

**THE RELATIONSHIP BETWEEN BUDGETARY
PROCESS AND BUDGETARY VARIANCE IN THE
MAIN STREAM CHURCHES IN KENYA**

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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

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DEDICATION

To

My loving mother

Esther Rukioya

for believing in me and investing in my education despite the scarce resources.

To

my wife

Fridah Nkatha

For both moral and financial support

My dear children

Keziah

Victor

Kevin

That you may excel beyond this level.

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I would also like to pay tribute to my parents Esther Rukioya and the late Gerald Rukioya who introduced me to pursuit of knowledge even before I was conscious about it.

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ABSTRACT

A budget is a key management tool for planning, monitoring, and controlling the finances of a project or organization. It estimates the income and expenditures for a set period of time for any organization. The aim of this study was to examine the relationship between budgetary process and budget variance in Kenyan mainstream churches, the study adopted a research design that was descriptive survey in nature. The target population for this study consisted of the mainstream Kenyan churches that currently operate/don't operate a budgetary process in their churches. The study sampled 25 churches from the mainstream churches. The target respondents were senior pastor(s), elders, church executive officials and administrative heads. Quantitative method of analysis applied for the study. The filled questionnaires were edited and coded according to the respective specific objectives of the study to ensure accuracy and minimize on the margin of error. They were later entered into the Statistical Package for Social Scientists (SPSS) for data processing and analysis. The various measures of central tendency and dispersion were analyzed and used to interpret and make inferences. The data was presented using tables, graphs and charts to give the results of the findings.

The findings of the study revealed that a greater proportion (49%) of the mainstream churches raise over Kshs. 500,000 from tithes and offerings within a month, 30% raise Kshs. 401-500,000 while only 4% obtain below Kshs.100,00. The findings imply that the mainstream churches rely mostly on the tithes and offerings as their main sources of income. Out of the churches targeted for the study, 41% raise Kshs. 101,000-200,000, 20% raise Kshs. 301,000-400,000, only 6% raise over Kshs.500,000 from fundraisings. Among the targeted mainstream churches 54% take +/-10% as the tolerance limits while 12% take +/-15% as the tolerance limits. The findings imply that the churches budgetary controls are weak and this explain why a greater proportion of the churches have put tolerance limits of above +/-5%. The findings of the study reveal that budget planning, budget measurement report, budget monitoring and actions taken for adverse budget variances have positive and significant relationships with the budget variance. They were, respectively, at the significant levels of 0.01, 0.1, and 0.05.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
ABSTRACT.....	v
TABLE OF CONTENTS.....	vi
LIST OF TABLES.....	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS.....	xi
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background	1
1.1.1 Budgetary process and Budget variance.....	2
1.1.2 Main stream Churches in Kenya	5
1.2 Research Problem	6
1.3 Research Objectives.....	8
1.3.1 Specific Objectives	8
1.4 Significance of the Study	8
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 Introduction.....	10
2.2 Theoretical Review	10

2.3 Budgeting.....	11
2.4 Review, Coordination and Final Budget Acceptance.....	13
2.5 Church Budgetary Process.....	15
2.6 Budgetary Compliance and Variance	18
2.7 Empirical Review.....	21
2.8 Summary of the literature review	23
CHAPTER THREE.....	25
RESEARCH METHODOLOGY	25
3.1 Introduction.....	25
3.2 Research design	25
3.3 Study Population.....	26
3.4 Sampling Technique	26
3.5 Data Collection Methods	26
3.6 Data Analysis.....	27
CHAPTER FOUR.....	28
DATA ANALYSIS, RESULTS AND DISCUSSION.....	28
4.1 Introduction.....	28
4.2 Background information of the churches.....	28
4.3 Main sources of income for the churches	32
4.4 Main Expenses of the churches.....	37
4.4 Relationship between budgetary process and budget variance in the mainstream churches	49

CHAPTER FIVE	50
SUMMARY, CONCLUSION AND RECOMMENDATIONS	50
5.1 Introduction.....	50
5.2 Summary of the findings.....	50
5.3 Conclusions.....	51
5.4 Recommendations.....	53
5.5 Limitations	54
5.6 Suggestions for future research.....	55
REFERENCES.....	56
APPENDICES	60
Appendix I: Introduction Letter	60
Appendix II: Questionnaire Form.....	61
Appendix III: List of Churches in Kenya	67

LIST OF TABLES

Table 4.1: Type of Church.....	28
Table 4.2: Years of existence.....	29
Table 4.3: Budget Planning.....	43
Table 4.4: Budget monitoring.....	43
Table 4.5: Importance of budgeting.....	44
Table 4.6: Budgetary planning tools.....	45
Table 4.7: Budget measurement report.....	45
Table 4.8: Action taken for adverse budget variances.....	47
Table 4.9: Factors contributing to variance.....	48
Table 4.10: Relationship between budgetary process and budget variance.....	49

LIST OF FIGURES

Figure 4.1: Church service attendance.....	29
Figure 4.2: Church employees	30
Figure 4.3: Number of employees	31
Figure 4.4: Monthly income of the main stream churches in Kenya Shillings	32
Figure 4.5: Monthly expenses by the mainstream churches in Kenya shillings.....	33
Figure 4.6: Tithes and offerings.....	34
Figure 4.7: Mission support	35
Figure 4.8: Investments.....	35
Figure 4.9: Fundraisings	36
Figure 4.10: Rental/lease income.....	37
Figure 4.11: Salaries	37
Figure 4.12: Utilities	38
Figure 4.13: Ministries and support.....	39
Figure 4.14: Maintenance	39
Figure 4.15: Property/liability insurance	40
Figure 4.16: Domestic mission support/International mission support	41
Figure 4.17: Office/administration and equipment/supplies.....	41
Figure 4.18: Denominational contributions	42
Figure 4.19: Acceptable tolerance limits for variances	46
Figure 4.20: Budget variance in the last financial year	47

LIST OF ABBREVIATIONS

ACK	–	Anglican Church of Kenya
AIC	–	Africa Inland Church
CEO	–	Chief Executive Officer
MCK	–	Methodist Church in Kenya
NCKK	–	National Council of Churches of Kenya
PCEA	–	Presbyterian Church of East Africa
RCC	-	Roman Catholic Church
SDA	–	Seventh Day Adventist
SPSS	-	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background

In recent years churches have sought to create greater organizational flexibility in responding to environmental turbulence by moving away from hierarchical structures to more modular forms (Kung'u, 2007). Given the intensifying competitive environment among the churches and the constant increase in the number of new churches being formed, it is regularly asserted that the critical determinant in the success and the survival of a church is the successful compliance with the budget to minimize the variances.

A budget whether for profit making organization or non-profit making organization, is a basic and powerful tool for management. In this regard it serves as a tool for planning and controlling the use of scarce financial resources in the accomplishment of organizational goals, (Schick, 1999). Budget describes where resources will come from and how they will be used (Finkler, 2010). Budgeting can be undertaken on a periodic or a continual basis. A periodic budget is prepared for a particular period while a continual is a continually updated from month to another (Atrill, 2008). Budget can be classified into three: operating budget, cash budget and capital budget. Operating budget shows planned revenues and expenses for a period of time, cash budget shows planned cash inflows and outflows and the amount and duration of cash shortages or surpluses for a certain period while capital budget shows planned fixed asset outlays and other long-lived capital acquisitions such as mergers and acquisitions (Zietlow, 2007).

Budgets occupy a leading place among the special tools of management employed to direct and control the affairs of large and multifarious organizations. They are used not only by governments, where budgeting had its origins, but in other public bodies, in industry and commerce and in private families. All have found that a budgetary system can be an invaluable aid in planning and formulating policy and in keeping check on its execution (Premchand, 1994).

Budgeting for governments as compared with budgeting for other types of public service organizations is significantly different. It is common for decisions by the board of Trustees of not-for-profit organization to require that the budget for the organization not show a deficit. In carrying out the plan, however, many times a not- for-profit organization will actually spend more than the amount in the approved budget, sometimes resulting in a deficit. For governments however, the amount that is actually spent generally cannot exceed the budgeted amount, by law (Finkler, 2010).

1.1.1 Budgetary process and Budget variance

Budget stipulates which activities and programs should be actively pursued, emphasized or ignored in the budget period considering the limited resources available to the organization. In certain types of organizations, the budgetary process usually starts at the organizational sub unit level where the various activities take place. It is the decision maker at the subunit level who has the relevant facts to effectively classify activities into various categories according to their importance. It is at this level, that projects and activities requiring attention and hence financial support can be identified. As Lewis (2005) says, “the basic reason for requiring estimates from subordinate officials is that higher officials do not have enough detailed information, time or

specialized skills to prepare the plans themselves. This is perhaps the only point of convergence of the budgetary process in both private and public institutions” (Lewis, 2005).

Companies in the private sector are profit motivated. As such, their budgeting reflects a conscious effort on their part to plan for certain desirable results and controls to maximize the chances of achieving those results (Ndiritu, 2007). Budgeting in a typical private sector is a collective and closely coordinated exercise in which each activity is systematically related to the other. The exercise usually starts some months prior to the start of the financial year. In this period, the company undertakes a thorough analysis of its previous experience, the state of the economy, corporate objectives together with the available resources (Schick, 1999). This analysis is aimed at providing a frame work for the budget preparation exercise and it therefore sets out the ‘ground rules’ for the preparation of the budget for the following year.

Unlike the private sector companies, public sector organizations are concerned with the provision of public goods to members of the society. Their budgets are therefore mainly intended for authorizing actions and providing ceilings for management actions (Hongren, 2000). Budgeting in public organizations is normally a hierarchical process which starts at the subunit level and ends at the “apex” of the hierarchy in this case the treasury, which may be outside the organization itself. Often, therefore, there are several tiers between these two levels of the budgetary hierarchy.

Premchad (1994) states that implementation of the budget requires an advanced program of action evolved within the parameters of the ends of the budget and means available. This framework, he further states, should include the following; identification and enumeration of the implementation tasks, assessment of the suitability of the means of achieving the ends and prospects for the improvement of means if they are less than adequate. The budgetary and economic tasks are rendered operational through the administrative process that comprises four major interrelated phases of work. First an allocation system under which expenditure is controlled by release of funds is put in place. Secondly there is supervision of the acquisition of goods and services to ensure value for the money spent. Thirdly an accounting system that records government transactions and provides a framework for an analysis of their implications is implemented. The final phase involves a reporting system that permits a periodic appraisal of the actual implementation of policies (Premchand, 1994).

A budget formulation system should ensure compliance with budgetary authorizations and should have adequate monitoring and reporting capabilities to be able to identify budget implementation problems promptly while giving flexibility to managers (Wildavsky, 1979). Lack of budgetary compliance has several negative repercussions which includes; overspending, under spending, mistimed spending and misappropriated spending.

Effectiveness of budget implementation process will be assessed by addressing the various variances and a comparison between the actual performance and the budgeted performance should be done.

1.1.2 Main stream Churches in Kenya

Churches in Kenya operate under one umbrella body called National Council of Churches of Kenya (NCCCK). NCCCK is a family of Christian communions and organizations registered in Kenya in fellowship and witness. Three classes of membership are full members, associate members and fraternal associate members. Currently, NCCCK has 26 member churches, 11 associate members and 6 fraternal associate members. The older and conservative denominations are referred to as the mainstream churches. The systems ensure that there is accountability and transparency as opposed to those that are run by an individual assuming the roles of both administrator and pastor (Kung'u, 2007).

Among the member churches, there are 7 main stream churches which includes; Roman Catholic Church, Methodist Church in Kenya (MCK), Anglican Church of Kenya (ACK), Presbyterian Church of East Africa (PCEA), African Inland Church (AIC), Baptist Church and Seventh Day Adventist (SDA) Church. Lately however, Kenya has witnessed the mushrooming of what are referred to as Evangelical churches with examples of Deliverance Churches of Kenya, Neno Evangelism Ministries, Kuna Nuru Gizani Ministries, The Redeemed Gospel Church, The Happy Churches of Kenya, Faith Evangelistic Ministries, Jesus Celebration Centre Ministries, Jesus is Alive Ministries and Winners Chapel International Ministries among others. Charismatic movements have mushroomed in many different shapes and sizes all over the world including Kenya, which has witnessed a phenomenal growth to date due to factors responsible for this growth ranging from a deteriorating social-political and economic environment (Kung'u, 2007). Main stream churches in Kenya date back to 1800. The Methodist Church in Kenya was started by the British Missionaries who

arrived at Mombasa in 1862 (Thamburi, 1982), ACK dating back to 1904 (Cathedral Church of All Saints, 2007) while the Roman Catholic Church is over 100 years (Archbishop Ndingi Mwana'a Nzeki, 2003).

