

**THE RELATIONSHIP BETWEEN BUDGETARY CONTROL AND
PERFORMANCE OF CONSTITUENCY DEVELOPMENT FUND IN
MACHAKOS COUNTY**

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

Signed.....

Date.....

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D61/68115/2013

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

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DEDICATION

This project has been dedicated to my family for their continued support and encouragement, motivation and understanding throughout the period of my studies.

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LIST OF ABBREVIATIONS

CDF: Constituency Development Fund

DFRD: District Focus for Rural Development

MPs: Member of Parliament

NGOs: Non-Governmental Organization

ABSTRACT

Institutions draw budgets annually, however, there are inconsistencies in the budgetary implementation hence failure to stick to the drawn budgets. This has resulted in failure to meet budgetary obligations in many of these institutions. Delays in staff salaries, payment of suppliers and organizations activities have stalled because of lack of funds though these activities were budgeted for. The study sought to investigate these inconsistencies and failures in financial performance in institutions. Specifically the research sought to assess the relationship between budgetary control and performance of constituency development fund in Machakos County. The research was based on Control Theory and Contingency theory. This study adopted a descriptive research design. Primary data was collected by means of a semi- structured questionnaire Descriptive analysis was used; this included the use of weighted means, standard deviation, relative frequencies and percentages. SPSS (version 20) has descriptive statistics features that assisted in variable response comparison and gave clear indications of response frequencies. The data was coded to enable the responses be grouped into various categories. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables and other graphical presentations were appropriately used to present the data that was collected for ease of understanding and analysis. The study established that proper planning of budgets have the potential to help organizations reach their goals and also reduces role ambiguity. The study also found a unit increase in budget planning would enhance the performance of CDF project, proper monitoring and control of budgets helps to translate strategic plans into action, monitoring and control of budgets helps provide an excellent record of organizational activities, monitoring and control of budgets helps improve resources allocation, participative budgeting process improves information flow, budgetary participation allows superior to obtain relevant information from subordinates, budgetary participation creates a bond of trust between public and CDF board and that budget analysis helped to determine whether CDF board have allocated sufficient financial resources to fulfill their targets and commitments. The study concludes that, participative budgeting, proper planning of budgets proper monitoring and control of budgets, budget analysis all have a positive impact on performance of CDF projects. The study recommends that the CDF board need to fully engage the societies in budgetary preparation process. This will enable the government to effectively plan and manage its financial resources and supports and implement various programs and projects for development bases on priority. The board tasked with the management of CDF need to periodically carry out budget review. This will help to identify and make correction on overspending or modification to the budget if needed. The board tasked with the management of CDF board should pay greater attention on budgetary monitoring process as this will ensure that those sufficient funds are allocated to every program thus avoiding project deadlocks.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

According to Adan (2012), budgetary control as a proven management tool helps organization management and enhances improved performance of any economy in different ways. Its primary function is to serve as a guide in financial planning operators; it also establishes limits for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying expanding, eliminating or restricting present practice. Budgeting and control entails a distinct pattern of decisions in an organization which is capable of determining its objectives, purposes or goals, and how these goals are achieved by establishing principal policies and plans. However, the inability to recognize the problem concerned and fixing a boundary off investigation creates an obstacle for the successful implementation of budgeting and control. Some organizations only look for narrow ranges of alternatives which they arrive at from their past expenses and present situation, other management levels even avoid long-term planning and budgeting in favour of today's problems thereby making the problems of tomorrow more severe.

Appleford (2006), states that an important internal control is the operating and activity budget of an organisation. This is the master budget and should include all monies approved in donor proposals and all activities planned for a given period of time (preferably fiscal period of the organization). The line items in the budget should coincide with chart of account line items so that expenses can easily be tagged to the budget. Appleford notes that, organisations are generally expected to produce financial reports to

various interested parties including the board of directors, the organisations board, appointed auditor and donors.

Mungai (2009) asserts that Constituency Development Fund's (CDF's) origin can be traced back to the CDF Bill drafted by opposition MPs in a bid to have equitable distribution of resources across the country. The CDF is one of the devolved funds meant to achieve rapid socio-economic development at constituency level through financing of locally prioritized projects and enhanced community participation (Owuor 2012). CDF aims at decentralizing resources to constituencies for equitable development. Decentralization refers to "the transfer of political power, decision making capacity and resources from central to sub-national levels of government" (Walker, 2012). Most of the African countries have resulted to various forms of decentralization to eradicate extreme poverty and hunger, unequal distribution of resources and poor delivery of basic services by various institutions.

1.1.1 Budgetary Control

According to Drake and Fabozzi (2010), budgetary control is the establishment of budgets relating to the responsibilities of executives of a policy and the continuous comparison of the actual with the budgeted results, either to secure by individual action the objectives of the policy or to provide a basis for its revision.

According to Harrison and Horngren (2008), budgets represent accounting techniques, which are created in order to control costs through people. These accounting techniques have a large impact on the behaviour of most people within an organization due to the fact that not achieving certain budget objective often involve punishment, where in turn,

meeting these budget targets reflect great rewards for employees. Comparing the view on budgets from Harrison and Horngren (2008), with more recent literature by Drake and Fabozzi (2010), who also emphasize the importance of budgets as “most successful management techniques” to control managers and to align them to organizational objectives, which can have a quite rewarding impact if the budgeting process is well understood, shows that the interpretation has remained quite the same over the last years. However, as budgets are present within each definition process, creation process, or implement process of an organizational policy, they can have a huge direct effect on the behaviour of employees; thus it is highly interesting to further investigate them.

According to Andrews and Hill (2003), 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. The basic objectives of budgetary control are planning, coordination and control. A budget provides a detailed plan of action for an organization over a specified period of time. By planning, problems are anticipated and solutions thought. This helps to reduce on costs and achievement of goals is enhanced. By budgeting, managers coordinate their efforts so that objectives of the organization harmonize with the objectives of its parts.

1.1.2 Concept of Performance

Neely (2005) present two dimensions of performance. Effectiveness is one of the dimensions, efficiency the other. Effectiveness is described as to the extent shareholder and/or stakeholder requirements are met and efficiency as, provided a given level of

stakeholder satisfaction, how economically the business' resources are utilized. In its broader meaning they define performance measurement as "the process of quantifying the efficiency and effectiveness of action". Even if the broader meaning remains the same, the substance of performance measurement changes over time. The idea of what should be measured, how it should be used and in which context are far from constant.

Performance in organisations can be separated in organisational performance and job performance (Otley, 2009). According to Otley, the performance of organisations is dependent upon the performance of employees (job performance) and other factors such as the environment of the organisation. The distinction between organisational and job performance is evident; an organisation that is performing well is one that is successfully attaining its objectives, in other words: one that is effectively implementing an appropriate strategy and job performance is the single result of an employee's work (Hunter, 2006).

1.1.3 Budgetary Controls and Performance

Brownell (2002) found out that the applications that include budgetary controls have no direct effect on performance directly but in cases where budgetary control is high there is a positive relationship between performance and budgetary participation although Otley and Pollanen (2000) reveal that budgetary participation, control and task ambiguity directly affect performance negatively. The researcher therefore anticipates furthering examining the relationship between budgetary controls and the positive effects on performance of organizations. A budget tells where and how the organisation will spend money and where the money will come from to pay these expenses. Budgets also set limits. Imagine how chaotic an industry or country would be if everyone was allowed to

spend as much as they wished on whatever they wanted. Besides setting limits, budgets also enables the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them (Andrews & Hill,2003).

The Budgetary Control process comprised of budgeting and planning, which provides a formal basis for monitoring and controlling the progress of the organization as a whole and its component parts, towards the achievement of the objectives specified in the budgeting and planning stages, thus providing feedback necessary to be able to make corrections to current operations and activities in order to meet the original objectives and plans, thus enabling the determination of the performance of the organization in financial, efficiency ratings, infrastructural and units produced terms.

