

**EFFECT OF BUDGETING PRACTICES ON PERFORMANCE OF
GOVERNMENT FUNDED PROJECTS IN NAIROBI METROPOLITAN,
KENYA**

NJERU PATRICIA KATHONI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE
IN FINANCE AND ACCOUNTING IN THE SCHOOL OF BUSINESS AT
KCA UNIVERSITY**

2022

DECLARATION

This Research Project is my original work and has not been presented for award of any degree in any other University or institution of higher learning.

.....

.....

Signature

Date

NJERU PATRICIA KATHONI

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

.....

.....

Signature

Date

DR PETER KARIUKI

TABLE OF CONTENTS

DECLARATION.....	ii
LIST OF FIGURES	vi
LIST OF TABLES	vii
ACRONYM AND ABBREVIATION	viii
ABSTRACT.....	ix
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Budgeting Practices.....	4
1.1.1 Budgeting Practices and Project Performance of the Government Funded Projects	7
1.1.2 Government Funded Projects in Nairobi Metropolitan.....	9
1.2 Statement of the Problem.....	10
1.3 Objectives of the Study.....	12
1.3.1 General Objectives.....	13
1.3.2 Specific Objectives.....	13
1.4 Research Hypotheses.....	13
1.5 Significance of the Study.....	13
1.5.1 Policy Makers.....	14
1.5.2 Project Managers.....	14
1.5.3 Scholars.....	14
1.6 Scope of the Study.....	14
CHAPTER TWO	15
LITERATURE REVIEW.....	15
2.1 Introduction.....	15
2.2 Theoretical Review.....	15
2.2.1 Stakeholders Theory.....	15
2.2.2 The Contingency Theory.....	16
2.2.3 Agency Theory.....	17
2.3 Empirical review.....	18
2.3.1 Budget Planning and Project Performance.....	18
2.3.2 Budget Control and Project Performance.....	22
2.3.3 Budget Participation and Project Performance.....	29
2.3.4 Budget Review and Project Performance.....	36

2.4 Conceptual Framework	40
2.5 Operationalization of Variables	41
CHAPTER THREE	43
RESEARCH METHODOLOGY	43
3.1 Introduction	43
3.2 Research Design	43
3.3 Target Population	43
3.4 Sampling and Sampling Procedure	44
3.5 Research Instrument	44
3.6 Validity and Reliability of the Instrument	45
3.6 Pilot Study	45
3.6.1 Reliability of the Research Instruments	45
3.7 Data Collection Procedures	45
3.8 Data Processing and Analysis	46
3.8.1 Model Specification Test	46
CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION	48
4.1 Introduction	48
4.2 Response Rate	48
4.3 Reliability Results	48
4.3 General Information of Respondents	49
4.3.1 Work Position.....	49
4.3.2 Project Duration	49
4.3.2 Number of Employees within the project	50
4.3.3 Work Experience.....	51
4.4 Budgeting	51
4.4.1 Budgeting Planning	51
4.4.2 Budgetary Control	53
4.4.3 Budget Participation.....	54
4.4.4 Budget Review	55
4.5 Project Performance	56
4.6 Pearson Correlation Results	56
4.7 Regression Results	58
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	66
5.1 Introduction	66

5.2 Summary of the Findings	66
5.3 Conclusion.....	67
5.4 Recommendations of the Study	68
5.5 Limitations of the Study	68
5.6 Suggestions for Further Studies	69
REFERENCES	70
APPENDICES	77
Appendix I: Introduction Letter	77
Appendix II: Questionnaire	78
Appendix III: Work plan.....	81
Appendix IV: Budget	82

LIST OF FIGURES

Figure 2.1: Conceptual Framework.....	41
Figure 4.2: Normal PP for Budgeting Practices	58
Figure 4.3: Scatter Plot or Budget Planning.....	59
Figure 4.4: Scatter Plot for Budgetary Control	60
Figure 4.5: Scatter Plot for Budget Participation	61
Figure 4.6: Scatter Plot for Budget Review	61

LIST OF TABLES

Table 2.1: Measurements of Variables.....	42
Table 3.2: Target Population.....	44
Table 4.3: Reliability Results.....	48
Table 4.4: Work Position.....	49
Table 4.5: Project Duration.....	50
Table 4.6: Number of Employees.....	50
Table 4.7: Work Experience.....	51
Table 4.8: Budgeting Planning.....	51
Table 4.9: Budgetary Control.....	53
Table 4.10: Budget Participation.....	54
Table 4.11: Budget Review.....	55
Table 4.12: Project Performance.....	56
Table 4.13: Pearson Correlations.....	57
Table 4.14: Model Summary.....	61
Table 4.15: Analysis of Variance.....	62
Table 4.16: Regression Coefficient.....	63

ACRONYM AND ABBREVIATION

ANOVA	Analysis of Variance
NaMSIP	Nairobi Metropolitan Service Improvement Project
NGOs	Non-Governmental Organizations
SMEs	Small and Medium Size Enterprises

ABSTRACT

Governments commonly undertake infrastructural projects such as road constructions, housing and constructions of social amenities such as health facilities to provide accessible health care to better the lives of its citizens. However, many projects are not successfully completed. These projects experience delays, quality issues and budget overruns, thereby impairing the development agenda. This study aims to assess the effect of budgeting on the managerial performance of the government funded projects in Nairobi. The study will be guided by four objectives namely; to assess the effects of budget planning on the project performance of government-funded projects in Nairobi County; to investigate the effects of participation on the project performance of government-funded projects in Nairobi County; to determine effects of budgetary control on the managerial performance of government-funded projects in Nairobi County; to establish the effects of budget review on the project performance of government-funded projects in Nairobi Metropolitan area and to establish the effects of budget review on the managerial performance of government-funded projects in Nairobi County . To achieve this, the study will adopt descriptive research design. The study will target all the 60 government funded projects in Nairobi Metropolitan Area. The study used census since the target population is manageable. Questionnaire was used to collected primary data. The data collected were analysed using both descriptive statistics and inferential statistics where the study adopted regression model and use VIF test for model testing. The results were presented in tables, charts and graphs. The study established that budget planning with $p=0.193>0.05$ indicates that budget planning has insignificant effect on project performance, budgetary control with $p=0.024<0.05$ indicates that budgetary control has significant effect on project performance. Budget participation $p=0.062<0.05$ shows that budget planning significantly influence project performance. Budget review $p=0.035<0.05$ implies that budget review had a significant effect on project performance. The study concludes that budgeting practices has significant effect on project performance. The study recommends that the management team of the Nairobi Metropolitan area projects should encourage all section heads to prepare flexible budgets. The management of Nairobi Metropolitan area should consider putting in place a fully-fledged budgeting department with clearly established roles and responsibilities. The project managers of these project in the Nairobi Metropolitan area should encourage all project firms to improve on their budgeting practices and techniques in order to improve on their project performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The performance of government funded projects is critical for the attainment of set goals. These projects are important for the social economic development of the country. Access to clean water, good roads, stable electricity and functional health facilities and healthcare services are critical for the development of any country (Chatterjee & Kar, 2015). These projects must be completed in time and within the budget. This remains a challenge in most government departments. Infrastructural projects play a big role in logistics and interconnectivities. Through good road networks, there is efficient transportation of people, goods and services from one area to the other. This enhances productivity in an economy. Good infrastructure is a prerequisite for productivity and competitiveness (World Bank Group, 2016). The World Economic Forum (2010) identifies infrastructural development as the second pillar of competitiveness. In the United Kingdom, infrastructure is core in productivity.

Government projects of any country are of vast significance to the citizens and residents of that country as it is the building block of national growth. A successful execution of serves as a visible indicator of development of a country (World Bank Group, 2016). Project Management Institute (2016) defines a development projects as a series of unique activities with a goal achievable in set time, within budget and in accordance with set specification. Additionally, it's a temporary undertaking aimed at creating a unique result (Note, 2015). Nzekwe, Oladejo and Emoh (2015) state that the success of a project is not timely completion or cost incurred but achieving its purpose.