1.2 Research Problem

Mainstream churches' contribution to the political, socio-economic factors in the country cannot go unnoticed. Programmes ranging from orphanages, HIV/AIDS programs, tribal clashes and civil strife's, corporate governance and national disaster management. The mainstream churches have proved to be a powerful voice in Kenya thus sought after in matters of governance. They continue to contribute greatly to National Leadership as leaders and models to the national Christian community in areas of public worship, Christian nurture, governance, church administration, including national and global missing engagements, social-political and civic responsibility. The church is looked upon by political leaders and civil society to determine and judge national concerns calling for bold positions on various social and political concerns as well as economic matters on poverty alleviation (Kung'u, 2007).

Churches undertake budgeting at different levels depending with how they are structured. There is a possibility that the original requests will be changed in one or another as the various budgets are processed. One of the reasons of budgetary non-compliance is failure to implement the budget as per vote heads resulting to budgetary variance.

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

principle instruments of transformation and restructuring of the public sector in several countries. With the growing cases of budgetary non-compliance, the need for enhanced budget processes and innovative financial management techniques are increasingly felt in developing countries and transition economies. Budgets could be used to allocate funds optimally by funding those projects promising the highest returns (Hongren, 2003). Companies might have very good plans but fail to implement them fully therefore not deriving any benefits from budgets (Trentin, 2004). Effective implementation of budgets enables a firm to effectively and efficiently utilize its resources (Hongren, 2003).

Several studies have been done in Kenya on budgeting in different contexts. Macharia (2010) studied the challenges of budget preparation and implementation among manufacturing companies quoted at Nairobi stock exchange and Chemweno (2009) researched on operational budgetary process and challenges in the mortgage institutions in Kenya. Others have researched on budgetary practices for example, Kaguara (2009) conducted a study on budgetary practices in private mission hospitals in Kenya and its environs, Wamae (2008) studied the challenges of budgeting at National Social Security Fund while Mburu (2008) conducted a survey of operational budgeting challenges in the insurance industry in Kenya.

This study was based on the need to analyse whether budgetary process in Kenya mainstream churches relate with budget variance. None of these studies have focused on the relationship between budgetary process and budget variance in mainstream churches in Kenya. With the inadequate resources and many interest groups to be satisfied, budget variances are bound to be experienced in the churches. This study

therefore sought to fill the knowledge gap existing by investigating the relationship between budgetary process and budget variance in Kenyan mainstream churches.

1.3 Research Objectives

The objective of the research was to examine the relationship between budgetary process and budget variance in Kenyan mainstream churches.

1.3.1 Specific Objectives

- i. To assess the budgetary process among the Kenyan main stream churches.
- ii. To assess the extent of relationship between budgetary process and budget variance in the mainstream churches in Kenya.

1.4 Significance of the Study

This study is expected to contribute towards improvement in financial management in churches. Good performance will contribute to national development through setting up of more church projects. It will help fill gap between theory and practice as applied in management of church budgets. The findings will also be useful to the non-mainstream churches as they seek to find ways of survival in their environment.

The study may form a basis for academics and for further research and knowledge on the subject of church budgetary compliance and relationship with variance. The recommendations of this study are expected to enhance management and general performance of churches through proper and accurate communication and implementation of plans.

It is also expected that the study may serve as a source of information to the public who would like to know more about budgetary adherence in churches. The study aims at providing information that will enable the government to come up with policy measures that will facilitate smooth development, implementation and control of church budgets.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered are theoretical review, Church budgetary process, budgetary compliance and variance, empirical review and summary of the literature review.

2.2 Theoretical Review

A budget is a plan for the coordination of resources and expenditures. Budgeting is an effective tool for allocating financial resources and for planning and controlling their use. A budget can thus be conceived as a master plan for allocating limited resources between all the different activities that have to be financed from the central pool (Allen and Unwin, 1959). A budget can act as a motivator and communicator, as well as for functional co-ordination and performance evaluation of organization (Dominiak and Louderback, 2001).

Anthony et al (2004) list four uses of a budget. The first is to fine tune the strategic plan, the second is to help co-ordinate the activities of the several parts of organization, third is to assign responsibilities to managers and last is to obtain a commitment that is a basis for evaluating a manager's actual performance. According to Horngren (2009) three advantages of budgeting include: promote coordination and communication among subunits within the company; provide framework for judging performance and facilitating learning and motivate managers and other employees. A good budget

should meet the qualities of completeness, equitable, capable of change, attainable and challenging.

It has been proposed that the level of organizational resources is a factor in determining resistance to budgeting. Booth (1993) concurred with Hinings and Foster (1973) that if funds are short, there is a tendency to “conserve and control” them, while Lightbody (2000) identified “storing” mechanisms to conserve funds, and “shielding” procedures to hide them from view. Laughlin (1988) likewise observed that resistance to the use of accounting in the Church of England could be reduced during times of financial stress. It is difficult to separate a church’s financial resources from its membership generally, since a large member size, particularly one that is growing, implies that an organization will consequently have access to a growing financial resource base. In fact, strong membership “may tend to strengthen the dominance of religious beliefs and the maintenance of the *status quo* within the organization, including the current processes of resistance to, and support for, accounting” (Booth, 1993), while weak membership might be interpreted as a “sacred” crisis, creating “more fluid conditions of possibility” for playing out the processes of resistance to and support for accounting (Booth, 1993). According to this line of thinking, a church, in times of resource crisis, would have to rely on accounting, even against its will almost.

2.3 Budgeting

It is important that suitable administration procedures exist to ensure that the budget process works effectively. The procedures should be tailor made to the requirements of the organization, but as a general rule a firm should ensure that procedures are established for approving the budgets and that the appropriate staff support is available

for assisting managers in preparing their budgets (Drury, 2011). Budget committee which consists of high level executives who represent the major departments should be formed to ensure that budgets are realistic and that they are coordinated satisfactorily. Top management should communicate the policy effects of the long-term plan to those responsible for preparing the current year's budgets. Policy effects might include planned changes in sales mix, or the expansion or contraction of certain activities. Any other important guidelines that are to govern the preparation of the budget should also be specified (Drury, 2011). It is essential that all managers be aware of the policy of top management for implementing the long-term plan in the current year's budget so that common guidelines can be established. In every organization there are factors that restrict performance for a given period. These factors are sales driven. Prior to budgets preparation, top management needs to determine the factors that may restrict the performance, as it will in turn determine the point at which the annual budgeting process should begin.

The superior of budget units examines the initial budget proposal to see whether the proposal is within the budget guidelines. The superior also checks to see if the budget goals can be reasonably attained and are in line with the goals of the budget units at the next level up, and then budgeted operations are consistent with the budgeted activities of other budget units, including units directly and indirectly affected (Blocher, 1999). Negotiation occurs at all levels of the organization between the budgetees and their superiors, and eventually be agreed by both parties. They are perhaps the core of the budgeting process and take up the bulk of budget preparation time.

The budgeting process is made up of activities that include the development, implementation, and evaluation of a plan for the provision of services and capital assets (Wamae, 2008). An effective budget process includes several essential features, which includes, but not limited to the following: The budget process incorporates a long term perspective; the budget process establishes links to broad organizational goals; the budget process involves and promotes effective communication with stakeholders; the budget process is based on a “team approach” for program managers and administrative management; the budget process focuses the budget decisions on results and outcomes; and the budget process provides incentives to the government and non-profit making organizations and the employees.

2.4 Review, Coordination and Final Budget Acceptance

As budget units approve their budgets, the budget goes through the successive levels of the organization until they reach the final level, when the combined unit budgets become the budget of the organization. The budget committee reviews and gives final approval to the budget. They also examine the budget for consistency with the budget guidelines, attainment of the desired short term goals, and fulfilment of the strategic plan. The Chief Executive Officer (CEO) then approves the entire budget and submits to the board of directors (Blocher, 1999).

When all budgets are in harmony with each other, they are summarized into a master budget consisting of a budgeted profit and loss account, a balance sheet and cash flow statement. After the master budget has been approved, the budgets are then passed down through the organization to the appropriate responsibility centres. The approval

of master budget is the authority for the managers of each responsibility centre to carry out the plans contained in each budget (Drury, 2011).

The budget process should not stop when budgets have been agreed. Periodically, the actual results should be compared with the budgeted results. Procedure for budget revision varies from one organization to another. Some organizations allow budget revision only under special circumstances; others, such as firms adopting continuously updated budgets, build into their budgeting system quarterly or monthly revision (Blocher, 1999).

Budget revision enables management to identify the items that are not proceeding according to plan and to investigate the reasons for the differences. Budget committee should periodically evaluate the actual performance and reappraise the company's future plans. The revised budget then represents a revised statement of formal operating plans for the remaining portion of the budget period.

The potential benefits of budget review are that managers will constantly scan for issues, which poses challenges or offer opportunities for the business. Likewise it will encourage the organization's leaders to review regularly the future sustainability of the business and its finances. The organization will be constantly challenged to understand and review the outcomes and outputs which its current resources are delivering and to consider how adverse variations can be managed, and favourable variations maximized (Kaguara, 2007).

2.5 Church Budgetary Process

Booth (1993) urged a consideration of the role of the clergy and other occupational groups within churches “in the promotion of and resistance to secular management practices and accounting”. He based this on suggestions by Laughlin (1988) and Thompson (1975) that there was a division between these groups, since if the clergy were the “main group directly concerned with the achievement of the transcendental ends of churches and the maintenance of their religious beliefs” (Booth 1993) then there could be a devaluation, in their eyes, of management practices in general, and accounting in particular. It seems this division could exist in at least two ways: first between clergy and church members, and secondly between clergy and professional accountants and business managers employed by the church.

Kluvers’ (2001) study of budgeting in Catholic parishes certainly pointed to a division between clergy and church members in attitudes to the importance of accounting. Even with recent trends to appoint local finance committees and parish councils, he observed, there had been a long tradition of little or no lay involvement in budget setting, with the result that parish priests were largely responsible for finances, typically subsuming them to the more “spiritual” aims of the church. The greater the involvement in and use of the budget by lay people, Kluvers (2002) claimed, the smaller the sacred/secular gap in perceptions of accounting appeared to be. The system in the Anglican Church, already described, is that, officially at least, churchwardens are responsible for the finances of the local church. This includes the administration of those finances and the presentation of annual audited accounts to the diocese. It would be expected that such a responsibility would heighten the ownership of the church at a local level, especially when financial resources have to be raised by the local congregation.

This division seems totally at odds with the early Christian church and the notion of personal stewardship, which is shown to be the responsibility of *every* Christian. There, “the good news of the gospel (was) consistently holistic, according to the teaching of Jesus” (Blomberg, 1999), with Jesus’ well-to-do followers, as part of that community, being “generous in almsgiving and in divesting themselves of surplus wealth for the sake of those in need”. Stewardship, in that context, was “communal” (Westerhoff, 1983), with no apparent layers or divisions such as those assumed between clergy and lay people today. This division probably stemmed originally from the growth of the monastic movement, which developed a “two-tiered mentality” of stewardship: “those called to vows of poverty showed exemplary compassion for the poor in divesting themselves of their own property, but the average rank-and-file layperson rarely imitated these models” (Blomberg, 1999). This division between clergy and lay people has been perpetuated, but, in theory at least, Protestant theology represents a breakdown of this division, and the commitment of all Christians, clergy and lay people alike, to a shared vision of holistic, communal stewardship (in the sense not only of money but of gifts or talents) as they work together towards the fulfillment of their mission.

Denominational differences in attitudes to professional clergy and lay people can be expected to be a huge factor in the perpetuation of this division at a local level, and therefore, in the context of this study, to differences in attitudes to accounting as a legitimate function within the church. It would be expected that churches that are congregationally governed, and those which, while subject to various denominational constraints, have their own right to nominate their minister, would choose a minister in keeping with the religious beliefs of the local congregation. If this were the case, there

ought to be fewer differences of opinion about issues such as the role of accounting and budgeting in such churches.

