

**EFFECT OF BUDGETARY CONTROL USES ON FINANCIAL PERFORMANCE
OF PUBLIC UNIVERSITIES IN NAIROBI COUNTY, KENYA**

BY

BORNFACE OTIENO ODERO

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DEPARTMENT OF ACCOUNTING AND FINANCE

MASENO UNIVERSITY

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DECLARATION

This research project is my original work and has never been presented for an award in any other University or Institution of Higher Learning.

Signature: Date:

BORNFACE OTIENO ODERO

MSC/BE/00127/2016

This project has been submitted for presentation with my approval as the Student's Supervisor.

Signature: Date:

DR. BENJAMIN OMBOK

SCHOOL OF BUSINESS AND ECONOMICS

MASENO UNIVERSITY

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DEDICATION

I dedicate this research project to my family for being supportive throughout the study period.

ABSTRACT

Available information reveal that financial performance of Public Universities has continued to dwindle despite implementation efforts to their budgets with its inherent control features. Budgetary Control refers to how well managers utilize budgets to monitor and control costs and operations in a given accounting period. It is a process for managers to align financial performance goals with budgets, compare actual results and adjust performance. Sound financial performance is a core objective of every successful organization. Financial performance of Public Universities in Kenya still remain a challenge as often reported by Office of the Auditor General where a majority have been found to; be operating on negative working capital, excessive outstanding fees, uncontrolled capital expenditure, fraud among others. The main objective of the study is to establish the Effect of Budgetary Control Uses on Financial Performance of Public Universities in Kenya. The specific objectives guiding the study were; to establish the relationship between Planning and Financial Performance of Public Universities in Kenya, to establish the association between Coordination and Financial Performance of Public Universities in Kenya and, to establish the relationship between Control and Financial performance of Public Universities in Kenya. It was guided by a conceptual framework relating the variables of study. The study was premised on theories such as; Punctuated Equilibrium Theory of Budgeting, Theory of Budgeting, Budgetary Control Theory and Accounting Theory. A census survey was conducted in all the five main Public Universities located in Nairobi County. A sample size of 40 respondents were considered, targeting; Finance Officers, Deputy Finance Officers, Accountants and Accounts Assistants. Choice of Nairobi County was influenced by the number of main Public Universities and their constituents in favourable proximity. Data was elicited from selected respondents using structured questionnaire whose content validity was checked through an expertise opinion and reliability through Cronbach (0.7 Alpha – α) model. Secondary data necessary for computation of measures of Financial Performance were obtained from audited financial statements of the Public Universities for the three financial periods falling between 2014 and 2017. Descriptive and correlation methods were used to analyze data. Regression Analysis was used to determine existence of significant relationship between independent and dependent variables at alpha value of 0.05 (95% confidence level). The results indicated existence of a significant relationship between Budget Planning, Budget Coordination, Budget Control and and Financial Performance of public universities in Kenya as exemplified by p values of; 0.000, 0.025 and 0.006 respectively. The findings of the study may guide policy makers in underscoring the value of Budgetary Control uses on Financial Performance of public universities and other organizations. It would also go a long way in forming a basis for future similar research studies. In future similar studies should be carried out for both public and private entities in Kenya as Budgetary Control is a vital financial control tool for all organizations.

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LIST OF ABBREVIATIONS

ANOVA	-	Analysis of Variance
BC	-	Budgetary Control
BCT	-	Budgetary Control Theory
CIMA	-	Chartered Institute of Management Accountants
EBIT	-	Earning Before Interest and Tax
FP	-	Financial Performance
GP	-	Gross Profit
MCS	-	Management Control System
OCOB	-	Office of Controller of Budget
PET	-	Punctuated Equilibrium Theory
PFM	-	Public Finance Management
PUK	-	Public Universities in Kenya
ROA	-	Return On Assets
ROI	-	Return On Investments
ROS	-	Return On Sales
SPSS	-	Statistical Package for Social Scientists
VA	-	Variance Analysis
VIF	-	Variance Inflation Factor
ZBB	-	Zero Based Budgeting

DEFINITION OF TERMS

Budget Committee	:This is a group of people within an organization that reviews, adjusts and approves the budgets submitted by departmental heads.
Budget Cycle	:This refers to life of a budget from creation or preparation to evaluation.
Budget	:Refers to a plan quantified in monetary terms, prepared and approved prior to a defined period of time.
Budgetary Control	:A system of controlling costs, which includes the preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with that budgeted and acting upon results to achieve maximum profitability.
Budgeting	:This is the process of preparing budgets.
Financial Performance	:This refers to the extent to which financial goals are accomplished.
Liquidity	: Refers to a company's ability to convert its assets to cash in order to pay its liabilities when they are due.
Return On Investments	: A financial ratio that measures the gain or loss on an investment, relative to the amount of money invested.
Return On Assets	: A financial ratio that shows the percentage of profit a company earns, relative to its overall resources.
Solvency	: A measure indicating an entity's ability to repay all indebtedness if all of its assets were to be sold.
Surplus	: Excess of total revenue over total expenditure of an entity.

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CHAPTER ONE

INTRODUCTION

This section entails background information from previous researches done that are relevant to effectiveness of Budgetary Controls on Financial performance of Public Universities in Kenya.

1.1 Background of the Study

The need for better performance in public institutions of higher learning requires proper financial standing in order to run operations (Nyongesa, A., Odhiambo, A. & Moses, N., 2016). Public institutions of higher learning resources are limited and budgets provide one means to allocate resources among competing uses (Ronald, Michael & Frank, 2008). Most public institutions of higher learning have not effectively applied budgetary control techniques in financial performance (Nelson & Miller, 2008). In the absence of budgetary control, too many managers spend all of their time dealing with daily demands (Nyongesa et al, 2016). According to Garrison & Norren (2000), the budgeting process provides a means of allocating resources to those parts of the organization where they can be used most effectively. Most Public Universities in Kenya are facing financial crises precipitated majorly by reduction in both parallel programmes and Government capitation (Rajab & Nyaundi, 2018). They suggested that Public Universities are broke and in deep financial crises that would soon grind them to a halt. They asserted further that most public institutions of higher learning are hardly surviving and unable to meet financial obligations, including submitting statutory deductions, inability to pay lecturers and other university staff, throwing the future of some of them into disarray. The financial crises have been compounded further by ballooning wage bills and upsurge in utility bills. To sustain their operations, a majority of Public Universities resort to bank loans and overdrafts,

making them technically insolvent in the long run (Rajab & Nyaundi, 2018). According to Mukhwaya (2018), players in the higher education sector agreed that universities, especially the big and older ones are in dire financial crunch, and if not bailed out soon will have massive ramifications on University education. He suggested that none of the Public Universities has a sound financial base and that the bigger ones are hardest hit because they mount expensive academic programmes run by a huge workforce.

1.1.1 Financial Performance

Financial performance of an organization is the subjective measure of how well a firm can use assets from its primary mode of business and generate revenue (Ashok, 2009). It is the measurement of the results of the company's performance in form of ROA and ROE (Siyanbola, 2013). According to Isaboke & Kwasira (2016), financial performance of an organization is key for sustainability of companies. Financial performance is a scientific evaluation of profitability and financial strength of any business concern (Kennedy and Macmillan, 1986). They stated further that financial statement analyses attempt to unveil the meaning and significance of the items composed in profit and loss account and balance sheet. The importance of financial stability ranges from enabling an organization to have sufficient resources for quality service delivery, maximizing the potential of service delivery, enhancing the ability to pay staff, vendors and creditors on time and maintenance of good credit risk (Anderson, 2011).

According to accounting point of view, financial statements are prepared by a business enterprise at the end of every financial year. Financial statements are end products of financial accounting. They are capsulated periodical reports of financial and operating data accumulated by a firm in its books of accounts - the General Ledger. Other non

financial indicators of performance measurement include; employment generation, research and development, health education and economic development among others. Financial resource is considered important to many institutions and establishments (Allis, 2004). This means that it must be effectively and efficiently managed to bring about the needed change and results from activity for which the funds have been made available. However, sometimes this important resource is mismanaged and misappropriated by those put in charge (Rosen & Gayer, 2010). According to Venanci (2012), the measures of Financial performance include a company's total earnings or profit, share value and growth index.

Needles (2011), highlighted different methods for measuring financial performance such as; Profitability – return on Investments, earnings before interest and tax, gross profit margins, Growth – market share growth, sales growth, Efficiency – return on sales, return on equity. In an attempt to address the critical issues affecting Financial Performance, various authors have come up with factors affecting financial performance. A study carried out by Skandalis (2008), examined the effect of export activity, location, size and index for management competence on financial performance. Another study by Skandalis (2010), examined the effects of foreign direct investments and openness in developing countries' financial performance. Elements that define Financial Performance in an organization include; Liquidity, Profitability, Solvency, Financial efficiency among others. Analysis of Financial performance of an entity identifies its financial strengths and weaknesses by properly establishing relationship between items of statement of financial position and those of statement of financial performance. Since financial statements give both quantitative and qualitative data, authors often emphasize their completeness (Kothari &

Barone,2006). However, Financial statements can serve ‘not only as a map but a maze’ to their users (Fraser & Ormiston, 2013).

Financial Management is a critical function in an organization’s success. Globally, there has been a shift in government laws and regulations dealing with Public Universities in the last decade or two in which Public Universities have transformed from simple governmental agencies into public corporations, giving the management new authority and sometimes corporate style governing boards with new accountability requirements (Albach, Reisberg & Rumbley, 2009). Financial Management practices in public universities in Kenya face myriad of challenges as reflected in audit findings by the office of Auditor General from audit of such institutions such as; operating on negative working capital, fraud, flaws in procurement procedures, lack of value for money in financial operations, uncontrolled capital expenditure, excessive borrowings and inept financial management practices among others. The Auditor General has on several occasions reported that most Public Universities in Kenya are technically insolvent and cannot meet their financial obligations as their current liabilities exceed current assets (Rajab & Nyaundi, 2018). According to Mukhwaya (2018), none of the Public Universities in Kenya has sound financial base. He alluded to the fact that all are in the ‘red’ and the worst affected are older ones which mount expensive academic programmes run by huge workforce which is further aggravated by reduction in government capitation every financial year. He opined that due to mismanagement of finances, there is too much indebtedness as Universities resort to paying salaries from bank overdrafts as a last resort.

1.1.2 Budgetary Controls

Budgetary Control is a system of controlling costs which embraces; preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum profitability (Brown & Howard, 2002). Budgetary Control is the process of developing a spending plan and periodically comparing actual expenditure against that plan to determine if it or the spending patterns need adjustments to stay on track (Dunk, 2009). It refers to how well managers utilize budgets to monitor and control costs and operations in a given accounting period. In other words, budgetary control is a process for managers to align financial and performance goals with budgets, compare the actual results and adjust performance (Maina, 2017). Budgetary control therefore relates to the use of budget as a control device whereby predetermined plans or standard output, income and expenditure are compared with actual attainment so that if necessary, corrective action may be taken before it is too late (Nwoye, 2015). The Institute of Cost and and Management Accountants (1999), defines budgetary control as the establishment of budgets relating the responsibility of executives to the requirements of a policy and the continuous comparison of actual with budgeted results, either to be secured by individual action of the objective of the policy or to provide a basis for its revision. Chartered Institute of Management Accountants (2000), sees budgetary control as the process of comparing the actual outcomes with planned outcomes and reporting on the variations. According to Stedry (2002), control is the activity which measures deviation from planned performance and provides information upon which corrective action can be taken either to alter future performance so as to control original plan or modify the original plan.

As a tool for measuring performance, Budgetary Control provides comparisons between the budget targets and actual targets and deviations determined; performance of each department is reported to the top management which enables introduction of management by exception (Thuita & Kibati, 2016). According to Carr and Joseph (2000), budgetary controls help management teams in making future plans through implementation of short-term plans and monitoring activities aimed at conforming to those plans. They opined further that effective implementation of budgetary control techniques is a guarantee for effective implementation of budget in the firm. Budgetary control techniques reflect financial implications of business plans as well as identifying the amount, quantity and timing of resources needed (Shields & Young, 1993). Management in various organizations should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals and better engagement between organizational leaders, managers and finance staff with proper timing of the financial plan (Mohamed et al., 2015).