Globally, several projects have stalled due to inadequate controls that goes in managing funds channelled towards development projects. For instance, Kashiwagi, (2018) indicated that in the period between 2013 and 2014 the government of United Kingdom lost 100 million Euros on a cancelled Information technology projects (Damoah & Kumi,2018). The failures directly translate to the loss of huge amounts of money by the government and the failure was associated to inefficient planning, cost variation, stakeholder conflicts and improper internal control. Budgetary participation, control and task ambiguity has direct effects on the performance of a particular project, in most cases negatively. However, in situations where combined interaction of variables the effect may be different (Frost, (2017).

In China, Qi, Qian, Meijer and Visscher (2019) assert that the government was committed to supporting energy saving projects. However, these projects were marred with failures. These failures occur at construction phase of the projects. The authors argued that, despite the numerous failures of the projects, the identification, impacts and causes of the failures were unknown. The actions of project actors were therefore identified as the main factor of project failure. Inaccurate designs, inefficient departmental cooperation and incomplete construction sites surveys were identified as possible causes of project failure. Quality control is critical for successful projects completion.

Regionally, the Nigerian government lamented over several stalled projects that resulted in loss of huge sums of money. The project failure causes were: inefficient planning, lack of proper internal and majorly corruption, thus reduced rate of development (Akande et al., 2018). Appleford (2006) asserts that monitoring mechanisms must be instituted to enhance projects success. The internal control in an organisation must ensure that the entity utilises the funds as per budget. The activities of the entity must meet the set objectives, within the set period.

On the other hand, Egypt is known for its huge development projects such as irrigation projects to aid in the growing population and stabilize food security in the country, solar projects and

growing rail manufacturing. However, according to Okereke, (2017) the government of Egypt was considering abandoning the second phase of its 90 billion dollars Toska new Valley project. Despite the project incurring high costs, it did not achieve its intended purpose. The project was reported to have failed at meeting any set targets with higher cost incurred.

It's important to ensure that line items in a budget coincide with chart of account line items so that expenses can easily be tagged to the budget. Appleford (2006) further notes that, institutions or organizations are commonly expected to generate financial reports to various interested parties including the board of directors, appointed auditors and donors. Nafisatu (2018) explains that budget scope determines the operational activities of an entity. The necessary budgetary controls must then be formulated and adhered to by the project actors. This aids in the decision-making process by the project managers. Underperforming activities must be redesigned or done away with, to ease funds to feasible activities. Government agencies must carry out projects within the set budgets. Hence, budgetary control is important as it ensures the coordination of government projects, and their implementation (Adongo, 2015).

In Tanzania. Nyirenda (2019) explain that lack of budgetary control and moral hazard is a cause of project failure. He asserts that public projects have political interests. Therefore, the role of the politicians and that of the public must be balanced. The managers of the public projects must work for the good of the public. There exists a principal agent relationship between the political class and the project managers. While the political class is responsible for the laws, funds and project approvals, the managers of the project must ensure that the project is delivered in time and at reasonable costs. Political control can thus be devastating to project completion. There is thus need to spell out clearly the role of the country's leadership and that of management in project planning and execution.

In Kenya there are numerous government projects including housing projects, agricultural projects, ICT, water projects and education projects. Consequently, Kenya is currently

categorised as one of the leading construction hubs in Sub Saharan Africa. Current shows that the projects undertaken by the Kenyan government will help boost growth of the country's construction industry by 8.7% from 2017 and it's expected to remain steady till 2026. Many organizations have implemented the budgeting as a control system on the utilization of the resources in the organization, which is the formation of the prior, during the processes and after the completion of the processes through the budget planning, budget implementation and budget evaluation and control. It is recognized that there is a relationship between budgeting and managerial performance in an organization, which shows that there is a positive and negative effect of budgeting on the managerial performance in organization. It is then prudent for budgeting processes to be managed and controlled in order to have a positive effect on the managerial performance of the organization. Thus, there is need to involve the managers through the planning, implementation and evaluation of budgeting so as to positively affect the performance of the managers; however, other changes in the organization have relatively affected the performance of the managers in the organization (Genay, 2014).

1.1.1 Budgeting Practices

Budgets provide a foresight for future expenditure in terms of how and where the allocated funds will be spent. Additionally, budgets also set limits; it can be quite chaotic in a government or in an organization if everyone was allowed to spend as much as they wished on whatever they wanted. Consequently, budgets create assurance that the most important need of a country are met first and less important needs are deferred until there are sufficient fund in which to pay for them. Ngugi (2015) highlights that the management of an organisation can use budgetary control to improve overall firm performance. Budgeting and controls consist of distinct pattern of decisions in an organization. Budgeting aids in the determination of objectives and the establishment of plan and policies. The inability to identify a problem hinders the successful

implementation and control process. Many institutions focus on narrow alternatives to budget controls. This creates a problem in management of projects at advanced stages. (Adan, 2012).

The key features of the budgeting system involve frequent feedbacks on the actual performance, flexible in conformity with the activities, availability of the non-monetary and monetary incentives to motivate those involved in the budgeting processes, setting of the realistic standards, participatory, controllability and various measures of performance (Hansen et al., 2008). The budget is an allocation technique that attempts to maximize the contribution of capital expenditure. The budgeting process is an integral part of the ensuring efficient utilization of the resources in an organization and a control system in an organization. Too often the budgets are involved with the negative aspects, penny-pinching control activity whereas the broader aspects of budgeting can really castigate positive performance in an organization. The process of preparing and agreeing on the budget is a way of translating the general objective of the organization into comprehensive and feasible plans of actions (Marron, 2006).

Budgets are usually prepared for the organization as a whole system, for specific departments, for specific functions such as production departments, sales department, operations departments, Human resource departments in elements such as capital expenditure, manpower and cash. Budgeting provides managers with the focus for the organization in order to aid co-ordination of functions in an organization and streamline the activities of the company towards a specific objective and facilitates control in order to achieve the objective of the organization (Lucey, 2002). Budgeting is usually achieved through a means of fixed master budget, whereas the control practice of the budgeting is exercised through the comparison of the actual performance with the predetermined performance in relation to the flexible budget of the variation of the performance (Ndiritu, 2007). Budgeting in an organization can be used for three functions: as an instrument of organizational policy, as a tool of managerial and financial performance and as an instrument of control and accountability (Needles, 2011).

Budgeting is observed as essential tool for planning and control in an organization, although it is not limited to the said function as reported by Kiringai (2002), it is also a tool that can trigger the coordination and focus in a specific direction of the organization. Budgeting is also seen as the valuable aid in the management of the organization especially to the managers of the various departments in the organization, for it is used to measure the managerial performance of an organization and promote morale of the employees, it promotes effective and efficient of resources, facilitates management controls, creates harmony in an organization and it emphasize on the cost consciousness on the managers and the employees of the organization.

Budgets are important and they guide managers to align project outcomes to organisational objectives. Budget control is achievable through efficient forecasting, quality accounting and goal orientation. Budgetary controls directly relate with the use of budget as a control tool whereby predetermined plans or necessary, corrective action may be taken before it gets late (Nwoye, 2015). Nwoye (2015) further states that a sound forecasting in budgetary controls aid in avoiding future uncertainties; for better attainment of say a project whose completion may take time the budget must have an informed forecasting lest the projects stall. Damoah and Kumi (2018) stated that inefficient forecasting may result to failure of a project; while conducting a study on “causes of government construction projects failures in an emerging economy, the study established that the government lacked proper budget planning in undertaking the project hence loop holes for embezzlement of funds and political interference (Damoah & Kumi, 2018). Therefore, budget controls technique such as planning is essential in achieving the ultimate intention of the budget.

A successful budget control system must be flexible to changes as the future is not certain (Mwangi, 2014). Changes in prevailing circumstances could elicit change in budgets. Necessary approvals must be sought before the changes are done in the system. All supports must be presented and discussed at highest levels of management to ensure that projects continue with

little interruptions. Mwangi (2014) further states that situations such as inflation may require a budget to be reviewed or even when there exists improper background study will demand the adjustment of a budget. Often for the cases of businesses budget changes with reference to the scale of operations of the business. If the business increases its scale, the budget will also be reviewed accordingly. Additionally, a successful budget control must have top management support to ensure its all-around acceptance.