A further division can be seen in today's institutionalized church, with the employment of professional accountants and business managers at the top of the organizational hierarchy in particular. If these professionals are merely employees, and not also church members who are committed to the mission of the church, then there is an additional potential for conflict between clergy, the keepers of the sacred belief system, who are promoting a spiritual agenda, church members, who are, hopefully, also in tune with that mission, and these "internal occupational groups" (Booth, 1993), who are employed to deal with the financial realities. A biblical view of Christian stewardship is a larger concept than the most "efficient" use of financial resources, and if professional accountants are not also church members, it is unlikely they will understand the commitment clergy and lay people are likely to feel for the promotion of the church's mission.

At the level of the local church, it would be expected that these dynamics would be different, due to a number of factors. First, few local churches would employ professional accountants or business managers. The accounting function would most likely be performed by one of the members of the local church. If local parishioners like, respect and value their own church treasurer, and see that treasurer as someone who shares their religious beliefs and their commitment to the church's vision, and to holistic Christian stewardship, they are much more likely to trust and accept the accounting reports prepared by that treasurer, and therefore to value the role that accounting plays in the management of the church. Secondly, the difference between

the religious beliefs of clergy and members is likely to be reduced at a local level, due to factors already outlined. Even if a local church is large, there is the likelihood that congregational members will know one another personally, and be in a position where they must work together, either harmoniously or with tension, on a regular basis. At a diocesan level, there is more potential for differences in religious beliefs, both between clergy and across churches, and, the sparser amount of regular personal contact could exacerbate any theological tensions that already existed (Blomberg, 1999).

Thirdly, the local church is at the site of its resource base, usually the financial contributions of church members, closer than the diocesan hierarchy is to its resource base, which usually includes assessments received from local parishes, and income from investments (Blomberg, 1999).

2.6 Budgetary Compliance and Variance

Organizations have a number of weaknesses in both budget preparation and budget execution. Spending takes place without budget authority, commitments are made but cash is not available for payment, data in accounting ledgers and monthly reports are not maintained and long delays are experienced in preparing and auditing the annual accounts. Because of such weaknesses, budgetary performance has been disappointing (Lienert, 2001). A budget is compliance when it is executed as per the framework to achieve the following purpose; resource allocations and reallocations to reveal priorities, fiscal control by regular comparison of budgeted to actual expenditures, administrative controls where traditional for-profit controls (price-less-cost profit margin targets) are neither possible nor practical, program control for each program funded by outsiders to limit spending flexibility by restricting expenditures to specified

categories, audit control to ensure that the annual audit will determine that organizations complied with funding source guidelines and organization survival through budgetary projections. Budget execution activity takes place throughout the financial year and is the cutting edge of the budget. It involves all levels of management unlike the more technical and selective participation of officials in budget formulation (Ramakrishnan, 1997).

The primary concern during budget execution process is to ensure the fulfilment of the financial and economic aspects of the budget. The financial tasks include; spending the amount for the purposes specified, maximising savings and avoiding lapses or rush of expenditures during the end of the year. The economic tasks on the other hand are; ensuring that the physical targets of programmes and projects are achieved and the macro-economic aspects of the budget such as borrowing and deficit levels are also achieved. In managing budget execution one of the key areas of focus is the revenue and expenditure flow pattern (Ototo, 2009).

Variance is the difference between standard prices and quantities and actual prices and quantities (Garrison, 1991). According to Palmer (2012), there are four causes of budgetary variances: Faulty Arithmetic in the Budget Figures – It is perfectly possible to have an error in the budget. This includes errors of commission or duplication as well as pure arithmetic. One action is to make a note to ensure it does not happen again when the next budget is being done. Other action depends on the error.

Errors in the Arithmetic of the Actual results – It is perfectly possible for the actual results to be reported wrongly. This includes the use of the wrong category, omission of

costs and double counting of income. One well known way of staying within the budget is to throw away any invoices received from suppliers or charge them to someone else's account code. This sort of deliberate action makes nonsense of budgetary control and must be avoided. The corrective action once this is discovered is to prevent it happening again. Improvements in management education and control procedures are recommended.

Reality is wrong – Sometimes the actual results are useless as an indicator. A strike or natural disaster will have an impact on results. This does not mean that the budget process in future should include an allowance for this happening again. If necessary, insurance should be taken out. For example if business is disrupted for two weeks, produce a realistic budget for only two weeks and compare against that to establish true performance under normal circumstances.

Difference between Budget Assumptions and Actual Outcome – This is the key issue and the one which involves the use of variance analysis techniques. Remember that all budgets contain errors in assumptions. No one knows the future outcome for certain. The important thing is not to apportion blame by looking backwards, but to look forwards and take action to improve the future in the light of experience. Managers should avoid a situation where they spend up to budget, conceal data, and make the actual fit the budget in order to avoid blame. The emphasis must be on what can we do about it, rather than why the results are different.

2.7 Empirical Review

Kluth (2012) in his study of church giving, budgeting and generosity initiatives of 1360 Christian churches in America found that majority of congregations experienced giving increases because of a better economy, higher attendance and more bible teaching on finances and generosity. Arise in electronic giving through tools, such as cell phone applications and automatic bank withdrawals are helping many churches rebound financially. Among the churches that saw giving increases, 50% attributed the rise to greater attendance, 42% said it was because people gave more after their church conducted financial/generosity teaching initiatives such as sermons, classes, seminars or distributed devotionals about the subject. Church budgets consequently allocated extra funds to staff salaries (40.3%), mission work (36.5%), church building (35.3%) and benevolence (31.1%). The study also found that a significant number of churches actively use a variety of practices and procedures to ensure financial transparency and accountability. From the study, 92% make their financial statements available upon request to their members; 89% provide copies of their annual budget to their congregations or make them available upon request. The study further shows that a significant number of churches are concerned about financial integrity and accountability and therefore implementing strong financial accountability practices.

Thornton (2011) in his survey of Federal Budget Professionals on the Process, their Careers and Opportunities in America, most of the respondents described budget execution as a transactional activity. Many consider monthly comparisons of actual obligations to earlier prepared estimates to be the best practice. Many also consider having annual operating plans as critical element of an effective budget execution process. On the elements of an effective budget execution process and effectiveness most of the respondents identified control of funds as the most effective element of

budget execution at 68%. Other elements includes; Program managers develop and use operating plans (48%), Agency capable of dealing with changing requirements (44%), Use integrated actual obligation and performance reports (34%), allocate funds to decentralized levels (32%), Identify reprogramming needs timely (26%) and Actual obligations compared with estimates monthly (17%). On resource constraints most of the respondents were of the opinion that activities with low priority should be cut first, then cut programs with poor performance; cut activities with low stakeholders interest; reduce instead of elimination of a few activities and lastly elimination of activities a few activities rather than reduce many had the lowest number of respondents.

Although budget is a plan, budgeting is a process of planning and control. In the budget process, resources are allocated; efforts are made to keep as close to the plan as possible, and then the results are evaluated. Properly applied, budgeting can contribute significantly to greater efficiency, effectiveness, and accountability in the overall management of an organization's financial resources (Finkler, 2010).

Swanson and Gardner's (1986) study of financial reporting in the Protestant Episcopal Church in the United States from 1780 to 1860 proposed that accounting gained more prominence because of the move from state to local funding (requiring the contribution of members), the "formalization of reporting requirements at the national level" (Booth, 1993) and the expansion of church activities. It was unclear whether this increased acceptance and use of accounting practices was "some indication that accounting practices may interact with the spiritual dimension of a church", or was it just a response to the "rational needs" of the church (Booth, 1993). Another explanation

could be that when a local congregation are responsible for funding their own ministry, they become more motivated to raise their own funds, and therefore more aware of the spiritual significance of what they are undertaking as they prioritize the allocation of scarce resources. Reliance on a body further up the organizational hierarchy for their funding could make them reflect less on what they really want to be involved in.

Often that connection is hidden behind other “rational” explanations, such as church size and the level of resources, or the existence of occupational groups, all of which are merely manifestations of other factors about organizational resources that would appear to affect attitudes to accounting. It is religious beliefs about what constitutes the mission of the church, commitment to or ownership of that mission, and attitudes to stewardship, which have implications for the funding of the mission. In an age when “the long-standing Western and Christian tradition of stewardship” has been largely lost (Blomberg, 1999), it is not surprising that a dichotomy has developed between the “sacred” mission of a church and the “secular” implications of that mission. If, as earlier described, a communal approach to stewardship is adopted, then a local church is unlikely to view any accounting that reflects or objectifies the ownership and resourcing of its mission as a secular activity.

2.8 Summary of the literature review

There is nothing more fulfilling for a budget committee to do than to create a workable budget and then see that budget is implemented and it works. Management and financial consultants for years have promoted the simple idea that you must ‘plan your work – and then work your plan.’ That concept is so simple in thought, but often extremely difficult to implement (Church of God Benefits Board Inc., 2012).

Budgeting for a local church, regardless of the size of the congregation, cannot be done in isolation. The best budget committee in the country cannot draft a workable budget for a church without understanding the vision of the leadership and without input from the ministry team. Further, once the budget is drafted and approved, it is worthless unless there are safeguards in place to make sure that it is used as the financial road map for the church (Church of God Benefit Board Inc., 2012).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was used in gathering the data, analyzing the data and reporting the results. The researcher aimed at explaining the type of survey, target population, data collection and analysis techniques giving an insight of what was expected during the fieldwork and analysis of data.

3.2 Research design

The study adopted a research design that was descriptive survey in nature. According to Cooper and Schindler (2000), descriptive research design discover and measure cause and effect relationships amongst variables. A descriptive research design refers to methods and procedures that describe variables and helps a researcher to gather, organize, tabulate, depict describe the data (Bertrand and Bouchard, 2008) and allows the collection of large amount of data from a sizable population in a highly economical way (Muua, 2010; Mwathe, 2008). The descriptive design assist to show the variables by providing answers as to who, what, when, where and how questions (Venkatesh, 2000). A cross sectional survey shall be adopted to gather primary data from a sample of the population using a structured questionnaire that shall be administered to the respondents (Ombati et al, 2010).The study was guided by a survey by asking individuals about budgetary compliance thus get insight into the budgetary compliance among the Kenyan mainstream Churches.

3.3 Study Population

The target population for this study consisted of the mainstream Kenyan churches that currently operate/don't operate a budgetary process in their churches. There are seven mainstream churches, namely Roman Catholic, Presbyterian Church of East Africa, Anglican Church, and Methodist Church in Kenya, Seventh Day Adventist, African Inland Church and Baptist Churches (Appendix 1). The target respondents were senior pastor(s), elders, church executive officials and administrative heads. Four persons from the seven denominations were approached for data collection bringing to a total of twenty-eight respondents.

3.4 Sampling Technique

According to Orodho (2003), sampling refers to the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen. A sample therefore is a subset of elements from a population. The researcher used the random sampling design to select the sample that represented the population. Random sampling refers to random selection units from a group (Kothari, 2004).

3.5 Data Collection Methods

The study used primary data. Primary data was collected using structured questionnaires as the main data collection instrument to be conducted between October - November 2012. The questionnaires will be both open and closed ended questions. The open-ended questions will provide additional information that may not have been captured in the close-ended questions. The drop and pick later method was used but for far off locations postal method was used with stamped return envelope.

A questionnaire was given per main stream church to an employee in finance department in the ranks of management. This is because they were conversant with the check points of budgetary compliance. Questionnaire were then pre-tested and adjusted before the study to establish the effectiveness of the instrument. This enhanced the reliability and effectiveness of the study and improves the scope of information to be gathered. The researcher informed employees that participation is voluntary and anonymity would be observed.

3.6 Data Analysis

The study used a quantitative method of analysis which is applied using descriptive statistics. The filled questionnaires were edited and coded according to the respective specific objectives of the study to ensure accuracy and minimize on the margin of error. They were later entered into the Statistical Package for Social Scientists (SPSS) for data processing and analysis, which also enabled the translation of the qualitative data into quantitative data for ease of interpretation (Oye et al, 2011). The various measures of central tendency and dispersion were analyzed and used to interpret and make inferences. The data was presented using tables, graphs and charts to give the results of the findings.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the quantitative analysis of data collected from the mainstream churches in Nairobi. It gives the findings from the questionnaires. The data has been categorically analyzed to give clear and vivid findings of the study. The study had targeted a total of 28 senior pastors/clergy/priests of the churches, there was 90 % response rate since 25 respondents filled and returned the questionnaires.

