent	Not at all	Mean	Std deviation
Budget accuracy	23	15	3	0	0	1.5122	.63726
Staff motivation and commitment	10	18	12	1	0	1.8976	.80015
Performance evaluation	13	21	6	1	0	1.8854	4.91414
Budget Participation and Rewards	10	19	12	0	0	1.9488	.73997
Budget Planning and Control	24	14	3	0	0	1.5178	.63726

On the extent to which various aspects of budget affect its implementation, the study found that majority of the respondents rated the following to great extent, budget accuracy as shown by mean of 1.5122, budget planning and control as shown by mean of 1.5178, performance evaluation as shown by mean of 1.8854, staff motivation and commitment as shown by mean of 1.8976 and budget participation and rewards as shown by mean of 1.9488.

4.2.3 Regression Analysis

Table 4.15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.859 ^a	.738	.726	.07833

From the findings in the above table the value of adjusted R squared (co-efficient of determination) was 0.836 an indication that there was variation of 72.6% on budget implementation due to changes in budget accuracy, staff motivation and commitment, performance evaluation, budget participation and rewards and budget planning and control at 95% confidence interval . This shows that 72.6% changes in budget implementation could be accounted for by changes in budget accuracy, staff motivation and commitment,

performance evaluation, budget participation and rewards and budget planning and control. The study also established that there is strong positive relationship between budget implementation and budget accuracy, staff motivation and commitment, performance evaluation, budget participation and rewards and budget planning and control as shown by correlation coefficient of 0.859.

Table 4.16: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.454	.155		2.939	.010
	Budget Accuracy	.560	.148	.554	3.794	.001
	Staff motivation and Commitment	.295	.140	.308	2.109	.042
	Performance Evaluation	.011	.133	.013	.085	.031
	Budget Participation and Rewards	.091	.150	.091	.605	.019
	Budget Planning and Control	.276	.185	.183	1.488	.042

The established regression equation was

$$Y = 0.454 + 0.560 X_1 + 0.295 X_2 + 0.011 X_3 + 0.091X_4 + 0.276X_5$$

From the above regression equation it was revealed that holding budget accuracy, staff motivation and commitment, performance evaluation, budget participation and rewards and budget planning and control to a constant zero, budget implementation would be at 0.454, a unit increase in budget accuracy would lead to increase in the budget implementation by factors of 0.560, unit increase in staff motivation and commitment would lead to increase in budget implementation by factors of 0.295, a unit increase in performance evaluation would lead to increase in budget implementation by a factor of 0.011 and unit increase in budget participation and rewards would lead to increase in budget implementation by a factors of 0.091, further unit increase in budget planning and control would lead to increase in budget implementation by a factor of 0.276.

4.3 Summary and Interpretation of Findings

The study revealed that there was an efficient budget implementation in the organizations; the study also found that not all departments were involved in the budgetary planning. The study found that the importance of budgets to the departments were to forecast the future, assist in control, acts as a means by which management communicates to other levels of departments, motivate employees to do better and as a means of performance appraisal . The study found that the various challenges of budget implementation faced by the organizations in the financial year were lack of financial resources, lack of monitoring and controls, corruption, lack of staff motivation, planning and controlling and poor budget accuracy.

Various challenges of budget participation and rewards challenges in budget implementation were participation of all the stakeholders makes the budgetary process to be too lengthy, time consuming and association of extrinsic rewards with budgetary achievement as a means to motivate managers does not really help in budget implementation, bonus and promotion or new assignments are not correlated with budget performance, lower level management and senior management within council are not linked to budget preparation and implementation and low level management do not have a significant role in both the initial and revision stages of budget preparation.

The study found that the major challenging stages in the budgetary process contributing to the challenges were; there is poor feedback in the budgeting process for attainment of the expected quality and standards in planning, control & leadership, the feedback does not critically focus on the extent to which employees have achieved expected levels of work during a specified time period, budgets being a standard for performance are not used to evaluate the organizational performance and budgeting at council does not place a high importance on the budget-to-actual comparison for performance evaluation purposes.