1.1.4 Constituency Development Fund in Machakos County

The Constituency Development Fund was introduced in 2003 during the Kibaki regime (2002- 2013). It was designed to support equitable constituency-level and grass-root development. Doubts have been raised as to whether the constituency development fund has met its stated objectives, giving a clear indication that the extent to which CDF has met its objectives remains a research imperative. Owuor (2013) argues that CDF management faces varied challenges, some of which include: the organization structure in managing CDF projects, project identification criteria, political interference and corruption.

Little success has been achieved due to politicization and the misallocation of resources of most of these programs. In 1983, government adopted District Focus for Rural

Development (DFRD) which was aimed at enhancing geographical equity where funds were allocated to less developed districts. Otieno (2007), argued that DFRD could not achieve much as most of the projects were identified, monitored and implemented by the government, locals were only used as rubberstamp by assembling them and informing them their problems, participation by the locals was actually passive so whichever deliberation by the government was just agreed upon without internalizing.

Machakos County consists of eight constituencies namely: Machakos Town, Mavoko, Masinga, Yatta, Kangundo, Kathiani, Matungulu, and Mwala. Machakos Town is the administrative capital of the county.

The total population of Machakos County was estimated to be 1,098,584 according to the national census carried out in 2009. 52% of the total population resides in the major urban areas in the county.

The constituencies in Machakos County have received a total of over KES 2,000,000,000 since 2003/2004 financial year to 2013/2014 financial year. The funds allocated have been disbursed to projects to various sectors with education and water getting the highest allocation (Wambua, 2014).

1.2 Research Problem

Institutions draw budgets annually, however, there are inconsistencies in the budgetary implementation hence failure to stick to the drawn budgets. This has resulted in failure to meet budgetary obligations in many of these institutions. There have been delays in staff salaries, payment of suppliers and organizations' activities have stalled because of lack of funds though these activities were budgeted for. It is imperative therefore to investigate

these inconsistencies and failures in financial performance in institutions (Kaplan & Norton 2006).

According to DFID (2013), Machakos County has been cited to be among ten most inefficient counties. The inefficiency is seen from the failure by the county to assure its people in service delivery on Constituency Development Fund. Lack of information to citizens at the constituency level on the management of CDF has largely contributed to dismal participation in their selection and implementation of projects resulting to mismanagement of the funds by some unscrupulous individuals. The new constitution through Article 35(1) provides that every citizen has the right of access to information held by the State, Article 201(a) provides that there shall be openness and accountability, including public participation in financial matters and Article 174(c) provides that the object of the devolution of government is to give powers of self-governance to the people and enhance the participation of the people in the exercise of the powers of the State and in making decisions affecting them (Ambetsa, 2004).

Many previous studies have been done on budgeting practices of private sector and their effect on performance while others have dwelt on various elements of budgeting. Globally, Carolyn (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. Appleford (2006), found that difficult goal generate higher performance than setting specific moderate goals, specific easy goals and general goals. Kaplan and Norton (2006), also agreed with the views expressed by other authors that budget is an aid to coordination and implementation.

CDF scheme is regarded as the most effective way of equitable distribution of national resources throughout the country from the consolidated fund based on the ministry of finance report (2010). The CDF replaced the district focus for rural development and the harambee projects. In effect, CDF funding is part of a wider approach in building social-economy in Kenya, by taking off from a holistic understanding of what human development is all about and by suggesting a comprehensive, innovative, institutional and legal framework for socially-inclusive local economic and community development (Gituto, 2007).

Adongo's (2012), study sought to determine the salient features of budgetary controls in state corporations, establish the human factors within budgetary controls, establish the process of budgetary control in public organizations, and determine the challenges affecting budgetary control. Findings indicated that a positive relationship existed between budgetary control and financial performance of state corporations. A survey conducted by Ambetsa (2004), of budgeting practices by commercial airlines, operating at Wilson airport, Nairobi indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in preparation of the budget together with lack of top management support.

Obulemire (2006) conducted a survey of budgetary practices secondary schools where he found out that budget committee and interdepartmental discussions groups were the most used budgetary tools with less emphasis on brainstorming also found that failure to consider motivation of employees and participation by all staff in the budgetary process was a challenge. On the other hand Gacheru (2012) in his study on the effect of budgetary process on budget variances in NGOs in Kenya sought to determine the

relationship between budgeting process and budget variances in Kenyan NGOs. She concluded that budget preparation, control and implementation significantly influence budget variance. From the above local studies, it is evident that little has been done on the relationship between budgetary control and performance of constituency development fund in Machakos County. Therefore the study sought to answer the question; what is the relationship between budgetary control and performance of constituency development fund in Machakos County?

1.3 Research Objective

To determine the relationship between budgetary control and performance of constituency development fund in Machakos County.

1.4 Value of the Study

The findings from this study will be of importance because they will have the capacity of being used to formulate positive fiscal policies which are relevant and sensitive to the forces influencing the performance of constituency development fund in Kenya. The study will enable policy makers obtain knowledge of financial budgeting to enhance performance and therefore obtain guidance from this study in designing appropriate policies that will regulate the development fund.

The research work will help non-profit making county government to analyze and carry-out the budget and budgetary control activities for the effective performance of the county. The study will be of benefit more especially as it concerns the meaning of budget and budgetary control, budgeting and how it will benefit the organizational performance in non-profit making organizations.

To the academicians, the study will enable them in conducting additional research on this area as it will add on the existing literature on budgetary controls and performance. These research findings will enable other scholars who would wish to further studies on budgeting controls and performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the relevant theories on the relationship between budgetary control and performance from previous studies and the gap to be closed by this study. The chapter is organized as follows: theoretical foundation, determinants of performance of constituent development fund, review of empirical studies and summary of literature review

2.2 Theoretical Foundation

The study will be based on the following three theoretical foundations; stakeholder's theory, control theory, and contingency theory

2.2.1 Stakeholders Theory

Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. It was originally detailed by Freeman in 1984 and identifies and models the groups which are stakeholders of a corporations and both describes and recommends methods by which management can give due regard to the interests of those groups. In short, it attempts to address the "Principle of Who or What Really Counts". In the traditional view of the firm, the stakeholders of a company as the owners of the company, and the firm has a binding fiduciary to put their needs first, to increase value for them. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees,

and customers. Sometimes even competitors are counted as stakeholders - their status being derived from their capacity to affect the firm and its other morally legitimate stakeholders (Gesteland, 2005).

Miles (2011) states that the stakeholder theory used is an instrumental theory of the corporation in integrating both the resource-based view as well as the market-based view. This view of the firm is used to define the specific stakeholders of a corporation; the normative theory of stakeholder identification as well as examine the conditions under which these parties should be treated as stakeholders; the descriptive theory of stakeholder salience. These two questions make up the modern treatment of Stakeholder Theory. Mendelow cited by Gesteland (2005), developed the theory of power/interest matrix as a useful tool to map stakeholders and their importance. On the basis of the results of mapping, organizations can make the necessary actions to manage stakeholders' expectations and reactions. This theory is relevant to the study since better budgeting focus on change from that of cost-cutting to value creation. The changes in management focus indicate a shift away from financially driven results towards a stakeholder approach by building trust and co-operation between teams, towards a "culture that values openness and flexibility". Forum participants should specifically indicate management credibility with financial markets demanded honest and realistic communication, adding.

The stakeholder's theory of corporation, concepts, evidence and implications plays a major role in fund management. When this kind of experience is injected in the constituency development fund projects, people who are involved will be able to draw satisfaction. Therefore, Machakos County stands to benefit of bringing all the

stakeholders on board, when they know that they can draw satisfaction by being involved in the work. Through this, the use of constituency development fund can be well regulated when all parties involved can feel they have a share and a say. However, when one party feels sidelined, they can hesitate to offer their contribution. This includes the members of the county who may feel that they are not given a chance to raise their issues.