4.2 Background information of the churches

Table 4.1: Type of Church

Type of church	F	%
Roman Catholic Church	8	32.0
Seventh Day Adventist	7	28.0
Presbyterian Church	3	12.0
Methodist Church in Kenya	2	8.0
Anglican Church of Kenya	5	20.0
Total	25	100.0

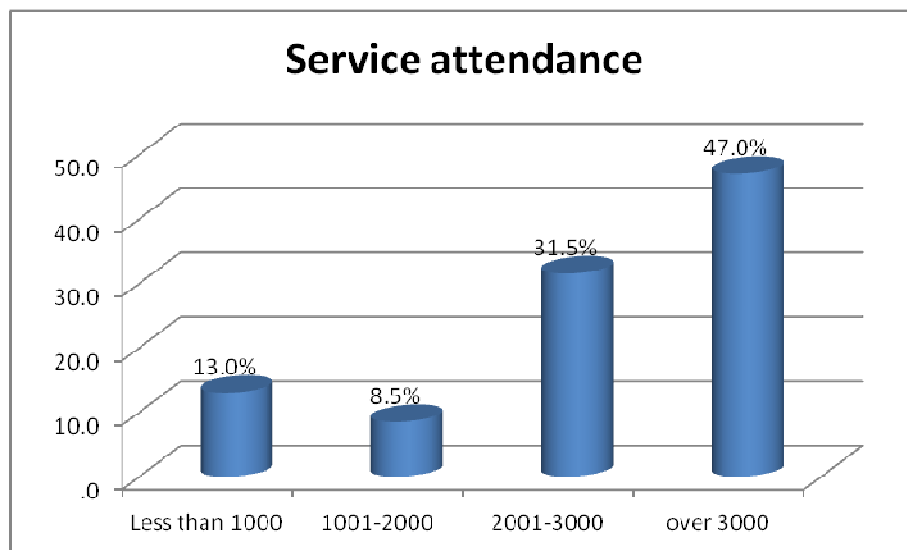
The researcher sought to establish the type of churches, from the findings on table 4.1, a greater proportion (32%) of the clergy who responded were from the Roman Catholic Church, 28% from Seventh Day Adventist Church and 20% were Anglican Church of Kenya clergy.

Table 4.2: Years of existence

Years of existence	F	%
1-5 years	-	-
6-10 years	-	-
11-15 years	-	-
Over 16 years	25	100
Total	25	100.0

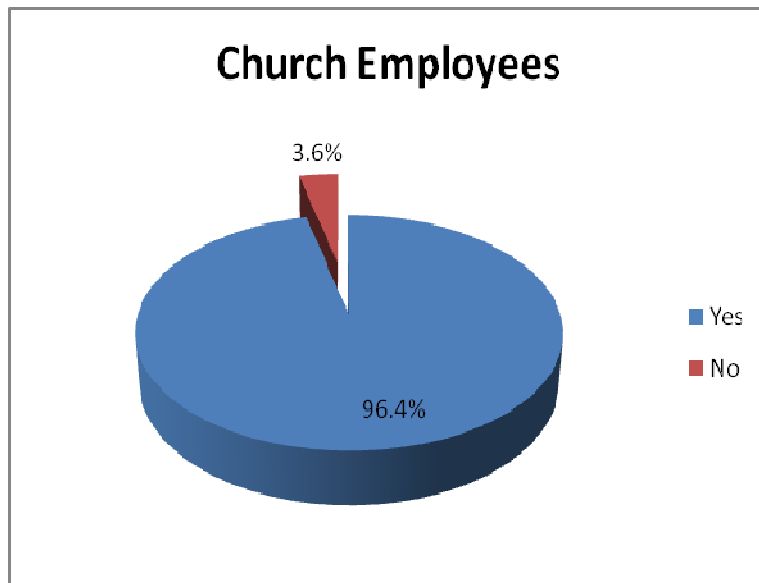
The findings on table 4.2 show that all the mainstream churches that were targeted by the researcher have been in existence for more than 16 years, this implies that the researcher obtained accurate and reliable information from the clergy in these churches since the churches have undertaken financial management and budgeting for more than 16 years and therefore they have enough experience.

Figure 4.1: Church service attendance



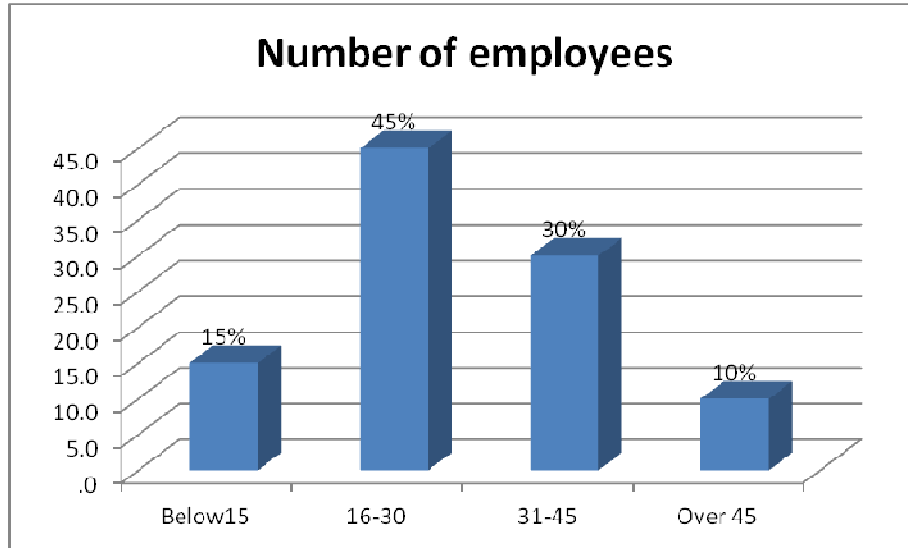
The researcher sought to establish the average number of worshipers who attend the services at the mainstream churches, based on the findings on figure 4.1, 47% of the respondents indicated that the service attendance was above 3000 worshipers, 13% however noted that the service attendance was less than 1000 worshipers. The findings imply that worshipers are a major source of funds for the mainstream churches.

Figure 4.2: Church employees



The findings on figure 4.2 reveal that 96.4% of the mainstream churches have employees, 3.6% of the churches however noted that they do not have employees but volunteers, the findings imply that some of the new branches of the mainstream churches rely on volunteers to save on the costs of employing staff.

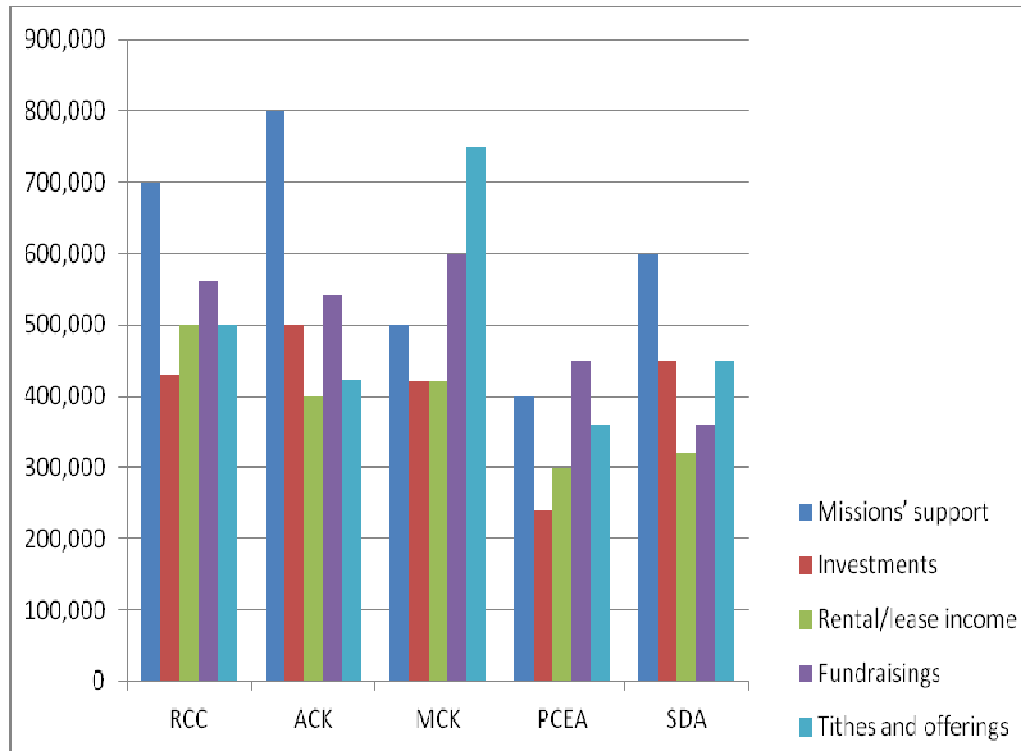
Figure 4.3: Number of employees



The researcher sought to determine the number of staff employed by the mainstream churches, based on the findings on figure 4.3, 45% of the churches have employed 16-30 staff members, 30% have employed 31-45 staff members, only 10% have above 45 employees. The findings imply that although these churches' operations are wide they have taken measures to employ minimum number of staff to save on costs and therefore they majorly rely on the services of volunteers who are their members.

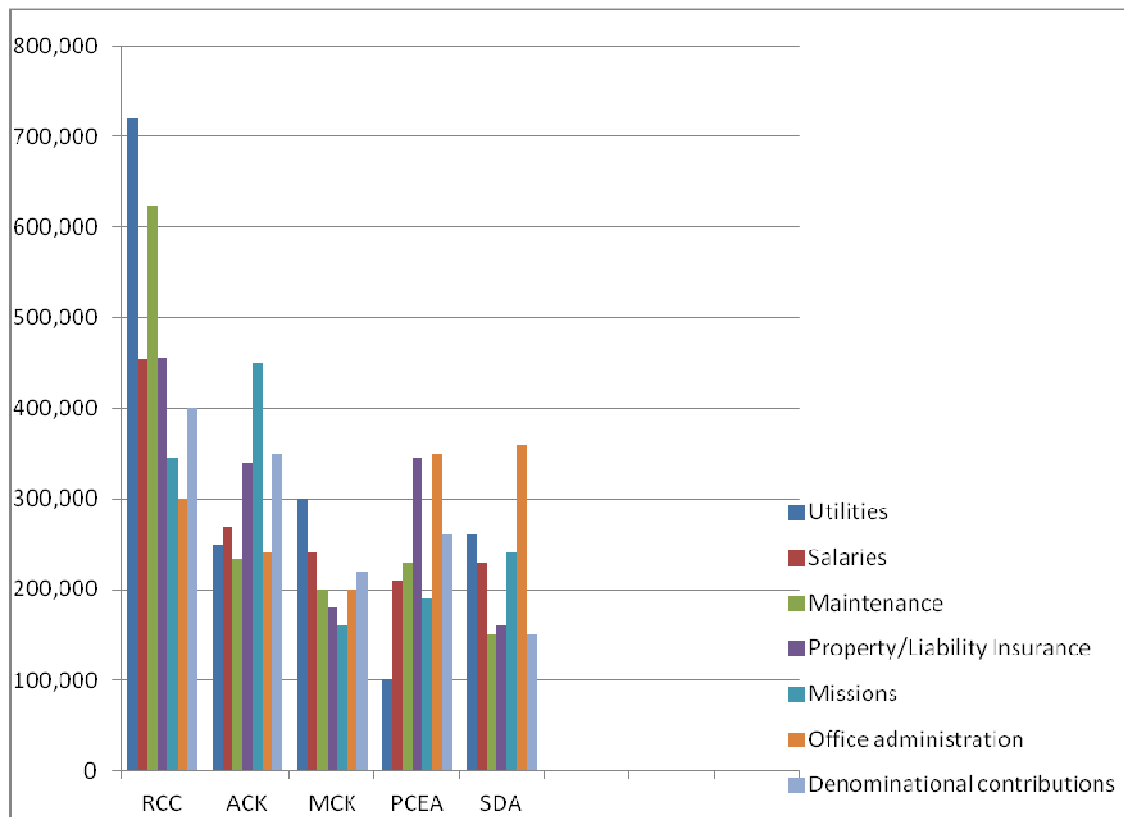
4.3 Main sources of income for the churches