1.1.3 Benefits of Budgetary Controls

Preetabh (2010), highlighted the benefits of budgetary control as profit maximization; a budgetary control aims at maximization of profits of an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditure and putting resources into best use. Waren (2011), noted that within an organization, different departments have a bearing on one another, this therefore makes co-ordination of various executives and subordinates necessary in achieving budget targets. Other benefits as indicated by preetabh (2010), include;

specific time aims, the plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal of the organization. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims.

As a tool for measuring performance, budgetary control provides comparisons between the budget targets and actual targets and deviations determined; performance of each department is reported to top management which enables introduction of management by exception. Magah (2005), asserted that budgetary controls are important tools for a country's economy. This is because it allows planning for expenditure thus facilitating systematic spending. Finances are put to optimum use, extending the benefits to industry and national economy. He opined that this reduces wastages of national resources. According to Merika (2008), the deviations in budgeted and actual performance will enable determination of weak spots. This enables an organization to concentrate on those aspects where performance is less than stipulated.

1.1.4 Objectives of Budgetary Controls

According to Pandit (2016), some of the objectives of budgetary control are; to plan, which is the most important feature of budgetary control because management is forced to look ahead, set targets, anticipate problems and give the organization purpose and direction, to communicate ideas and plans to everyone affected by them as it is necessary, to coordinate the activities of different departments or sub-units of the organization. This implies that for example, purchasing department should base its budget on production requirements, and that production budget should in turn be based on sales expectations, to establish a system of control by having a plan against which

actual results can be progressively compared and finally, to motivate employees to improve their performance.

1.1.5 Challenges affecting Budgetary Controls in Organizations

Neely (2001), did a study on weaknesses of budgetary controls. The study was based on review of empirical literature from similar studies. The findings included weaknesses such as; restraining of responsiveness and acting as barrier to change, budgets are rarely strategically focused and often contradictory, they add little value especially given the time required to prepare them, they concentrate on cost reduction and not value addition, they do not reflect emerging network structure that organizations are adopting, they encourage gaming and perverse behaviours, they reinforce departmental barriers rather than encourage knowledge sharing and make people feel undervalued. Prendergast (2000), identified three main problems associated with budgeting. Firstly, a lot of guesswork is involved in the budgeting process, secondly, budgets are increasingly inaccurate as a result of shorter product life cycles and rapidly changing business environment. Finally, there is the extent of budget gamesmanship. He argues that over the years, budgets have resulted in a conflict between top management and their subordinates. While top management attempts to 'get the most out of their staff', subordinates on the other hand work to build slack in their budgets in an effort to make budget numbers easier to attain. This could lead to budgetary slack.

1.1.6 Relationship between Budgetary Controls and Financial Performance

Budgetary Control is a management tool used by both public and private entities to effectively manage their limited financial resources. The success of financial performance in any organization depends on effective budgetary control, a process which calls for continuous administration (Proctor, 2006). According to Jones et al.

(2009), Budgetary Controls in government entities entail financial planning, controlling, financial evaluation and performance of budgets in order to efficiently achieve the public finance management goal, on proper allocation as per proposed budgets.

Hemsing and Baker (2013), carried out a study on effect of Tight Budgetary Control on Managerial behavior in Swedish Public Sector. They used descriptive survey design and sampled 62 Managers from different municipalities and Universities in Sweden. The findings established that majority of local Managers in Swedish Public Sector experienced tight budgetary controls. The study never captured the effect of budgetary control uses on an organization's financial performance. Therefore there is a gap in literature in relation to effect of budgetary control uses on financial performance of Public Universities in Kenya.

Marcomick and Hardcastle (2011), did a study on relationship between Budgetary Control and Organizational Performance in government parastatals in Europe. A sample of 40 government parastatals were selected for the exercise. Secondary data was used and a period of ten years considered. A regression model was used for data analysis. The results revealed a positive relationship between Budgetary Control and Organizational performance of government parastatals. Government parastatals in Europe and Public Universities in Kenya have different revenue streams, financing methods, systems of operations and objectives. Therefore a gap in literature exists in relation to effect of budgetary control uses on financial performance of Public Universities in Kenya.

Nwoye (2015), sought to study Budgeting and Budgetary Control as the metric for corporate performance. The methodology adopted in the study was descriptive,

involving the study of budgetary control activities in 30 organizations selected from a number of States in the Federation, Nigeria. He posited that making efforts to achieve operational targets and objectives without effective budgeting and budgetary control measures would be tantamount to a blind pursuit of goals. He opined that great majority of firms were guilty of preparing initial budgets only to over-shoot the budget limits during implementation stage due to poor budgetary control measures. The study advises top management of modern organizations to take budgeting and budgetary control issues seriously as no appreciable success could be achieved with haphazard budgeting and budgetary controls. The study only examined budgeting and budgetary control and its merit as a predictor of general corporate performance without focusing on any specific measure of financial performance, a gap this study sought to explore.

Harelimana (2017), carried out a study on the Effect of Budgetary Control on Financial Performance of Kigali Serena Hotel in Rwanda. It sought to; assess techniques of budgetary controls used in Kigali Serena Hotel, analyze the indicators of financial performance of Kigali Serena Hotel and to establish the relationship between budgetary control techniques and financial performance indicators in Kigali, Serena Hotel. The study adopted analytical research design. The study findings depicted a positive relationship between Budgeting and Budgetary Control system and Financial Performance of the Hotel. The study considered both planning and control as measures of budgetary control but left out coordination of activities amongst various departments which is equally important. Besides, Serena Hotel in Rwanda and Public Universities in Kenya have different revenue streams, financing methods, systems of operations and objectives. Therefore a gap in literature exists in relation to effect of budgetary control uses on financial performance of Public Universities in Kenya which the study sought to delve in.

Adongo and Jagongo (2013), did a study which investigated the relationship between Budgetary Control and Financial performance of State Corporations in Kenya. It sought to determine the salient features of Budgetary Controls in state corporations, establish the Human factors within budgetary controls, establish the process of budgetary control in public organizations and determine the challenges affecting budgetary controls. A descriptive survey design was used to gather data from Managers of the sampled state corporations. 14 corporations were selected from a population of 138 to participate in the study. Purposive sampling was used to select 42 corporate services managers, finance managers and budget officers from each corporation to participate in the study. The findings indicated a positive significant relationship between budgetary controls and financial performance of state corporations. The study focused on independent variables including; human factors within BC, processes of BC and challenges of BC which are different from those considered by this study. A literature gap therefore still exists on effect of budgetary control uses such as Control, Planning and Coordination on Financial Performance of Public Universities in Kenya, that this study sought to explore.

Thuita & Kibati (2016), did a study on the influence of Budget Management Practices and Controls on Effective Management of Finances in Public Universities in Kenya. It considered campuses within Nakuru town and used exploratory research design. The study findings revealed that financial performance of Public Universities was significantly affected by the extent to which budget management practices were upheld and the financial controls in place. The research focused majorly on Budget Management Practices and financial controls other than on Budgetary Control uses and their effect on Financial performance of Public Universities in Kenya which this study sought to find out.

Kerosi (2018), sought to determine association between Budgetary Control Practices and the Management of Micro and Small Enterprises at Kangemi Town in Kenya. A descriptive survey design was adopted to capture categorical description of attitudes of the study population. A sample size of 75 out of 160 registered micro and small enterprises in Kangemi, Kenya was taken. The study established that management of micro and small enterprises is positively related to Budgetary Control Practices. There is a literature gap as independent variables considered never included coordination as a function under budgetary control which this study seeks to also consider. Besides, it focused on micro and small enterprises other than on Public Universities in Kenya which have different financing systems, revenue streams, methods of operations and objectives.

Chirchir and Simiyu (2017), did a study on Influence of Budgetary Control System on Financial Performance of ALMASI Beverages Group Limited, Kenya. The study adopted descriptive design and sampled 126 out of a target population of 147, using purposive sampling technique. The research findings showed a significant influence of Budgetary control systems on financial performance of an organization. There is a literature gap as the study focused on four variables such as planning, human factors, resource availability, monitoring and evaluation. Of the variables only planning is considered by this study. Besides, ALMASI Beverages Group has different streams of revenue sources, operations, systems and objectives from those of Public Universities in Kenya, hence the need to carry out the study.

Nyongesa et al. (2016), studied the effect of Budgetary Control on Financial performance of Institutions of Higher Learning in Western Kenya. The study was conducted in institutions of higher learning in Vihiga, Bungoma, Kakamega and Busia counties. Finance Officers, Accountants, Bursars and Principals were the respondents.

Descriptive survey design was used in the study with a target population of 109. The research findings established that budgetary control had a statistically significant effect on Financial Performance in Public Institutions of Higher Learning. There is a literature gap as the study looked at budgetary control measures such as; Budget Process, Projected income, Allocation of funds and Variance Analysis whereas this study considered budgetary control uses such as; Planning, Coordination and Control and their effect on Financial performance of Public Universities in Kenya. Besides, the research considered financial performance measures such as; Expenditure control, Liquidity and Capital Improvements which are totally different from the ones considered by this study like; Surplus, Liquidit and ROA.

1.2 Statement of the Problem

Public Universities in Kenya have grown exponentially in the recent past. This growth rate has been attributed to increased intake of students. Audit reports by Office of the Auditor General on Public Universities in Kenya have depicted them as having enormous financial challenges including; operating on negative working capital, fraud, excessive outstanding fees, flaws in procurement procedures and lack of value for money in their expenditures. This therefore underscores the need for Public Universities to undertake budgetary control practices in their financial operations. Literature reviewed largely depict Kenya as having made attempts to adopt budgetary reforms seeking to address resource constraints and national development priorities. However, a gap remains in establishing the effect of budgetary controls uses on financial performance of Public Universities in Kenya, considering such uses as; Planning, Control and Coordination against financial performance measures such as; Surplus, Liquidity and ROA. This study therefore sought to fill this gap.

1.3 Objectives of the Study

1.3.1 General Objectives

To determine the effect of budgetary control uses on financial performance of Public Universities in Kenya.

1.3.2 Specific Objectives of the Study

The study was guided by the following specific objectives;

- i. To establish the relationship between Planning and Financial Performance of Public Universities in Kenya.
- ii. To establish the association between Co-ordination and Financial Performance of Public Universities in Kenya.
- iii. To establish the relationship between Control and Financial Performance of Public Universities in Kenya.

1.4 Research Hypothesis

H₀1: There is no relationship between Planning and Financial Performance of Public Universities in Kenya.

H₀2: There is no association between Co-ordination and Financial Performance of Public Universities in Kenya.

H₀3: There is no relationship between Control and Financial Performance of Public Universities in Kenya.

1.5 Scope and Limitations of the Study

The study was conducted in Kenya among Finance officers concerned with budget preparation in Main Public Universities within Nairobi County. It considered budgetary control uses and how they could be manipulated to influence financial performance of an organization. It was carried out in July 2019. A census survey method was adopted where all the five main Public Universities located in Nairobi

County were considered for three financial periods from 2013 to 2017. The sample for the study constituted Finance Staff concerned with budgeting and budgetary controls of selected Public Universities. Possible limitations that affected the study included; funding problems, non responses, lack of access to population of interest, long clearance processes within Finance Departments in sampled Universities among others.

1.6 Justification of the Study

The study was intended to establish correlation between Budgetary Control uses and Financial Performance of Public Universities in Kenya with an aim of helping management control their costs, avoid wastages and realize maximum returns from their limited financial resources. The study was aimed at guiding policy makers in underscoring the value of Budgetary Control uses on Financial Performance of organizations and form a basis for future similar research studies.