The study found that the management can be able to overcome the challenges of budget implementation in their organizations. The study revealed that the possible solutions to the major challenges in budget implementation facing the organizations were proper mechanism in monitoring budget implementation, following budget recommendations, involving all the

departments in budget implementation, efficient planning and control of budgets, constant and consistent performance evaluation, constant review of budgets, having budget controls, early planning, transparency and accountability, staff involvement, sticking to the proposed budget, proper feedback system, proper budget forecast, training budget planners and adopting technology to improve on accuracy. Various aspects of budget that affect its implementation were budget accuracy, budget planning and control, performance evaluation, staff motivation and commitment and budget participation and rewards.

Weisenfeld and Tyson (1990) found that budgeting and variance analysis can be positive tools, if the accounting information/communication process is functioning appropriately. However, pose lack of or poor technology as a challenge of operational budgets in many governmental organizations. Auditing management and benchmarking management can be viewed to be other tools that determine the operation of a budget in any firm. Auditing management procedures identifies the strengths and weaknesses of a company's current performance compared to corporate standards (Hoyle, 1997) while benchmarking management procedures enables comparisons of corporate standards to be made against industry best practices (Zairi and Leonard, 1996).

Current strengths and weaknesses in a company performance can then be compared with industry best practices and potential options for improving management performance can be assessed through logical and robust criteria (Zairi and Leonard, 1996) but fundamental models which explain the theory of benchmarking have not been developed. Zairi and Leonard (1996) have described the basis of benchmarking as understanding how better results are achieved and adapting the 'how' into one's own organization so as to overtake the competition in terms of results. The benchmarking process is therefore based on the premiss that searching out the best of the management systems in market leading companies will identify the key to superior business performance.

Budgetary procedures implementation fairness addresses the extent to which budgetary decision makers, such as the manager's immediate supervisor, carry out the formal budgetary procedures in a way that is consistent with the manager's criteria for what is proper. Magner and Johnson, (1995); Magner and Welker, (1994) and Staley et al., (2003) indicates that

managers often have stronger reactions toward the fairness of the organization's budgetary procedures than they do toward the favorability or fairness of their unit's budget.

Since proper planning as well as the efficiency and effectiveness of time-honored budgeting methods (Leyk et al., 2006) must be implemented, empirical results from different surveys discuss the challenges of budgeting as effects of mainly technology, competition, inflexibility and political changes. According to Modell (2002 pp.653-79), the myth that organisational changes in parts of any organization may be accomplished by more forceful implementation of financial and efficiency-based control methods. Contemporary research suggests that history, power and evolution must also be considered (Boyns et al., 1999 pp.85-108). Van Helden et al. (2001) for the importance of one organisation in understanding the change in system and its linkages with other organisational structures.

Not only are plans and budgets no longer appropriate for the conditions currently prevailing at the time of their execution, often enough they already are obsolete before their approval. This obsolescence arises from long duration of the bargaining and negotiations typically involved in planning and budgeting. Large firms usually commit 75 per cent to 95 per cent of their total controlling capacity to operational planning during the time they are engaged in budget preparation (Kopp and Leyk, 2004). Unfortunately, top management seldom considers the high cost involved relative to the meager benefit derived from such detailed instruments. Its then there is no wonder that cost, product, and strategic controlling often get little attention in the process.

Budget goals and information flows through the organisational communication system both affect the budgeting process. Different variable factors such as attitudes and motivation (Brownell and McInnes, 1986), decentralization (Gul et al., 1995), budget adequacy, organisational commitment (Nouri and Parker, 1998), functional area (Brownell, 1985), and locus of control (Frucot and Shearon, 1991) have been used.

