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The Role of Budgetary Control on the Performance of NGO's in Mombasa County

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ABSTRACT

Most NGO's in Kenya have shifted focus to budgetary control as a way of enhancing effectiveness in their services. Recognizing the role of budget and budgetary control has gained attention which has led some organizations to establish departments for implementation. The aim of this study was to investigate the role of budgetary control on the performance of NGO's in Mombasa County. Specifically the study looked into the following objectives: effect of budget planning on the performance of Non-Governmental Organizations; effect of budget supervision on performance of Non-Governmental Organizations; effect of participative budgeting on performance of Non-Governmental Organizations; and effect of funds availability on performance of Non-Governmental Organizations. Chapter two gives theoretical review of the study by discussing capital budgeting theory, budgetary control theory and budget forecasting theoryand a conceptual study is introduced to inform and guide the study. Literature review and empirical review are also conducted. Chapter three discusses the study research methodology where descriptive survey study research design will be used. This study examined the role of budgetary control on the performance of Non-Governmental Organizations in Mombasa County. The research target population consisted of 115 Non-Governmental Organizations. Fifty two Non-Governmental Organizations were selected using stratified random sampling technique, both local and international organizations with operations in Mombasa County. A descriptive survey (questionnaires) was used in the data collection. The statistical package for social sciences version 21.0 was used to analyze the data using descriptive statistics, including means and standard deviation. The relationship between budgetary controls and performance of the NGOs was analyzed using correlation and regression analysis. The research findings established that there is a positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 0.776. Thus this study recommends other studies be undertaken that take into account other factors like the employee characteristics, NGO turnover and age of the organization on performance. It also recommends that a study should be carried out that underscores the contribution of these factors on financial performance since the current study limited to non-financial performance indicators only.

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Introduction

A budget tells where and how the organization 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 (Hill& Paul,2013).Majority of firms use budget control as the prime means of corporate internal controls, it provides an all-inclusive management podium for efficient and effective allocation of resources. Financial controls enable the management team to make plans for the future through implementing those plans and monitoring activities to see whether they conform to the plan, effective implementation of budgetary control is an important guarantee for the effective implementation of budget in the organization (Carr, 2010).

Budgetary control is the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it is on track or the spending patterns need adjustment to stay on track. This process is necessary to control spending and meet various financial goals. Organizations rely heavily on budgetary control to manage their spending activities, and this technique is also used by the public and the private sector as well as private individuals, such as heads of household who want to make sure they live within their means (Dunk, 2011).Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future (Epstein and McFarlan,2011). Management department uses both department services to estimate the expenditures and revenue of business under the normal conditions of business (Suberu, 2010).On the international front the numbers of NGOs with consultative status at the United Nations (UN) were limited in 1945 but the number increased to 33,289 in September 2015 (UNDESA, 2015)

The World Bank reports that projects with some degree of civil society' involvement increased from six percent in the late 1980s to over 90 percent in 2012 (Werker & Ahmed, 2014).

NGOs all over the world render welfare services and help in all such sectors of society, which aim to improve the life of the people in the community. NGOs can perform a major role because of having features for the promotion of micro- level development (Nzimakwe, 2014). NGOs are often seen as more trustworthy and credible than governments or private firms (Todaro, 2011). NGOs also provide public goods to sections of the population that might be socially excluded. A study conducted by Fade and Shades (2013) in Denmark focusing on challenges confronting budget process in multinational NGOS found that budgeting among this international NGOS faced challenges by the most board members not taking ownership or not being accountable, there being a lack of cooperation and/or participation and a lack of understanding of the budgeting process or what's required. This was compounded by the inability to meet, deadlines, padding their budgets/providing unrealistic numbers and sheer ignorance of the importance of budgeting by the business owners. In most African countries the local NGOs play a huge role by bringing the much needed services to the communities in which they operate (Hans, 2013). Helen *et al.*,(2015) identified the strengths of the local NGOs as being flexible as opposed to government bureaucrats to respond to community needs and priorities.

Diamond & Khemani (2011) studied accounting systems among NGOs in the developing countries, focusing on Africa deduced that budget execution and accounting processes were either manual or supported by very old and inadequately maintained software applications and hardware. He found that this had damaging effects on their functioning due to the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting negatively impacting budget management. Further, Diamond & Khemani (2011) study found that there was poorly controlled commitment of resources. This meant that the nature of the computerization of accounting affected the budgeting process. In Kenya NGOs mushroomed in the 1970s and 1980s,they mushroomed to: Intervene in emergencies resulting from drought, mitigate effects of famine and provide alternative development delivery machinery owing to the apparent failure of direct bilateral or multilateral aid programs. The latter was particularly strong owing to government bureaucracy and apparent corrupt practices, privatization and trimming of the public sector in roles, functions; manpower and resources that followed at the instigation of the World Bank and international monetary fund accelerated the pace at which NGOs came up (Muleri, 2011).