Budgeting is an important process in any organisation. Through budgeting, the organisation can project its revenues and expenses, its financial position and its cashflows for a considerable and foreseeable future. According to Kanyeva (2020), the budgeting process is cyclical in nature. It involves the gathering of relevant data, reconciliation of the data, actual budget creation, monitoring actual versus budgeted figures, carrying out necessary corrective actions and redefining organizational goals. The data so gathered is from financial statements of the organisation (Isaac, Lawal & Okoli, 2019). This has to be matched with the prevailing business circumstances and goals. Budgeting is important because it assures the financial health of the business. This entails knowledge of the history and future of the business. The going concern of the business is thus enhanced. Budgeting is important because it assists in strategic planning of the business-it allows the planning for expansion and business growth (Kenno, Sainty & Boles, 2021). A firm could obtain financing through a budget. This proves to potential lenders of the businesses going concern and future prospects of the business. Proper budgeting enhances tax planning and business decision making. Through elaborate planning, investors could be attracted to the business.

1.1.1 Budgeting Practices and Project Performance of the Government Funded Projects

Budgeting involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performance and taking suitable remedial action so that budgeted performance may be achieved effectively (Controllers report,

2001). Budgeting is the system of controlling costs and directing the course of action in regards to performance through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done (Coates, 2005). Barr and McClellan, (2018) states that budgets form an important basis for financial control and performance. On every government planned development such as infrastructural projects, the relevant government institution would draw a budget that would see the achievement of the project.

In the process of creating budgets, the management of the organisation must be realistic. This involves the scanning of the business environment and comparing with past actual performance. This has then to be matched with the goals that the organisation wants to achieve in the next, for example, one year. Financial statements are an important element is starting off the budgeting process. This is because they are realistic and objective. Once analysed well, they enable the organisation project or predict the future. Fonjong (2007) show a positive link between budgeting and performance and have a good motivational impact by involving managers in the budgeting process and by providing incentives to managers to help achieve the business's goals and objectives. By implementing proper budgeting, the firm is able to reduce costs and improve on quality of its services based on its budgetary allocations. This helps to reduce on costs and achievement of goals is enhanced and thus organizational effectiveness (Mathis, 1989). By budgeting, managers coordinate their efforts so that objectives of the organization harmonize with the objectives of its parts. Control ensures that objectives as laid down in the budgets are achieved (Churchill, 2001).

According to Lutwama, (2017) budgetary control involves comparison of actual versus budgets figures. Budget control enhances accountability in an organisation. The control and monitoring

of budgets involve the thorough analysis of an organisations activities to predict costs. The process considers the present conditions of the firm, its future prospects and the current business environment. Demil, Lecocq and Warnier (2018) explain that the business environment is not static. As such, the budgeting process must consider the prevailing business circumstances and monitor budgets accordingly.

1.1.2 Government Funded Projects in Nairobi Metropolitan

For the past decades the government of Kenya has been undertaking various development projects such as housing projects to provide cheap housing to the citizens of Kenya, Agriculture projects to solve food security, road projects to solve transport menace in the country and very many other projects. As for this study we are going to focus on the initiated Nairobi metropolitan service Improvement Project to assess the projects the Kenyan government have undertaken under this initiative. The national government of Kenya revived a program in 2020 called Nairobi Metropolitan Service Improvement Project (NaMSIP) that was first initiated in 2012. The program was valued at 330 US dollars. The project's associates are Nairobi County, Kiambu County, Machakos, Kajiado and Murang'a County. The initiative is to ensure road construction projects, Commuter rail stations, Sewerage and Storm water projects, and Market projects.

The Kenyan Government has been supporting the implementation of various infrastructural development projects. A report by the Kenya Roads Board indicates that there are 161,451 Kms of roads in the country. In the Nairobi Metropolitan Area (NMA), there are 939.6 Km ongoing construction and rehabilitation projects. Water and sewer connectivity increased 55.8% and 19.0%, respectively. Kenya's electricity coverage stands at 70.0%, from the 69.7% realized in 2019.

1.2 Statement of the Problem

The government of Kenya commonly undertake infrastructural projects such as road constructions, housing and constructions of social amenities such as health facilities to provide accessible health care to its citizens; equally the government recently ventured into agricultural projects to curb increasing food crisis. The most vital reason for the tremendous benefits that infrastructure investments would bring along is its effect on expanding the economy's long-term productivity capacity. Successful completion of the government funded infrastructure has remained to be a global challenge in both developed and developing countries (Fabian & Amir, 2011; Damoah, 2015).

In United States of America, one of the most expensive highway project initiated in 1991 called 'Big Dig Project' with an initial scheduled completion period being 1998 valued at a cost of \$2.8 billion. However, this project was successfully completed in 2007 costing over \$24 billion (Hawkesworth, 2022). According to International Monetary Fund (IMF), many countries struggles with these issue of low success of government funded infrastructure projects contributing to over 60% of the infrastructure spending and this loss can be double in low income economies (Hawkesworth, 2022).

In Africa, government funded infrastructure projects are faced with numerous challenges regarding the success just as in developed countries. Success of key infrastructure projects in Africa like water, rail and road transportation systems as well as energy have remained a top challenge for most countries in the continent, especially in Sub-Saharan Africa (SSA) counties (Lakmeharan, Manji, Nyairo & Poeltner, 2020). About 80% of the government funded infrastructure projects in Africa end up unsuccessful at the basic initiation level (Oloruntobi, 2013; Patanakul, 2014; Kog, 2017). Low success of the infrastructure projects in Africa is a situation that has remained so critical contributing towards a situation where 620 million people lack access to electricity and only 34% having access to road facilities (Signé, 2017).

In Kenya, most government funded infrastructure projects are initiated and earmarked as blue prints of Vision 2030 (Müller-Mahn, Mkutu & Kioko, 2021). These include the standard gauge railway project (Kshs. Ksh. 327 billion), the Konza Technopolis Development Authority City (Kshs. 900 billion), the LAPPSET Corridor project (Kshs. 2 trillion) as well as the Thika Super Highway project (Kshs. 30 billion) among other projects. However, success of these government funded infrastructure projects has remained a key issue attracting significant attention in the public and the academia. Most of these infrastructure projects have either been delivered over the budget, behind schedule and with benefit short fall over and over again like for the case of the Standard Gauge Railway (that had a cost overrun of about \$2 billion) and Nairobi Express Way (with a cost overrun of Kshs. 22.7 billion) (Marangu, 2021).

There have been huge infrastructural developments in Kenya. This is line with the government's efforts to make Kenya the regional economic hub. Consequently, the government established NaMSIP to undertake development program in Nairobi and its environs. Before February, 2022 the NaMSIP had successfully undertaken 46% of the development projects. According to reports by Nairobi Metropolitan Area (2021) shows that the 46% of the projects achieved had consumed about 53% of the allocated fund had been spent.

Budgeting is an aspect of concern as it is vital in both businesses and government especially in performance. A number of studies have been done on budgeting but in different contexts. Globally, Yang (2010) evaluated the effect of budgeting process on performance of Small and Medium enterprise. The study established that budgeting played a significant role as far as performance of SMEs was concerned. The study was conducted in China hence need for a similar study in Kenya. Ho, (2018) surveyed the relationship between effects of budgetary control on performance of development projects and found that effective level of budgetary control is significantly and positively related to bond rating. The study created a conceptual gap since it only focused on budgetary control. Siyanbola (2013) looked at the effect of budgeting

and budgetary control on the performance of manufacturing company. The study was conducted in Nigeria.

Locally, Onduso (2013) critically examined how budgets affected financial performance of manufacturing companies in Kenya. The study established that budgeting had strong influence on financial performance. However, the study focused on financial performance instead of managerial performance. In a health sector, Kamau, Rotich and Anyango (2017) looked at how budgeting process affected budget performance. The study established the budgetary participation had largest influence on budget performance. The study was done in the health sector that differs with a manufacturing sector.