1.7 Conceptual Framework

According to Miles and Huberman (1994), a conceptual framework lays out the key factors, constructs or variables and presumes relationships among them. The study intended to establish the effect of Budgetary Controls Uses on Financial Performance of Public Universities in Kenya. It was focused on Budgetary Control Uses as independent variable in which; Planning, Coordination and Control were considered. The dependent variables were Financial Performance measured by; Surplus, Liquidity and Return On Assets. Funds availability and prevailing economic conditions were the intervening variables as illustrated below;

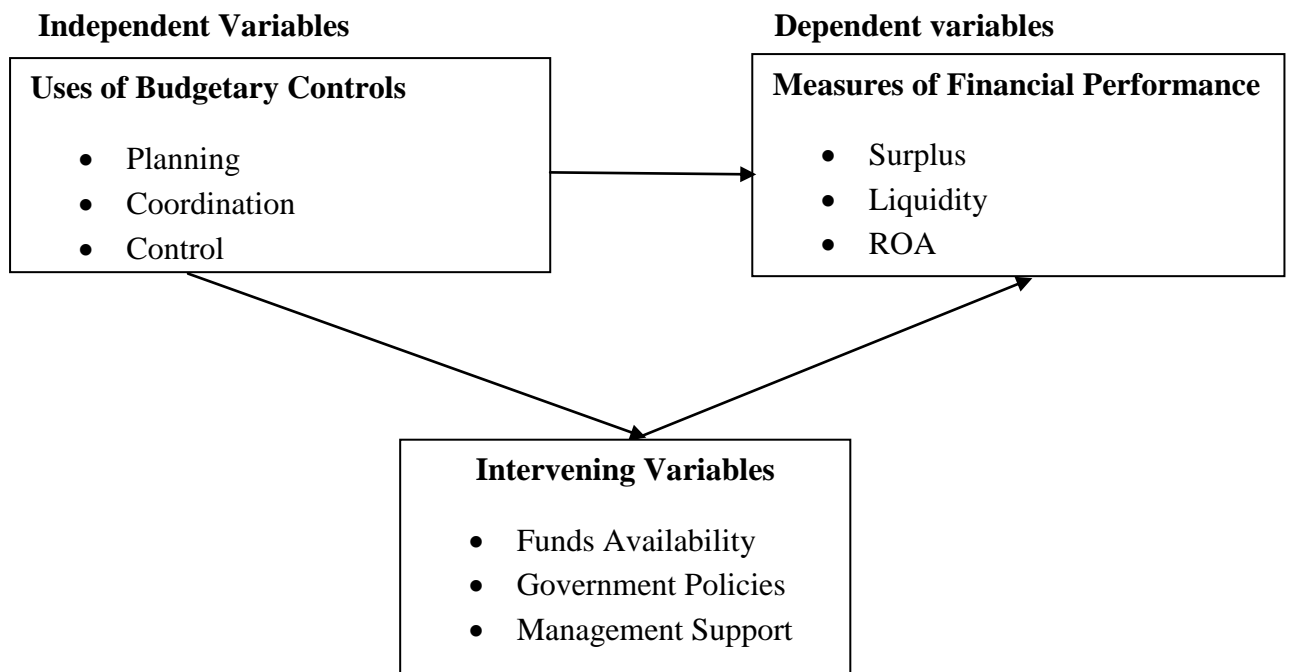


Figure 1.1: Conceptual Framework (own conceptualization, 2019).

The conceptual framework in this research proposal implies that if Budgetary Control functions like; Planning, Coordination and Control are adopted in Public Universities then Financial Performance will be enhanced as indicated by measures of financial performance such as Surplus, Liquidity and ROA.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed relevant existing literature from other researchers who carried out their research in the same field of study. Specific emphasis was put on issues pertaining to effect of budgetary controls on Financial performance of selected Public Universities in Kenya.

2.2 Theoretical Literature

Various theories have in the past been formulated to explain the pertinent issues influencing financial performance in organizations. This study was premised on four theories of budgeting and budgetary controls namely; Theory of Budgeting, Punctuated Equilibrium Theory of Budgeting, Budget Control Theory and Accounting Theory.

2.2.1 Theory of Budgeting

An effective Management Control System solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Anthony & Govindarajan, 2007). Budgets are considered to be the core elements of an efficient control process and consequently vital part to the umbrella concept of an effective MCS (Davila & Foster, 2007). As a forward looking set of numbers, budgets project future financial performance which enable evaluating the financial viability of a chosen strategy (King, Clarkson & Wallace, 2010). In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets (Silva & Jayamaha, 2012). Budgets are therefore a mere collection of plans and forecasts. They reflect the financial implication of the business plans, identifying the amount, quantity and timing of resources needed (Innes, 2005).

Budgeting can further influence the behavior and decisions of employees by translating business objectives and providing a benchmark against which to assess performance (Sandino, 2007). During budget preparation procedures, consideration of alternative causes of action becomes an integral part and leads to increased rationality. A budget allows a goal, a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Kroll, 1997).

Shields and Young (1993), opined that budget acts as a detector of variances between organizational objectives and performance and vital part of the umbrella concept of an effective budgetary performance. They form benchmarks by comparing actual results with budgeted plans and to take corrective action if necessary (Sharma, 2012). Budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, facilitating control and contracting with external parties (Coltman & Jagels, 2001).

2.2.2 Punctuated Equilibrium Theory of Budgeting

Baumgartner and Jones (1993), established their concept of “punctuated equilibria” that addresses both incremental and large budget changes. It asserts that there is a state of equilibrium followed by a punctuated change followed again by equilibrium. The state of equilibrium is during quiet periods of incremental change. Punctuations are breaks from the equilibrium norm. Punctuated equilibrium theory involves environments of stability shifting into environments of instability (Jordan, 2002). Thus, in order to establish equilibrium in terms of budget changes, the budget and budgetary control measures put in place by an entity become pivotal to the overall performance system of ensuring stability of environment. PET incorporates incrementalism but also accounts for large punctuated changes that occur in budgetary

changes. The theory predicts that the distribution of policy changes will have mostly small changes located in the central part of the distribution and many large, punctuated changes in the tails of distribution. Baumgartner and Jones (2009), borrowed this theory from the physical sciences that describe earthquakes and landslides. In short, PET states that small changes will build up demand and pressure within a system that will eventually give way as massive changes. The theory demonstrates the presence of incremental and punctuated changes in many contexts from local, state, federal government and agencies. It robustly demonstrates this pattern of budgetary changes existing in many different contexts (Jones et al, 2009).

2.2.3 Budgetary Control Theory

This theory explains the relationship between budgetary control and financial performance of organisations. According to this theory, a budgetary control process is a tool used by organizations as a framework for revenue and expenditure allocation. According to Robinson and Last (2009), budgeting is used by firms as a framework for spending and revenue allocation. Organizations should come up with effective budgeting systems in order to ensure that their resources are not wasted. Budgeting systems help in ensuring that outputs produced and services delivered achieve their set objectives. Financial viability is determined by the level of income a firm is able to maintain in any given time (Robinson, 2009). The firm has to put clear controls that ensure the budget is well maintained and allocated as required and strictly followed so that variances can be explained and mitigated as much as possible. Robinson and Last (2009), assert that, if a firm has less income however, it might have to find a way to fund its estimated budget by borrowing and tax restructuring. According to Sawhill and Williamson (2001), budgets can be used as indicators of measuring ruling government's performances. Budgets are a statement of whether these governments

are competent in administering their national goals through good resource use. It is therefore very crucial that an organization should understand its budgeting systems as well as giving priority to urgent matters that require attention for firm's control tools.

2.2.4 Accounting Theory

According to Kaplan & Norton (1996), Accounting Theory is aimed at the provision of a coherent set of logical principles that form the general frame of reference for evaluation and development of sound policy development and accounting practices. Norreklit and Mitchell (2010), suggest that the purpose in developing a theory of accounting is to establish standards for judging the acceptability of accounting methods. The theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstances. Premised on the accounting theory, Horvath (2009), argues that the accounting methods that do not meet the set standards should be rejected. Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation (Henry, 1985). The money measurement concept in accounting has contributed greatly in providing yardstick for qualifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath & Seiter, 2009). Qi (2010), suggests that accounting theory views a firm as a separate entity in which its activities are distinct from its owners. This principle serves as an impetus to the general philosophy of budget itself as a tool for effective management (Qi, 2010). According to Horngren et al. (1997), accounting principles are an impetus to the general philosophy of budget itself as a tool for effective management.

Budget as a tool uses accounting concepts to a great extent. It is under the accounting theory that financial standards can be set to guide a firm towards achieving its

financial goals. Management accounting theory also provides several yardsticks to be used for control such as variance analysis. Budgeting provides a feedback mechanism to the management of an organization on how well financial assets are managed as determined by the match between the plans and actual status upon implementation of budgets. Financial statements are prepared by use of historical data which helps in forecasting of future financial plans. The cost accounting theory developed by Wedgwood in early 20th century which emphasizes on cost identification, allocation and revenue maximization has provided a basic insight and blue print in budget and control in an organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Flamholtz, 2012).

2.3 Measures of Financial Performance

Financial performance is the subjective measure of how well a firm can use assets from its primary mode of business and generate revenue (Powers, 2010). According to Kennedy and Macmillan (1986), financial performance is a scientific evaluation of profitability and financial strength of any business concern. They state further that financial statements analyses attempt to unveil the meaning and significance of the items found in profit and loss account and balance sheet. This in turn assists management in formulation of sound operating and financial policies. According to Venanci (2012), measures of financial performance include; company's total earnings or profit, share value and growth index. Different methods used to measure financial performance as indicated by Needles (2011), include; Profitability – ROI, EBIT, GP Margins. Growth – Market share growth, Sales growth. Efficiency – ROS, ROE.

2.3.1 Profitability

Profitability involves the capacity to make benefits from all the business operations of an organization, firm or company (Muya & Gathogo, 2016). Profitability measures

extent to which a business generates a profit from factors of production such as labour, capital and management. Profit is also used as an index for performance measuring of a business (Ogbadu, 2009).

2.3.2 Liquidity

According to Ross et al. (2009), liquidity refers to the ease and quickness with which assets can be converted to cash, without significant loss in value. Liquidity is defined by current ratio. Current ratio is a measure of liquidity calculated by dividing the firm's current assets by its current liabilities (Gitman, 2012). The formula of current ratio is as follows;

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

According to Fields (2002), a ratio below 1.0 means that current assets are less than current liabilities, a clear indication that the company has liquidity problems.

2.3.3 Return On Assets

According to Ross et al. (2009), ROA is a measure of profit per dollar of assets. This implies that it measures the overall effectiveness of management in generating profit per dollar by relating net income to total assets. Return on Assets indicates how a firm is in relation to all the company's assets (Poznanski et al., 2013). It gives an idea of the way financial decisions improve the use of an organization's resources to generate revenue. It further indicates efficiency of management of a company in generating net income from all the resources of the institution (Khrawish, 2011). It is determined by the following formula;

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

2.3.4 Return On Investments

According to Fields (2002), ROI is a financial performance measure that assists an organization in evaluating whether a proposed investment opportunity is worthwhile within the context of the company's business objectives and financial constraints. It is calculated as follows;

$$\text{ROI} = \frac{\text{Net profit}}{\text{Investment Cost}} \times 100$$

A high ROI implies that investments gains compare favourably to investment costs.

2.3.5 Solvency

Jackson et al., (2002), defines solvency of a firm as when the total assets of the firm are higher than its current liabilities; thus it can pay its debts. Solvency measures the amount of borrowed capital used by the business relative to the amount of owner's equity capital invested in the business. This implies that solvency measures provide indication of the business' ability to repay all indebtedness if all of the assets were sold. Such measures also indicate the business ability to withstand risks by providing information about its ability to continue operating after a major financial adversity.

2.3.6 Operational Efficiency

Operational Efficiency is the extent to which changes in the cash conversion cycle, operating expenses to sales revenue ratio, operating cashflows, total assets turnover, total debts to total assets ratio, firm size and operating risk impact the future performance of the firm (Abuzayed & Molyneux, 2009).