2.2.2 Control Theory

Control is a system or process consisting of comparisons between standard and actual performances, with the comparisons serving as a basis for determining the proper responses to actual operating results .If control is viewed from the stand point of its direct relationship to planning, and then it becomes complementary to planning. Donaldson and Preston (1999) identified three forms of control of work in organisations; administrative controls, social controls and self-control. Administrative controls include performance measurement systems and the budget monitoring system forms part of this. While this can be useful they need to be carefully designed in order to avoid demotivating effects; Social controls, operate through staff sharing common perspectives. Quality circles and team working are examples of this form of control. Self-control relates to individual behaviour but this can be helped by a suitable system of rewards, e.g. performance related pay. It is important to note that these forms of control are interrelated.

In a small organisation, management can interact with staff on a day to day basis and social controls may predominate. However, in larger more complex organisations senior management need to delegate decision making and responsibility and semi-autonomous divisions/units may be created. There however remains the need ensure that these divisions/units are operating in accordance with organisational goals and hence a range of

controls will need to be created. These controls will include the budget planning and monitoring system (Gelade & Ivery, 2003). One core element of the management control system is responsibility accounting which involves the creation of responsibility centres which enable accountability for financial outcomes and results to be allocated to individuals throughout the organisation. For each centre the process involves setting a performance target, measuring performance, comparing performance against the target, analyzing the variances and taking action where significant variances exist between actual and target performance.

2.2.3 Contingency theory

It was coined by Robert Tannenbaum and Richard Schmiridt in 1957, who came up with a leadership continuum with relationship characterized by a great employee freedom and a task oriented behavior characterized by high use of leader authority on the other extreme. As the leader became more relational, he became less task oriented. Cannon and Perreault (2004), recognized the style of leadership which was based on the context of where it was being applied. This helps better the relationships between the employee and employer and also foster the motivation of the employees because they are being treated in the right way.

The theory is also based on organizational behavior which is used to assess, manage and predict behavior of employees. This helps understand the employees in a better way and thus developing a strategy to motivate them will also be easy. It views the relationship between the two parties involved as dependent and independent variables. The independent variables are the cause of the change while the dependent ones are the ones who are affected by the independent variables. In the case that employees are

demotivated and they turn to low production, absenteeism, high turnover and low job satisfaction, it is the work of the management to work on a strategy to minimize the turn over by giving more value to increase satisfaction (Donaldson & Preston, 1999).

2.3 Determinants of Performance of Constituency Development Fund

A huge sum of community development funds has been committed to development projects in each constituency since the inception of the CDF kitty in 2003. The sole aim of these funds has been to mitigate against poverty and also control imbalances in regional development .However, despite the fact that CDF act stipulates how the funds should be managed, there has been a debate on whether the funds are effectively and efficiently utilized. There have also been concerns about the utilization of constituency development funds. Most of these concerns revolve around issues of allocative efficiency. Radoli (2009), highlights that some of the constituency characteristics that impact on the efficiency and efficacy of CDF and also political economy aspects associated with this program.

2.3.1 Governance and Political Interference

Constituent Development Fund has not reduced corruption or discrimination as earlier envisaged. Instead, it has increased graft and political manipulation. There are no accountability structures making it susceptible to misappropriation and embezzlement. There is no evidence to suggest that CDF has contributed to the improvement of the quality of life at the grassroots, yet this is an important ingredient to the country's economic performance and development blue contained in the Kenya Vision 2030

document. Bad governance and poor management of programs like CDF have led to this current mess (Tome, 2009).

Members of parliament have allocated themselves excessive powers through the CDF Act 2003 and the CDF amendment Bill 2007. From the very outset, the duplication of roles of the Member of Parliament has continued to seriously undermine the democracy, transparency and accountability of the fund. The duplicity of the roles of the Members of parliament is a fundamental flaw in the design of CDF, which contravenes all fundamental rules of accountability. The members of parliament sit in parliament as a legislator formulating and passing laws on CDF. The Constituencies Fund Committee which is a committee of parliamentarians is empowered to determine amounts allocated to the fund, develop policy, has a final say on issues of implementation, and is responsible for the oversight of the fund (Gachithi, 2010). Further, the members of parliament appoint the Constituencies Fund Committee members who are responsible for the implementation at the constituency level.

There is lack of clarity on the role of other government institutions in the management of the fund. For instance, the District Development Officers are the ones bearing the authority to incur expenditure for CDF funds but they lack the necessary powers to enforce accountability on Constituencies Fund Committee who may refuse to comply. Other notable governance challenges include corruption, fraud, many of which are perpetuated through collusion of the key actors by flouting procurement procedures, poor public participation, weak project management committees, withholding of funds, skewed allocation of funds across locations, withholding information, double funding and

piecemeal funding that has led to the existence of many incomplete projects (Ambetsa, 2004).

2.3.2 Monitoring and Evaluation

Monitoring is the continuous assessment of project/ programme implementation through verification of activities against set targets .On the other side, evaluation on the other hand is defined as a periodic exercise that attempts to assess systematically and objectively the relevance, performance and impact of ongoing and completed projects and other management initiatives (Gachithi, 2010). The central role of monitoring is to assess actual success in relation to expected results pegged on the objectives of the Constituency Development Fund projects as set out during its formulation phase in the project life cycle (PLC). Monitoring therefore assists in taking corrective action in case of an error in implementation of the project and thus helps in the proper planning of subsequent phases of the project from the time it has been monitored.

The Constituency Development Fund Act 2003 envisions that the projects being implemented under the fund shall be subjected to monitoring and evaluation on a regular basis. Section 30(4) stipulates that the Constituencies Fund Committee shall be responsible for monitoring and evaluation and may designate a sub-committee, a location committee or a project committee the functions of monitoring an on-going project. Although 2% of CDF funds disbursed to each constituency are set aside for use in monitoring and evaluation, the exercise is seldom done in the right money due to existing capacity gaps among the implementers (Ambetsa, 2004). Many of the players lack the technical competence to track project progress along the defined parameters as well as measure the necessary indicators and effectively compile a report on the same. For

instance, many projects implemented by CDF lack documented objectives, work plans, predetermined total project costs; which are key to any meaningful monitoring and evaluation exercise. Many of these flaws occur at the planning phase where monitoring indicators are not formulated early enough making it difficult to monitor progress later on.

The CDF Act 2003 highly promotes the involvement of experts to aid monitoring and evaluation as well as in the implementation of projects through the line ministries of the projects who expressly are supposed to be government officers in the respective districts. However, there is an observed apathy in consulting these officers by the project management committees (Chopra & Meindl, 2005). This tendency is attributed to inadequate staffing, bureaucracy, outright ignorance by the project management committees and corruption tendencies by public officers. This non-involvement of such expert opinion throughout the project cycle has led to the allocation of inadequate funds to projects leading to high non-completion rates, dragging of projects over a long time, poor quality work and non-utilization of completed CDF projects.

2.3.3 CDF Procurement Process

By guidance of procurement rules and regulations that are internationally taken as benchmarks well adopted and customized from the World Bank procurement guidelines, procurement needs to be competitive so as to attract a wide range of bidders so as to get the best from the bidders in the supply market (Ludeki, 2006). The most appreciated way to get bidders responding is by way of advertising for procurement opportunities; the rule of the thumb is that it can be done in any way (within law) so long as it reaches as many intended bidders as possible, notably, it may be done in daily press widely read, online or

such other form. Borrowing a leaf from the IBRD (International Bank for Development and Reconstruction), the very advert must be timely and in their advisable media notably a widely read local newspaper or international media if International Competitive Bids (ICB) with a draft General Procurement Notice of the very advertisement being sent to the Bank. Timely notification of bidding opportunities is essential in competitive bidding.