Figure 4.4: Monthly income of the main stream churches in Kenya Shillings



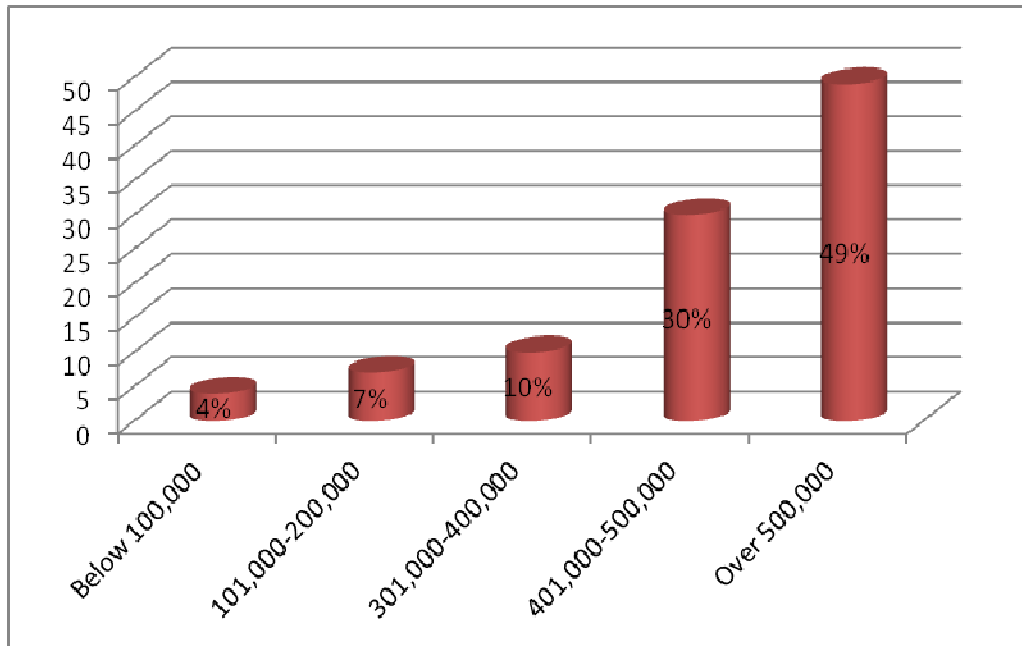
The findings on figure 4.4 reveal that the Roman Catholic Church leads with monthly income among the main stream churches, the church reported Kshs. 700,000 from missions, Kshs. 800,000 from investments and Kshs. 500,000 from rental/lease income. SDA reported Kshs. 420,000 from missions support, Kshs.500, 000 from investments and Kshs. 450,000 from tithes and offerings. Methodist church of Kenya on the other hand reported Kshs. 550,000 from missions' support, Kshs. 550,000 from investments, and Kshs. 360,000 from tithes and offerings. Presbyterian Church reported Kshs. 500,000 from missions' support; Anglican Church also reported the same amount from missions' support.

Figure 4.5: Monthly expenses by the mainstream churches in Kenya shillings



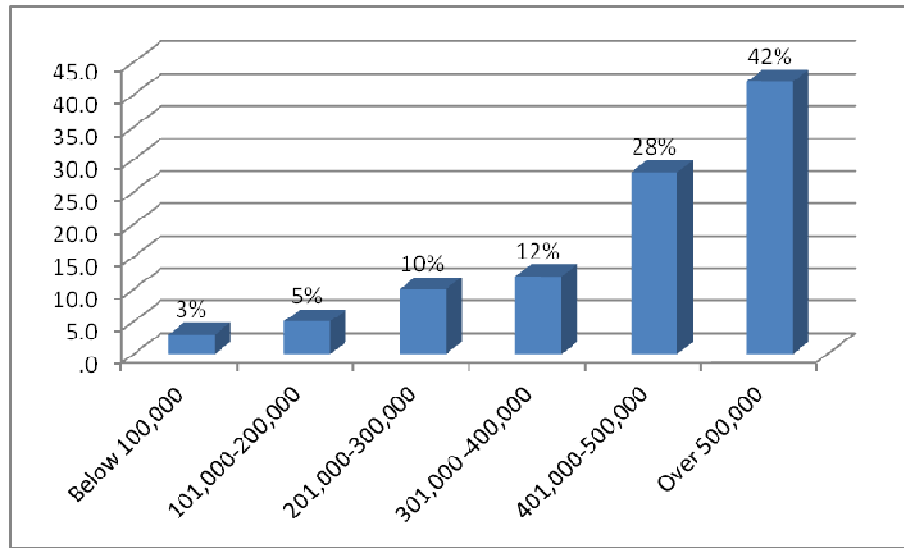
The findings from figure 4.5 reveal that Roman Catholic Church spend the highest amount on utilities, the church reported a monthly expense of Kshs. 720,000 on utilities followed by Presbyterian church at Kshs. 620,000. SDA Church spends an average of Kshs. 420,000 on denominational contributions while Anglican Church of Kenya spends Kshs. 360,000 on office administration. Methodist church of Kenya spends Kshs. 350,000 on property/liability insurance while Presbyterian Church spends Kshs. 220,000 on the same.

Figure 4.6: Tithes and offerings



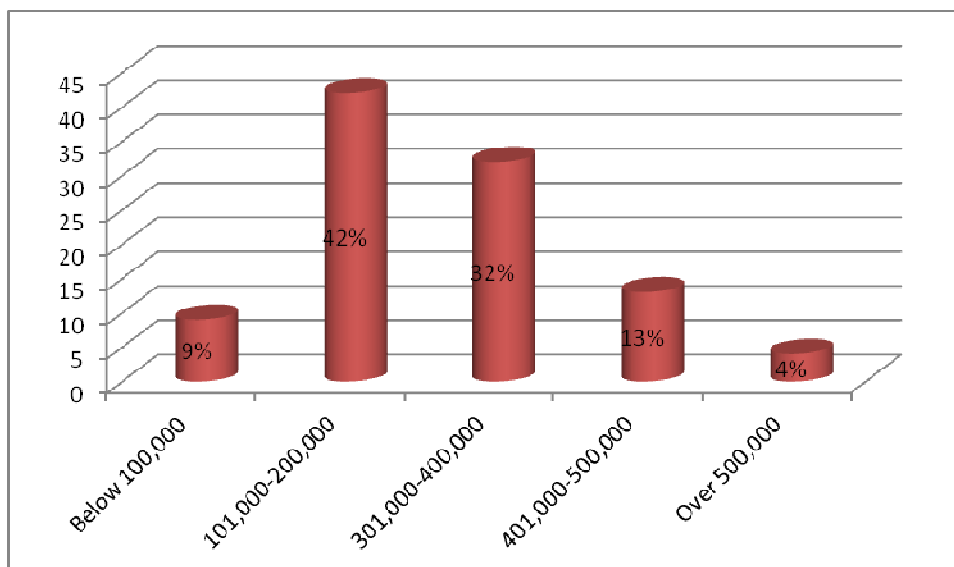
The findings on figure 4.6 reveal that a greater proportion (49%) of the mainstream churches get over Kshs. 500,000 from tithes and offerings within a month, 30% get Kshs. 401-500,000 while only 4% obtain below Kshs. 100,00. The findings imply that the mainstream churches rely mostly on the tithes and offerings as their main sources of income.

Figure 4.7: Mission support



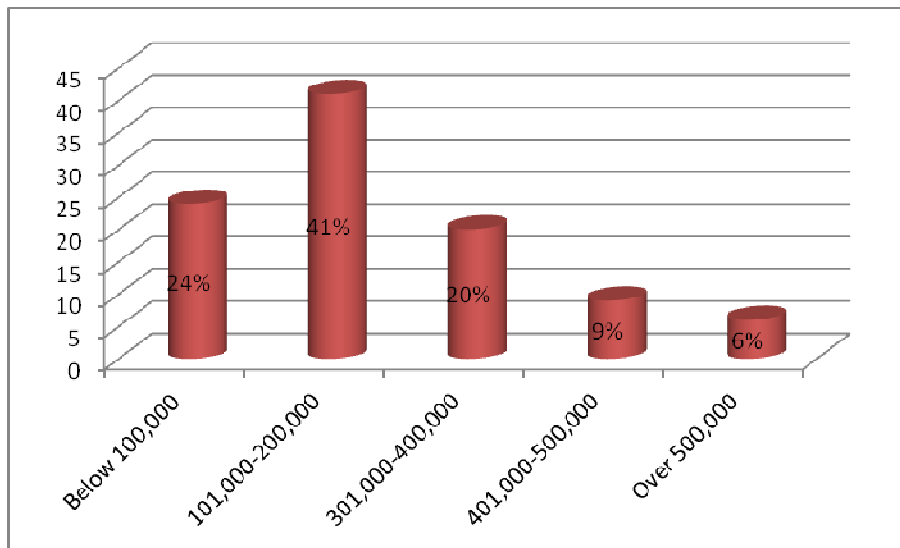
The findings on figure 4.7 show that 42% of the churches obtain above Kshs.500,000 from mission support while 28% obtain KShs.401,000-500,000 from mission support. The findings imply that most of the mainstream churches rely on mission support to fund their activities.

Figure 4.8: Investments



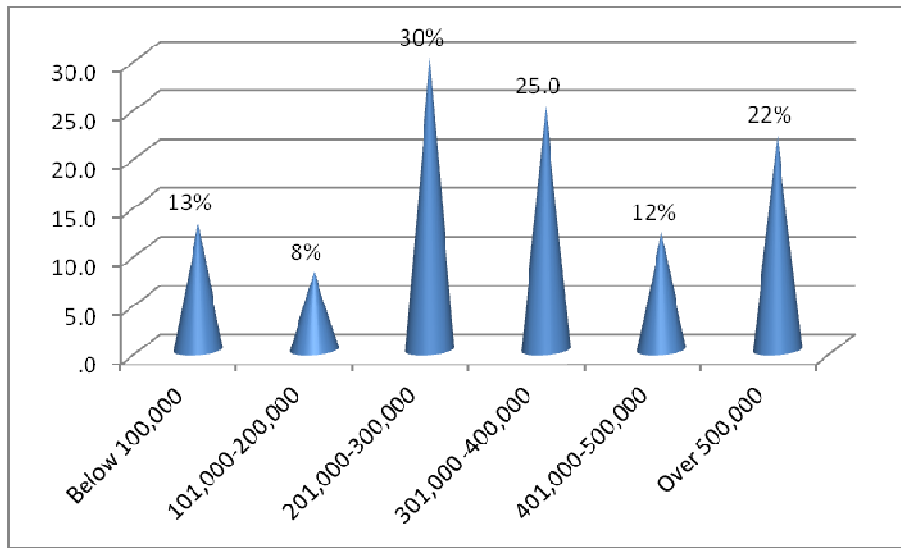
The findings on figure 4.8 reveal that 42% of the mainstream churches earn Kshs. 101,000-200,000 from investments, 32% earn Kshs. 301,000-400,000. Only 4% of the churches earn over Kshs. 500,000 from investments. The findings imply that the mainstream churches are not actively engaging in investments that can improve their financial levels.

Figure 4.9: Fundraisings



The researcher sought to determine the amount of money raised by the mainstream churches on monthly basis from fundraisings, from the findings on figure 4.9, a greater proportion of the churches (41%) raise Kshs. 101,000-200,000, 20% raise Kshs. 301,000-400,000, only 6% raise over Kshs. 500,000 from fundraisings. The findings imply that although churches as non-profit organizations rely so much on fundraisings as a major source of income, the income obtained from this source is negligible.