2.4 Uses of Budgetary Controls

Budgetary Control can be viewed as a system of controlling costs which embraces the preparation of budget, coordinating the departments and establishing responsibility, comparing actual performance with budgeted and acting upon results to achieve maximum profitability (Brown & Howard, 2002).

2.4.1 Budget Planning

A budget provides a detailed plan of action for a business over a definite period of time. For effective budgetary control, an organization needs to prepare a detailed plan in both financial and quantitative terms for the coming financial period (Robinson & Last, 2009). According to Premchand (2004), the first step in budget process is planning for budget preparation and setting out goals and timelines for its production. Budgeting in public organizations start from identifying departmental needs by departmental heads. It is a hierarchial process that starts from each department of an organization and ends at the apex of the hierarchy. The basic reason for requiring estimates from subordinates is that higher officials do not have enough detailed information, time or specialized skills to prepare the plans themselves (Lewis, 2005). Detailed plans relating to production, sales, raw material requirements, labour needs, advertising and sales promotion performance, research and development activities, capital additions among others should be formulated. By planning, many problems are anticipated long before they arise and solutions sought through careful study thus, most business emergencies can be avoided. In a nutshell, budgeting forces management to think ahead, to anticipate and prepare for anticipated conditions.

2.4.2 Budget Coordination

Waren (2011), noted that within an organization, different departments have a bearing on one another, this therefore makes co-ordination of various executives and subordinates necessary in achieving budget targets. Budgeting aids managers in coordinating their efforts so that objectives of the organization as a whole harmonize with the objectives of its divisions. Effective planning in organization contributes a lot in achieving coordination. The development of a budgetary control system is an activity which requires coordinated efforts from different departments and at various levels. There should be coordination in the budgets of various departments. For

example, the budget of sales should be in coordination with budget of production. Similarly, production budget should be prepared in coordination with the purchases budget, and so on. To ensure staff become involved and participate in a useful and meaningful manner, all efforts need to be coordinated. Since different departments are involved, conflicts are likely to arise. The organization should develop mechanisms to resolve such conflicts without affecting the basic objectives. Management must ensure that people actively participate in the budget process. It is only through active participation that staff feel committed, motivated and encouraged to work towards the common goals and objectives of an organization.

2.4.3 Budget Control

Controls check whether the plans are being realized and put into effect corrective measures and determines where deviation or shortfall is occurring (Egan, 2010). Egan emphasized that without effective controls, an enterprise will be at the mercy of internal and external forces that can disrupt its efficiency. According to Koontz et al. (1979), control is the regulation of work activities in accordance with predetermined plans, such as to ensure the accomplishment of the organization's objectives. Control operates through standards and also measures the work performance according to these standards and correct deviations from standards. It presumes that there is a standard or plan against which performance is compared. Lucey (2003), in support of the above, opined that control concerns itself with efficient use of resources to achieve a previously determined objective, or set of objectives contained within a plan. Steps involved in control include; establishing plan, goal or objective decision rule, recording of actual performance of activities, creation of a mechanism to compare the above steps, extraction of variances between the planned and actual performance,

investigation of the causes leading to the variances and correcting the variances or taking appropriate action on the variances.

2.4.4 Staff Motivation

Hansel et al.(2003), suggest that for an effective budget implementation, the budget plan should be clearer and more accurate, the financial resources readily available and sufficient, while actively involved staff in the budget making should be motivated to facilitate successful implementation of the budget process. If employees actively participate in budget preparation and are convinced that that their personal interests are closely associated with the success of the organization, they will be motivated to ensure effective implementation of the budget. Budgets will therefore motivate workers depending on how management engage them mentally, emotionally and physically during the budgeting process.

2.4.5 Performance Evaluation

Acoording to Simiyu (2002), evaluation is the process of developing a plan in cooperation with an evaluation workgroup of stakeholders who foster common objectives for effective budgetary control. Budgets are the basis of performance evaluation as they reflect realistic estimates of acceptable and expected performance. Most managers are interested to know what is expected of them so that they monitor their own performance. It is more accurate and reliable to measure current performance against a budget rather than against results of previous year when conditions might have changed.

2.4.6 Monitoring

Once the budgets have been implemented they need to be monitored and controlled to ensure effectiveness in aligning budgets over a given period of time (Horngren et al., 1997). A budget supports a manager's efforts to monitor operations, identify variances

and enact corrective action if necessary. It allows an evaluation of activities in terms of contribution to organizational objectives.

2.5 Empirical Literature

Budgetary Control is a management tool used by both public and private entities to effectively manage their always limited financial resources. According to Jones et al. (2009), Budgetary Controls in government entities entail financial planning, controlling, financial evaluation and performance of budgets in order to efficiently achieve the public finance management goal, on proper allocation as per proposed budgets.

2.5.1 Global Studies

Hemsing and Baker (2013), carried out a study on effect of Tight Budgetary Control on Managerial behavior in Swedish Public Sector. They used descriptive survey design and sampled 62 Managers from different municipalities and Universities in Sweden. The findings established that majority of local Managers in Swedish Public Sector experienced tight budgetary controls. The study never captured the effect of budgetary control uses on an organization's financial performance. Therefore there is a gap in literature in relation to effect of budgetary controls on financial performance of Public Universities in Kenya which this study sought to explore.

Marcomick and Hardcastle (2011), did a study on relationship between Budgetary Control and Organizational Performance in government parastatals in Europe. A sample of 40 government parastatals were selected for the exercise. Secondary data was used and a period of ten years considered. A regression model was used for data analysis. The results revealed a positive relationship between Budgetary Control and Organizational performance of government parastatals. Government parastatals in Europe and Public Universities in Kenya have different revenue streams, financing

methods, systems of operations and objectives. Therefore a gap in literature exists in relation to effect of budgetary control uses on financial performance of Public Universities in Kenya which the study seeks to fill.

2.5.2 Regional Studies

Nwoye (2015), sought to study Budgeting and Budgetary Control as the metric for corporate performance. The methodology adopted in the study was descriptive, involving the study of budgetary control activities in 30 organizations selected from a number of States in the Federation, Nigeria. He posited that making efforts to achieve operational targets and objectives without effective budgeting and budgetary control measures would be tantamount to a blind pursuit of goals. He opined that great majority of firms were guilty of preparing initial budgets only to over-shoot the budget limits during implementation stage due to poor budgetary control measures. The study advises top management of modern organizations to take budgeting and budgetary control issues seriously as no appreciable success would be achieved with haphazard budgeting and budgetary controls. The study only examined budgeting and budgetary control and its merit as a predictor of general corporate performance without focusing on any specific measure of financial performance, a gap which this study sought to fill.

Harelimana (2017), carried out a study on the Effect of Budgetary Control on Financial Performance of Kigali Serena Hotel in Rwanda. It sought to; assess techniques of budgetary controls used in Kigali Serena Hotel, analyze the indicators of financial performance of Kigali Serena Hotel and to establish the relationship between budgetary control techniques and financial performance indicators in Kigali Serena Hotel. The study adopted analytical research design. The study findings depicted a positive relationship between Budgeting and Budgetary Control system and Financial Performance of the Hotel. The study considered both planning and control as measures

of budgetary control but left out coordination of activities amongst various departments which this study included. Besides, Serena Hotel in Rwanda and Public Universities in Kenya have different revenue streams, financing methods, systems of operations and objectives. Therefore a gap in literature exists in relation to effect of budgetary control uses on financial performance of Public Universities in Kenya which the study sought to fill.

2.5.3 Local Studies

Adongo and Jagongo (2013), did a study which investigated the relationship between Budgetary Control and Financial performance of State Corporations in Kenya. It sought to determine the salient features of Budgetary Controls in state corporations, establish the Human factors within budgetary controls, establish the process of budgetary control in public organizations and determine the challenges affecting budgetary controls. A descriptive survey design was used to gather data from Managers of the sampled state corporations. 14 corporations were selected from a population of 138 to participate in the study. Purposive sampling was used to select 42 corporate services managers, finance managers and budget officers from each corporation to participate in the study. The findings indicated a positive significant relationship between budgetary controls and financial performance of state corporations. The study focused on independent variables such as; human factors within BC, processes of BC and challenges of BC which are different from those considered by this study. A literature gap therefore still exists on effect of budgetary control uses such as Control, Planning and Coordination on Financial Performance of Public Universities in Kenya, that this study explored.

Thuita & Kibati (2016), did a study on the influence of Budget Management Practices and Controls on Effective Management of Finances in Public Universities in Kenya. It

considered campuses within Nakuru town and used exploratory research design. The study findings revealed that financial performance of Public Universities was significantly affected by the extent to which budget management practices were upheld and the financial controls in place. The research focused majorly on Budget Management Practices and financial controls other than on Budgetary Control uses and their effect on Financial performance of Public Universities in Kenya which this study delved in.

Kerosi (2018), sought to determine association between Budgetary Control Practices and the Management of Micro and Small Enterprises at Kangemi Town in Kenya. A descriptive survey design was adopted to capture categorical description of attitudes of the study population. A sample size of 75 out of 160 registered micro and small enterprises in Kangemi, Kenya was taken. The study established that management of micro and small enterprises is positively related to Budgetary Control Practices. There is a literature gap as independent variables considered never included coordination as a function under budgetary control which this study did. Besides, it focused on micro and small enterprises other than on Public Universities in Kenya which have different financing systems, revenue streams, methods of operations and objectives, a gap this study explored.

Chirchir and Simiyu (2017), did a study on Influence of Budgetary Control System on Financial Performance of ALMASI Beverages Group Limited, Kenya. The study adopted descriptive design and sampled 126 out of a target population of 147, using purposive sampling technique. The research findings showed a significant influence of Budgetary control systems on financial performance of an organization. There is a literature gap as the study focused on four variables such as planning, human factors, resource availability, monitoring and evaluation. Of the variables only planning was

considered by this study. Besides, ALMASI beverages has different streams of revenue sources, operations, systems and objectives from those of Public Universities in Kenya, prompting the need to carry out the study.

Nyongesa et al. (2016), studied the effect of Budgetary Control on Financial performance of Institutions of Higher Learning in Western Kenya. The study was conducted in institutions of higher learning in Vihiga, Bungoma, Kakamega and Busia counties. Finance Officers, Accountants, Bursars and Principals were the respondents. Descriptive survey design was used in the study with a target population of 109. The research findings established that budgetary control had a statistically significant effect on Financial Performance in Public Institutions of Higher Learning. There is a literature gap as the study looked at budgetary control measures such as; Budget Process, Projected income, Allocation of funds and Variance Analysis whereas this study considered budgetary control uses such as; Planning, Coordination and Control and their effect on Financial performance of Public Universities in Kenya. Besides, the research considered financial performance measures such as; Expenditure control, Liquidity and Capital Improvements which are totally different from the ones considered by this study like; Surplus, Liquidit and ROA.

2.6 Summary of Literature Review

From the available information on previous studies carried out on relationship between Budgetary Controls and Financial Performance, there is little information on Budgetary Control uses such as; Planning, Control and Coordination and their effect on Financial Performance Measures like; Surplus, Liquidity and ROA of Public Universities which are the gaps this study sought to fill.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the approaches and techniques the researcher used when collecting data. It presents the research design, sampling, data collection methods, techniques of data analysis, reliability and validity of research instruments.

3.2 Research Design

A research design refers to the way the study is designed, that is, the method used to carry out research (Mugenda and Mugenda, 2003). It relates to the overall strategy chosen to integrate different components of the study in a coherent and logical way, thereby ensuring the research problem is effectively addressed; it constitutes the blueprint for the collection, measurement and analysis of data. The study will adopt a descriptive survey design to capture the categorical description of attitudes of the study population. A descriptive study is concerned with finding what, where and how of a phenomenon (Kothari, 2004). According to Sekaran (2003), descriptive studies often result in formulation of principles of knowledge and solution to significant problems. Sekaran (2003), further opined that descriptive studies are designed to obtain current phenomenon and whenever possible to draw varied conclusions from facts as discussed. Sekaran (2003), asserted that descriptive research design is easy to understand as it attempts to collect data from population members and describes existing phenomenon with reference to budgetary controls.