According to the World Bank procurement guidelines the time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter, and shall be announced, together with the place for bid opening, in the invitation to bid and so should be CDF procurement opportunities. Bids shall be opened in public; bidders or their representatives shall be allowed to be present (in person or online, when electronic bidding is used). The name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, shall be read aloud (and posted online when electronic bidding is used) and recorded when opened and a copy of this record shall be promptly sent to the Bank and to all bidders who submitted bids in time (Ambetsa, 2004). Bids received after the time stipulated, as well as those not opened and read out at bid opening, shall not be considered.

2.3.4 Procurement Policy and Regulatory Framework

Since the Constituency Development Fund is a procuring entity, it is worth to mention that its accounting officer is not clearly known. However, with the Member of Parliament being the appointing authority for the CDF management committee members, s/he therefore qualifies to be the accounting officer and is in-charge of appointing her or his CDF tender sub-committee to oversee the procurement of the CDF activities. Until 2009, the secretary to the CDF sub-committee was to be anyone amongst those appointed by

the Member of Parliament in the Constituencies Fund Committee; but after the Kenya Gazette Notice No. 63 of 2009, the secretary to this committee is the district procurement officer (DPO) of the district in which the constituency falls (Ludeki, 2006).

The district procurement officer being brought on boards is a good move since s/he is bound by the supplies practitioners' act 2007 that demands diligence in public procurement from the practitioners. The challenge however remains if the entire procurement cycle shall be managed by the very district procurement officer or remains a rubber stamping officer for CDF project (Ludeki, 2006). It is critical to mention that even though the DPO, who is a professional, is the secretary to the CDF tender sub-committee, it is the Project Management Committee overseeing a given project that initiates and oversees the whole procurement cycle and thus the role of CDF tender sub-committee is to ratify the recommendation forwarded by the said procurement management committee for purchase to be realized. At such, the CDF tender sub-committee is not fully in-charge of CDF projects procurement activities unless where the procurement is centralized, which is a very rear scenario; it is evident that the procurement management committee, under CDF Act amendment of 2007, functions (illegally though according to Public Procurement Oversight Authority, 2009 Regulations) as a public procuring entity.

2.4 Review of Empirical Studies

2.4.1 Global Studies

The study conducted by Otley & Pollanen (2000), reveals that budgetary participation, control and task ambiguity directly affects performance negatively but in situations where they combined interaction of variables, the effects differ. According to the study, while

budgetary participation, control and task ambiguity affect performance negatively, in situations where budgetary control is high, participation makes positive contribution to performance. One of the reasons for this increase in performance could be related to procedural justice, since budgetary control enables subordinates to participate more in budgetary process, their perception of procedural justice is positively affected by budgetary control.

Brownell (2002), suggests that when budgetary control is high, budgetary participation should increase accordingly. When budgeting control is riding subordinates would want to know assessment criteria in details. Therefore, as the budgetary control increases, budgetary participation of subordinates is also expected to increase. He advocates that budgetary participation is an important moderating variable in the relations between type of budgetary control and subordinates performance. In his findings, budget application that includes budgetary control has no direct effect on performance, while budgetary participation affects performance directly and negatively. But in case where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.

Budgetary practices being a standard for performance are used to evaluate managerial performance. Similarly, Douglas (2004), used a case study approach and found that budgeting practices place high importance on budget-to-actual comparison for performance evaluation purposes both at corporate and subsidiary levels. Anderson (2003), also supported this view stating that in most US companies, the development of Budget is still used as the main performance measurement system. Budgetary standards and targets tend to be the criteria upon which the performance of organizations is

evaluated. These standards and targets provide a basis for identifying and appraising selected aspects of organizational performance, since they are the criteria used to guide and motivate it.

Carolyn, et al. (2007) examined the association between effects of budgetary control on performance, using a sample of large U.S. cities over 2003-04 timeframe. Within this context they examined whether the tightness of budgetary controls or effective level of budgetary control within the cities as measured by budget variance contribute to performance as measured by bond rating and found that effective level of budgetary control is significantly and positively related to bond rating.

Silva & Jayamaha (2012), study sought to evaluate budgetary process of apparel industry in Sri Lanka and see whether budgetary process has significant impact on performance of such industry. The budgetary process of apparel industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of apparel industry in Sri Lanka was examined by using Return on Assets. Based on the data extracted from apparel industry's financial statements, correlation coefficients and regression analysis showed that budgetary process have significant associations with the organizational performance of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary process which contributes to higher levels of organizational performance hence a positive relationship.

2.4.2 Local studies

Osoro (2001), in his study establishes how accurately budgets anticipate the level and direction of actual results. The analysis found out that budgetary practices in relief

organization are clearly different from developmental organizations due the differences in donor funding and reporting requirements. It established that more stringent controls exist in relief programs than in developmental ones. It is established that more complex control techniques are required in developmental programs than in relief, programs due to close donor supervision and need for monthly accountability in the later as opposed to the former whose funding is not followed with strict reporting requirements.

Obulemire (2006), conducted a survey of budgetary practices secondary schools where he found out that budget committee and interdepartmental discussions groups were the most used budgetary tools with less emphasis on brainstorming also found that failure to consider motivation of employees and participation by all staff in the budgetary process was a challenge.

Gachithi (2010), also focused on the factors that influence budget implementation in public institutions in Kenya, a case of University of Nairobi. He used descriptive method of study and concluded that there is inefficacy in the budget preparation procedures and that the budget process faces a lot of challenges. He concluded that budgets are strong planning tool for the future.

Gacheru (2012), in her study on the effect of budgetary process on budget variances in NGOs in Kenya sought to determine the relationship between budgeting process and budget variances in Kenyan NGOs. Based on the population of 6,075 she used a sample of 20 to collect data and descriptive data analysis and concluded that budget preparation, control and implementation significantly influence budget variance.

2.5 Summary of Literature Review

From the literature, the study is underpinned by Stakeholder theory which argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees, and customers, Control theory is responsible for accounting which involves the creation of responsibility centres which enable accountability for financial outcomes and results to be allocated to individuals throughout the organisation and contingency theory which deals with leadership continuum with relationship characterized by a great employee freedom and a task oriented behavior characterized by high use of leader authority.

Most of the international studies have examined whether the tightness of budgetary controls or effective level of budgetary control within the cities as measured by budget variance contribute to performance as measured by bond rating and found that effective level of budgetary control is significantly and positively related to bond rating.

From the local studies budgetary controls and performance has been done on NGOs, public institutions and secondary schools. Little has been done on the relationship between budgetary control and performance of constituency development fund in Machakos County hence the research gap.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets to explain the research design, population of interest, data collection and analysis method.

3.2 Research Design

This study adopted a descriptive research design. Churchill (1991) noted that descriptive study can be used when the purpose is to describe the characteristics of certain items, estimate proportions of people who behave in certain ways and make specific predictions exploratory in nature.

According to Schindler (2003), a descriptive research design is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Mugenda and Mugenda (2003), describes descriptive research design as a systematic, empirical inquiry into which the researcher does not have a direct control of the independent variables as their manifestation has already occurred or because the independent variable cannot inherently be manipulated.

3.3 Target Population

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people,

services, elements, and events, group of things or households that are being investigated. The study targeted 8 constituencies in Machakos County for the period 2010-2014.

The respondents for the target population consisted of 8 CDF chairmen one from each constituency, 8 CDF secretaries one from each constituency and 8 CDF fund managers one from each constituency.

3.4 Data Collection

Primary data was collected by means of a semi- structured questionnaire. The questionnaires were self-administered via, drop and pick later method to the respective chairmen, secretaries and fund managers or their equivalent. The questionnaire allowed greater uniformity in the way questions were asked, ensuring greater compatibility in the responses.

According to Cooper and Schindler (2006), the use of structured questions on the questionnaire allows for uniformity of responses to questions; while unstructured questions give the respondent freedom of response which helped the researcher to gauge the feelings of the respondent, used his or her own words. The structured questions were in form of a five point Likert scale, whereby respondents were required to indicate their views on a scale of 1 to 5.