Budget goals can vary from very loose and easily attainable goals to very tight and unattainable goals. According to Locke and Schweiger (1979), goal difficulty specifies a certain level of task proficiency measured against standards. Difficult goals require greater

efforts, and possibly the possession of more knowledge and skills. On the other hand, easily attainable goals require less effort, knowledge and skills to attain.

Participation by employees in the budgetary process has received considerable attention in the academic literature (Milani, 1975). For budgetary participation to occur, a person must become actively involved in the setting of budget goals by exchanging information and influencing outcomes (Hassel, 1993). It is argued that, if budget allocations are to gain any support within an institution, communication within the budgetary process will be critical.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study sought to determine the challenges of budget implementation among relief Non-governmental organizations, descriptive cross-sectional research design was used in the study where 41 respondents from various relief NGOs were used in this study, survey questionnaires was used to collect information from various respondents, both qualitative and quantitative data was collected where descriptive statistic and content analysis were used to analyse the data collected. From the findings it was found that the importance of budgets to the departments were to forecast the future, assist in control, budgets acts as a means by which management communicates to other levels of department, to motivate employees to do better and as a means of performance appraisal. It was found that the various challenges of budget implementation faced by the organizations in the financial year were lack of financial resources, lack of monitoring and controls, corruption, lack of staff motivation, planning and controlling and poor budget accuracy.

The study revealed that various challenges of budget participation and rewards challenges in budget implementation were participation of all the stakeholders makes the budgetary process to be too lengthy, time consuming and association of extrinsic rewards with budgetary achievement as a means to motivate managers does not really help in budget implementation, bonus and promotion or new assignments are not correlated with budget performance, lower level management and senior management within council are not linked to budget preparation and implementation and low level management do not have a significant role in both the initial and revision stages of budget preparation. The study revealed that the possible solutions to the major challenges in budget implementation facing the organizations were proper mechanism in monitoring budget implementation, following budget recommendations, involving all the departments in budget implementation, efficient planning and control of budgets, constant and consistent performance evaluation, constant review of budgets, having budget controls, early planning , transparency and accountability, staff involvement, sticking to the proposed budget, proper feedback system, proper budget forecast, training budget planners and adopting technology to improve on accuracy .

5.2 Conclusion

From the study, the researcher concludes that budgets are effective in the relief Non-governmental organizations as they served their purpose of forecasting the future, assisting in control, acting as a means by which management communicates to other levels of departments, acts as a means of performance appraisal and also motivates employees to do better.

The researcher also concluded that in the process of budgeting, the relief non-governmental organizations faces some challenges which were; inability to achieve the required value of new businesses, management of acquisition and maintenance costs, time constraints, desire for comfort budgets, lack of continuity in the committee, competence levels of budgeting teams, non-adherence to the laid down budgets by departments, lack of adequate authority to spend despite allocation, non-achievement of the main top line income earners, cost fluctuations or inflation on costs, lack or poor participation, poor co-ordination of the exercise, measurement of some factors is difficult (estimations) and at times it is inflexible to changes/adjustments and also it is expensive as a control/monitoring tool.

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The study revealed that the possible solutions to the major challenges in budget implementation facing the organizations were proper mechanism in monitoring budget implementation, following budget recommendations, involving all the departments in budget implementation, efficient planning and control of budgets, constant and consistent performance evaluation , constant review of budgets, having budget controls, early planning, transparency and accountability, staff involvement, sticking to the proposed budget, proper

feedback system, proper budget forecast, training budget planners and adopting technology to improve on accuracy.

5.3 Policy Recommendations

From the findings and conclusions, the study recommends that in order to address the challenges of budget implementation, the relief non-governmental organizations should ensure that all the units in the organization are involved in the budget preparation, that the budget preparation is allocated enough time and that there should be proper participation/co-ordination of the exercise led by the CEO.

The management of relief NGOs can overcome the challenges of budget implementation in their organizations through proper mechanism in monitoring budget implementation, following budget recommendations, involving all the departments in budget implementation, efficient planning and control of budgets, constant and consistent performance evaluation, constant review of budgets, having budget controls, early planning, transparency and accountability, staff involvement, sticking to the proposed budget, proper feedback system, proper budget forecast, training budget planners and adopting technology to improve on accuracy .