3.3 Study Area

This study was conducted on five Main Public Universities located in Nairobi County.

3.4 Target Population

Lumley (2004), defines a population as a larger collection of all subjects from where a sample is drawn. Sekran (2003), defines target population as the population in which

the researcher wants to generalize the study results. The study was conducted in five Main Public Universities located in Nairobi County. These include; University of Nairobi, Kenyatta University, Multimedia University, Technical University of Kenya and the Co-operative University of Kenya. The study targeted population comprising staff in finance departments directly involved in managing University finances such as; Finance Officers, Deputy Finance Officers, Accountants and Accounts Assistants.

3.4.1 Sample Size

The survey was conducted in all the five Main Public Universities located in Nairobi County. A sample size of 40 respondents were considered, targeting Finance Officers, Deputy Finance Officers, Accountants and Accounts Assistants.

3.4.2 Sampling Procedure

The research adopted purposive sampling technique. This is a non-probability sampling technique based on characteristics of population and objectives of the study. It is also known as judgemental, selective or subjective sampling. It is a sampling technique in which the researcher relies on his or her own judgement when choosing members of population to participate in the study. A sample was drawn from each subgroup from the five main Public Universities and the distribution was as follows;

Table 3.1: Respondent subgroups

Name of University	Finance Officer	Deputy Finance Officers	Accountants/ Snr. Accountants	Accounts Assistants
Kenyatta University	1	2	3	2
Multimedia University	1	2	3	2
Technical University of Kenya	1	2	3	2
The Co-operative University of Kenya	1	2	3	2
University of Nairobi	1	2	3	2
Total	5	10	15	10

3.5 Data Collection Instruments and Procedure

Data collection tools are the instruments which are used to collect the necessary information needed to serve or prove facts (Mugenda and Mugenda, 2003). The study

used both primary and secondary data techniques. Primary data was collected from the field by use of semi-structured questionnaires, consisting of both closed and open ended questions. The structured questionnaire were administered through a drop and pick later method at an agreed time with the researcher. Dependent variables were measured using performance indicators from the audited financial information. Secondary data was used to supplement the data received from questionnaires.

3.5.1 Pilot Testing

The study conducted a pilot study of 10% of respondents (4 respondents) from the sample population of 40 Finance Staff. Mugenda and Mugenda (2003), observe that the purpose of pilot study is to assess the clarity of the instruments and the validity and reliability of each item in the instrument. From the pilot study, the researcher was able to detect questions which were ambiguous and needed editing and incorporation of items on demographic information. The pilot testing helped in honing the researcher's skills before conducting the main research study. Pilot testing too ensured questions were understood by the respondents and there were no problems with the wording or measurement.

3.5.2 Validity of Instruments

According to Mugenda and Mugenda (1999), validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from analysis of data actually represent variables of the study. Content validity showed whether the questions and statements fully represented every element of the research questions and objectives of the proposed study. Construct validity on the other hand ensured that the questions and statements were correctly and clearly stated. To ensure validity, the researcher shared details and structure of the proposed research instruments with the supervisor and experts in the field for analysis to crosscheck and affirm that indeed the research instrument would capture the full concept of the proposed study. Thereafter, the researcher made necessary changes as applicable alongside the results obtained from pilot study.

3.5.3 Reliability of Instruments

Reliability refers to the consistency of measurement (Shanghverzy, 2003). The study used Cronbach (Alpha – α) model to test reliability of the data. Brown (2002), indicates that Cronbach's alpha reliability coefficient normally ranges between 0 (if no variance is consistent) and 1 (if all variances are consistent). The closer the coefficient

is to 1.0, the greater the internal consistency of the items in the scale. An alpha (α) score of 0.70 or higher is considered satisfactory (Gliem and Gliem, 2003). The results of data obtained from pilot study involving 4 respondents representing 10% of the sample size from JKUAT is outlined in table 3.2 below. The alpha value obtained compared with the acceptable standard value range of 0.7.

Table 3.2: Reliability Statistics

Cronbach's Alpha	N of Items
.783	27

Source: Piolt study data 2019

From table 3.2 above it is evident that the obtained Cronbach alpha value of 0.783 is above the acceptable standard value of 0.7 hence indicative that the data collection instrument was likely to yield reliable and valid results.

3.6 Data Analysis Techniques

Raw data obtained from the field were first coded into categories, entered into SPSS, cleaned for consistency and analyzed using descriptive statistics and presented in tabular format, depicting frequencies, percentages, regression summary models and pearson correlation coefficient.

3.6.1 Model Specification

To test the relationship between variables in budgetary control uses, independent variables and financial performance measures of Public Universities, dependent variables, the study adopted a linear regression model as follows;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots - \epsilon$$

Where;

Y = Financial performance of Public Universties in Kenya

α = Constant term

$\beta_1, \beta_2, \beta_3$ = Beta coefficients

X_1 = Planning

X_2 = Coordination

X_3 = Controlling

ε = Standard Error

Independent variables used to measure BC uses of Public Universities in Kenya included; Planning, Coordination and Control. The basis of the model was to determine whether Public Universities in Kenya adhered to Budgetary Control measures in order to realize financial soundness. This was measured using the three key independent variables involving; Planning, Coordination and Control. Information was obtained by use of structured questionnaire. Coefficient of determination was used to establish whether the model is a sound predictor. For test of significance, ANOVA test was adopted.

3.6.2 Variables, Variable Measurement and Specification

The study used measures of financial performance in Public Universities as dependent variables. Independent variables used to measure budgetary controls included; Planning, Coordination and Control. For the study to realize its objectives, independent variables were measured using frequency at which budgetary control uses are implemented for financial soundness of PUK.

3.7 Ethical Considerations

Research ethics constitute beliefs about what is right or wrong, proper or improper, good or bad in conducting studies (McMillan & Schumacher, 2001). The research treated information from respondents with utmost confidence without disclosing the respondents' identity and the respondents were given assurance that their responses would be used solely for the study. Consent was sought from the participants after being informed of the rationale and nature of the study to ensure voluntary participation.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the findings, interpretation and discussion of the study. It is sequenced into five main sections comprising response rate, demographic information of the respondents, relationship between i) Planning and Financial Performance of Public Universities in Kenya, ii) Co-ordination and Financial Performance of Public Universities in Kenya and iii) Control and Financial Performance of Public Universities in Kenya.

4.2 Response Rate

The study targeted 40 respondents. 38 responses were attained, translating to 95.0% response rate. This return rate was good enough for the study because Saunders and Gay (2003) stated that a return rate of more than 50% was acceptable in research.

4.3 Demographic Information of the Respondents

Table 4.1 below summarizes the responses obtained from the question that sought demographic information of the respondents.

Table 4.1: Distribution of Respondents by Demographic Characteristics

Characteristic	F	%
Job Title		
Accounts Assistants	21	55.3
Accountants	17	44.7
Gender		
Male	25	65.8
Female	13	34.2
Age bracket		
31-40 years	32	84.2
41-50 years	4	10.5
18-30 years	1	2.6
Over 50 years	1	2.6
Level of education		
Undergraduate	22	57.9
Postgraduate	15	39.5
Certificate	1	2.6
Terms of employment		
Permanent and pensionable	26	68.4
Contract	10	26.3
Temporary	2	5.3
Duration in the current position.		
Less than 5 years	27	71.1
5- 10 years	10	26.3
More than 10 years	1	2.6
Years of service in a Public University in Kenya		
Less than 5 years	19	50.0
5-10 years	11	28.9
More than 10 years	7	18.4
Not stated	1	2.6

Source: Research Data 2019

Table 4.1 shows that when distributed by job titles, majority (55.3%) of the respondents were Accounts Assistants while 44.7% were Accountants.

In relation to gender, the table is indicative of majority (65.8%) of the respondents being males while 34.2% were females. The findings demonstrate efforts by the universities to comply with affirmative action in employment opportunities.

When distributed by age bracket, the table depicts most (84.2%) of the respondents were aged between 31-40 years, 10.5% ranged from 41-50 years while 2.6% each were aged 18-30 years and over 50 years respectively.

On education level, the table demonstrates that majority(57.9%) of the respondents had attained undergraduate qualifications, 39.5% had postgraduate credentials while 2.6% were certificate holders. The findings signify that most of the respondents had the requisite competence and knowledge as depicted by their job titles.

When categorized by their terms of employment, the table illustrates that majority (68.4%) were permanent and pensionable, 26.3% were on contract while 5.3% were engaged on temporary basis.

With regard to the question that sought information on duration in their current positions, table 4.1 shows that majority (71.1%) of the respondents stated they had served for less than 5 years, 26.3% reported 5 to 10 years while 2.6% indicated they had served for more than 10 years.

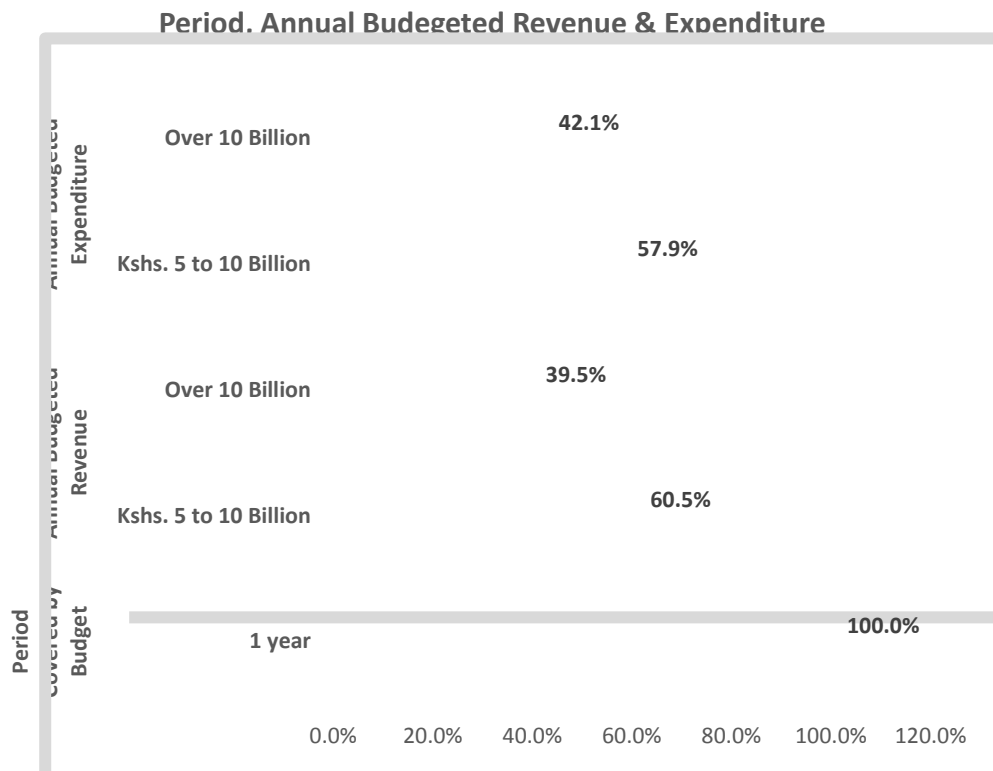
Subsequently, when asked how long they had worked in a public university in Kenya, majority (50.0%) of the respondents reported having spent less than 5 years, 28.9% stated 5 to 10 years, 18.4% had been working for more than 10 years while 2.6% did not comment.

4.4 Planning

4.4.1 Duration and Approximate Annual Budgeted Revenue & Expenditure

The respondents were first asked to indicate the period covered by their respective budgets, then approximate level of annual budgeted revenue and subsequently approximate annual budgeted expenditure. Their responses are summarized in figure 4.1 below.