Today NGOs plays crucial roles in three major fields; Emergency mitigation for example, Nairobi Bomb Blast, Tana river clashes victims, post-election chaos, Natural disasters like floods, HIV/AIDs pandemic ,rehabilitation of street children, care for refugees and famine; Development facilitation like promote agriculture, health, religion, security, environment, education, water and sanitation and natural resource management and democracy through civic education ,promotion of human rights and advocacy (Muleri, 2011). According to a report by Kenya NGO co-ordination Board (2014), the last decade has witnessed substantial growth in the number of organizations registered under the NGOs Co-ordination Act of 1990 in Kenya. The sector recorded significant growth between 2001 and 2007 which could be attributed to the impact of globalization and the opening up of democratic space in Kenya. Since 2001, the sector has been growing at the rate of 400 organizations per year. By August 2013, the Board had cumulatively registered 9,743 organizations. The current statistics by the NGO Bureau as at June 2016 stands at 11,127 Organizations. These organizations are spread all over the country and vary from small organizations operating locally, to international ones with regional programs (Kenya NGO co-ordination Board, 2014).

Copious previous studies have examined the various aspects of budgets and its effectiveness on organizational performance; some researchers have concluded that there is generally a positive relationship while others contradict this view. For example, Brownell (2010) 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 organizational effectiveness and budgetary participation although Otley & Pollanen (2010) reveal that budgetary participation, control and task ambiguity directly affect organizational effectiveness negatively. This study therefore anticipates further examination of the relationship between budgetary controls and the organizational performance with special references to the NGOs in Kenya Mombasa Country.

NGO's are increasingly being held to account for their performance and uses of funds .Indeed the funding they obtain is more likely based on having sufficient competencies to use the funds in the best possible way. Sounds like a business but NGO's are not businesses you might say, and they usually have a non-profit objective. This study tends to discover the effects of budgetary controls on the performance of NGO's in Kenya. On the global front studies have been done in relation to budgetary control globally: Carolyn, *et al.*, (2014) 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. Epstein and McFarlan (2011) carried out a study in Denmark on measuring efficiency and effectiveness of a nonprofit's performance, it was found that budgetary control was one of the important tools in achieving efficiency of in nonprofit making organizations. The results of the study revealed that effective budgetary control improves performance of local authorities. Many previous studies have been done on budgeting practices locally. Mwaura (2010) concluded that budgetary participation affects return on capital employed, return on assets to a great extent. Omwenga (2010) investigated on budgetary control in NGOs in Kenya and concluded that budgetary practices in relief organization are different from developmental Organizations due to different donor funding and reporting requirements, but his study was specific as it dwelt on one Organization.

Kiragu (2010) in her study on budget practices in private/mission hospitals in Nairobi and its Environment suggests that further studies should be done on relationship between budgeting and performance evaluation. Gacheru (2012) in her study of the effects of the budgeting process on budget variance in NGOs in Kenya found out that budget preparation, budgetary control and budget implementation significantly influence budget variance. Most NGO's in Kenya have shifted focus to budgetary control as a way of enhancing effectiveness in their services. Recognizing the role of budget and budgetary control has gained attention which has led some organizations to establish departments for implementation. This has attributed budget monitoring and project implementation committees as an integral part of the administrations to most nongovernmental organizations in Kenya (NGO's, 2013).Minimal research has been done here in Kenya on Budgetary controls and its effectiveness on NGOs and Unlike the previous researchers there still exist a gap on the effectiveness of budgeting controls on NGO performance and this research will undertake to further the scope of research in the area of budgetary controls and its effectiveness on organizations with specific reference on Non-Governmental Organizations in Mombasa County.

Objectives of the Study

i. To determine the role of budget planning on the performance of Non-Governmental Organizations in Mombasa County;
ii. To establish the role of budget supervision on performance of Non-Governmental Organizations in Mombasa County;
iii. To analyze the role of participative budgeting on performance of Non-Governmental Organizations in Mombasa County; and
iv. To evaluate the role of funds availability on performance of Non-Governmental Organizations in Mombasa County.

Related Literature

Theoretical Review

A theory is a systematic explanation of the relationship among phenomena that provide a generalized explanation to an occurrence (Kombo &Tromp, 2010, Smyth, 2010). This study will be guided by capital budgeting theory, budgetary control theory and budget forecasting theory.