Nanzala and Alala, (2019) established that complex budgetary controls are required in developmental projects. Mazikana (2019) examined the factors that influence budget implementation in public institutions in Kenya. The study found that budgets are strong planning tool for the future. Lastly, Okwaro, (2017) discussed budgetary controls and performance of public institutions benefits organization in Kisumu County. The study established that considerable relationship exists between budgetary controls strategies and performance of public benefit organizations.

While the above studies have extensively examined budgeting and its effects on various factors there existed no scholarly article according to the best knowledge of the researcher that had documented on the effect of budgeting practices and project performance of government funded projects in Nairobi Metropolitan Area. The study therefore attempted to fill the gap. To achieve this, the study examined the effects of budgeting on the project performance of government funded projects in Nairobi Metropolitan.

1.3 Objectives of the Study

The study was guided by the following objectives

1.3.1 General Objectives

To determine the effect of budgeting on project performance of government funded projects in Nairobi Metropolitan, Kenya.

1.3.2 Specific Objectives

- i. To establish the influence of budget planning on project performance of government funded projects in Nairobi Metropolitan
- ii. To assess the impact of budget control on project performance of government funded projects in Nairobi Metropolitan
- iii. To establish the effect of budget participation on project performance of government funded projects in Nairobi Metropolitan.
- iv. To determine the effect of budget review on project performance of government funded projects in Nairobi Metropolitan

1.4 Research Hypotheses

H₀₁: Budget planning has no significant effect on project performance of government funded projects in Nairobi Metropolitan.

H₀₂: Budget control has no significant effect on project performance of government funded projects in Nairobi Metropolitan.

H₀₃: Budget Participation has no significant effect on project performance of government funded projects in Nairobi Metropolitan

H₀₄ Budget review has no significant effect on project performance of government funded projects in Nairobi Metropolitan.

1.5 Significance of the Study

The findings of this study will benefit the following

1.5.1 Policy Makers

This study's findings will assist policy makers come up with appropriate policy on fiscal discipline. Policies formulated will guide the design, planning, financing, implementation and monitoring and evaluation of projects. These are important in the execution of government projects. The study will enhance the understanding of policy makers on financial budgeting and control. The policy makers will apply the recommendations of this study to improve work performance.

1.5.2 Project Managers

The study will be of benefit to the projects managers as they will find out how vital is budgeting and how essential it can prevent management loop holes. Equally, the project will enable the project managers have deeper thought before commencing a project and getting into deeper details while assessing the possible outcomes and their effects.

1.5.3 Scholars

This study will aid in adding to theory on budgeting and project performance of government funded projects. The will help in addressing knowledge gaps that exist in budgeting and the project performance of government funded projects. Therefore, scholars and researchers will be able to use this study as a frame of reference for studies focusing on budget planning, budget control, budget participation and budget review on the project performance of government-funded projects.

1.6 Scope of the Study

The study focused on budgeting and project performance of the government funded projects in Nairobi Metropolitan, with key variables being budget planning, budgetary control, budget participation and budget review on the project performance. The target population was 60 project managers. The study location was majorly in Nairobi Metropolitan Area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter of the study addresses theories related to the study under theoretical review and literature of the study under empirical review suitable in achieving objectives of the study. First, the section starts by describing the models related to the study. It then discusses the specific literature review of the study with a brief focus on the main variables.

2.2 Theoretical Review

This section takes into consideration theoretical concepts underlying budgetary controls and performance of government funded projects. The theories that underpin this study are: the stakeholder's theory, contingency theory and the agency theory.

2.2.1 Stakeholders Theory

This theory was proposed by Freeman in 1984. It is a theory of organizational management. It aids to address issues of morality and the management of an organisation. The theory identifies stakeholder of the organisation as important groups for the existence of the organisation. The management should take care of all the stakeholders of the organisation. The organisation has a duty to ensure efficiency in form operations. This would enhance performance for the organisation. The stakeholders would thus benefit from the efficiency and good performance of the organisation. Stakeholders theory identifies the organization's stakeholders to include the government, suppliers, financiers, trade unions, employees and customers. Competitions could

also be viewed as stakeholders; due to their actions that affect the actions of a firm (Gesteland, 2005).

Miles (2011) asserts that the stakeholder theory is important in integrating the resource-based view of a firm and the market-based view. This defines the specific stakeholders of a corporation.

Organizations are required to devise various mechanisms to manage and meet the needs of stakeholders. The stakeholder theory is relevant to this study as it explains the role that the Nairobi Metropolitan Services plays in ensuring that the various stakeholders' interests are taken care of. The stakeholders in this case are the citizens, the suppliers, the government and the donors or development agencies. The management of the Nairobi Metropolitan Services must act within the set guidelines and rules of engagement with all the stakeholders. Budget guidelines must also be adhered to strictly. The body utilizes funds from the government and that of donors. It would thus be appropriate that the management remains transparent and accountable for the funds. Public participation is key in ensuring that the stakeholders are involved in the activities of the organisation. The stakeholder's theory plays a role in public funds management implications.

2.2.2 The Contingency Theory

This theory was propounded by Fred Edward Fiedler in 1958. The theory states that the effectiveness of a leader largely depends on the leadership style and circumstances. Therefore, a leader should offer leadership as per the circumstances prevailing. The task at hand would also influence the leadership style to be employed. According to the theory, the task at hand, the relationship between the followers and the leader and the power of the leader have an influence of the style adopted.

This theory is applicable to this study as it explains how leadership styles influence budgetary controls on the performance of government funded projects. This theory supports the goal of management on provision of quality infrastructural projects. In the case of Nairobi metropolitan, the management of the Nairobi metropolitan services must institute budgetary controls to enhance the performance of government funded projects. The project managers must act in the best interest of the citizens for whom the projects are intended for. Specifically, the managers should exercise budget planning, budgetary control, budget participation and budget review support on the project performance of government-funded projects in Nairobi Metropolitan.

2.2.3 Agency Theory

The agency was first coined by Ross and Mitnick (1973) and its aim is to underline the understanding of conflict of interest between principal who commonly is referred to as owner and agents who are the managers (Mitnick, 2013). The agency theory assumes that the interest of principals and agents diverge. The principal's interest in the business or entity is to get maximum returns on investment. This comes with the cost of hiring the best management to run the business on their behalf. Management is required to set up elaborate systems that guarantee maximum returns. The management actions may, however, be directed towards high perks and compensations at the expense of the principal's returns on investment incentive. Management of an organisation takes care of the interest of themselves and that of their agents, the shareholders (Panda, & Leepsa, 2017).

Roberta (2010) argues that the owners and management of an organisation meet to deliberate of the future of the firm. This may involve review of the firm's financial statements, review of dividend policies, review of the terms of company directors and appointment or retention of company auditors. The shareholders must hold the management of the company accountable for the decisions they make.

As of the agency theory, government projects are tenders awarded to local companies or international companies who act on behalf of the government to produce an outstanding result. Agency theory elaborates on who gets the praises or who benefits after the achievement of the objectives; commonly the principals. On this study while trying to assess the effects of budgetary controls on the performance of government funded projects; the theory informs the understanding on how the government (principal) relates with the agent (contractor) in the accomplishment of the projects. In this regard variables such as management support and goal orientation will be informed, as there will be knowledge on how both the agent and the principle can relate and set a budget that would be supported from both sides and yet its goal oriented.

2.3 Empirical review

2.3.1 Budget Planning and Project Performance

Isaboke and Kwasira (2016) looked at how the process of budgeting planning affected financial performance of counties in Kenya. Nakuru county was used as a case study. Descriptive survey design was adopted. The sample size of the study was 80 employees. Structured questionnaires were used to collect data. The analysis of the collected data was done using both descriptive and inferential statistics. From the findings, financial capacity significantly influenced financial outcomes. The study focused on financial performance and not managerial performance.

Siregar and Susanti (2018) studied on determinants of budgets forecast errors in the planning process and their impacts on budget effectiveness. The study used secondary data derived from local government of Indonesia for the period of 2006 to 2013. The study findings showed that expenditure growth, revenue growth and government complexity affect budget forecast errors. Higher revenue growths translate to higher budget forecast errors. The study suggests that budget errors work against the economy. The study suggested that governments should carefully project income and expenditure budgets. The government agencies should also coordinate well

so as to work within budget guidelines. Monitoring of the expenditure budgets is critical and must be adhered to at all times.