Figure 4.1 Period, Annual Budgeted Revenue and Expenditure



Responses in Percentages

Source: Research Data, 2019

From figure 4.1 above, it is evident that all (100.0%) the respondents reported that their respective budgets covered a period of 1 year.

With regard to approximate level of annual budgeted revenue, the figure illustrates that majority (60.5%) of the respondents indicated that their respective universities had approximate annual budgeted revenue ranging between 5 to 10 Billion while 39.5% reported Over Kshs. 10 Billion. Similarly, the figure portrays majority (57.9%) of the respondents reporting that their respective universities had approximate level of annual budgeted expenditure within the range of Kshs. 5 to 10 Billion while 42.1% stated over kshs. 10 Billion.

4.4.2 Budget Planning Process

When asked to indicate their level of agreement /disagreement with the statements relating to budget planning aspects, the responses obtained are summarized in table 4.2.

Table 4.2. Level of Agreement/Disagreement with Budget Planning Statements

Statements on budget Planning Aspect	% Agreement/Disagreement			
	A	SA	NS	D
Each department of the University prepares budget plans prior to budget periods.	81.6	10.5	5.3	2.6
The University has both short and long term budget plans.	68.4	15.8	13.2	2.6
The University incorporates both development and recurrent plans in their budgets.	60.5	26.3	10.5	2.6
The University's budget at planning level factors in the priorities of different departments.	60.5	23.7	13.2	2.6

Source: Research Data 2019

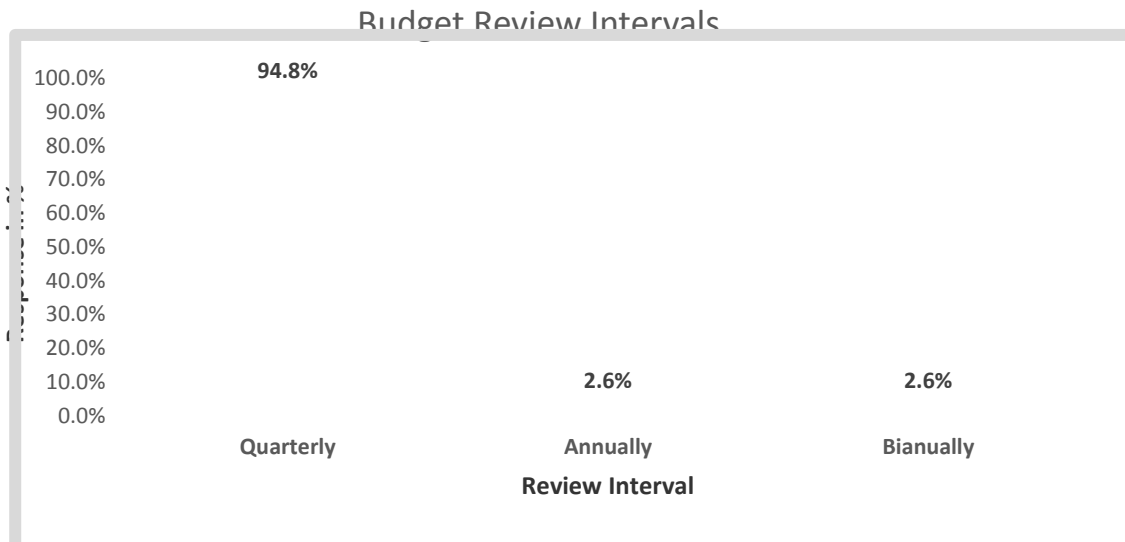
Table 4.2 above shows that most (92.1%, 84.2%, 86.8%, 84.2%) of the respondents confirmed that; each department in their respective universities prepare budget plans prior to budget periods, the universities had both short and long term budget plans, they incorporate both development and recurrent plans in their budgets and that their budgets at planning level do factor in priorities of different departments, 5.3%, 13.2% each and 10.5% were not sure while 2.6% respectively disagreed this was not the case. These findings demonstrates a general consensus among the respondents with regard to involvement of departments in preparation of budget plans prior to budget periods, formulation of both of short and long term budget plans, incorporation of both development and recurrent plans and considers priorities of different departments during budget planning process.

4.5 Budget Control Process

4.5.1 Frequency of Budget Review

Figure 4.2 below summarizes that responses obtained from the question that sought information on how often the budgets were reviewed.

Figure 4.2 Budget Review Timelines



Source: Research Data, 2019

From figure 4.2, it is evident that most (94.8%) of the respondents reported their budgets were reviewed on quarterly basis while 2.6% each stated annually and biannually respectively.

4.5.2 Level of Agreement/Disagreement with Budget Control Statements

Table 4.3 Level of Agreement/Disagreement with Control Statements

Statement on Budget Control Activity	% Agreement/Disagreement			
	A	SA	NS	D
There exists a budgetary committee that periodically meets to review budget performance	81.6	13.2	2.6	2.6
The Institution has budget policies that help in monitoring budget spending limits.	76.3	13.2	7.9	2.6
The institution periodically prepares reports for budget performance evaluation	68.4	18.4	10.5	2.6
At end of budget cycle, the institution compares actual and budgeted performance and tabulates variances.	63.2	15.8	18.4	2.6
The Institution's adverse budget deviations are reported to budget committee if one exists	55.3	26.3	15.8	2.6
The Institution takes corrective action to address adverse variances reported.	47.4	26.3	23.7	2.6

Source: Research Data 2019

Table 4.3 above shows that most (94.8%,89.5%,86.8%,79.0%) of the respondents were respectively in agreement with regard to; existence of budgetary committees that periodically meet to review budget performance, the institutions having budget policies that help in monitoring budget spending limits, periodically prepare reports for budget performance evaluations and do compare actual and budgeted performance, tabulating variances at the end of the budget cycle. A further 2.6%, 7.9%,10.5% and 18.4% respectively were not sure while 2.6% each reported this was not the case.

Similarly, majority (71.1% and 73.7%) of the respondents agreed that their institutions' adverse budget deviations are reported to Budget Committees and corrective actions taken to address the adverse effects respectively, 26.3% and 23.7% were not sure while 2.6% each did not comment.

4.6 Budget Coordination Process

Table 4.4 Level of Agreement/Disagreement with Coordination Statements

Statements on Coordination Aspects	% Agreement/Disagreement			
	A	SA	NS	D
The University harmonizes budgets of various departments.	65.8	26.3	5.3	2.6
The University's Finance Office is responsible for centralized control over the budget process, who must work closely with Senior Management and departmental heads.	60.5	31.6	5.3	2.6
The budgetary process communicates to staff what is expected of them as it allows for a consensus of ideas, strategies and direction.	73.7	13.2	10.5	2.6
Within the institution there is some level of interdependence between departments and activities considered in the budget	60.5	23.7	13.2	2.6

Source: Research Data, 2019

Table 4.4 depicts that most respondents (92.1%, 92.1%, 86.8% and 84.2%) respectively affirmed that; their universities harmonizes budgets of various departments, Finance Office is responsible for centralized control over the budget process and closely works with Senior Management and departmental heads, the budgetary process communicates to staff what is expected of them as it allows for a consensus of ideas, strategies and direction in addition to there being some level of interdependence between departments and activities considered in the budget, respectively; 5.3%, 5.3%, 10.5%, 13.5% were not sure whether this was the case while 2.6% each did not comment.

4.7 Relationship between Planning and Financial Performance of Public Universities

Table 4.5 Model Summary for Planning

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.525 ^a	.276	.212	.676	.276	4.312	3	34	.011

a. Predictors: (Constant), Planning Activities

Source: Research data 2019.

Table 4.5 above shows existence of correlation between planning and financial performance of public universities as indicated by R value of 0.525 which is greater than 0 hence signifying a positive association. Thus as the value of budget planning activities attributes increases, there is a corresponding increase in financial performance of public universities in Kenya. The R value is also closer to half of 1 hence an indication of a moderate positive association between budget planning process activities and financial performance of the institutions.

Table 4.6 Pearson Correlation Coefficients^a for Budget Planning Process

Model for budet planning	Unstandardized		Standardize	t	Sig.	Correlatio ns	Collinearity Statistics
	Coefficients		d				
	B	Std. Error	Beta				
(Constant)	3.698	.813		4.549	.000		
11. What is your approximate level of annual budgeted expenditure?	-.575	.223	-.377	-2.580	.014	-.396	1.005
c. The University incorporates both development and recurrent plans in their budgets.	.389	.194	.352	2.012	.052	.366	1.439
d. The University's budget at planning level factors in the priorities of different departments.	-.014	.192	-.012	-.071	.944	.207	1.441

a. Dependent Variable: Financial performance of Public Universities.

b. Independant variable: Budget Planning Process

Source: Resaerch data 2019.

Table 4.6 above shows that t value of 4.549 is greater than 1.92 signfying a general positive effect of budget Planning activities on Financial Performance of Public Universities in Kenya as does the p value, $0.000 < \alpha$ value of 0.05 (confidence level at 95%), an indication that there is sufficient evidence to confirm existence of significant relationship between budget Planning and Financial performance of Public Universities in Kenya. This is further corroborated by the positive zero orders of

0.207 and 0.366 relating to; the University incorporating both development and recurrent plans in their budgets. and the University's budget at Planning level factors in the priorities of different departments respectively, confirming that an increase in the variables will result in a corresponding increase in Financial Performance of the universities and vice versa. Despite the negative Z-order (-0.396) for approximate level of annual budgetted expenditure, the observed aggregate positive effect is thus attributable to the weak multicollinearity among the variables that tend to overshadow the negative effects as depicted by Variance Inflation Factors (VIF) ranging from 1.005 to 1.441. Organizations should therefore adopt Planning as a tool under Budgetary Control as the above results evince a positive significant relationship between Budget Planning and Financial Performance of Public Universities. This differed from the study carried out by Nwoye (2015), who studied Budgeting and Budgetary Control as metric for corporate performance with no focus on Planning as Budgetary Control tool.

4.8 Association between Co-ordination and Financial Performance of Public Universities

Table 4.7 Model Summary for Co-ordination

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.506^a	.256	.214	.676	.256	6.023	2	35	.006

a. Predictors: (Constant), Coordination Activities
Source: Research data 2019.

Table 4.7 above illustrates there being association between budget Coordination and Financial performance of public universities as depicted by R value of 0.506 which is greater than 0, signifying a positive association. It can thus be deduced from these findings that an increase in Budget Coordination activities variables is likely to cause

a corresponding positive effect in the Financial Performance of public universities.

The association between the variables is moderate since R is closer to mid 1.

Table 4.8 Pearson Correlation Coefficients^a for Budget Coordination Process

Model for budget Coordination process	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations Zero-order	Collinearity Statistics VIF
	B	Std. Error	Beta				
	(Constant)	1.438	.614				
a)The University harmonizes budgets for various departments	.180	.222	.150	.809	.424	.398	1.629
b. The University's Finance Office is responsible for centralized control over budget process, who must work closely with Senior management and Departmental Heads	.457	.213	.399	2.142	.039	.492	1.629

a. Dependent Variable: 16. Planning, budgeting and coordination generally improves financial performance of an organization.

Source: Research data, 2019.

Table 4.8 above illustrates t value of 2.343 as greater than than 1.92 signifying a general positive effect of budget Coordination activities on financial performance of public universities in Kenya which is further exhibited by the p value, $0.025 < \alpha$ value of 0.05 (confidence level at 95%), an indication that there is sufficient evidence to confirm existence of significant relationship between Budget Coordination and Financial Performance of Public universities in Kenya. This is further validated by the positive zero orders ranging from .398 to .492, hence an increase in the variables will result in a corresponding increase in Financial Performance of the universities and vice versa. Besides, the VIF of 1.629 indicates weak multicollinearity among the variables hence each seems to have an independent effect on Financial Performance as earlier shown by the moderate positive association, R value of the model summary. Organizations should therefore adopt Coordination as a tool under Budgetary Control as the above results depict a positive significant relationship between Cordination and

Financial Performance of Public Universities. This differed from the study carried out by Hemsing and Baker (2013) who studied the Effect of Budgetary Control in Swedish Public Sector but never explored Effect of Budgetary Control Uses on Financial Performance of an organization.