It is also recommended that budgets should be used properly in order to ensure that organization's resources are utilized efficiently and within the budget as much as possible. The study also recommends that operational budgets should be prepared in such a way that everybody who is required to use it will be able to understand it without any difficulties.

There is need for relief non-governmental organizations management to design policies that will help reduce the challenges faced during budgeting which are inability to achieve the required value of new businesses, management of acquisition and maintenance costs, time constraints, desire for comfort budgets, lack of continuity in the committee, competence levels of budgeting teams, non-adherence to the laid down budgets by departments, lack of adequate authority to spend despite allocation, non-achievement of the main top line income earners, cost fluctuation or inflation on costs, lack or poor participation, poor co-ordination of the exercise, measurement of some factors is difficult (estimations) and at times it is inflexible to changes/adjustments and also it is expensive as a control/monitoring tool.

5.4 Limitations of the study

In attaining its objective the study was limited to 43 relief Non-governmental organizations licenced by council of NGOs from which only one respondent was picked from each.

The study was also limited to the degree of precision of the data obtained from the respective respondents.

The study was also limited to determine the challenges of budget implementation among relief Non-governmental organizations.

The method used is descriptive research design whereby the variables cannot be controlled by the researcher. The study intended to use questionnaire as the instrument for collecting data. This is because time for the data collection will be limited to two weeks. The study was carried out in only one sector due to financial constraints of the researcher.

5.5 Areas for Further Research

The study sought to determine the challenges of budget implementation among relief Non-governmental organizations, the study recommends an in-depth study should be done to determine the challenges of budget implementation in the public sector.

The study recommends that an in-depth study should be done to determine the challenges of operational budgeting in the Non-governmental organizations.

The study also recommends a study to be carried out on factors influencing the success of budgeting in organizations.

The study furthers that an in-depth study should be conducted on the importance of budgeting to financial reporting in organizations.

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APPENDICES

Appendix I: Questionnaire

Part A: Demographic information

1. Department: _____
2. What is your designation? _____
3. What is your total work experience in years?
.....
4. What is the length of time you have worked in the organization?
0-5 years
5-10 years
10-15 years
15-20 years
Above 20 years
5. How often do you prepare budgets?
Monthly []
Quarterly []
Biannually []
Annually []
Any other-----
6. What is the length of time period your budget cover?
Monthly []
Quarterly []
Biannually []
Annually []
More than a year-----
7. How often are budgets revised?
Monthly []
Quarterly []
Biannually []
Annually []
Any other-----

PART B: CHALLENGES OF BUDGET IMPEMENTATION

8. To what extent is budget implementation in your organization efficient?

Very efficient [] efficient [] Moderate [] Less efficient []
 Inefficient []

9. Does your department participate in budgetary planning?

[] Yes [] No

10. Budgets have a number of purposes; indicate how important you think that each of the following purposes is relevant to your department.

Factors	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
To forecast the future					
Assist in control					
As a means by which management communicates to other levels of department					
As a means of performance appraisal					
To motivate employees to do better					
Other (specify.....)					

11. To what extent are the following challenges of budget implementation faced at your organization during the financial year?

Challenges	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Planning and controlling					
Lack of staff motivation					
Government influence					
Corruption					
Lack of monitoring and controls					
Lack of financial resources					
Poor budget Accuracy					

12. What is your level of agreement with the following statements that relate to Budget Participation and Rewards challenges of budget implementation?

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Participation of all the stakeholders makes the budgetary process to be too lengthy and time consuming					
Association of extrinsic rewards with budgetary achievement as a means to motivate managers does not really help in budget implementation					
Bonus and promotion or new assignments are not correlated with budget performance					
Low level management do not have a significant role in both the initial and revision stages of budget preparation.					
Lower level management and senior management within council are not linked to budget preparation and implementation.					