Mah'd (2014) how decentralization of the budgeting function affected managerial performance. The study was done among institutions of higher learning in Jordan. Questionnaires were used in the study to collect primary data. A total number of 131 questionnaires were distributed to respondents out of which 77 were validly returned. Data was split into two categories; centralized and the decentralized. Differences between these groups were then tested. It was established that managerial performance within the groups was different. The findings suggested that decentralized groups permed better than the centralized ones.

Gacheru (2012) did a study on effect of the budgeting planning process on budget variance of nongovernmental organizations in Kenya. The main objective of the study was to determine the relationship between budgeting process and budget variance in NGOs in Kenya. The primary data was collected using questionnaire and data analyses were done using descriptive methods. The population of this study comprised of 6,075 NGOs in Kenya over the last five years 2007-2011. Convenient sampling was used to select 20 NGOs for this study. The researcher used a questionnaire to collect primary data and the data was analyzed by descriptive data analysis using SPSS version 17. The research found that a unit change in budget preparation will lead to a 0.722% change in budget variance; a unit change in budgetary control will lead to a 0.661% change in budget variance; a unit change in budget implementation will lead to a 0.682% change in budget variance. The study concluded that budget preparation, budgetary control and budget implementation significantly influence budget variance. The study recommends that NGOs should maintain a good budgeting process as the process contributes a lot to their budget variance. This will help them to monitor revenue and expense levels. It also ensures that the cash outflows (payments) and inflows (receipts) remain at adequate levels. The research findings show that budget preparation, budgetary control and budget implementation

significantly influence budget variance. The study recommends that NGOs should maintain a good budgeting process as the process contributes a lot to their budget variance. This will help them monitor revenue and expenditure levels. It also ensures that cash outflows and inflows remain at sufficient levels. This study recommended further study should be carried out to establish the challenges facing budgeting processes among the NGOs in Kenya as it is evident that the budgeting process is a major factor that affect budget variance. Likewise, a study should also be carried out to establish the effect of budgeting process on budget variance in public sector and state corporations in Kenya.

A study conducted by Gachithi (2010) focused on the factors that influence budget implementation in public institutions in Kenya, a case study of University of Nairobi. The study aimed at investigating the factors affecting budget Implementation and to determine the extent to which these challenges affect budget implementation in the University of Nairobi. To achieve objective of these study a descriptive study was done. The researcher used both primary and secondary method of collecting data. A structured questionnaire with both open and closed end questions was used to collect primarily data. The respondents constituted Eight (8) Administrators, six (6) Bursars from the colleges of the university, eight (8) senior representative members of the budget Committee from Finance, Eleven (11) staff in finance and administration involved in budget preparation. The secondary data sources were used to supplement the data received from questionnaire. A descriptive analysis was used. The data was presented using statistical measures pie charts, bar graphs, frequency tables and graphical presentations. The study established that University of Nairobi does not have efficient budget preparation procedures. Other challenges included insufficient funds allocated to department, institutional weakness which hindered effective budget implementation and the methods used to allocate funds to user department were unsatisfactory. The study recommends that for

University of Nairobi to curb challenges in budget implementation there is need for effective procedures and guidelines in the allocation of funds and operational implementation policies.

Alau, Salam and Abdikadir (2009) did a study on effect of budgeting process on budget performance in public sector using Kwara state in Nigeria. The objective of the study was to assess the effects of budgeting process on budget performance in public sector. The population of study was Kwara state government covering 33 ministries and departments. Purposive sampling technique was used to select 150 respondents to whom questionnaires were administered. Prior to the administration of research instrument reliability and validity was tested. Data was collected from primary and secondary data source using structured questionnaire administered to accounting officers and budget officers. Data was analyzed using Kruskal Willis estimations. The study found that the existing budget process was significantly effective to attain better budget performance although the compliance level was wanting. The study recommended that there is need to improve awareness among stakeholders on budget implementation through seminars and workshops. The state should also improve the level of compliance of due process on budget formulation and implementation by ensuring strict adherence with relevant laws and guidelines of budget process. The study recommended that the existing budget process and controls should be improved upon the existing legal framework of relevant laws so as to foster the budget achievement and improve budget control.

Mugwe (2010) did a study on effective budgeting planning and performance of Kenyan ministries. The study recommended that budgets should be used effectively to achieve organizational coordination and that budgeting and variance analysis can be positive tools, if the accounting information/communication process is functioning appropriately. The study further recommended that governments should employ highly qualified personnel to enhance proper budget planning and budget control. Government's main focus should be on the funding process, the constraints faced, the legal frameworks and competition among the endless

expenditure against the limited revenue resources. The study further recommends that well advanced and current technology should be installed in all the Ministries in Kenya to enhance communication. Proper frameworks need to be implemented to ensure that budget inflexibility does not pose a challenge in the budgeting process. The Ministries need to be politically independent to avoid political interference. Section 125 of the Public Finance Management Act, 2012 provides the procedure to be followed in the budget making process at the county level as outlined below: development of an integrated development planning process, which includes both long term and medium term planning; Planning for and establishing financial and economic priorities for the county over the medium term; Making an overall estimation of the county government's revenues and expenditure; Adoption of the County Fiscal Strategy Paper; Preparing budget estimates for the county government and submitting estimates to the county assembly; Debate and approval of the budget estimates by the county assembly; Enactment of the appropriation law and any other laws required to implement the county government's budget; Implementation of the county government's budget; Accounting for, and evaluating the county government's budgeted revenues and expenditure.

2.3.2 Budget Control and Project Performance

Odero (2019) studied role of budget forecasting techniques on the implementation of government projects. The study used descriptive design and focused on country governments of Kenya to establish findings. The study found out that constant growth rate technique and repeated forecast were statistically significant to implementation of government projects. Additionally, the study further stated that budget forecasting is a tool that is vital when instituting budgets for various government projects.

Gathecha (2017) recommended that budgetary controls influence performance. A lot of effort should be made by organisations in educating employees on the importance of sticking to budgets. This enhances organizational performance. Governments, on every fiscal year, outline,

a plan to establish infrastructures and other development projects that are set to gear the country's economic status upwards, however there are few studies that have been conducted to ascertain the effects of forecasting as an element of budgetary control on performance of government funded projects. This study therefore is set to establish the correlation between sound forecasting as an element of budgetary control and the performance of government funded projects,

Oyadomari, Afonso, Dultra, Mendonça and Righetti (2018) explain that the use of budget control on organizational performance. The study did a survey with medium and large firms that operate in Brazil with a sample size of 110 firms, the study employed structural equation modelling techniques to analyze primary data. The findings indicated that budgeting control practices are positively related organizational performance.

Liu, Lin, Diaz and Fan (2018) investigated the budget control of project managers in Taipei, Taiwan. The study showed that managers are required to enhance budget flexibility when faced with uncertain situations. Budget flexibility is more on a higher job levels in an organisation. The study asserts that the right mix of employees is necessary for budgeting process. This enhances organizational performance, with fewer budget surplus or deficits.

A survey by Mwasi (2017) explains that some circumstances may necessitate the adjustments of the budgets. Continuous Rolling Budgeting involves adjusting a current budget regularly. It is advantageous in that its less time consuming, simple and is easily understood. This method of budgeting is disadvantageous in that it requires skill and may not be realistic with the business environment. Huge revenues may present complexities to budgeting for small entities. This may occasion functions overlaps in an organisation. It becomes difficulty to prioritize projects and consequently allocate adequate resources. It may also encourage corruption due to the huge projects and a lot of funds allocated to these projects.

In a survey by Serem (2015) on effects of budget flexibility controls on county project implementation of projects, it was established that budget flexibility enhances accountability for public funds. There should be a linkage between the treasury and the cost centers, in this case the projects. There is greater collaboration capacity for the government departments. Teamwork is enhanced and accountability of public funds is enhanced.