Capital budgeting theory

The Capital budgeting theory outlined that budgeting is the process of identifying and selecting investments in long-lived assets, or assets expected to produce benefits for more than one year (Fabbozi, 2002). The theory makes it clear that budgeting is an ongoing process which comprises of five stages; Investment screening and selection where project identified are consistent with the corporate strategy identified by management of the firm or project and where they are evaluated and screened by estimating how they affect the future benefits or cash flows of the firm. Fabbozi, (2002) further indicates that the second stage is the capital budgets proposal where the proposal starts as an estimate of expected revenues and cost but as the project analysis is refined the cost becomes clear. This is followed by the budgeting approval and authorization which mainly allows for further fact gathering and analysis and approval allows for expenditures for the project. The fourth stage is the project tracking where the manager reports periodically on its expenditures as well as on any revenues associated with it. The final stage as per the Capital budgeting theory is the post completion audit where the aim is to show how the benefits realized are in line with the original plan. (Fabbozi, 2002).

In support of the Capital budgeting theory Dannilo principal stages of the budgeting process include; communicating the details of objectives and strategy to those responsible for preparation of budgets, communicating the details of budget preparation procedures to those responsible for preparation of budgets, determining the limiting factor which restricts overall budget flexibility and forms the focus of the budget cascades, preparation initial budgets, negotiating budgets with line managers, coordinating and review budgets, accepting budgets in final form and finally carrying out on-going review of budgets. Budgets are financial blueprints that quantify a firm's plans for a future period. Budgets require management to specify expected sales cash inflows and outflows, and costs; and they provide a mechanism for effective planning and control in organizations (Dannilo, 2002). The budget is a standard against which the actual performance can be compared and measured. To ensure effective financial management and to avoid uncertainty or waste of financial resources, budgets and budgeting become vital. Fang (2012) pointed out that a budget is a formalized way of preparing a statement of all accounts and an allocation of all available financial resources. In other words, a budget can be described as a policy on which expenditures and income are based. Proponents of budgeting argue that budgets have several important roles. Neely et al (2003), for instance, argue that budgets help to allocate resources, coordinate operations and provide a means for performance Measurement.

Budgetary Control Theory

According to this theory, a good budgetary control system must be able to address the efficiency and effectiveness of the organization's expenditure. A good budget is determined by the level of income of the organization (Robinson, 2009). Sawhill &Williamson (2001) argue that budgets can be used an indicator of the performance of the ruling government. Horvath (2009) argues that the accounting methods that fail to meet the standard should be rejected. Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation. The money measurement concept in accounting has contributed to a greater extent in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath and Seiter, 2009).

Theory in accounting guide in the selection of principles and roles to be applied in particular circumstance. The accounting theory in budget control has come up with different models of analysis for example cost volume profit analysis and standard costing which serve as a standard setting in budgeting. Theory has an important normative role in the evaluation of budget and control procedures to be adopted. Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances. Horngren (2002) argues that accounting theory view a firm as a separate entity in which its activities are distinct from its owners. These principles serve as an impetus to the general philosophy of budget itself as a tool for effective management (Horngren, Forster & Dater, 2007).It is essential for the organization to understand its budgeting system and give priority to urgent matters that require attention to its control tools. In order to find out the relationship between the budgeting system and the organizational performance, it is important for the firm to determine the patterns of the expenditure of the organization and its performance (Phyrr, 2010).

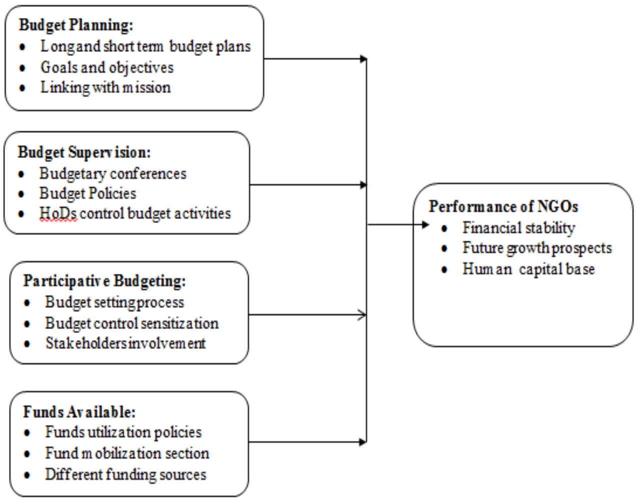
Budget Forecasting Theory

Forecasting is an essential part of budgeting process .It has been said with considerable truth that the budgeting process is more of forecasting skill than anything else. To establish realistic budgets it is important to forecast a wide range of factors. It is not sufficient to add a percentage on to last year's budget and hope that this will produce realistic result (Lucey, 2002). There is a wide range of forecasting techniques ranging from simple linear regression using least squares, time series analysis, exponential smoothing systems and multiple regression analysis methods and specialized mathematical models e.g. Box Jenkins. Numerous surveys have shown that so-called naive forecasting (where the next period is assumed to be the same as the current one) frequently produces better forecast than those prepared by experts (Horngren, *et al.* 2012).