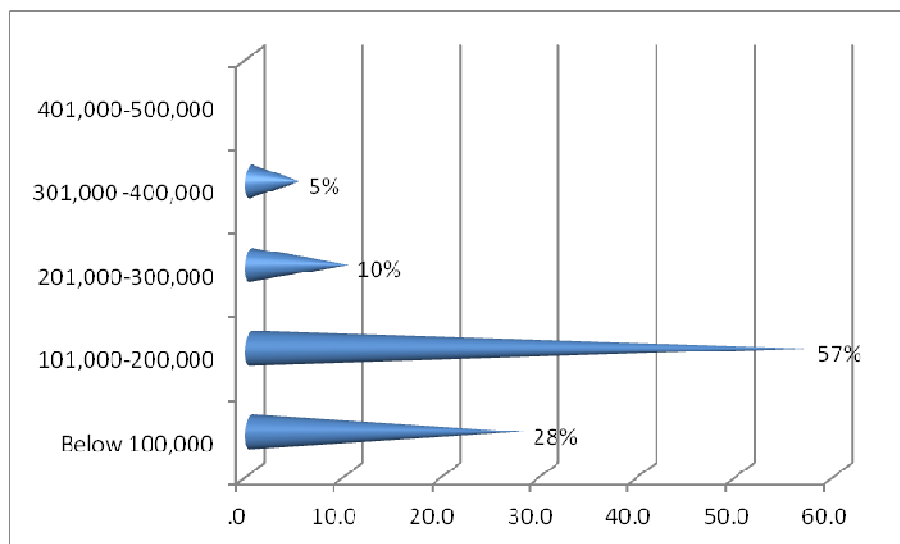
Figure 4.10: Rental/lease income



The researcher further sought to establish the rental/lease income obtained by the mainstream churches per month, from the findings on figure 4.10 a greater proportion of the churches (30%) earn Kshs.201,000-300,000 from rental/lease income in a month, 25% earn Kshs. 401,000-500,000 while 22% earn above Kshs.500,000.

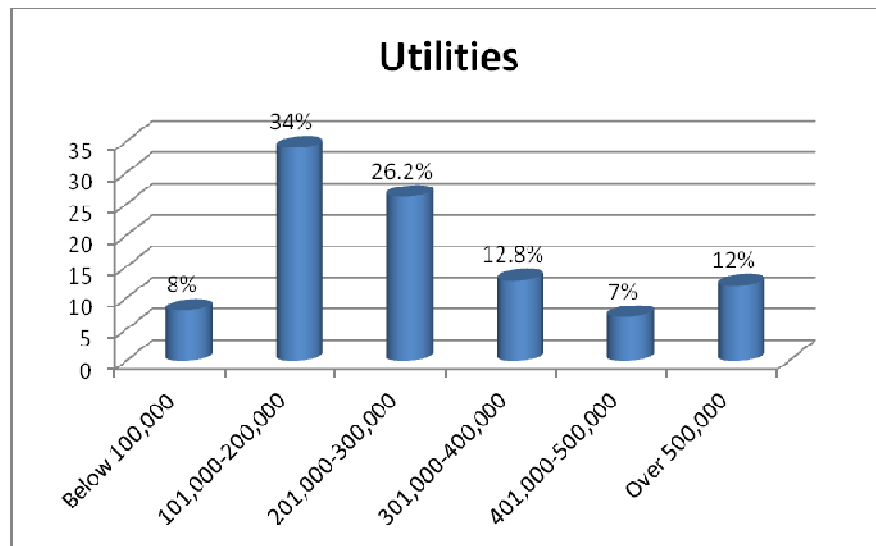
4.4 Main Expenses of the churches

Figure 4.11: Salaries



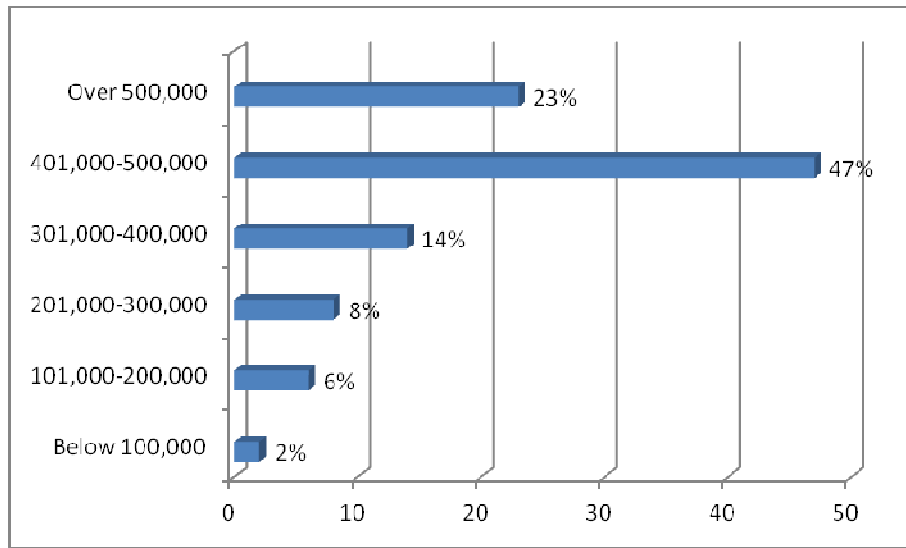
The findings on figure 4.11 reveal that a greater proportion (57%) of the mainstream churches spends an average of Kshs.101, 000-200,000 on salaries, 28% spend below Kshs. 100,000 while only 5% spend Kshs.301, 000-400,000 per month. The findings imply that the churches have made adequate measures to employ very few staff to save on costs.

Figure 4.12: Utilities



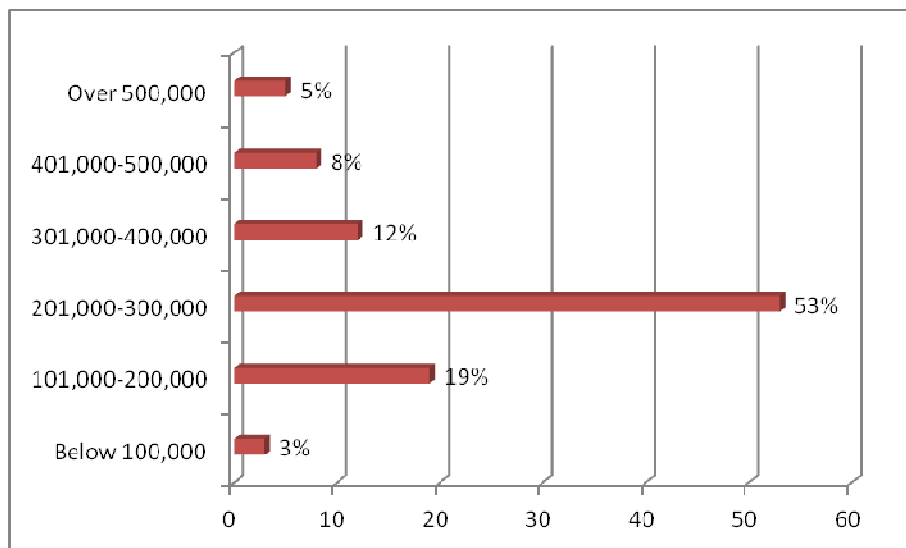
The findings on figure 4.12 show that 34% of the churches spend between Kshs. 101,000-200,000 per month on utilities, 26.2% spend Kshs.201,000-300,000.Only 12% of the churches spend over Kshs.500,000 on the same.

Figure 4.13: Ministries and support



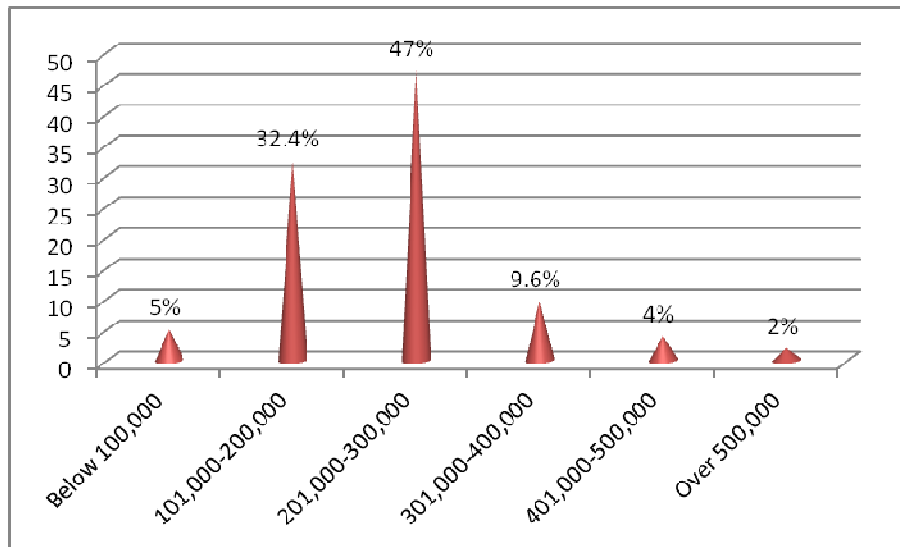
On ministries support, the findings on figure 4.13 reveal that 47% of the churches spend Kshs.401, 000-500,000 On ministries and support, 23% spend over Kshs.500, 000 while only 2% spend below Kshs.100, 000.

Figure 4.14: Maintenance



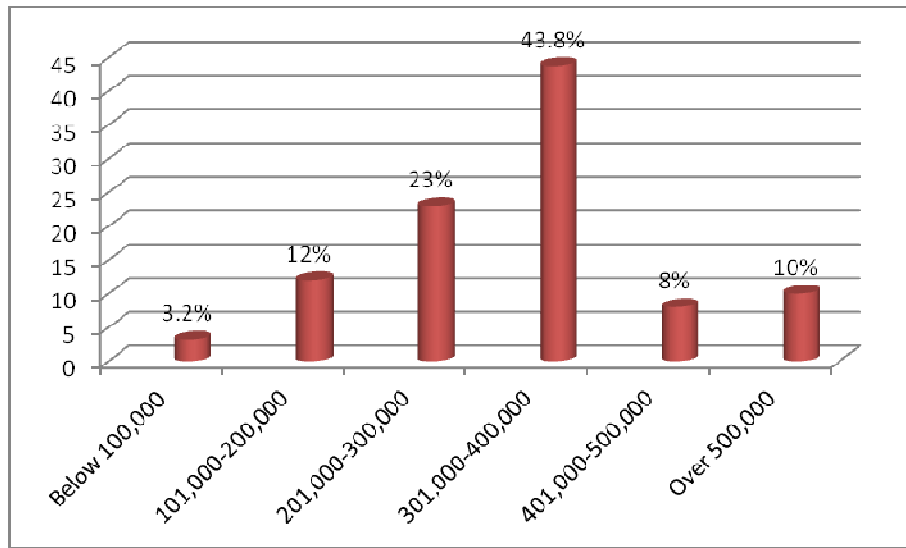
On maintenance, the findings presented on figure 4.14 reveal that 53% of the churches spent Kshs.201, 000-300,000, 19% spend Kshs.101,000-200,000 while only 5% spend above Kshs. 500,000 per month.

Figure 4.15: Property/liability insurance



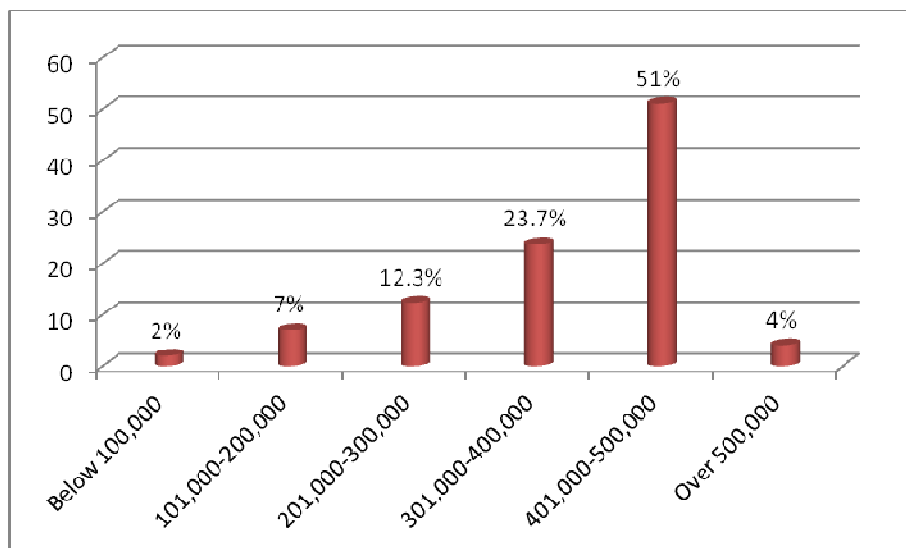
The researcher sought to establish the amount spent by the churches on insurance, from the findings on figure 4.15, 47% of the churches spend Kshs.201,000-300,000 per month, 32.4% spend Kshs. 101,000-200,000 while only 2% spend above Kshs. 500,000.