Rabiu, Goni, Alhaji and Aliyu (2015) examined the role of budgetary control on the performance of Tahir Guest House, Kano State in Nigeria. The researchers employed both primary and the secondary data. The study used questionnaire to collect primary data. The study acquired the secondary data through Tahir Guest Palace financial statements for the period 2007-2012. The study found that factors such as target budget setting, budget administration and budget process play a significant role in influencing the firm's performance. The researchers thus recommend that top level management in organizations need to maintain appropriate standards when preparing and administering budgets and budget process.

Salva and Jayamaha (2013) assessed whether the budgetary Process of Apparel Industry in Sri Lanka had a significant impact on organizational performance. The researchers used variables such as planning, coordination, control, communication and evaluation to assess the budgetary Process of apparel industry. The study used Return on Assets to evaluate the performance of apparel industry in Sri Lanka. From the data extracted from the financial statements, the researchers established that the budgetary process of firms a significant relationship with the firm's performance. The researcher further concluded that apparel companies maintain an effective budgetary process which improves their performance levels.

Ambetsa, (2004) studied on the effects of budgeting control practices by commercial airlines operating at Wilson Airport, Nairobi. The study indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in the preparation of the budget and lack of top management support. He further concludes that airlines operate and use

budgets to plan implement and evaluate their business performance. All enterprises make plans using budgets some in a systematic and formal way, while others in an informal manner but still have some form of budgetary control and budgetary control practices. Therefore, the issue is not whether to prepare a budget but rather how to do it effectively.

Wamae (2008) researched on challenges of budgeting control at National social security fund (NSSF). The aim of the study was to establish the challenges of budgeting control process and the challenges faced when drawing up a budget to be used by an organization and how organization can effectively face the budgeting challenges. The population constituted nine (9) board of directors and sixteen (16) senior managers at NSSF who were concerned with budgeting issues at the organization. The researcher collected data by use of questionnaire, observation, and interviews as main instrument of data collection. From the study the researcher found that the organization faced challenges when drawing up budget and the biggest included on commitment, various head of department did not take budget seriously leading to giving ambitious budgets which would end up not achieving target, leading to complaints from the board. The researcher concluded that budgeting was very effective at NSSF as they served their purpose assisting in control, used as a means by which management communicates by other level of department. The researcher added that the process of budgeting at NSSF faced some challenges which were inability to achieve the required value of business inadequate authority to spend despite allocation, cost inflation, poor participation and poor co-ordination of the exercise. The researcher recommends that all units in the organization should be involved in the budget preparation and enough time is allocated to prepare.

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. 13 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, Liquidity and ROA.

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 28 methods, systems of operations and objectives.

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.

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 29 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.

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.

2.3.3 Budget Participation and Project Performance

In Turkey, Eker (2006) evaluated how participation in budgetary process affected managerial performance. The study adopted a survey research design. The population of the study comprised of 150 senior staff drawn from finance and accounting departments of top 500 companies. The collected data was analyzed using means, standard deviations, correlation, regression and factor analysis. The findings of the study suggested that participation in budgeting process significantly improved managerial performance. The study however was conducted in Turkey, which in different context with Kenya.

Warue and Wanjira (2013) determined the budgeting process in hospitality industry SMEs in Nairobi. A descriptive research design was adopted by the researchers. The study's target population was 98,608 registered small enterprises located within the CBD from which a sample of 526 SMEs was taken. The study found that computerized accounting system make the highest contribution to the budgeting process, followed by firm Size, Participation of workers, Skills and Powers of Managers and then ownership structure. The study then recommended that workers should be involved at all levels of budgeting.

Abata (2014) looked at how participative budgeting influenced managerial performance in food product industry in Nigeria. This study was carried out through a survey research design. The study collected primary data using questionnaires. Regression analysis was adopted to analyze the findings. The response rate from the distributed questionnaires was 80%. The findings suggested that participatory budgeting had statistically significant influence on managerial performance. The study was however done in Nigeria resulting into a contextual gap.

Maduekwe and Kamala (2016) reviewed the use of budgets by SMEs in Cape Metropolis, South Africa. The study focused on determining the types of budgets and the extent to which SMEs in the Cape Metropolis use budgets. The study used questionnaires to collect data which was then examined using both inferential and descriptive statistics. The established that most of the SMEs reviewed used budgets most of which included; purchases budgets, the sales budgets and cash budgets. The researchers also established that the fixed budgeting was the most frequently used budgeting method and that lack of qualified personnel and lack of top management support were the major factors affecting the effective use of budgets by SMEs.

In Indonesia, Tarigan (2015) investigated how budgeting participation and managerial performance were related. The study was conducted among service companies. The study sampled out 200 managers working in several service companies in Surabaya. Partial Least Square (PLS) was used to analyze the findings. The findings of the study indicated that participation in budgeting process significantly affected managerial performance. The study was done in Indonesia and not in Kenya.

Almasi, Palizdar and Parsian (2015) assessed how budgetary participation influenced managerial performance. The study used a case of Tehran regional electricity company. The study adopted a survey research design. The study variables were budgeting, managerial performance, and adequacy of funds, job satisfaction, commitment and trust to an organization. A total number of 32 middle level managers of Tehran regional electricity company were used as the population in the study. The findings of the analysis indicated that participation in budgeting and managerial performance were significantly correlated. The study focused on an aspect of budgeting that is budgetary participation and not budgeting in totality.

Isaboke and Kwasira (2016) determined how budgeting process influences the County Government of Nakuru's financial performance. The study's independent variable was financial capacity while the dependent variable was firm financial performance. The research design used

by the researchers was a descriptive survey. The staff of the Nakuru county government was the study's target population. The researchers used structured questionnaire to collect primary data. The study found that financial capacity strongly influenced the county government's financial performance. The study then recommended that the county government should enhance its financial capacity in the budget process in order to improve its financial performance.

Ogiedu and Odia (2013) examined a link between participation in budgeting process, commitment to an organization and managerial performance. The study was in Nigerian manufacturing industries. The study targeted supervisors from these industries. Questionnaires were used to collect data. Analysis of the collected data was done using ordinary least square. It was revealed that budget participation, budget procedural fairness and organizational commitment that influence managerial performance. The study recommends that for increased managerial performance, organization should allow managers to fully participate in budgeting processes. The study did not focus on budgeting in totality. Pimpong and Laryea (2016) assessed how budgeting influenced financial performance. The study was done in Ghana among non-banking financial institutions. The study was done using quantitative research strategy. Questionnaires were used to collect primary data. Step-wise method was employed to come up with models. From regression results, budget coordination significantly affected financial outcomes of a firm. The study related budgeting and financial performance and not managerial performance.

Locally, Din and Achmad (2015) examined how participation in budgeting process affected managerial performance. This was an empirical kind of study. It employed purposive sampling method resulting into a sample size of 266 respondents who were issued with questionnaires. Out of these, 175 respondents hence a response rate of 65.8%. Structural Equation Model was used to analyze the findings. The study covered budget participation and not budgeting in

totality. The findings indicated that budget participation had significant influence on managerial performance.

Kimunguyi, Memba and Njeru (2015) sought to find out how the process of budgeting affected financial performance. The study covered NGOs in Kenya. The study was anchored in the priority-based budgeting theory. The analysis was done using regression. From the findings, budgetary process and financial performance of NGOs in Kenya were interrelated. All these studies however focused on financial performance and not managerial performance.

Ngumi and Njogo (2017) critically assessed how budgeting affected financial performance of firms in the insurance sector in Kenya. The study was done using descriptive design. A total number of 45 insurance firms was used in the study while the sample size was 23 firms. Secondary data was collected and analyzed. From the findings, budgeting affected financial performance of the studies companies.

Onduso (2013) studied how budgets affect financial performance. The study was done among manufacturing firms in Kenya. The study adopted cross-sectional design. A total number of 18 firms were involved. Both primary and secondary data was used. The analyzed findings indicated that budgeting had strong and significant effect on financial performance. The study recommended for a need of capacity building to strengthening budgeting systems.