The line item approach was viewed as simple and easy to understand though advocates of recently developed budgetary techniques, like planning programming Budgeting system (PPBS) program, Zero Based Budgeting (ZBB) and Activity Based Budgeting (ABB) have been extremely critical of it. This is so because the budget is a financial and quantitative document of the policy to be pursued; it is easy to be critical of traditional line budget (Suberu, 2010). Horngren proposes that PPBS as a system that establishes overall objectives, programs to achieve them, costs and benefits of each Programme and use this to allocate resources. ZBB which was introduced by Phyrr in the US in early 1970s and guided wide acceptance since its simple idea based on common sense. Lucey (2002) says that it is a cost benefit approach whereby it is assumed that the cost allowance for an item is Zero and remains so until manager responsible justifies the existence of cost and benefit of the expenditure. Lucey (2013) described ABB as a planning and control system which seeks to support continuous improvement. It is a development of conventional budgeting and is based on Activity analysis technique.

Conceptual Framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Kombo &Tromp, 2011). It forms part of the agenda for negotiation to be scrutinized, tested, reviewed and reformed as a result of investigation and it explains the possible connections between the variables (Smyth, 2010). A conceptual framework for this study shows the relationship of budgetary control on performance of NGOs in Kenya and has been depicted in the figure below.



(Independent variables) (Dependent variable)

Figure 2.1. Conceptual Framework.

Budget Planning

Planning as part of the Budgeting system involves a long range planning, strategic planning and short term planning .Further, he emphasizes that short term budgeting must accept the environment of today, and the physical human and financial resources at present available to the organization (Sizer, 2010). Sound planning mentions priorities and the planning control cycle. Since there are so many activities to be performed, it's imperative that they are listed in order of preference. Budgets are put in place in advance of the budget periods based on anticipated set of circumstances or environment. The major decisions are made as part of the long term planning process (Selznick, 1988). Benefits of budgeting accrue to the whole organization if both the short and long term consequences of the budgets are considered (Otley, 2011). However, the annual budgeting process leads to the refinement of those plans, since managers must produce detailed plans for the implementation of the long range plans. Without the annual budgeting process, the pressures of day-to-day operating problems may tempt managers not to plan for future operations (Scott, 2012).

Bartle (2014) indicates that budget planning today provide a focus for the organization, aid in the coordination of activities and facilitates control. Through budgeting, at both management level and operation level looks at the future and lays down what has to be achieved. Control checks whether the plans are being realized and put into effect corrective measures. , it also examines where deviation or short-fall is occurring (Bartle, 2014). Bartle emphasized that without effective controls, an enterprise was at the mercy of internal and external forces who can disrupt its efficiency, and be unaware; such enterprise will not be able to combat such forces. When budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or to even provide a basis for policy revision.

Budgetary Supervision

According to Drury (2011), budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages: Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day. Monitoring actual revenue or cost data this is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers. This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action. Briston (2013) says that financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability. He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work Programme.

Comparison is made between plans and actual performance, the difference between the two is reported to management for corrective action to be taken. This control process is not possible without planning (Lewis, 1996).By means of budgetary control that is, comparing actual results with planned results and reporting on the variations, a control frame is set for management.

It helps expenditure to be kept within the planned limits (Alesina & Perotti, 2013). Carr (2010) argues that in order to achieve the expected output results, monitoring and evaluation is necessary. Monitoring and evaluation maintains stability under many competing forces, hence important to lower local government effectiveness (Hokal& Shaw, 2011). However, Hokal &Shaw (2011) continue to note that monitoring and evaluation requires only raw data to test and examine performance which is time consuming yet contributes little to Performance. An effective control system helps accomplish the purpose for which it is designed. Effective control systems rely on good information, are well communicated, well-coordinated, timely and economical to the organization (Arora, 2010).

Participative Budgeting

Many researchers have had considerable interest in participative Budgeting though they have conflicting findings. Cherington & Cherington (2013) reported negative relationship between budget participation and performance. Merchant & Brownell (2013) reported positive relationship .Shields& Young (1993) found that participative budgeting is used more frequently when low level managers have more knowledge than central management and also when the remuneration is linked to the budget performance. Mufti &Lyne (2011) found that the degree of participation in budgeting increases acceptance and motivation as well as it makes the budgeted to a greater extent feel responsible for the organizational goals.

Participation assures full co-operation and commitment for making budgets successful. Participation also makes budgets realistic and workable (Simiyu, 2012). To ensure that the process of implementing the budget is successful, the management and the employees should work together to ensure that the interests of all stakeholders are fully represented when making key decisions involving budgetary allocations in key projects.All individuals responsible for achieving results should be consulted in the formulation of budgets. No system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organization should communicate the outcome of budget decisions to all the relevant staff. Budgets have an important part to play in the communication of objectives, targets and responsibilities throughout the organization. Carried out properly, this can have considerable benefits in promoting co-operation at all levels (Callahan& Waymire, 2011).The organization should ensure every one participating in the budget process is well equipped with knowledgeable and skilled stakeholders who are well conversant with budgetary control measures to effectively implement the budgetary control processes and allocation .Participatory human team capital play an integral role in the process of planning, monitoring control and evaluation processes of budget implementation this highly contributes to monitoring budget expenditures and accountability in the use of the budget leading to positive performance of an organization(Silva & Jayamaha, 2012).