13. One of the major challenging stages in the budgetary process is the Performance Evaluation” To what extent do the following contribute to the challenges at your organization?

Challenges of Budget implementation	1	2	3	4	5
There is poor feedback in the budgeting process for attainment of the expected quality and standards in planning, control & leadership					
The Feedback does not critically focus on the extent to which employees have achieved expected levels of work during a specified time period					
Budgets being a standard for performance are not used to evaluate the organizational performance					

Budgeting at council does not place a high importance on the budget-to-actual comparison for performance evaluation purposes					
--	--	--	--	--	--

14. The management can be able to overcome the challenges of budget implementation in your organization. Do you agree to this statement?

Strongly agree []

Agree []

Neutral []

Disagree []

Strongly disagree []

15. What are the possible solutions to the major challenges in budget implementation facing your organization?

.....

.....

.....

.....

16. To what extent does the following aspect of budget affects it implementation?

	Very great extent	Great extent	Moderate extent	Less extent	Not at all
Budget accuracy					
Staff motivation and commitment					
Performance evaluation					
Budget Participation and Rewards					
Budget Planning and Control					

THANK YOU FOR YOUR COOPERATION.

Appendix 11: list of NGO

1. Abba Father Organization	Development
2. Abc Children's Aid - Kenya	29. Narok District Network
3. Africa Co-Operation And Development Programme	30. Nascent Research & Development Organization
4. Africa Counselling Diversity Network	31. Nation Association For The Prevention Of Starvation
5. Africa Deaf Education And Development Foundation	32. National Association For The Prevention Of Starvation - Kenya
6. Africa Foundation For Human Rights And Tolerance (East Africa)	33. National Awareness And Focus Organisations
7. African Centre For Clinical Trials	34. Network For Water And Sanitation International
8. African Centre For Women Information And Communication Technology	35. Network For Water And Sanitation International (Netwas)
9. Alpha Support Development Programme	36. Network Of African People Living With Hiv/Aids
10. Alpha Youth Empowerment And Community Centre	37. Nia Centre And School Organization
11. Benevoleke For Africa	38. Northern Communication Solutions
12. Benevolent Education Centre For Rural Development (Becrd)	39. Northern Kenya Pastoral Development Agency
13. Better Educational Centre For Hope International	40. Northern Legal Resource Centre
14. Bidii Development Programme	41. Northern Water Solutions
15. Bio Energy Research And Development Foundation	42. Northern Women Development Aid
16. Blossom International (B.I)	43. Norwegian Church Aid
17. Bridge To Better Future Organization	44. Nufaika Foundation
18. Bright Save Orngization	45. Nutriboost- Kenya
19. Brighter Development Organization	46. Ocean In Arid Lands International
20. Catholic Organization For Relief And Development	47. Ogra Foundation
21. Caucus For Community Development Initiative	48. Oikocredit, Ecumenical Development Organization U.A.
22. Center For African Post- Cultural Studies	49. Oikos Household Of Faith
23. Nairobi Children Care And Rehabilitation Centre	50. Okiek Development Agency
24. Nairobi East Centre Of Hope	51. Ol Kila Orok Council Of Elders
25. Nairobi Recyclers	52. One Kenya One Nation
26. Naivasha Community Development Organization	53. Opportunity International
27. Naivasha Community Hiv/Aids Group	54. Orbit Community Development Centre
28. Nakuru Forum For Peace Unity And	55. Organisation For Advancement Of Social Welfare Projects
	56. Organisation For Community Initiative
	57. Organisation For Women And Children
	58. Organisation For Women And Children Rights