4.9 Relationship between Control and Financial Performance of Public Universities

Table 4.9 Model summary for Control

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.253 ^a	.064	-.018	.769	.064	.777	3	34	.515

a. Predictors: (Constant), Control Activities

Source: Research data, 2019

Table 4.9 above demonstrates an association between Budget Control and Financial Performance of Public universities as shown by R value of 0.253 which is greater than 0, signifying a positive association, albeit a weak one. These findings evince that an increase in budget control variables is likely to cause a correspondending weak positive effect in the Financial Performance of Public Universities.

Table 4.10 Pearson Correlation Coefficients^a for Budget Control Process

Model for budget Control	Unstandardiz		Standardiz	t	Sig.	Correlatio	Collineari
	ed		ed				
	Coefficients		Coefficient				
		s			ns	ty	
		B	Std.	Beta	Zero-order		VIF
		Error					
(Constant)	2.35	.805		2.92	.00		
	3			4	6		
a) There exists a Budgetary Committee that periodically meets to review budget performance?	.262	.299	.178	.877	.38	.209	1.493
					7		
c) The Institution periodically prepares reports for budget performance evaluation	- .046	.262	-.039	- .177	.86	.141	1.736
					0		
f). The Institution takes corrective action to address adverse	.155	.184	.161	.844	.40	.201	1.319
					5		
variances reported.							

a. Dependent Variable: Financial Performance of Public Universities.

b. Independent Variable: Budgetary Control activities.

Source: Research data, 2019

Table 4.10 above convinces t value of 2.924 to be greater than 1.92, signifying a general positive effect of Budget Control activities on Financial Performance of public universities in Kenya, with p value, $0.006 < \alpha$ value of 0.05 (confidence level at 95%), an indication that there is sufficient evidence to confirm existence of a significant relationship between Budget Control process and Financial Performance of public universities in Kenya. This is further validated by the positive zero orders for all the three variables namely; existence of a Budgetary Committee that periodically meets to review budget performance, the institution periodically prepares reports for budget performance evaluation and the institution takes corrective action to address adverse variances (0.209, 0.141, 0.201) respectively, thus an increase in the variables is likely to yield a corresponding increase in Financial Performance of the universities and vice versa. It is also noteworthy that the aggregate positive effect depicted is corroborated by the weak multicollinearity among the variables as shown by values

ranging from 1.319 to 1.736 which is in line with the findings on model summary, R value that had signified a weak association. Organizations should therefore adopt Control as a tool under Budgetary Control as the above results illustrate a positive significant relationship between Control and Financial Performance of Public Universities. This differed from the study carried out by Thuita and Kibati (2016), who studied Budget Management Practices and Controls on Effective Management of Public Universities in Kenya which mainly focused on Budget management practices and financial controls rather than on Budgetary Control Practices.

4.10 Regression Equation

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2$$

$$Y = 3.698(-0.639) + 1.438(1.475) + 2.353(0.514)$$

$$= -2.363 + 2.121 + 1.209$$

$$= 0.967$$

The equation above depicts a value of 0.967 thus it is deducible from findings that an increase in independent variables (budget Planning, Coordination and Control) by a unit value of 0.967 will result in a corresponding effect in Financial Performance of the public university and vice versa.

From the foregoing all the p values denoted as (sig) of 0.000, 0.025 and 0.006 for Budget Planning, Budget Coordination and Budget Control respectively are less than the alpha value of 0.05 (confidence level of 5%). The following conclusions can thus be made in relation to the three null hypotheses assumed under chapter one sub section 1.4;

Reject the null hypothesis and accept the alternative hypothesis that states: There is a significant relationship between Budget Planning and Financial Performance of Public Universities in Kenya.

Reject the null hypothesis and accept the alternative hypothesis that states: There is a significant relationship between Budget Coordination and Financial Performance of Public Universities in Kenya.

Reject the null hypothesis and accept the alternative hypothesis that states: There is a significant relationship between Budget Control and the Financial Performance of Public Universities in Kenya.

From the foregoing, it is evident that indeed there exists a significant relationship between budget Planning, Coordination, Control and Financial Performance of Public Universities in Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presents the summary arising from the foregoing results, conclusions based on the research objectives and the recommendations of the study.

5.2 Summary of the findings

5.2.1 Response Rate

The study targeted 40 respondents out of which 38 responses were received, translating to 95.0% response rate.

5.2.2 Demographic Information of the Respondents

When distributed by job titles, majority (55.3%) of the respondents were Accounts Assistants while 44.7% were Accountants, thus all respondents were accountants.

In relation to gender, majority (65.8%) of the respondents were males while 34.2% were females, an indication of compliance with affirmative action in employment opportunities.

Most (84.2%) of the accountants were aged between 31-40 years.

On education level, majority (57.9%) of the respondents had attained undergraduate qualifications, 39.5% had postgraduate credentials. It is deducable that most of the respondents had the requisite competence and knowledge as depicted by their job titles.

When categorized by their terms of employment, majority (68.4%) were permanent and pensionable, 26.3% were on contract while 5.3% were engaged on temporary basis. With regard to duration in their current positions, majority (71.1%) of the respondents reported they had served for less than 5 years, 26.3% had worked for 5 to 10 years while 2.6% indicated they had served for more than 10 years. Subsequently, majority (50.0%) of the respondents reported having spent less than 5 years of work

experience in public universities in Kenya, 28.9% stated 5 to 10 years, 18.4% had been working for more than 10 years.

5.2.3 Planning

5.2.3.1 Duration and Approximate Annual Budgeted Revenue & Expenditure

All the respondents reported their respective budget coverage as a period of 1 year.

With regard to approximate level of annual budgeted revenue, majority (60.5%) of the respondents indicated that their respective universities had approximate annual budgeted revenue ranging from 5 to 10 Billion while 39.5% reported Over Kshs. 10 Billion. Similarly, majority (57.9%) of the respondents reported that their respective universities had approximate level of annual budgeted expenditure within the range of Kshs. 5 to 10 Billion while 42.1% stated over kshs. 10 Billion.

5.2.3.2 Budget Planning Process

Most (92.1%, 84.2%, 86.8%, 84.2%) of the respondents confirmed that; each department in their respective universities prepare budget plans prior to budget periods, the universities had both short and long term budget plans, they incorporate both development and recurrent plans in their budgets, budgets at planning levels do factor in priorities of different departments. These findings demonstrate a general consensus among the respondents with regard to involvement of departments in preparation of budget plans prior to budget periods, formulation of both short and long term budget plans, incorporation of both development and recurrent plans and consideration of priorities of different departments during budget planning process.

5.2.4 Budget Control Process

5.2.4.1 Frequency of Budget Review

Most (94.8%) of the respondents reported their budgets to be reviewed on quarterly basis which is in tandem with performance contracting reporting cycles undertaken on

quarterly basis. Most (94.8%,89.5%,86.8%,79.0%) of the respondents were also in agreement that there is existence of budgetary committees that periodically meet to review budget performance, the institutions have budget policies that help in monitoring budget spending limits, periodically prepare reports for budget performance evaluations and they do compare actual and budgeted performance and tabulates variances at the end of the budget cycle. Similarly, majority (71.1% and 73.7%) of the respondents reported that their institutions' adverse budget deviations are reported to Budget Committees and corrective actions are taken to address the adverse effects respectively while 26.3% and 23.7% were not sure.

5.2.5 Budget Coordination Process

5.2.5.1 Level of Agreement/Disagreement with Coordination Statements

Most (92.1%, 92.1%, 86.8% and 84.2%) respectively affirmed that their universities; harmonize budgets of various departments, Finance Offices are responsible for centralized control over the budget process and closely work with Senior Management and departmental heads, the budgetary processes communicate to staff what is expected of them as it allows for a consensus of ideas, strategies and direction in addition to there being some level of interdependence between departments and activities considered in the budget

5.2.6 Relationship between Planning and Financial Performance of Public Universities

Regression model summaries for the independent variable confirmed existence of a moderate positive correlation between Planning and Financial Performance of Public Universities as indicated by R value of 0.525 which is greater than 0 and closer to 1.

5.2.7 Association between Co-ordination and Financial Performance of Public Universities

There is a moderate positive association between budget Coordination and Financial Performance of Public Universities as depicted by R value of 0.506 signifying that an increase in Budget Coordination activities variable is likely to cause a corresponding positive effect on the Financial Performance of Public Universities.

5.2.8 Relationship between Control and Financial Performance of Public Universities

There is a weak positive association between budget Control and Financial Performance of Public Universities as shown by R value of 0.253. These findings evince that an increase in budget Control activities variable is likely to cause a corresponding weak positive effect on the Financial Performance of Public Universities.

5.2.9 Pearson Correlation Coefficients^a for Budget Planning Process

The t values of 4.549 is greater than 1.92, signifying a general positive effect of budget Planning activities on Financial Performance of Public Universities in Kenya which is consistent with the p value, $0.000 < \alpha$ value of 0.05 (confidence level at 95%) an indicator there is sufficient evidence to confirm existence of significant relationship between budget Planning and Financial Performance of Public Universities in Kenya. The positive zero orders of 0.207 and 0.366 relating to the universities incorporating both development and recurrent plans in their budgets and the University's budget at Planning level factoring in priorities of different departments respectively confirms that an increase in the variables will result in a corresponding increase in financial performance of the Universities and vice versa. Despite the negative Z-order (-0.396) for approximate level of annual budgetted expenditure, the observed aggregate positive effect is thus attributable to the weak multicollinearity among the variables

that tend to overshadow the negative effects as depicted by Variance Inflation Factors (VIF), ranging from 1.005 to 1.441.

5.2.10 Pearson Correlation Coefficients^a for Budget Coordination Process

The t value of 2.343 is greater than than 1.92 signfying a general positive effect of budget Coordination activities on Financial Performance of Public Universities in Kenya which is further exhibited by the p value, $0.025 < \alpha$ value of 0.05 (confidence level at 95%) a pointer that there is sufficient evidence to confirm existence of significant relationship between budget Coordination and Financial Performance of Public Universities in Kenya as further exemplified by the positive zero orders ranging from .398 to .492 hence an increase in the variables will result in a corresponding increase in financial performance of the universities and vice versa. Besides, the VIF of 1.629 indicates weak multicollinearity among the variables hence each seems to have an independent effect on financial performance as earlier shown by the moderate positive association, R value of the model summary.

5.2.11 Pearson Correlation Coefficients^a for Budget Control Process

The t value of 2.924 is greater than 1.92 signfying a general positive effect of budget Control activities on Financial Performance of Public Universities in Kenya, with the p value, $0.006 < \alpha$ value of 0.05 (confidence level at 95%) an indication that there is sufficient evidence to confirm existence of a significant relationship between budget Control process and Financial Performance of Public Universities in Kenya. This is further validated by the positive zero orders for all the three variables namely; existence of a Budgetary Committees that periodically meet to review budget performance, the institutions periodically prepare reports for budget performance evaluation and; the institutions take corrective action to address adverse variances (0.209,0.141, 0.201) respectively, thus an increase in the variables is likely to yield a

corresponding increase in Financial Performance of the Universities and vice versa. It is also noteworthy that the aggregate positive effect depicted is corroborated by the weak multicollinearity among the variables as shown by values ranging from 1.319 to 1.736 which is in line with the findings on model summary, R value that had signified a weak association.

5.3 Conclusions

The following conclusions can be drawn from the foregoing summary in line with the research study objectives and the three null hypotheses assumed under chapter one, sub section 1.4;

- i. Reject the null hypothesis and accept the alternative hypothesis that states:
There is a significant relationship between Budget Planning and Financial Performance of Public Universities in Kenya.
- ii. Reject the null hypothesis and accept the alternative hypothesis that states:
There is significant association between Budget Coordination and Financial Performance of Public Universities in Kenya.
- iii. Reject the null hypothesis and accept the alternative hypothesis that states:
There is significant association between Budget Control and Financial Performance of Public Universities in Kenya.