Brownell, (2007) did a study to establish relationships between budget participation and performance. New identities some variables which are effective on the relationship between participation and performance namely moderator variables. By using contingency approach the 26 categorized them into the four groups. These moderators included: the cultural variables of nationality legislative systems, race and religion the organizational variables of environmental stability, technology, task uncertainty and organizational structure the interpersonal variables of task stress, group size, intrinsic satisfaction of task and congruence between task and individual,

and the individual variables to locus of control, authoritarianism, external reference points and perceived emphasis placed on accounting information.

Burns and Zhiren (2010) in their study on China's government performance management established that problems may arise concerning the allocation of responsibilities between the central departments of the line ministries and their subordinate agencies. In some countries, continuous interference by the central departments in the management of projects and programs impedes the effective implementation of these programs. In other countries, powerful agencies implement programs without reporting to their parent ministries. The distribution of responsibilities within line ministries needs to be clarified to ensure that the central departments are fully responsible for coordinating sector policy and that subordinate agencies carry out their activities under the supervision of these departments but without unnecessary interference in day-to-day administration. This ensures effective implementation of the budget.

A research to investigate factors affecting participatory budget setting and budget commitment and financial performance of the Nairobi stock exchange (NSE) for listed companies was carried by Mwaura (2010). The researcher used a target population of 55 listed companies for the study. Descriptive research design was used and the study included both quantitative and qualitative data. The study found out that, return on capital and assets are significantly influenced by budgetary control in Nairobi stock Exchange. Both return on capital and return on assets are measures of financial performance in companies and thus it was further found that budgets setting and budget commitment and financial performance in Nairobi stock exchange related positively.

Karanja (2011) studied on the effects of budgetary control systems in Savings and Credit Cooperative (SACCO) in Nyeri County. The researcher used descriptive research design. The target population of this study was 120 finance officer of Sacco's in Nyeri. A sample of 23 stratums was used. The researcher used questionnaires to collect firsthand information. The

study concluded that finance officer mainly participated in budgetary control processes which assisted the Sacco's to attain set financial goals.

Maritim (2013) evaluated the relationship between budgeting processes and the financial performance of commercial and manufacturing Parastatals in Kenya. The study used a descriptive research design. The study adopted questionnaires which were administered to collect data. The study established that the budgeting practices that are common among manufacturing Parastatals in Kenya include; budget planning, budget participation and budgetary sophistication. The researcher also established that budgeting process participation by employees enhanced the success in the actualization of the budget plans. The study then recommended that there is a need for a participatory budgeting process whereby all cadres of staff through their sectional heads are involved and their views are incorporated in the budget process.

Mulani, Chi and Yong (2013) examined the effects of the budgetary process on the performance of SME's in India. The researcher adopted an exploratory study. The study used a sample of 268 SME firms selected from three districts of Mumbai, Pune and Solapur. The study also employed a questionnaire. The researchers established that the budgeting process effects the performance of the firm positively. The study also found that that performance of SMEs in India is affected by the characteristics of the budget goals. The researchers also found that employee motivation to participate and also achieve budgeting objectives is also improved by tight but achievable firm goals which also improve the performance of SMEs in India. It was also established that formal and tight budgetary process control mechanism increases the performance of SMEs in India.

Melek (2007) did a study on the impact of budget participation on managerial performance via organizational commitment. He conducted a study on the top 500 firms in Turkey the results of this study provided a number of contributions to management accounting literature by

improving understanding of budget participation and organizational commitment affecting managerial performance. First, according to regression analysis results, this study suggested that the effects of budget participation and organizational commitment by itself on managerial performance are positive and significant second this study found out that the managerial performance scores were found to increase when the interaction score between budget participation and organizational commitment increase. The study findings showed high interaction between budget participation and organizational commitment provides appropriate condition, for high managerial performance. However, the results indicated that while improving high organizational commitment feeling of subordinates in firms can lead to increase in their performance, low organizational commitment feeling of subordinates can lead to decreasing in their performance.

Ogiedu and Odia (2013) examined a link between participation in budgeting process, commitment to an organization and managerial performance. The study was in Nigerian manufacturing industries. The study targeted supervisors from these industries. Questionnaires were used to collect data. Analysis of the collected data was done using ordinary least square. It was revealed that budget participation, budget procedural fairness and organizational commitment that influence managerial performance. The study recommends that for increased managerial performance, organization should allow managers to fully participate in budgeting processes. The study did not focus on budgeting in totality. Pimpong and Laryea (2016) assessed how budgeting influenced financial performance. The study was done in Ghana among non-banking financial institutions. The study was done using quantitative research strategy. Questionnaires were used to collect primary data. Step-wise method was employed to come up with models. From regression results, budget coordination significantly affected financial outcomes of a firm. The study related budgeting and financial performance and not managerial performance.

Locally, Din and Achmad (2015) examined how participation in budgeting process affected managerial performance. This was an empirical kind of study. It employed purposive sampling method resulting into a sample size of 266 respondents who were issued with questionnaires. Out of these, 175 respondents hence a response rate of 65.8%. Structural Equation Model was used to analyze the findings. The study covered budget participation and not budgeting in totality. The findings indicated that budget participation had significant influence on managerial performance. Isaboke and Kwasira (2016) looked at how the process of budgeting affected financial performance of counties in Kenya. Nakuru was used as a case study. Descriptive survey design was adopted. The sample size of the study was 80 employees. Structured questionnaires were used to collect data. The analysis of the collected data was done using both descriptive and inferential statistics. From the findings, financial capacity significantly influenced financial outcomes. The study focused on financial performance and not managerial performance.

2.3.4 Budget Review and Project Performance

Kamau, Rotich and Anyango (2017) investigated how budgeting process affected performance. The study covered state corporations in Kenya. Specifically, Kenyatta National Hospital was used as a case study. In total, 450 staffs of KNH formed the target population of the study. A formula was used to sample out 72 respondents from the entire population. Data was collected using questionnaires. Questionnaires were semi structured. The analyzed findings suggested that budgetary review significantly influenced performance of state corporations.

Tsui (2001) study based on China and Caucasian cultures points that the interaction effects of management accounting system and budget participation on managerial performance were different, because of the cultural background of managers more specifically, he put forward the observation that the relationship between management accounting system information and managerial performance of Chinese participation but positive for Caucasian managers past

studies consider organizational culture as an element of organizational structure as in Brownell technology.

Lawal and Okoli (2019) studied on budgeting review on the establishment of goals by the management. It also entails the design of frameworks through which organizational activities could be efficiently performed. A budget quantifies these activities and sets an elaborate framework within which the activities would be carried out. Budgetary control refers to the mechanism through which desired results are obtained. The study used questionnaires in data collection. The findings revealed that all stakeholders must be involved in budget making process. Governments are characterized with bureaucracies, as such, very consultative sessions must be held in the budget making process. The study recommended that all stakeholders must be involved in the budget process.

Muleri (2017) focused on budgetary reviews on the managerial performance of the British Non-Governmental development organizations have adopted budgetary approaches like goal setting. These are modern budgetary mechanisms that reduce financial mismanagement and enhance company performance. Budgets goal setting enhances cost effectiveness, efficient coordination of activities, staff motivation, corporate communications and project evaluations. The study results indicated that most budgets are prepared using zero based budgeting.

In Nigeria, Oluwalope and Sunday (2017) examined how participation in budgeting affects managerial performance. Data was collected using questionnaires. To determine relationship between the study variables, the study employed both correlation and regression analysis. The findings of the study indicated that participation in budgeting process had significant influence on employee performance.

Waititu Njeje and Kirimi (2019) assert that the budget reviews on management of financial resources requires skills. The failure to manage and review finances could lead to dire

consequences for any entity. Waititu et al. (2019) sought to investigate how management support influences budgeting system efficiency in public secondary schools in Nakuru County. The study was descriptive. A sample of 95 respondents were selected using purposive sampling. Questionnaires were used in data collection. The results showed that management support has an association with the budgeting process and its efficiency. The study recommends that the top managements should provide support for the budgeting process. This would enhance participation and implementation of activities within organisations.