3.5 Data Analysis

Freund (2001) underscores that the main objective of any statistical investigation is to determine relationships that make it feasible to predict one or more variables in terms of other variables. The obtained data was analyzed using Microsoft Excel and the Statistical

Package for Social Sciences (SPSS) and was presented in graphs, tables, mean, mode and pie charts to enable effective and efficient interpretation. The researcher collected data on performance. Using this data, the researcher conducted a regression analysis to establish the relationship between budgetary control and performance of constituency development fund.

The study applied the following regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where Y = is the performance (measured by completed projects)

X₁ = Planning (strategic plans)

X₂ = Monitoring and Control (reports)

X₃ = Participative Budgeting (locational meeting reports)

X₄ = Budget Analysis (approved proposals and internal budget)

$\beta_1 - \beta_4$ are the regression co-efficient or change introduced in Y by each independent variable

μ is the random error term accounting for all other variables that affect performance but not captured in the model.

The results are said to be statistically significant within the 0.05 level, which means that the significance value must be smaller than 0.05. The significance was determined by the t-value, which indicates how many standard error means the sample diverges from the tested value (Kothari, 2004). In addition, the Pearson Product Moment Correlation Coefficient was used to test the direction and magnitude of the relationship between the dependent and independent variables at 95% confidence level. The model significance was tested using the analysis of the variance (ANOVA), F-tests at 95% confidence.

Statistical inference techniques were used in making conclusions relating to the accuracy of the model.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND PRESENTATION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. Descriptive and inferential statistics were used to discuss the findings of the study. The study targeted 24 of respondents from which 20 filled in and returned the questionnaires making a response rate of 86%. This response rate was satisfactory and representative to make conclusions for the study. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good and a response rate of 70% and over is excellent. Based on this assertion, the response rate the study obtained was considered excellent.

4.2 Respondents background information

4.2.1 Gender category

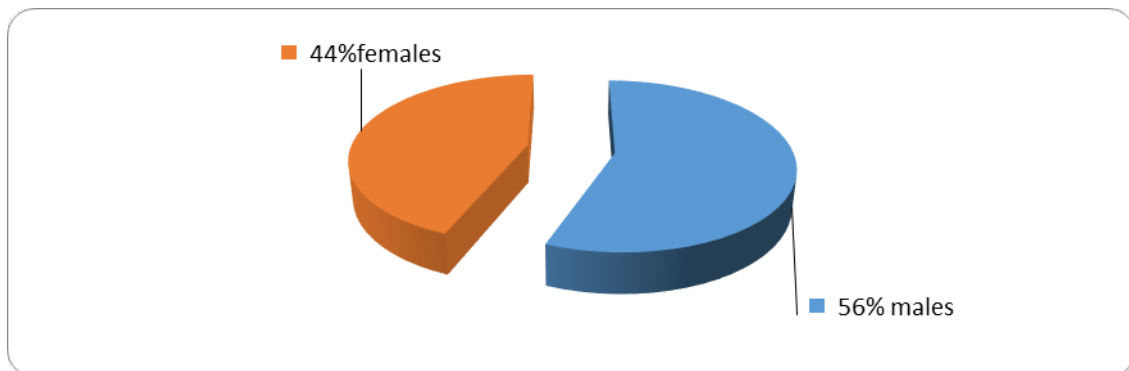


Figure 4.1: Gender category

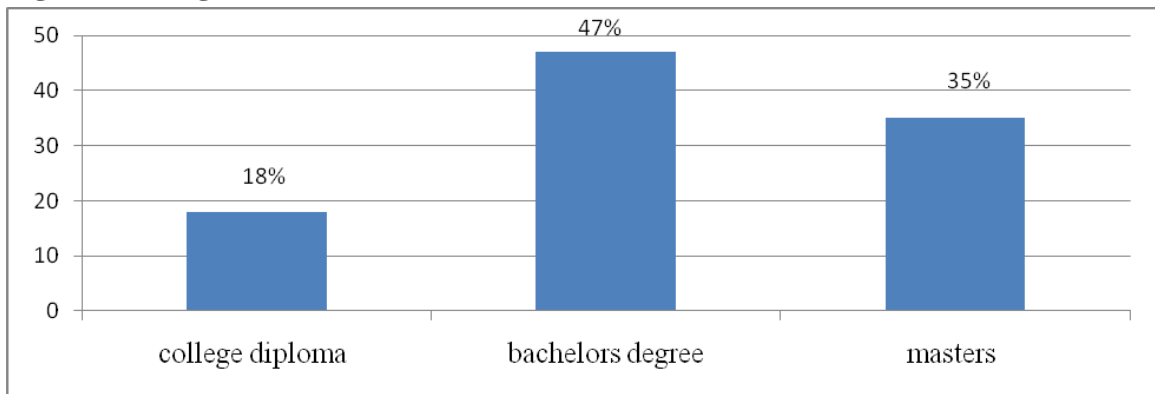
The study sought to determine the gender composition of the respondents, from the findings the study established that majority of the respondents were males (56 %), whereas 44 % of the respondents were females, this is an indication that both genders

were well involved in this study and thus the finding of the study did not suffer from gender bias.

4.2.2 Highest level of education

The study requested the respondent to indicate their highest level of education.

Figure 4.2: Highest level of education

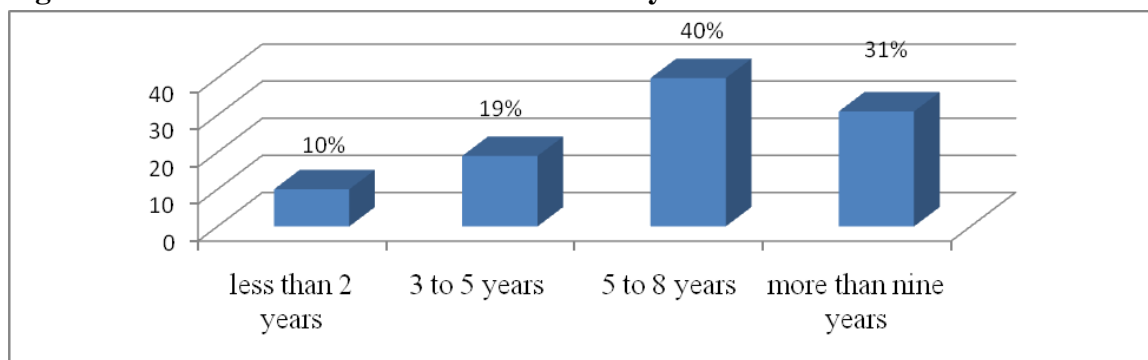


From the findings most of the respondents (47%) as shown by figure 4.2 above indicated their highest education level as bachelors degree, 35% of the respondent indicated their highest education level as masters degree whereas 18 % of the respondents indicated their highest education level as college diploma certificate. This is an indication that majority of the respondents engaged in this study were well educated and thus they were in a position to respondent to research questions with easy.

4.2.3 Period of service in the Constituency

The research sought to determine the period which the respondent had served for in the constituency

Figure 4.3: Period of service in the Constituency



From research findings, most of the respondents (40%) as shown by figure 4.3 indicated to have served for a period of 5 to 8 years, 31% of the respondents indicated to have served for more than nine years, 19% of the respondents indicated to have served for a period of 3 to 5 years whereas 10% of the respondents indicated to have served for a period not exceeding 2 years. This is an indication that majority of the respondents had worked with the CDF for a considerable period of time and therefore they were in a position to give credible information relation to this study.