5.4 Policy Recommendations

Budgetary Control helps enhancing Financial Performance as it compares budget targets with actual performance and adverse deviations thereof are corrected in time. This enables introduction of Management by objectives with its inherent benefits. Planning is an important aspect of budgetary control that enables management to look ahead, set targets, anticipate problems and give the organization purpose and direction. Control regulates activities in accordance with predetermined plans, such as to ensure

the accomplishments of the organization's objectives. For attainment of financial objectives, there should be sound coordination in the budget activities of various departments. Budgetary Control uses therefore have positive effects on Financial Performance of Public Univesities thus should be adopted to the letter.

5.5 Recommendations for Further Research

From literature reviewed, few studies have been carried out on Effect of Budgetary Control Uses on Financial Performance of Public Universities in Kenya. Related research studies should be carried out on Private organizations with profit orientation as this study only delved in Public Universities in Kenya. In future similar studies should be carried out in both public and private entities in Kenya as Budgetary Control is a vital financial control tool for all organizations.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Bornface Otieno,
MASENO UNIVERSITY,
KISUMU CITY CAMPUS

Dear Respondent,

RE: DATA COLLECTION

I am a student at Maseno University, pursuing a Degree in Master of Science, Finance Option. Currently I undertake a research study on “*Effect of Budgetary Control Uses on Financial Performance of Public Universities in Nairobi County, Kenya*”. You have been selected to participate in this study and I would greatly appreciate your assistance by responding to the questionnaire as correctly, completely and honestly as possible. Your responses will be treated withutmost confidentiality and strictly used for intended academic purposes.

Thanks in advance for your cooperation.

Yours Faithfully,



BORNFACE OTIENO

APPENDIX II: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION

1. What is your job title?
 - a) Finance Officer []
 - b) Deputy Finance Officer []
 - c) Accountant/ Snr. Acct []
 - d) Accounts Assistant []
2. Please indicate your gender;
 - a) Male []
 - b) Female []
3. What is the name of your University?-----
4. Please indicate your age bracket;
 - a) Between 18 and 30 years []
 - b) Between 31 and 40 years []
 - c) Between 41 and 50 years []
 - d) Over 50 years []
5. What is your highest level of education?
 - a) Certificate []
 - b) Diploma []
 - c) Undergraduate []
 - d) Postgraduate []
6. What are your terms of employment?
 - a) Permanent and Pensionable []
 - b) Contract []
 - c) Temporary []
 - d) Other:----- [Specify]
7. What duration have you taken in current position?
 - a) Less than 5 years []
 - b) Between 5 and 10 years []
 - c) More than 10 years []
8. How long have you worked in a Public University in Kenya?

- a) Less than 5 years []
- b) Between 5 and 10 years []
- c) More than 10 years []

SECTION B: PLANNING

9. Please indicate the period covered by your budget;

- a) Less than 1 year []
- b) 1 year []
- c) More than 1 year []

10. What is your approximate level of annual budgeted revenue?

- a) Less than Kshs. 5 Billion []
- b) Between Kshs. 5 and 10 Billion []
- c) Over Kshs. 10 Billion []

11. What is your approximate level of annual budgeted expenditure?

- a) Less than Kshs. 5 Billion []
- b) Between Kshs. 5 and 10 Billion []
- c) Over Kshs. 10 Billion. []

12. Please tick the following statements by indicating your level of agreement with the listed activities as; (i) Disagree (ii) Not Sure (iii) Agree (iv) Strongly Agree

	Statements	(i)	(ii)	(iii)	(iv)
a)	Each department of the University prepares budget plans prior to budget periods.				
b)	The University has both short and long term budget plans.				
c)	The University incorporates both development and recurrent plans in their budgets.				
d)	The University's budget at planning level factors in the priorities of different departments.				

SECTION C: CONTROL

13. How often is your budget reviewed?

- a) Annually []
- b) Biannually []
- c) Quarterly []
- d) None []

14. Please tick the following statements by indicating your level of agreement with the listed activities as; (i) Disagree (ii) Not Sure (iii) Agree (iv) Strongly Agree

	Statements	(i)	(ii)	(iii)	(iv)
a)	There exists a budgetary committee that periodically meets to review budget performance				
b)	The Institution has budget policies that help in monitoring budget spending limits.				
c)	The institution periodically prepares reports for budget performance evaluation				
d)	At end of budget cycle, the institution compares actual and budgeted performance and tabulates variances.				
e)	The Institution's adverse budget deviations are reported to budget committee if one exists				
f)	The Institution takes corrective action to address adverse variances reported.				

SECTION D: COORDINATION

15. Please tick the following statements by indicating your level of agreement with the listed activities as; (i) Disagree (ii) Not Sure (iii) Agree (iv) Strongly Agree

	Statements	(i)	(ii)	(iii)	(iv)
a)	The University harmonizes budgets of various departments.				
b)	The University's Finance Office is responsible for centralized control over the budget process, who must work closely with Senior Management and departmental heads.				
c)	The budgetary process communicates to staff what is expected of them as it allows for a consensus of				

	ideas, strategies and direction.				
d)	Within the institution there is some level of interdependence between departments and activities considered in the budget				

Thanks for your participation

APPENDIX III: MEASURES OF PERFORMANCE SCHEDULE

UNIVERSITY	SURPLUS/ (DEFICIT)	LIQUIDITY	ROA
Kenyatta University	6,251,063,719.67	0.89	0.05
Multimedia University	(315,347,000.00)	1.25	(0.20)
Technical University of Kenya	(430,102,343.00)	0.29	(0.07)
The Co-operative University of Kenya	1,783,739.00	0.58	(0.00)
University of Nairobi	258,657,862.33	1.94	2.48

Source: Research data, 2019

APPENDIX IV: PROPOSED BUDGET

ITEM	QUANTITY	UNIT COST KSHS.	COST KSHS.
Stationery			3,000
Printing			3,000
Photocopy			3,000
Internet			6,000
Travelling and Accommodation	3	10,000	30,000
Research Assistants	2	10,000	20,000
Contingencies			10,000
TOTAL			75,000

APPENDIX V: RESEARCH SCHEDULE

Time Period	208		2019									
	Nov	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct
Activity												
Topic Selection												
Developing and Defending Concept Paper												
Proposal Writing												
Proposal Defense and Corrections												
Field Study												
Data Analysis												
Project Writing												
Project Defense, Corrections and Submission												

APPENDIX VI: LIST OF PUBLIC UNIVERSITIES IN KENYA
(Source: Commssion For University Education, Kenya)

S/N o.	University	Year of Establishment	Year of Award of Charter
Public Chartered Universities			
1.	Chuka University	2007	2013
2.	Dedan Kimathi University	2007	2012
3.	Egerton University	1987	2013
4.	Garissa University	2011	2017
5.	Jaramogi Oginga Odinga University of Science and Technology	2009	2013
6.	Jomo Kenyatta University of Agriculture and Technology	1994	2013
7.	Karatina University	2010	2013
8.	Kenyatta University	1985	2013
9.	Kibabii University	2011	2015
10.	Kirinyaga University	2011	2016
11.	Kisii University	2007	2013
12.	Laikipia University	2009	2013
13.	Maasai Mara University	2008	2013
14.	Machakos University	2011	2016
15.	Maseno University	2001	2013
16.	Masinde Muliro University of Science and Technology	2007	2013
17.	Meru University of Science and Technology	2008	2013
18.	Moi University	1984	2013
19.	Multimedia University of Kenya	2008	2013
20.	Muranga University of Technology	2011	2016
21.	Pwani University	2007	2013
22.	Rongo University	2011	2016
23.	South Eastern University of Kenya	2008	2013
24.	Taita Taveta University	2011	2016
25.	Technical University of Kenya	2007	2013
26.	Technical University of Mombasa	2007	2013
27.	The Co-operative University of Kenya	2011	2016
28.	University of Eldoret	2010	2013
29.	University of Embu	2011	2016
30.	University of Kabianga	2009	2013
31.	University of Nairobi	1970	2013
Public Constituent Colleges			
32.	Alupe University	2015	
33.	Bomet University College	2017	
34.	Kaimosi Friends University College	2015	
35.	Tharaka University College	2017	
36.	Tom Mboya University College	2016	
37.	Turkana University College	2017	

Main Public Universities located within Nairobi County

(Source: Commission for University Education, Kenya)

1. Kenyatta University
2. Multimedia University
3. Technical University of Kenya
4. The Co-operative University of Kenya
5. University of Nairobi

APPENDIX VII: GAPS FROM REVIEWED LITERATURE

The table below illustrates gaps from reviewed literature;

Author/year	Title	Methodology	Findings	Identified Gaps
Hemsing & Baker (2013)	Effect of Budgetary Control on Managerial Behaviour in Swedish Public Sector.	Descriptive approach. Sampled 62 Managers from different municipalities and universities in Sweden.	Majority of local managers in Swedish public sector experienced tight budgetary control	Never captured the effect of budgetary control on organization's financial performance.
Nwoye (2015)	Budgeting and Budgetary Control as the Metric for Corporate Performance	Descriptive approach, sample of 30 organizations.	There is a positive relationship between Budgeting and Budgetary Control and Financial Success of an organization.	Examined Budgeting and BC and its merit as a predictor of general corporate performance without focusing on any specific measure of financial performance.
Harelimana (2017)	The Effect of Budgetary Control on Financial Performance of Kigali Serena Hotel in Rwanda.	Analytical Research design.	There was a positive relationship between Budgetary Control System and Financial performance of the Hotel	Under independent variables, left out Coordination which is one of the core functions of BC systems. Serena Hotel in Rwanda and Public University in Kenya have different revenue streams, systems of operations and objectives.
Adongo &	Budgetary	Descriptive	Budgetary	Looked at independent

Jagongo (2013)	Control as a Measure of Financial Performance of State Corporations in Kenya	survey design. Sample of 14 corporations from 138 population	Control process exhibited a positive significant influence on financial performance of state corporations.	variables such as; human factors within BC, Process of BC and Challenges of BC which are different from this study.
Thuita & Kibati (2016)	Budget Management Practices and Controls on Effective Management of Finances in Public Universities in Kenya	Explanatory Research Design. Sample of 76 from target population of 328.	Financial Performance of Public Universities was significantly affected by the extent to which budget management practices were upheld and financial controls in place.	Delved majorly on Budget Management practices and Financial Controls rather than on Budgetary Control Uses.
Kerosi (2018)	Analysis of Budgetary Control Practices and the Management of Micro and Small Enterprises at Kangemi Town in Kenya	Descriptive Survey design. Sample size of 75 out of a population of 160 registered micro and small enterprises in Kangemi,	Management of Micro and Small enterprises is positively related to the Budgetary Control Practices.	Independent variables never included coordination as a function under BC. Besides, it only focused on the effect of BC variables on Micro and Small Enterprises other than on Public Universities which have different systems of operations and objectives.

		Kenya.		
Chirchir & Simiyu (2017)	Influence of Budgetary Control System on financial Performance of ALMASI Beverages Group Limited, Kenya.	Descriptive statistics. Sample size of 126 from population of 147. Purposive sampling adopted.	There existed significant influence of BC systems on Financial Performance of the organization	Focused on four variables such as planning, human factors, resource availability, monitoring and evaluation. Of the variables, only planning is captured in this study. Besides, ALMASI beverages has different streams of revenue sources, operations and systems compared to Public Universities in Kenya.
Nyongesa et al, (2016)	Budgetary Control and Financial Performance of Institutions of Hogher Learning in Western Kenya.	Descriptive Survey Design with a target population of 109.	Budgetary Conrol has a statistically significant effect on Financial Performance in Public Institutions of Higher Learning.	Looked at BC measures such as Budget Process, Projected Income, Allocation of funds and VA whereas this study considers BC uses such as Planning, Coordination and Control.