Figure 4.16: Domestic mission support/International mission support



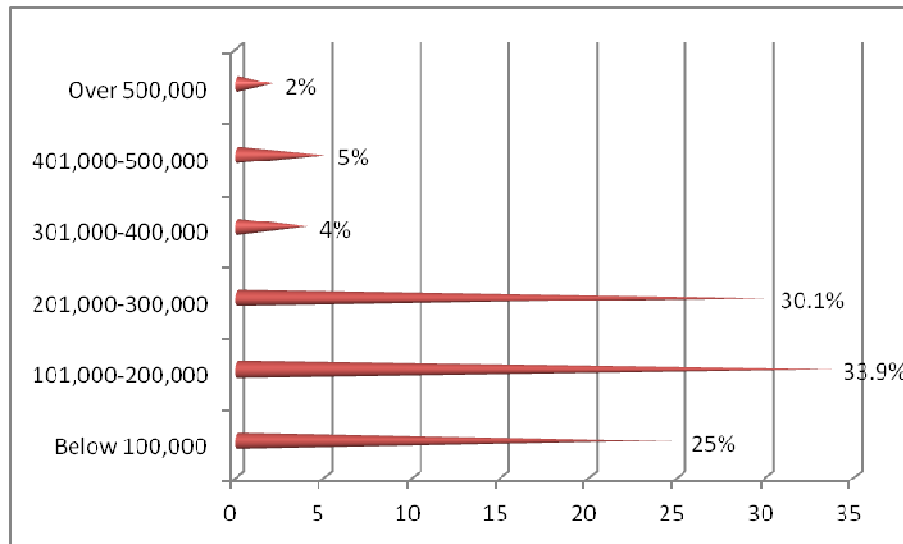
The findings on figure 4.16 show that 43.8% of the churches spend Kshs.301,000-400,000 on domestic mission support/International mission support, 23% spend Kshs.201,000-300,000 while 10% spend above Kshs. 500,000.

Figure 4.17: Office/administration and equipment/supplies



The findings on figure 4.17 reveals that a greater proportion of the churches (51%) spent Kshs. 401,000-500,000 on office/administration and equipment/supplies per month, 23.7% spend Kshs.301, 000-400,000 while only 4% spent above Kshs. 500,000.The findings imply that office/administration and equipment/supplies are major expenses of the mainstream churches.

Figure 4.18: Denominational contributions



The findings on figure 4.18 reveal that 33.95% of the churches spend Kshs.101,000-200,000 on denominational contributions, 30.1% spend Kshs. 201,000-300,000, only 2% spend above Kshs. 500,000 on denominational contributions. The findings imply that denominational contributions are not the major expenses incurred by the mainstream churches although they are recurrent.

Table 4.3: Budget Planning

Responsible person	F	%
Pastor/minister/priest	3	12.0
Elder/deacon/trustee/board member	8	32.0
Chairman/Treasurer/Secretary	12	48.0
Ministry leader/coordinator	2	8.0
Total	25	100.0

The findings on table 4.3 reveal that (48%) of the churches have given the budget planning responsibility to chairman/treasurer/secretary, 32% have given the responsibility to elder/deacon/trustee/board member, 12% to pastor/minister/priest while 8% to the ministry leader/coordinator. The findings imply that the budgetary planning of the churches are not done effectively since most of the people assigned the planning responsibility are not well trained in finance management.

Table 4.4: Budget monitoring

Responsible person	F	%
Pastor/minister/priest	9	36
Elder/deacon/trustee/board member	4	16
Chairman/Treasurer/Secretary	10	40
Ministry leader/coordinator	2	8
Total	25	100.0

The findings on table 4.4 shows that budgetary monitoring in 40% of the churches is done by the chairman/treasurer/secretary, in 36% of the churches, the budgetary monitoring is done by pastors/priests/ministers. The findings imply that the mainstream churches do not conduct the budgetary monitoring effectively as most of the officials assigned the duty are not conversant with financial management and accounting.

Table 4.5: Importance of budgeting

Importance	F	%
Predict the future of church growth	8	32
Means of measuring performance targets	6	24
Motivate worshipers to give more	2	8
Communication across the members and leaders in the church	5	20
Fulfil financial and economic goals of the church	4	16
Total	25	100.0

The researcher sought to establish the importance of budgeting the churches, from the findings, 32% of the respondents indicated that the budgeting help the churches predict the future of church growth, 24% cited that budgeting acts as a means of measuring performance targets while 20% responded that it helps in communication across the members and leaders in the church.

Table 4.6: Budgetary planning tools

Tools	F	%
Primary spread sheet	12	48
Packaged application	9	36
Homegrown application	4	16
Total	25	100.0

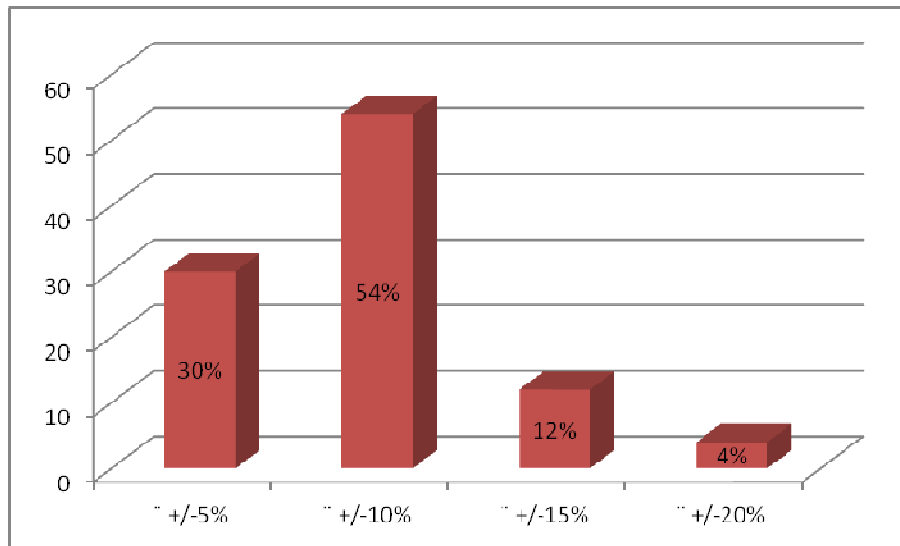
The findings on table 4.6 reveal that greater proportions (48%) of the churches use primary spread sheets for budgetary planning, 36% use packaged applications while 16% use homegrown applications. The findings imply that the churches are not using the modern ICT tool for effective budgetary planning.

Table 4.7: Budget measurement report

Measurement	F	%
Actual budget	11	44
Actual current forecast	8	32
Measure against forecast	4	16
Measure against actual	3	12
Total	25	100.0

The researcher sought to establish the regular budget measurement report, the findings on table 4.7 reveal that 44% of the churches use actual budget as the regular measurement report, 32% use actual current forecast while 16% use measure against forecast.

Figure 4.19: Acceptable tolerance limits for variances



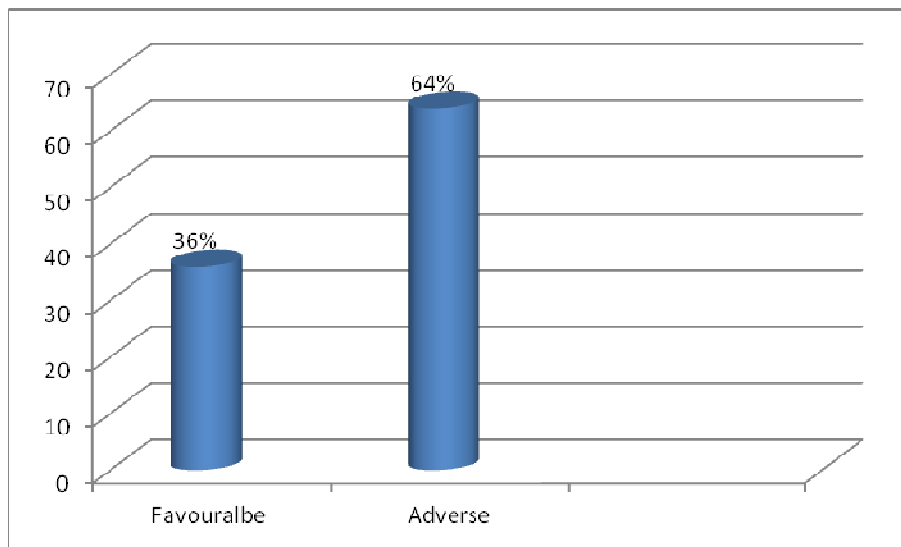
The researcher sought to establish the acceptable tolerance limits for variances, from the findings on figure 4.17, 54% of the churches take +/-10% as the tolerance limits while 12% take +/-15% as the tolerance limits. The findings imply that the churches budgetary controls are weak and this explain why a greater proportion of the churches have put tolerance limits of above +/-5%.

Table 4.8: Action taken for adverse budget variances

Action	F	%
No action	-	-
Budget adjustment	15	60
Compensation is affected	8	32
Budget manager is laid off	2	8
Total	31	100.0

Table 4.8 reveal that 60% of the churches conduct budget adjustment when there is an adverse budget variance, 32% do compensation while 8% lay off . the person responsible for budgeting. This implies that the churches have put up measures to respond to adverse variances.

Figure 4.20: Budget variance in the last financial year



The researcher further sought to determine the variance of the churches in the previous financial year, from the findings on figure 4.8, 64% of the churches reported adverse variances while 36% reported favourable variance. The findings imply that the churches do not conduct effective budgetary planning and control and this results to the adverse variances.

Table 4.9: Factors contributing to variance

Factors	F	%
Poor budget forecast	12	48
Inflation	9	36
Inexperienced budgeting personnel	4	16
Total	25	100.0

The researcher finally sought to determine the factors contributing to variances in the churches, the findings on table 4.9 reveal that 48% of the churches experience variances as a result of poor budget forecast, 36% as a result of inflationary trends while 16% experience variances as results of inexperienced budgeting personnel.

4.4 Relationship between budgetary process and budget variance in the mainstream churches

Table 4.10: Relationship between budgetary process and budget variance

Budgetary process	Budget Variance	
	Coefficient	<i>t</i> -value
Budget Planning	1.20	2.25
Budget measurement report	0.32	2.08
Budget monitoring	0.01	0.44
Actions taken for adverse budget variances	0.11	0.70
<i>F</i> -value	4.45	
Adj. R^2	0.45	

Notes: *p*-values reach 0.1, 0.05 and 0.01 two-tailed significant levels

Table 4.10 shows the relationship between the budgetary process and budget variance. The findings on the table reveal that budget planning, budget measurement report, budget monitoring and actions taken for adverse budget variances show positive and significant relationships with the budget variance. They are, respectively, at the significant levels of 0.01, 0.1, and 0.05. The explanatory (R^2) for budget variance is 0.45. The overall model reaches a significant level of 0.01.

These findings imply that effective budgetary process reduces adverse budget variances experienced by the mainstream churches. This is because the mainstream churches emphasizes on effective budgetary process and apply it to improve on good financial management. In consequence, emphasizing on good financial management as good budgetary process results to favourable budget variances in the mainstream churches.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion of the findings reported in chapter four, the conclusions of the study are drawn and recommendations made. The chapter also suggests areas for further research.

5.2 Summary of the findings

The findings of the study revealed that a greater proportion (49%) of the mainstream churches raise over Kshs. 500,000 from tithes and offerings within a month, 30% raise Kshs. 401-500,000 while only 4% obtain below Kshs.100, 000. The findings imply that the mainstream churches rely mostly on the tithes and offerings as their main sources of income. Out of the churches targeted for the study, 41% raise Kshs. 101,000-200,000, 20% raise Kshs. 301,000-400,000, only 6% raise over Kshs.500,000 from fundraisings. The findings imply that although churches as non-profit organizations rely so much on fundraisings as a major source of income, the income obtained from this source is negligible.

Forty two percent of the mainstream churches earn Kshs. 101,000-200,000 from investments, 32% earn Kshs. 301,000-400,000. Only 4% of the churches of the churches earn over Kshs. 500,000 from investments. The findings imply that the mainstream churches are not actively engaging in investments opportunities such as real estate investments, stock exchange among others that can improve their financial levels.

Among the targeted mainstream churches 54% take +/-10% as the tolerance limits while 12% take +/-15% as the tolerance limits. The findings imply that the churches budgetary controls are weak and this explain why a greater proportion of the churches have put tolerance limits of above +/-5%.