4.3 Planning

Table 4.1: Effect of Planning on Performance of CDF

Statements	Mean	Std deviation
The Constituency has long term and short term budget plans of Constituency Development Fund	4.18	0.20
The Constituency put priorities on the Development Funds for the coming annual budget conference and Committees	4.32	0.21
Poor planning management of CDF has led to poor Performance of Constituency Development Fund projects	4.36	0.21
When planning, outcomes, goals and objectives are linked to programs and organizational activities	4.05	0.22
A predetermined budget of possible costs that is incurred carrying out the activities planned in a CDF project should be made.	4.00	0.25

The budget plans of Constituency Development Fund must be properly coordinated in order to eliminate bottlenecks	4.27	0.22
There is lack of clarity on the role of other government institutions in the management of the Constituency Development Fund	4.27	0.19

The study sought to establish the extent to which respondents agreed with the above statements relating to effect of planning on performance of CDF. From the research findings majority of the respondents agreed to a great extent that poor planning management of CDF has led to poor performance of constituency development fund projects as shown by a mean of 4.36, the constituency put priorities on the development funds for the coming annual budget conference and committees as shown by a mean of 4.32, the budget plans of constituency development fund must be properly coordinated in order to eliminate bottlenecks as shown by a mean of 4.27 in each case, and the constituency has long term and short term budget plans of constituency development fund as shown by a mean of 4.18.

When planning, outcomes, goals and objectives are linked to programs and organizational activities as shown by a mean of 4.05, a predetermined budget of possible costs that is incurred carrying out the activities planned in a CDF project should be made as shown by a mean of 4.00. The study also established that an efficient and proper system of accounting should be established so that the information required for the proper implementation for the budgetary planning can be available on time. During budgetary planning, a proper organisational chart should be prepared clearly depicting the responsibilities and duties of each level of executive. The above findings concur with the study findings by Goldfrank (2007) that well-planned budgets can assist the planner in

determining his or her perceptions of a program's purpose and compare this with the anticipated perceptions of public.

4.4 Monitoring and Control

Table 4.2: Effect of monitoring and control on performance of CDF

Statements	Mean	Std deviation
The Constituency Development Fund projects being implemented under the fund are subjected to monitoring on a regular basis	4.09	0.24
Constituencies Fund Committee is responsible for monitoring and of an on-going project.	4.23	0.19
Fund Committee hold budget conferences and meetings regularly to review performance	4.05	0.25
The constituency has budget policies that monitors budget spending	4.09	0.23
Fund Committee always take timely corrective actions when adverse variances are reported	4.09	0.26
Monitoring assists in taking corrective action in case of an error in implementation of the CDF project and helps in the proper planning of subsequent phases of the project from the time it has been monitored.	4.18	0.20

The study sought to establish the extent to which respondents agreed with the above statements relating to effect of monitoring and control on performance of CDF. From the research findings, majority of the respondents agreed to a great extent that the CDF committee is responsible for monitoring of the on-going project as shown by a mean of 4.23, that monitoring assists in taking corrective action in case of an error in implementation of the CDF project and helps in the proper planning of subsequent phases

of the project from the time it has been monitored as shown by a mean of 4.18, that fund committees always take timely corrective actions when adverse variances are reported ,that the constituency has budget policies that monitors budget spending, and that the constituency development fund projects being implemented under the fund are subjected to monitoring on a regular basis as shown by a mean of 4.09. In each case fund committee hold budget conferences and meetings regularly to review performance as shown by a mean of 4.05. The study also established that effective monitoring of budget performance requires that managers are provided with relevant, timely and accurate information appropriate to their level of responsibility as shown by a mean of 1.77. The above findings are in line with the finding by Krylova (2007). In her survey of Ukraine’s experience in participatory budgeting, she established that failure by government to mobilize citizens, unavailability of materials for training, and information asymmetry among key player in the budgeting process were responsible for poor participation in the budgeting process by stakeholders in Ukraine.

4.5 Participative Budgeting

Table 4.3: Statements relating to Participative Budgeting

Statements	Mean	Std deviation
The constituencies executes its projects within the stipulated deadline	4.27	0.19
The constituencies budget deviations are reported to budget committees	4.41	0.22
Budgets motivate committee to achieve objectives and thereby establish control in the constituencies	4.32	0.23
Budgetary controls in the constituencies assist management assess the level of performance	4.23	0.19

As the budgetary control increases, budgetary participation of committee also increases.	4.27	0.20
Budget application in the constituencies that includes budgetary control have no direct effect on performance,	4.05	0.23
Where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.	4.23	0.22

The study sought to establish the extent to which respondents agreed with the above statements relating to the effect of participative budgeting on performance of CDF. From the research findings, majority of the respondents agreed to a great extent that the constituencies budget deviations are reported to budget committees as shown by a mean of 4.41, budgets motivate committee to achieve objectives and thereby establish control in the constituencies as shown by a mean of 4.32, as the budgetary control increases, budgetary participation of committee also increases, that the constituencies executes its projects within the stipulated deadline as shown by a mean of 4.27, budgetary controls in the constituencies assist management assess the level of performance ,where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation as shown by a mean of 4.23. The study established that, in each case budget application in the constituencies that includes budgetary control have no direct effect on performance as shown by a mean of 4.05.

4.6 Budget Analysis

Table 4.4: Effect of Budget Analysis on Performance of CDF

Statements	Mean	Std Deviation
The organization's budget performance evaluation reports are prepared frequently	4.23	0.19

The constituency has budget policies that monitors budget spending	4.50	0.24
Control of the budget activities is done by the departmental heads	4.23	0.19
Managers always take timely corrective actions when adverse variances are reported	4.14	0.20
The management team reviews regularly the implementation of budgetary control measures in the constituency	4.27	0.25

The study sought to establish the extent to which respondents agreed with the above statements relating to the effect of budget analysis on performance of CDF. From the research findings, majority of the respondents agreed to a great extent that the constituency has budget policies that monitors budget spending as shown by a mean of 4.50, that the management team reviews regularly the implementation of budgetary control measures in the constituency as shown by a mean of 4.27, that the organization's budget performance evaluation reports are prepared frequently, and that control of the budget activities is done by the departmental heads as shown by a mean of 4.23. In each case, managers always take timely corrective actions when adverse variances are reported as shown by a mean of 4.14. The findings concur with the study findings by Oakley, (2004) that budgetary analysis in an organization enables effective management of its cash flow and identifies the needs to be achieved in the next budgeting period.

4.7 Performance of Constituency Development Fund

Statements relating to performance of constituency development fund

Statements	Mean	Std deviation
Poor governance and political interference have negative effects on performance of constituency development fund	4.09	0.25

There needs to be policies and regulations that must be followed to urgently mitigate the acts of mismanagement like lack of compromised procurement processes to improve performance of constituency development fund.	4.45	0.23
Lack of local community involvement and technical expert from government departments in Constituency Development Fund allocation affects performance.	4.18	0.19
Lack of capacity building sessions and entrepreneurial practices in the CDF funded projects procurement negatively affects performance of constituency development fund.	4.05	0.22

The study sought to establish the extent to which respondents agreed with the above statements relating to the performance of CDF. From the research findings, majority of the respondents agreed to a great extent that there needs to be policies and regulations that must be followed to urgently mitigate the acts of mismanagement like lack of compromised procurement processes to improve performance of constituency development fund as shown by a mean of 4.45 and that lack of local community involvement and technical expert from government departments in constituency development fund allocation affects performance as shown by a mean of 4.18, poor governance and political interference have negative effects on performance of constituency development fund as shown by a mean of 4.09, and that lack of capacity building sessions and entrepreneurial practices in the CDF funded projects negatively affects performance of constituency development fund as shown by a mean of 4.05.

The research also established that budget preparation enables the government to plan and manage its financial resources to support and implement various programs and projects for development, cash-flow budget records allows an organization to make informed

decisions when planning additional expenditure and that budget preparation enables the organisation to save for expected and unexpected emergency costs.

4.8 Regression Analysis

Table 4.5: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892	.796	.758	.223

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R squared was 0.758 an indication that there was variation of 75.8 percent on performance of CDF projects due to budget planning, monitoring and control, participative budgeting and budgetary analysis at 95 percent confidence interval. This shows that 75.8 percent changes in performance of CDF projects could be accounted to due to budget planning, monitoring and control, participative budgeting and budgetary analysis. R is the correlation coefficient which shows the relationship between the study variables. From the findings shown in the table above it is notable that there exists a strong positive relationship between the study variables as shown by 0.892.