Funds Availability

Adequate availability of financial resources is one of the determinants of effectiveness. To achieve an effective budget, the organization must ensure that it has adequate access to financial resources in order to finance its projects and to carry out its activities. The management team should plan and come up with a budget before implementing projects (Dunk, 2011).

The organization must allocate adequate financial resources and other structures that facilitate effective implementation of projects and other organizational for example adequate allocation for funds to facilitate effective budget implementation. These resources should be both financial and physical resources (Hancock, 2010).Kabiru, Dandago & Adah (2013) conducted a study to determine the relevance of funding models for organizations within the context of Nigeria. The study intended to review and analyze literature to find out what constitutes efficient standard and guidelines in funding requirements in most organizations with a view to disclosing realistic variance for management cost control and based on the review and analysis to assess the extent to which costs variance analysis can adequately be useful in developing funding model for donor projects to ensure there are unqualified funding budgets for programs.

Aruomoaghe & Agbo (2013) investigated the application of a variance analysis as a tool for developing appropriate funding programs with a particular focus on the cost and benefit associated with its utilization the donor funds. The objectives of the study were to ensure that the departmental managers don't deviate from the budgeted standards and guidelines by the donor put in place in the organization as whole, to ensure that the objectives of the organization and the donors' interest are achieved through the budgetary techniques and the funding model. The researchers found out that it is reasonable for managers to exercise caution in the use of variance analysis so that the correct decisions will be made in securing future funds for the organization and hence optimal utilization. Also, managers should exercise considerable care in their use of a standard / guidelines given in creation of funding pool by donors and therefore realize the goals and objectives of an organization.

Performance Measure

According to Horvath & Seither (2010), performance measurement is the process of quantifying the efficiency and effectiveness of an action, an umbrella concept that integrates familiar business improvement methodologies with technology. Performance measurement encompasses the complete management planning and control cycle. Performance measures for an NGO could be both financial and Non-financial measures. Such an integrated view in an NGO (right from resource generation unit to program management unit) is highly recommended (Epstein & McFarlan, 2011). Amaratunga (2011) described performance measurement as a process of assessing progress towards achieving pre-determined goals including information on the efficiency with which resources are transformed into goals and services, the quality of those outputs and outcomes, and the effectiveness of the organizational operations in terms of their specific contributions to organizational objectives.

Budgetary Control and Performance

Horngern (2012) defines a budget as a set of interlinked plans that quantitatively describe an entity's projected future operations. An earlier definition by Yang (2010) views a budget as a management tool concerned with the planning and management of the firm's financial needs, concerning the alternative sources of and costs of finance. Relying on certain standards and General Accepted Accounting Principles (GAAP), the accountant of an organization develops and reports data that measures financial performance of a firm and that assess its financial position in compliance with and filed reports needed by interested parties (Yang, 2010). A budget is an economic tool for facilitating and realizing the vision of an organization in a given fiscal year, and if a budget is to serve as an effective tool, proper linkages and management of all the stages of budgeting is necessary. Apparently public-sector' budgets have same characteristics as private-sector budgets. (Olomola, 2010).

As Horngern (2010) &Covaleski *et al.*, (2015) & Ahrens & Chapman (2016)& Yang (2010) have argued that if administered wisely budgeting drives management planning, provides best framework for judging financial performance. Diamond and Khemani (2015) studied accounting systems among businesses in the developing countries, focusing on Africa deduced that budget execution and accounting processes were either manual or supported by very old and inadequately maintained software applications and hardware. He found that this had damaging effects on their functioning due to the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting negatively impacting budget management. In this study, it will be established whether computerization of budgeting functions affects financial performance of NGOs in Kenya. McLaney & Atrill (2010) argued that the value of the budget as a plan of what is to happen and as a standard against which actual financial performance will be measured, depended largely on how skillfully budget negotiation is conducted. When setting a budget, members of the organization should participate in explicitly defining budgetary goals. The members also have to be involved in subsequent revisions to these goals with the management (Chalos& Poon, 2010). Most NGOs have the inability to employ a skilled labor force due to the small budgets to manage specialized areas of their business such as budgetary planning and management. During favorable economic conditions, many organizations embrace training and development than during unfavorable economic conditions (Obokoh, 2010).