59. Organisation Of Social Science Research In Eastern And Southern Africa	84. Pastoralist Concern Education Foundation
60. Organization For Advancement Of Social Welfare Projects	85. Pastoralist Foundation For Poverty Reduction
61. Organization For Advancement Of The People	86. Pastoralist Girls Initiative
62. Organization For African Youth	87. Pastoralist Intergrated Support Programme
63. Organization For Assistance Of Children Affected Or Living With Aids	88. Pastoralist Poverty Reduction Organization
64. Organization For Assisting Hearing Impaired Persons	89. Pastoralists Households International
65. Organization For Better Environment And Child Care	90. Path To Womanhood Foundation
66. Organization For Capacity Development Kenya	91. Pauline Wangu Foundation (Thika)
67. Organization For Children In Computer Technology	92. Peace Humanitarian And Reconciliation Organization
68. Organization For Commuinity Development	93. Peace Officers For Christ International
69. Organization For Community Initiatives	94. Peace Progressive And Charity Organization
70. Organization For Defaulter Tracing And The Promotion Of Arvs Adherence	95. Pendo - Amani Youth Organization
71. Organization For Development Management	96. Penuel Foundation Kenya
72. Organization For The Promotion Of Enterprises For The Needy	97. People Aspirations Development Organization
73. Our Lady Of Perpetual Support For People Living With Hiv/Aids And Orphans	98. People Development And Research Organization
74. Our Reading Spaces Foundation	99. People In Active Management Of Biodiversity And Agriculture
75. Out Of Africa Kenya	100. Perur Initiatives For Sustainable Development Organization
76. Outreach And Extended Assistance Organization	101. Philanthropists And Friends Of East Africa
77. Oxfam - Quebec	102. Pillars Of Hope Women Development Program
78. Pamoja Projects International Kenya	103. Pioneer Child Development Programme
79. Pamoja Resources For Transformation	104. Pioneer Vision Integrated Development Agencies
80. Pamoja Road Safety Initiative	105. Planned Parenthood Federation Of America-International Africa Regional Office (PPFAI/ARO)
81. Pamoja Tunaweza Development Programme	106. Planned Parenthood-International Africa Regional Office
82. Pan African International Agency For Development	107. Plumbers Without Frontiers
83. Partners Of Environment Network	108. Point Five International
	109. Pokatusa Peace And Development Program
	110. Positive Exposure -Kenya

111. Positive Life Family Programme	134. Queens Kenya Economic Integrated Organization
112. POSITIVE LIVING Aids ORPHANS SUPPORT ORGANIZATION	135. Rafiki Orthopaedic Rehabilitation Centre
113. Positive Mental Attitude Network	136. Ravine Initiative On Poverty Eradication For Development
114. Positive Partner Network	137. Reach Kenya Rural Development Agency
115. Positive Transformation Initiative	138. Regional Aid, Social And Environmental Development Organization
116. Potential Education Research Network	139. Regional Centre For Combating Trafficking In Persons
117. Potential Enhancement Awareness Programme	140. Regional Organization For Conflict Analysis And Resolution
118. Potters Clay Africa	141. Rift - Valley Rural Women's Empowerment Network
119. Poverty And Hunger Eradication Development Action	142. Somali International Minorities Of America
120. Poverty Eradication And Community Empowerment	143. Somali Minority Rights And Aid Forum
121. Poverty Reduction Supportive Organization	144. Youth Volunteers For Community Development
122. Presbyterian Relief And Development Agency	
123. Prevention Against Drug Abuse - East Africa	
124. Prevention Against Drug Abuse - East Africa	
125. Proactive Initiative For Family Welfare	
126. Problem Free World Movement Organization	
127. Programme For Promotion Of Organic Farming And Agroforestry Practise In Kenya	
128. Programme For The Promotion Of Organic Farming And Agroforestry Practices In Kenya	
129. Programmw For Rehabilitation Of Women In Socio-Economic Difficulties	
130. Progressive Initiatives And Methodologies For Social And Economic Enhancement In Kenya	
131. Promotion Of Rural Initiative And Development Enterprises (Pride)	
132. Psychological Conflict Awareness And Control Agency	
133. Quality Health Organization Trust Of Kenya	