Table 4.6: Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	87.508	4	21.877	9.333	.001 ^b
1 Residual	396.136	4	2.344		
Total	483.644	8			

Critical value = 2.46

From the ANOVA statics, the study established that the regression model had a significance level of 0.1% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value ($9.333 > 2.46$) an indication that budget planning, monitoring and control, participative budgeting and budgetary analysis all affect performance of CDF projects. The significance value was less than 0.05 indicating that the model was significant.

Table 4.7: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.441	0.213		6.765	.001
Budget planning	0.481	0.101	0.443	4.762	.000
1 Monitoring and control	0.471	0.112	0.317	4.205	.003
Participative budgeting	0.443	0.105	0.396	4.219	.000
Budgetary analysis	0.386	0.088	0.381	4.386	.002

From the data in the above table the established regression equation was

$$Y = 1.441 + 0.481X_1 + 0.471X_2 + 0.443 X_3 + 0.386 X_4$$

From the above regression equation it was revealed that holding budget planning, monitoring and control, participative budgeting and budgetary analysis to a constant zero, the performance of CDF projects would be at 1.441, a unit increase in budget planning would lead to an increase in performance of CDF projects by a factors of 0.481, a unit increase in monitoring and control would lead to increase in performance of CDF projects by factors of 0.471, a unit increase in participative budgeting would lead to increase an in performance of CDF projects by a factor of 0.443, and a unit increase in

and budgetary analysis would lead to a increase in performance of CDF projects by a factors of 0.386 and. all the variables were significant as their significant value was less than ($p < 0.05$).

4.9 Discussion of the Findings

The study value for coefficient of variation between budget planning performance of CDF projects was 0.481, implying that a unit increase in budget planning would positively change performance of CDF projects. The study also revealed that poor planning management of CDF has led to poor performance of constituency development fund projects, the constituency put priorities on the development funds for the coming annual budget conference and committees, the budget plans of constituency development fund must be properly coordinated in order to eliminate bottlenecks , the constituency has long term and short term budget plans of constituency development fund, when planning, outcomes, goals and objectives are linked to programs and organizational activities, a predetermined budget of possible costs that is incurred carrying out the activities planned in a CDF project should be made an efficient and proper system of accounting should be established so that the information required for the proper implementation for the budgetary planning can be available on time, during budgetary planning, a proper organisational chart should be prepared properly, clearly depicting the responsibilities and duties of each level of executive. The above findings concurs with the study findings by Goldfrank (2007) that well-planned budgets can assist the planner in determining his or her perceptions of a program's purpose and compare this with the anticipated perceptions of public.

The study investigated the relationship between monitoring and control on performance of CDF, the research found a positive value of coefficient (Beta 0.471,) between monitoring and control on performance of CDF implying that a unit increase in monitoring and control would enhance the performance of CDF projects. The study also established that constituencies fund committee is responsible for monitoring of an on-going project, monitoring assists in taking corrective action in case of an error in implementation of the CDF project and helps in the proper planning of subsequent phases of the project from the time it has been monitored, fund committee always take timely corrective actions when adverse variances are reported ,the constituency has budget policies that monitors budget spending, the constituency development fund projects being implemented under the fund are subjected to monitoring on a regular basis and fund committee hold budget conferences and meetings regularly to review performance

Further the study also established that effective monitoring of budget performance requires that managers are provided with relevant, timely and accurate information appropriate to their level of responsibility as shown by a mean of 1.77.

The study investigated the relationship between participative budgeting and performance of CDF. From the coefficients established, a unit increase in participative budgeting would lead to increase in performance of CDF projects by a factor of 0.443. Further the study revealed that the constituencies budget deviations are reported to budget committees, budgets motivate committee to achieve objectives and thereby establish control in the constituencies, as the budgetary control increases, budgetary participation of committee also increases, the constituencies executes its projects within the stipulated deadline, budgetary controls in the constituencies assist management assess the level of

performance. Where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation budget application in the constituencies that includes budgetary control have no direct effect on performance.

The study revealed that the constituency has budget policies that monitors budget spending, the management team reviews regularly the implementation of budgetary control measures in the constituency, the organization's budget performance evaluation reports are prepared frequently, control of the budget activities is done by the departmental heads, managers always take timely corrective actions when adverse variances are reported.

The research revealed that majority of the respondents agreed to a great extent that there needs to be policies and regulations that must be followed to urgently mitigate the acts of mismanagement like lack of compromised procurement processes to improve performance of constituency development fund, lack of local community involvement and technical expert from government departments in constituency development fund allocation affects performance, poor governance and political interference have negative effects on performance of constituency development fund, lack of capacity building sessions and entrepreneurial practices in the CDF funded projects negatively affects performance of constituency development fund. The research also established that budget preparation enables the government to plan and manage financial resources to support and implement various programs and projects for development, cash-flow budget records allows an organization to make informed decisions when planning additional expenditure and that budget preparation enables the organisation to save for expected and unexpected emergency costs.

CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The study sought to establish the relationship between budgetary control and performance of constituency development fund in Machakos County.

5.2 Summary of Findings and Interpretation

The study investigated the relationship between budgetary planning and performance of CDF in Machakos county. The research findings revealed that poor planning management of CDF has led to poor performance of constituency development fund projects. The budget plans of constituency development fund must be properly coordinated in order to eliminate bottlenecks. When planning, outcomes, goals and objectives are linked to programs and organizational activities. A predetermined budget of possible costs that is incurred carrying out the activities planned in a CDF project should be made, an efficient and proper system of accounting should be established so that the information required for the proper implementation for the budgetary planning can be available on time. During budgetary planning, a proper organisational chart should be prepared properly, clearly depicting the responsibilities and duties of each level of executive.

On the effect of monitoring and control on performance of CDF , the research revealed that the constituencies fund committee is responsible for monitoring of an on-going project. Monitoring assists in taking corrective action in case of an error in

implementation of the CDF project and helps in the proper planning of subsequent phases of the project from the time it has been monitored. The fund committee always takes timely corrective actions when adverse variances are reported ,the constituency has budget policies that monitors budget spending, the constituency development fund projects being implemented under the fund are subjected to monitoring on a regular basis. The fund committee holds budget conferences and meetings regularly to review performance.

Further the study it was established that effective monitoring of budget performance requires that managers are provided with relevant, timely and accurate information appropriate to their level of responsibility.

The study investigated the effect of participative budgeting on performance of CDF, the research revealed that the constituencies budget deviations are reported to budget committees, budgets motivate committee to achieve objectives and thereby establish control in the constituencies. As the budgetary control increases, budgetary participation of committee also increases, the constituencies execute their projects within the stipulated deadline, budgetary controls in the constituencies assist management assess the level of performance ,where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation budget application in the constituencies that includes budgetary control have no direct effect on performance.

On the relationship between budget analysis and performance of CDF , the study revealed that most of the constituency has budget policies that monitors budget spending, the management team reviews regularly the implementation of budgetary control measures in the constituency, the organization's budget performance evaluation reports

are prepared frequently, control of the budget activities is done by the departmental heads, managers always take timely corrective actions when adverse variances are reported.

The study established there needs to be policies and regulations that must be followed to urgently mitigate the acts of mismanagement like lack of compromised procurement processes to improve performance of constituency development fund, lack of local community involvement and technical expert from government departments in constituency development fund allocation affects performance, poor governance and political interference have negative effects on performance of constituency development fund, lack of capacity building sessions and entrepreneurial practices in the CDF funded projects procurement negatively affects performance of constituency development fund. the research also established that budget preparation enables the government to plan and manage if financial resources to supports and implement various programs and projects for development, cash-flow budget records allows an organization to make informed decisions when planning additional expenditure and that budget preparation enables the organisation to save for expected and unexpected emergency costs.