A study conducted by Chidi & Shadare (2011) in Nigeria focusing on challenges confronting human capital development in small medium enterprises (SMEs) in Nigeria found that budgeting among SMEs faced challenges by the businesses not taking ownership .These researchers confirm that the skill that managers have concerning budgeting affect the budgeting process. A study by Njeru & Thuo (2013) on budgetary process in SMEs in hospitality industry in Nairobi Central Business District found out that skills and power of managers had positive and significantly related to budgeting. The results suggest that a positive development on skills and power of managers improves budgeting process in SME'S in the hospitality industry in Nairobi CBD. This concurs with the findings by Chidi & Shadare (2011) who found that the skill that managers have concerning budgeting have an effect on the budgeting process. Hilton, Maher and Selto(2010) established that most people will perform better and make greater attempts to achieve a goal if they have been consulted in setting the goal. The idea of participative budgeting is to involve employees throughout an organization in the budgetary process. Chai (2011) conducted a study aimed at establishing the capital budgeting techniques and how those techniques impact to the financial performance of courier companies in Kenya. He then concluded that there was a significant relationship between the capital budgeting techniques and the financial performance of courier companies. Joshi *et al.,* (2013) posted that budgetary participation is expected to be a crucial channel to improve the information exchange and sharing among all levels of management and when this process is pursued by a firm, it is expected that the realization of the set target is improved.

Methodology

The researcher used both quantitative and qualitative research designs as follows; descriptive survey study research design was used, aimed at examining the role of budgetary controls on NGOs performance in Mombasa County. According to Donald & Pamela (2011), a descriptive study is concerned with finding out what, where and how of a phenomenon. Descriptive surveys are used to develop a snapshot of a particular phenomenon of interest since they usually involve a large sample. The population of the study consisted of the registered NGO's with operations in Mombasa County; hence a total of 115 organizations was obtained from the NGOs coordination Board (2016).

According to Mugenda and Mugenda (2003) a sample size of 10% is adequate and representative enough for the whole population, however the researcher chose a sample size of 45% of the population which she considered adequate to make inference about the entire population. Therefore a sample of 52 NGO's was selected by use of proportionate stratified random sampling method from the different NGO categories. The study adopted the following model.

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

Where Y= Organizational Performance is the dependent variable which will be evaluated using the questionnaire by measuring the level of agreement that budgetary control affects performance of NGOs.

β_0 = intercept
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = coefficients
X_1 = Budget Planning
X_2 = Budget Supervision
X_3 = Participative Budgeting
X_4= Funds Availability
ε = error term

Research Findings

Budgetary Planning

Budgetary planning in NGOs in Mombasa was one of the aspects that were examined in this study. The mean and standard deviations of the responses were the statistical measures used to determine the overall opinion on the items. This was used to gauge the level of budget planning in the NGOs. The findings of the mean of the responses presented in table 4.3 revealed that the NGOs had long term and short term Budget Plans (mean=4.32, SD= 0.834). The budgets had clear goal to achieve and objectives (mean=4.16, SD=0.931). However these budgets did not cover all the aspects of the organization's mission (mean=2.71, SD= 1.023). When budgeting, outcome goals and objectives are linked to programs (mean=4.02, SD= 0.918) and when budgeting, priorities for the coming year are clearly set at budget conference (mean=4.55, SD=0.771).

Table 4. 1. Bugetary Planning Results in NGOs in Mombasa.

Statement	Mean	S. Dev.
Our organization has Long term and short term Budget Plans	4.32	0.834
Our budgets have clear goals and objectives	4.16	0.941
Our Budgets cover all the aspects of our Mission	2.71	1.023
When budgeting, outcome goals and objectives are linked to programs	4.02	0.918
We set priorities for the coming year at budget conference/Committees.	4.55	0.771

Thus it can be stated that there were good budget planning in most NGOs despite the fact that the budget did not cover all aspects of the mission (mean=2.71, SD=1.023)

Budget Supervision

This study examined the budgetary supervision in the NGOs in Mombasa in a view to determine its effect on the performance of these NGOs. The mean and standard deviation results of responses are presented in table 4.4. From this result, it was noted that managers hold budget conferences regularly (mean=4.22, SD=0.779), there are budget policies on spending (mean=4.52, SD=0.817), control activities are done at relevant departments (mean=4.61, SD=0.886). The Control of budget activities is done by the executive committee (mean=4.21, SD=0.266) and budget performance evaluations are regularly done (mean=4.59, SD= 4.59, 0.489). Based on these finding, it can be stated that regular reviews are done to review policies on spending. The right people who are the heads of departments control budget activities which is important in streamlining spending thus able to reduce unnecessary cost.

Table 4. 2. Budget Supervision Results in NGOs in Mombasa.