The findings further revealed that most of the churches reported adverse variances, 64% of the churches reported adverse variances while 36% reported favourable variance. The findings imply that the churches do not conduct effective budgetary planning and control and this results to the adverse variances.

5.3 Conclusions

Budgeting has been shown to provide a valuable linkage between the conception of the church's goals for the next year, and the resourcing of those goals. By encapsulating the goals within the church budget, financial targets were established which served a spiritual purpose, and the churches' progress in achieving those financial goals month by month was measured against set financial targets. Obviously there are dimensions of churches apart from financial ones, but in this case the financial dimension was a necessary part of the achievement of spiritual goals which required monetary resources if they were to be achieved.

The religious belief system of this church accommodated quite easily the adoption of accounting as a tool of its mission, to the extent that it was consistent with that mission and did not deflect it, i.e. did not take over the church's aims and agenda. There appeared to be no automatic assumption that money and accounting were somehow inconsistent with core religious beliefs, stewardship and the holistic nature

of beliefs being pivotal concepts. As a local faith community, the church demonstrated a high degree of conformity between the beliefs of clergy and church members. The absence of a “professionalized” accounting function in this local church, meant that church members (church wardens and parish councillors) had a high involvement in the budget process, in terms of specifying goals, performing accounting tasks, and evaluating budget performance.

In addition to this, because the mainstream churches were responsible for providing their own resources, and their ability to do this was linked to their belief systems and perceived to be spiritual in nature, resistance to financial management in principle was minimal. The budget was actually used as a surrogate for the spiritual goals of the church, to objectify, legitimate and justify certain actions, and to monitor the success and accountability of the church in achieving its stated goals. While in some church settings finance management may be merely tolerated as a necessary intrusion into “sacred” business, within a church whose focus is on a cohesive set of religious beliefs, a strong sense of mission and a commitment to holistic stewardship, it fulfills a far more dynamic and enabling role, actually contributing to the church’s survival.

The dynamics of finance management in the some branches of mainstream churches were vastly different from those at a diocesan or administrative level because of a breakdown in the institutionalized nature of the churches in the local faith community, an enhanced interaction between clergy and church members, and a closer connection with resource-providers.

5.4 Recommendations

Although budget targets are often achieved by managerial competence in organizations, they are also sometimes affected by uncontrollable factors. Sometimes, it is necessary to spend more on certain non-budgeted items (such as employee training and decoration) in order to increase staff morale and efficiency. Therefore, the unfavourable variances might not be seen to be harmful to the organization when managers are required to provide justifications. In fact, required explanation of budget variances is one of the important components in an organisational two-way communication system. Senior management should allow their subordinates more opportunities to explain the factors that have caused large variances.

Feedback concerning the degree to which budget goals have been achieved is a very important factor that should be considered by churches. Reports should be issued with sufficient frequency to facilitate adjustments to off-target operations. When members of an organisation do not know the results of their efforts, they have no indication of success or failure and no incentive for higher performance. Open discussion between superiors and subordinates should take place, so that explanations for any variances are understood by both parties. If a subordinate is to receive a negative evaluation as a consequence of unfavourable deviations from budget estimates, that evaluation should relate only to failures over which it was possible to exercise control.

Adequate rewards (both intrinsic and extrinsic) can be given to church officials or administrators who participate in budget setting, so that high motivation can be obtained. In addition, top management should give reasonable rewards to managers

when the budget has a certain level of difficulty. High job commitment and involvement will also decrease the managerial desire to create budgetary slack.

Superiors can create a harmonious atmosphere for the unit managers who participate in budget setting and achievement. They should work together towards goal attainment, and accept reasonable mistakes. A consultant-like approach can be used during the budgeting process.

Managers might attempt to relieve this tension by shifting responsibilities to other colleagues, or by creating budgetary slack. Studies have found that managers who aspire to promotion or better performance tend to filter the information that they communicate to their superiors. They tend to communicate only information that serves to fulfil their aspirations. They might also change or withhold information that reflects unfavourably on their performance.

5.5 Limitations

All measures used in this study, including managerial levels, are self-reported and may be based on self-perception of the respondents. As such, they may not reflect formal participation in or influence over budget settings by the respondents. The sample selected was small since only the main stream churches in Nairobi were targeted for the study, and consequently the results might not be generalizable to all mainstream churches in other regions of Kenya. During the study some respondents could not divulge some information on church finances as they considered the information confidential, this hindered the researcher's efforts to obtain some vital information for the study. The study only focused on the mainstream churches in

Kenya leaving the evangelical churches, the findings of the study therefore cannot be generalized to all churches in Kenya. In addition, some self-selection bias might be present: church pastors who enrol in executive development programs could differ from other pastors in understanding budgetary control processes and financial management.

5.6 Suggestions for future research

Future research should focus on the causes of budget variances in church organizations. Secondly, a thorough evaluation on the budgetary planning and control processes in the church should be examined to establish the effectiveness of budgeting in churches. A study should be done to establish the financial management skills possessed by the clergy who are responsible for budget monitoring in the mainstream churches. This study only focused on budgetary processes and budget variance in mainstream churches in Kenya, future study should include the evangelical churches in Kenya to establish conclusive findings on budget processes and budget variance. Finally a study should be done to establish the similarities and differences in the budgetary control practices in churches and profit oriented organizations.

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APPENDICES

Appendix I: Introduction Letter

Joseph M. Rukioya

P.O. Box 30197,

Nairobi

Dear Sir/Madam,

RE: PARTICIPATION IN RESEARCH

I, being a student of the University of Nairobi, kindly request for your participation in a research I intend to carry out. The research is on ‘the relationship between budgetary process and budgetary variance in the main stream churches in Kenya.’

As a major stakeholder in the church you have been selected for the study. I therefore kindly request you to spare some of your time to complete the questionnaire included therein.

Please be assured of high confidentiality on any information you will provide.

Your cooperation will be highly appreciated.

Yours faithfully,

Joseph M. Rukioya

D61/60077/2010

Appendix II: Questionnaire Form

This study examines budgetary compliance in Kenyan churches by examining the mainstream churches. This study will contribute towards improvement in financial management and national development through setting up of more church projects in Kenya. Therefore, help to fill the gap between theory and practice as applied in management of church finances.

The findings from this study will provide a source of information to the public who would like to know more about budgetary adherence in churches. This is an academic exercise and all information collected from respondents will be treated with strict confidentiality.

SECTION A: Background Information

1. Name of the church?.....
2. Type of the church?
 - Roman Catholic Church
 - Seventh Day Adventist
 - Presbyterian Church of East Africa
 - Methodist Church in Kenya
 - Anglican Church of Kenya
 - Other (specify)_____
3. For how long has the church existed?
 - 1-5 years 6-10 years 11-15 years Over 16 years

4. How many worshipers attend your services?
- Less than 1000 1001-2000 2001-3000 Over 3000
- Other (specify)_____
5. Does your church have employees?
- Yes No
6. If Yes, how many employees does the church have?
7. Below 15 16-30 31-45 years Over 45

SECTION B: Church Income and Expenses

8. What is your church main source of income?
- Tithe and offering
- Missions support
- Investments
- Fund raising/Special campaigns
- Rental or lease income
- Other (specify)_____
9. What is your total income estimate per source of income per month?
- Tithe and offering (Kshs)
- Below 100,000 101,000-200,000
- 201,000-300,000 301,000 -400,000
- 401,000-500,000 Over 500,000
- Missions support (Kshs)
- Below 100,000 101,000-200,000
- 201,000-300,000 301,000 -400,000
- 401,000-500,000 Over 500,000
- Investments (Kshs)

Below 100,000 101,000-200,000

201,000-300,000 301,000 -400,000

401,000-500,000 Over 500,000

Fund raising/Special campaigns (Kshs)

Below 100,000 101,000-200,000

201,000-300,000 301,000 -400,000

401,000-500,000 Over 500,000

Rental or lease income (Kshs)

Below 100,000 101,000-200,000

201,000-300,000 301,000 -400,000

401,000-500,000 Over 500,000

Other sources of income (specify)_____ (Kshs)

10. What is your estimate per expense per month?

Salaries/wages (including base salary, benefits and reimbursements) (Kshs)

Below 100,000 101,000-200,000

201,000-300,000 301,000 -400,000

401,000-500,000 Over 500,000

Building (mortgage, rent, lease) (Kshs)

Below 100,000 101,000-200,000

201,000-300,000 301,000 -400,000

401,000-500,000 Over 500,000

Utilities (water, electric, heat, phone service, Internet security services) (Kshs)

Below 100,000 101,000-200,000

201,000-300,000 301,000 -400,000

401,000-500,000 Over 500,000

Ministries & support (Kshs)

- Below 100,000 101,000-200,000
 201,000-300,000 301,000 -400,000
 401,000-500,000 Over 500,000

Maintenance/cleaning (building & grounds) (Kshs)

- Below 100,000 101,000-200,000
 201,000-300,000 301,000 -400,000
 401,000-500,000 Over 500,000

Property/liability insurance (Kshs)

- Below 100,000 101,000-200,000
 201,000-300,000 301,000 -400,000
 401,000-500,000 Over 500,000

Domestic mission support/International mission support (Kshs)

- Below 100,000 101,000-200,000
 201,000-300,000 301,000 -400,000
 401,000-500,000 Over 500,000

Office/administration and equipment/supplies (Kshs)

- Below 100,000 101,000-200,000
 201,000-300,000 301,000 -400,000
 401,000-500,000 Over 500,000

Denominational contributions/fees (Kshs)

- Below 100,000 101,000-200,000
 201,000-300,000 301,000 -400,000
 401,000-500,000 Over 500,000

Other(specify)_____ (Kshs)

SECTION C: CHURCH BUDGETARY CONTROL AND VARIANCE

11. Do you make a church budget?

- Yes No

12. If Yes, what are the importance of budgeting?

- Predict the future of church growth
- Means of measuring performance targets
- Motivate worshipers to give more
- Communication across the members and leaders in the church
- Fulfil financial and economic goals of the church

13. Who plans for the church budget?

- Pastor/minister/priest/clergy
- Elder/deacon/trustee/board member
- Chairman/Treasurer/Secretary
- Ministry leader/coordinator
- Other(specify)_____

14. Who monitors the church budget?

- Pastor/minister/priest/clergy
- Elder/deacon/trustee/board member
- Chairman/Treasurer/Secretary
- Ministry leader/coordinator
- Other(specify)_____

15. Are members involved?

- Yes
- No

16. What are the budgetary planning tools used by the church?
- Primary spread sheet
 - Packaged application
 - Homegrown application
17. What is the regular budget measurement report?
- Actual budget
 - Actual current forecast
 - Measure against forecast
 - Measure against last year
18. What are the acceptable tolerance limits for variances in your church?
- +/-5%
 - +/-10%
 - +/-15%
 - +/-20%
19. What are the actions taken by the church for exceeding variance tolerance limits?
- No action
 - Budget adjustment
 - Compensation is affected
 - Budget manager is laid off
20. What was the budget variance for the last financial year?
- Favorable
 - Adverse
21. What usually contribute to budget variances in the church?
- Poor budget forecast
 - General inflationary trends
 - Inexperienced budgeting personnel

Appendix III: List of Churches in Kenya

1. African Brotherhood Church
2. African Christian Churches
3. African Church of Holy Spirit
4. African Independent Pentecostal Church of Africa
5. African Interior Church
6. Africa Inland Church
7. African Ninever Church
8. Anglican Church of Kenya
9. Baptist Church
10. Catholic Church
11. Church of Africa Sinai Mission
12. Coptic Orthodox Church
13. Episcopal Church of Africa
14. Evangelical Lutheran Church of Kenya
15. Friends Church in Kenya
16. Kenya Assemblies of God
17. Kenya Evangelical Lutheran Church
18. Kenya Mennonite Church
19. Lyahuka Church of East Africa
20. Maranatha Faith Assemblies
21. Methodist Church in Kenya
22. National Independent Church of Africa
23. Overcoming Faith Centre Church of Kenya
24. Pentecostal Evangelistic Fellowship of Africa

25. Presbyterian Church of East Africa
26. Reformed Church of East Africa
27. Salvation Army
28. Seventh Day Adventist Church.
29. Scriptural Holiness Mission
30. Zion Harvest Mission

(Source: National Council of Churches of Kenya, 2012)