5.3 Conclusions

The research established that proper planning of budgets have the potential to help organizations reach their goals and reduces role ambiguity. The study also found that a unit increase in budget planning would enhance the performance of CDF project. Therefore the research concludes proper planning of budgets had appositve impact on performance of CDF projects.

The research revealed that ensuring proper monitoring and control of budgets helps to translate strategic plans into action, monitoring and control of budgets helps provide an excellent record of organizational activities, monitoring and control of budgets helps improve resources allocation, because all requests are clarified and justified and that monitoring and control of budgets helps provide a tool for corrective action through reallocations. Therefore the research concludes proper monitoring and control of budgets had apposite impact on performance of CDF projects.

The study revealed that participative budgeting process improves information flow, budgetary participation allows superiors to obtain relevant information from subordinates, creates a bond of trust between public and CDF board, helps to ensure priority is given to vulnerable areas thus ensuring allocative efficiency. The research concludes ensuring participative budgeting process had apposite impact on performance of CDF projects.

The research established that budget analysis helped to determine whether CDF board have allocated sufficient financial resources to fulfill their targets and commitments. The research concludes that budget analysis had a positive impact on performance of CDF projects.

5.4 Recommendations

Based on the findings, the study recommends that the CDF board need to fully engage the societies in budgetary preparation process. This will enable the county government to effectively plan and manage its financial resources and supports and implement various programs and projects for development based on priority. The board tasked with the

management of CDF needs to periodically carry out budget review. This will help to identify and make corrections on overspending or modification to the budget if needed. The board tasked with the management of CDF should pay greater attention on budgetary monitoring process as this will ensure that sufficient funds are allocated to every program thus avoiding project deadlocks. The board tasked with the management of CDF need to have an efficient and proper system of accounting so that the information required for the proper implementation for the budgetary control can be available on time.

5.5 Limitations of the study

Time constraints was a limitation as the research involved distributing questionnaires to different respondents 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 Machakos County only.

Financial constraints was also one of the major limitations encountered due to inadequate financial resources this consequently slowed down the process of data collection and production of the final report of the study in time.

Lack of cooperation, the researcher experienced a lot of unwillingness to cooperate among most of the respondents, some never even responded and others even delayed in responding to the questionnaires.

The research faced several challenges in the collection of data some respondents were biased while giving information due to reasons such as confidentiality other respondents also refused to provide answers to questions they view to be too personal.

The small sample size was a limitation of this study. The sample was not a representation of the all constituencies in Kenya; therefore, the results cannot be generalized to all constituencies that were not part of this study.

5.6 Recommendation For Further Studies

The study sought to determine the relationship between budgetary control and performance of constituency development fund in Machakos County. The study recommends that further study should be done attempting to investigate factors other than budgetary controls that affect performance such as citizen participation.

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

The research recommends further studies on the relationship between budgetary control and performance using a different research design rather than descriptive research to overcome research bias, possibility for error and subjectivity.

Further research can also be carried out to establish the relationship between budgetary control and performance using longer duration of study.

Further study should be carried out on the individual aspects of budget controls such as planning, participative budgeting, monitoring and control and relationship with performance.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Mburu Ngugi

University of Nairobi

P.O.BOX 30197,

Nairobi

Dear Sir/madam,

RE: THE RELATIONSHIP BETWEEN BUDGETARY CONTROL AND PERFORMANCE OF CONSTITUENCY DEVELOPMENT FUND IN MACHAKOS COUNTY

I am a post graduate student from the University of Nairobi pursuing a degree of master of business administration. I am conducting a study on the above stated topic and your Constituency has been chosen to participate in this study. I hereby request for your support and assistance in filling the questionnaire attached. The content of this data will be for academic purpose only. The confidentiality of the respondent will be highly respected. Thank you in advance.

Yours Faithfully,

Mburu Ngugi

APPENDIX II: QUESTIONNAIRE

This questionnaire is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire. *Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

Section A: Background Information

1. Indicate your Gender

Male () Female ()

2. Kindly indicate your highest level of education

Secondary school [] Certificate [] Diploma []

Bachelor degree [] Master's degree [] other, please specify.....

3. Indicate your job title

.....

4. For how long have you worked in this Constituency?

Less than 2 years ()

3 to 5 years ()

5 to 8 years ()

More than nine years ()

SECTION B: Determinants of Performance of Constituency Development Fund

5. To what extent has the Performance of Constituency Development Fund been determined by the following factors? Use a scale of 1-5, where 1- Very small extent, 2- Small extent, 3- moderate extent, 4- Great extent, 5- very great extent.

Planning	1	2	3	4	5
1. The Constituency has long term and short term budget plans of Constituency Development Fund					

2. The Constituency put priorities on the Development Funds for the coming annual budget conference and Committees					
3. Poor planning management of CDF has led to poor Performance of Constituency Development Fund projects					
4. When planning, outcomes, goals and objectives are linked to programs and organizational activities					
5. A predetermined budget of possible costs that is incurred carrying out the activities planned in a CDF project should be made.					
6. The budget plans of Constituency Development Fund must be properly coordinated in order to eliminate bottlenecks					

6. To what extent do you agree with the following statements on monitoring and control factor? Use a scale of 1-5, where 1- Very small extent, 2- Small extent, 3- moderate extent, 4- Great extent, 5- very great extent.

Monitoring and Control	1	2	3	4	5
1. The Constituency Development Fund projects being implemented under the fund are subjected to monitoring on a regular basis					
2. Constituencies Fund Committee is responsible for monitoring and of an on-going project.					
3. Fund Committee hold budget conferences and meetings regularly to review performance					
4. The constituency has budget policies that monitors budget spending					

5. Fund Committee always take timely corrective actions when adverse variances are reported					
6. Monitoring assists in taking corrective action in case of an error in implementation of the CDF project and helps in the proper planning of subsequent phases of the project from the time it has been monitored.					

7. To what extent do you agree with the following statements on CDF procurement process factor? Use a scale of 1-5, where 1- Very small extent, 2- Small extent, 3- moderate extent, 4- Great extent, 5- very great extent.

Participative Budgeting	1	2	3	4	5
1. The constituencies executes its projects within the stipulated deadline					
2. The constituencies budget deviations are reported to budget committees					
3. Budgets motivate committee to achieve objectives and thereby establish control in the constituencies					
4. Budgetary controls in the constituencies assist management assess the level of performance					
5. As the budgetary control increases, budgetary participation of committee also increases.					
6. Budget application in the constituencies that includes budgetary control have no direct effect on performance,					
7. Where budgetary control is high, there is a meaningful positive relation between performance and budgetary participation.					

8. To what extent do you agree with the following statements on procurement policy and regulatory framework factor? Use a scale of 1-5, where 1- Very small extent, 2- Small extent, 3- moderate extent, 4- Great extent, 5- very great extent.

Budget Analysis	1	2	3	4	5
1. The organization's budget performance evaluation reports are prepared frequently					
2. The constituency has budget policies that monitors budget spending					
3. Control of the budget activities is done by the departmental heads					
4. Managers always take timely corrective actions when adverse variances are reported					
5. The management team reviews regularly the implementation of budgetary control measures in the constituency					

SECTION C: Performance of Constituency Development Fund

9. Indicate your level of agreement with the following statements relating to performance of constituency development fund. Use a scale of 1-5, where 1- Strongly Disagree, 2- Disagree, 3- Moderate, 4- Agree, 5- Strongly Agree

Performance of Constituency Development Fund	1	2	3	4	5
1. Poor governance and political interference have negative effects on performance of constituency development fund					
2. There needs to be policies and regulations that must be followed to urgently mitigate the acts of mismanagement like lack of compromised procurement processes to improve performance of constituency development fund.					
3. Lack of local community involvement and technical expert from government departments in Constituency Development Fund allocation affects performance.					
4. Lack of capacity building sessions and entrepreneurial practices in the CDF funded projects procurement negatively affects performance of constituency development fund.					

Thank you for your time