Statement on Budgetary supervision	Mean	SD
Managers hold budget conferences/meetings regularly to review performance	4.22	0.779
We have effective budget policies to check on spending	4.52	0.817
Control of the budget activities is done by the head of departments	4.61	0.886
The costs of activities are always reviewed by the executive committee	4.21	0.266
Budget performance evaluation reports are prepared regularly.	4.59	0.489

Participative Budgeting

Participative budgeting practices in NGOs in Mombasa were measured using five statement items shown in table4.5. From the findings, all relevant departments were involved in budget process (mean=4.19,SD= 0.729), there was adequate involvement of the concerned individuals in budget setting activities (mean=4.05, SD=1.128) and all the approved budgets were shared with all the departments (mean=3.89, SD=0.541). There was sensitization on budget control process in the NGOs in Mombasa county (mean=3.78, SD=0.691). Involvement of all stakeholder in budget activities scored least among all the five items on participative budgeting (mean=3.69, SD=0.981). Thus these findings imply that, in these NGOs, the relevant departments participated in budget activities. Participation motivates the stakeholders which is key on employee performance.

Table 4. 3. Participative Budgeting results in NGOs in Mombasa.

Statement on participative budgeting	Mean	SD
All departments are always involved in the budgeting process	4.19	0.729
I'm adequately involved in the budget setting process	4.05	1.128
Approved Budgets are shared with all Departments	3.89	0.541
We are well sensitized on the budget control process	3.78	0.691
All the stakeholders to the budget are involved	3.69	0.981

Funding in NGOs in Mombasa County

This study also examined the funding in NGOs in Mombasa County with a view to underscore its role on the NGOs performance. Five items were used to measure funding as shown in table4.6.

It was clear that funds available were frequently evaluated in relation to future activities (mean=4.42, SD=0.610), there was funds utilization policy (mean=4.62, SD=0.629). However in most of these NGOs, There were no different sources of funds (mean=2.54, SD=0.629) no funds mobilization sections (mean=2.52, SD0.712) and funds are not adequate to carry out organizations activities (mean=2.26, SD=1.071). Therefore these findings imply that the organization have to utilize the inadequate funds to implement their mandate.

Table 4. 4. Funding results in NGOs in Mombasa County.

Statement on funding	Mean	SD
Funds available are frequently evaluated in relations to future activities	4. 42	0.610
There are clear funds utilization policies that guides budget spending	4.62	0.629
The organization has different funding sources	2.54	0.629
The organization has fund mobilization section	2.52	0.712
Funds are adequate to carry out organizations activities	2.26	1.071

Performance of NGOs in Mombasa County

Performance of NGOs in Mombasa County was the dependent variable. It was measured using four items as shown in table4.7. It is clear that these NGOs scored lowly on the performance indicators used since most scored below 3 (Not sure) on a Likert scale. A good number though felt that they were doing better than similar organizations (mean=3.74, SD=0.918), there was uncertainty on all other performance indicators. That is, most of the respondents did not expect their organization to grow in workforce (mean=2.91, SD=1.122), nor did they feel that the jobs are secure (mean=2.65, SD=0.678) and neither did feel that the organization they work for was financially stable (mean=2.49, SD=0.819). Employees in these organizations are working in an environment of uncertainty about the future. These organizations have employee who are more likely to exit their current jobs for another job which guarantee security and therefore high employee turnover. This state of employee has a negative effect on growth due to exit of skills.

Table 4. 5. NGOs performance in Mombasa County.

Statement on performance	Mean	Std. dv
Compared with similar organization, we are doing well	3.74	0.918
The organization is expected to grow its workforce in the near future	2.91	1.122
Employee jobs are secure in this organization	2.65	0.678
The organization is financially sound	2.49	0.819

Correlation Analysis

All the independent and dependent variables were correlated. The result presented in table 4.6 show that budget planning was positively correlated with performance of NGOs in Mombasa County (r=0.699, p=.003).

Table 4. 6. Correlation result.

		Planning	**Supervision**	**Participative**	**Funding**	**Performance**
Planning	Correlation	1	.468	.781	.586	.699
	Sig. (2-tailed)		.000	.000	.000	.003
Supervision	Correlation	.468**	1	.050	-.107	.689
	Sig. (2-tailed)	.000		.550	.197	.000
Participative	Correlation	.781**	.050	1	.774**	.254
	Sig. (2-tailed)	.000	.550		.000	.002
Funding	Correlation	.586**	-.107	.774**	1	396
	Sig. (2-tailed)	.000	.197	.000		.007
Performance	Correlation	.099	.689**	-.254**	-.296**	1
	Sig. (2-tailed)	.233	.000	.002	.000	

Budget supervision was positively and significantly correlated with performance of NGOs in Mombasa County (r=.689, p=.000) participative budgeting had also a positive significant correlation with performance in NGOs in Mombasa County (r=0.254, p=.002). Funding of NGOs was also positively and significantly correlated with performance (r= 0.396, p=.007). These findings imply that performing NGOs are characterized by good budget planning, supervision and participative budgeting, accompanied by adequate funding.

Table 4. 7. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.776	.602	.612	.38380

[a]. Predictors: (Constant), planning, supervision, participative and funding

The analysis of variance result in table 4.8 revealed that the model was significant and therefore adequate for prediction of the NGO performance in Mombasa County at given level of predictor variables (F=29.083, p=0.000).

Table 4.8. ANOVA.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.521	4	13.880	29.083	.000[b]
	Residual	20.999	44	.447		
	Total	76.520	48			

a. Dependent Variable: performance , planning, supervision, participative and funding

Participative budgeting was found to be positively related with performance. Other related studies however have mixed result; Merchant and Brownell (2013) reported positive relationship. Performing organization tend to ensure that individuals responsible for achieving results should be consulted in the formulation of budgets and thus get motivated. However Cherington and Cherington (2013) reported negative relationship between budget participation and performance.

Funds availability was found to have a positive link with NGO performance. The positive link is expected since funds are one of the factors of production. In this case funds are necessary in implementation of projects to achieve set goals. Availability of funding is clearly an important factor determining the extent of NGO activity in a particular area (Benson, *et al*, 2001). And therefore the positive link between funding and performance is confirmed.

Regression Analysis

The four independent variables were regressed against performance to determine the contribution of each independent variable on performance when other factors are taken into account.

Table 4. 9. Regression Coefficients.

Model		Unstandardized B	Unstandardized Std. Error	Standardized Beta	t	Sig.
1	(Constant) .462		.486		.827	.410
	Planning .438		.230	.615	2.674	.008
	Supervision	.324	.101	.239	3.387	.001
	Participative budget	.720	.131	.617	6.181	.000
	Funding	.485	.340	.626	1.841	.044

Dependent Variable: NGO performance

The model summary table 4.7 shows that the overall correlation between the dependent variable and the independent variables was strong (r=0.776). The R square value, also known as coefficient of determination was 0.602, this implied that the four predictor variables accounted for 60.2% of the variance in NGO performance and therefore the remaining percentage is accounted for by other factors not included in this model. These other factors could form the basis of other studies.

The coefficient table 4.9 provides the regression coefficient for each predictor variable and the regression constant of the regression model for fitting. The coefficient of regression constant is 0.462 though not significant (p=0.410), for budget planning it is 0.438 and it is significant. Regression coefficients for budget supervision, participative budgeting and funding are 0.324 (p=0.001), 0.720(p=0.000) and 0.485 (p=0.044) respectively; they are significant at 0.05 level of significant.

Thus the fitted regression model of this study is;

$$Performance = 0.462 + 0.438Planning + 0.324Supervision + 0.720Participative + 0.485funding$$

Thus these findings indicate that; budget planning had positive insignificant effect on adoption of performance of NGOs. And as such good planning of budget favor performance indicators; it is through sound planning that priorities are set since there are so many activities to be performed in an organization. As noted earlier, budget planning provide a focus for the organization, aid in the coordination of activities and facilitates control Bartle (2014) thus ensuring the organization is focused to perform.

This study found that clear and effective budget supervision had a significant positive effect on the performance of NGOs in Mombasa County. This result is consistent with a related study by Eker, M. (2009) who found a significant interaction between budget supervision and organizational performance.

Conclusions

The study concludes that proper budget planning is essential in determining the activities to prioritize and the performance of NGOs. Supervision is important for organizations to perform as it enables these NGOs to minimize wastage of limited resources.

In most NGOs there was proper and strict budget supervision, this enable the NGOs to control the budget effectively and thus monitor spending. Controlled spending in turn enables organizations to direct budgets to identified programs only.

In these NGOs there was participative budgeting. Stakeholders both as individuals and departments were involved. Therefore the stakeholders in these NGOs are motivated as they are part of the budget decisions.

Funding in these NGOs were not adequate to meet the organizations needs due to limited sources and lack of vibrant fund mobilization program. Performance will therefore be a challenge given that funds are one of the key determinants of productions.

Recommendations

There should be mechanisms to monitors and evaluate the budget planning programs with a view to identify deviations or challenges in implementing the programs. This will enable the organization to perform its core duties consistently.

Supervision of the budget is a key determinant of performance. Therefore it will be necessary to have strict supervision. This will be achieved by having clear policies on spending and clear chain of command on authorization to budget adjustments.

Funds were inadequate, the organizations need to look beyond the donor funding but look for other income generating activities without compromising their core business. In this way the NGOs will become self-reliant.

Recommendations for Further Research

This study considered only four independent factors; budget planning, budget supervision, budget participation and funding, these factors accounted for only 60% of the variance in performance. Other factors not considered accounting for the remaining percentage (40%). Thus this study recommends other studies be undertaken that take into account other factors like the employee characteristics, NGO turnover and age of the organization on performance.

Other studies should also be instituted that use different methodology; a case study approach for in-depth study of the role of budgetary control on performance of NGOs in Mombasa County.

Finally the study should be carried out that underscores the contribution of these factors on financial performance since the current study limited to non-financial performance indicators only.

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