Tsofa, Musotsi, Kagwanja, Waithaka, Molyneux, Barasa and Chuma (2021) examined application and management of health program-based budgeting at the county level. The management and experience of health sector workers was the study's focus. A detailed literature review was conducted. The study results indicated that counties used program-based budgeting for health sector planning. The program-based budgeting approach proved to be more effective, enhances accountability and transparency and involved management in all processes. The challenges included low capacity for budget implementation, lack of clear guidelines for management implementation and political interference. The integration of county budgets with the integrated financial management information systems was also a challenge for management. Clear guidelines are necessary for the implementation of budgets at the devolved units.

Ohemeng (2011) avers that to facilitate the implementation of budgets review, funds should be allocated to spending units as soon as the budget is approved. However, in some countries, the apportionment procedure can take several weeks. In particular, in several francophone countries, funds allocated to remote spending units can be available only during the second quarter of the fiscal year. This practice is generally a major source of inefficiencies that should be addressed. Mkasiwa (2011) adds that upon allocation, key responsibilities are bestowed on the spending units allocating funds among their subordinate units, making commitments, purchasing and procuring goods and services, verifying the goods and services acquired, preparing requests for

payment (and making payments if the payment system is not centralized), preparing progress reports, monitoring performance indicators, and keeping accounts and financial records.

Mpakaniye (2017) study aimed at investigating the effect of internal audit on budget process and execution of local government of Rwanda taking Musanze District as case study. It was found that asset management; management control and staffing management are well used to enhance good budgeting process and execution in local government. The budget process and execution in local government is based on budget formulation; budget proposal and dialogue, budget monitoring, budget adjusting, budget control and budget reporting. This confirmed that there is significant relationship correlation between internal audit and budget process and execution in Musanze district office. Kanyinga (2014) contended that similarly, the ability to understand the political bargaining process around the budget and to check whether individual policy makers kept the commitments they entered into during this process is an important condition for holding policy makers personally accountable in elections. Citizens can also participate in public finance management through various forms of social accountability, such as social audits, Public expenditure tracking surveys and citizen report cards among others to monitor the social impact of public spending. It's only through such active participation that governments will be compelled to put in place systems to monitor budget implementation on a real time basis.

Rabiu, Goni, Alhaji and Aliyu (2015) examined the role of budgetary review and control on the performance of Tahir Guest House, Kano State in Nigeria. The researchers employed both primary and the secondary data. The study used questionnaire to collect primary data. The study acquired the secondary data through Tahir Guest Palace financial statements for the period 2007-2012. The study found that factors such as target budget setting, budget administration and budget process play a significant role in influencing the firm's performance. The researchers

thus recommend that top level management in organizations need to maintain appropriate standards when preparing and administering budgets and budget process.

Kamau, Rotich and Anyango (2017) investigated how budgeting process affected performance. The study covered state corporations in Kenya. Specifically, Kenyatta National Hospital was used as a case study. In total, 450 staffs of KNH formed the target population of the study. A formula was used to sample out 72 respondents from the entire population. Data was collected using questionnaires. Questionnaires were semi structured. The analyzed findings suggested that budgetary participation significantly influenced performance of state corporations. Kimunguyi, Momba and Njeru (2015) sought to find out how the process of budgeting affected financial performance. The study covered NGOs in Kenya. The study was anchored in the priority-based budgeting theory. The analysis was done using regression. From the findings, budgetary process and financial performance of NGOs in Kenya were interrelated. All these studies however focused on financial performance and not managerial performance.

Ngumi and Njogo (2017) critically assessed how budgeting affected financial performance of firms in the insurance sector in Kenya. The study was done using descriptive design. A total number of 45 insurance firms was used in the study while the sample size was 23 firms. Secondary data was collected and analyzed. From the findings, budgeting affected financial performance of the studies companies. Onduso (2013) studied how budgets affect financial performance. The study was done among manufacturing firms in Kenya. The study adopted cross-sectional design. A total number of 18 firms were involved. Both primary and secondary data was used. The analyzed findings indicated that budgeting had strong and significant effect on financial performance. The study recommended for a need of capacity building to strengthening budgeting systems.

2.4 Conceptual Framework

A conceptual framework enhances the understanding of the study variables. This is enhanced

through the creation of relationships among the study variables Mugenda and Mugenda, (2003).

Figure 2.1 below shows how the variables are related.

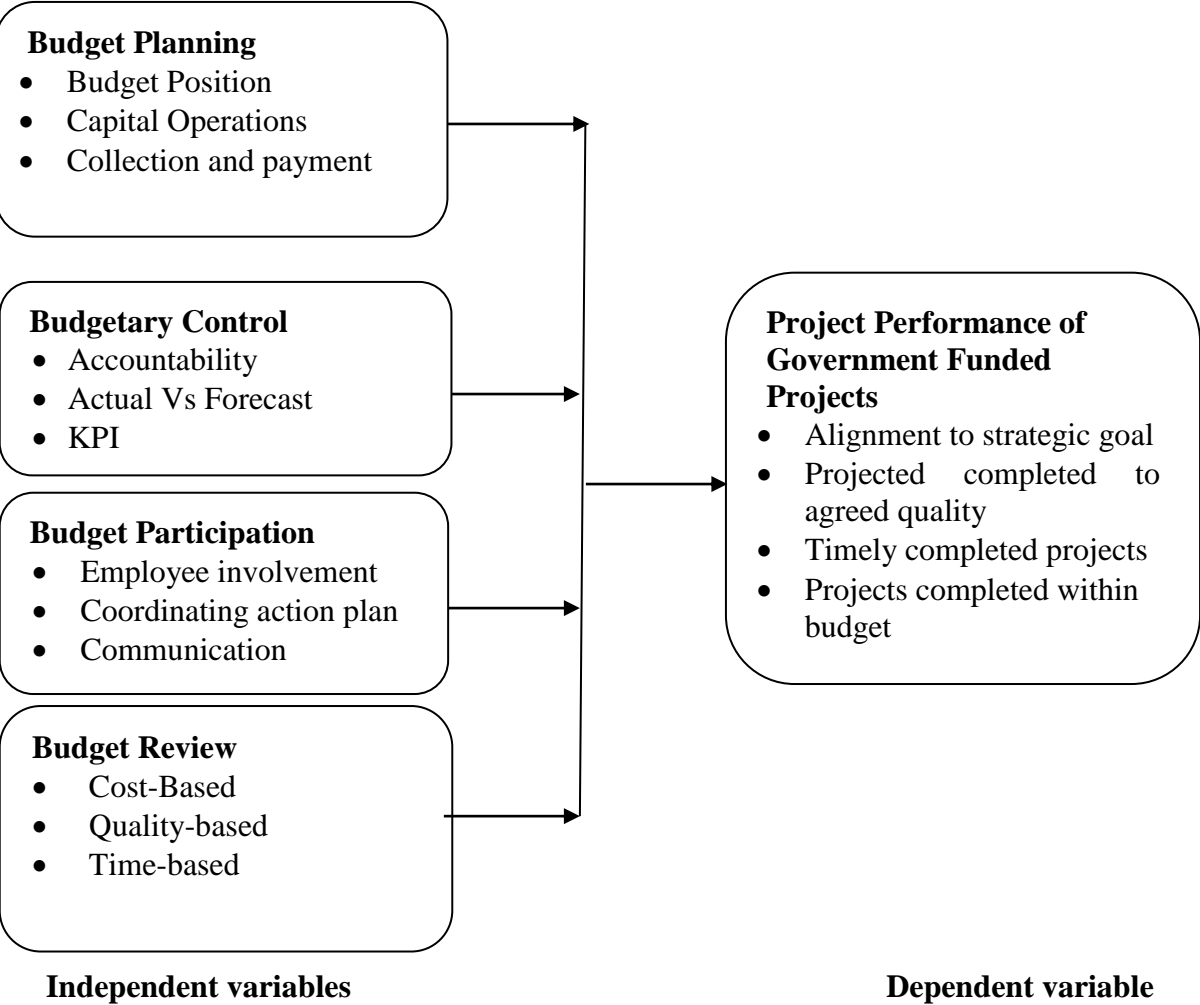


Figure 2.1: Conceptual Framework

2.5 Operationalization of Variables

The variables will be operationalized as follows

Table 2.1: Measurements of Variables

Variables	Indicator	Measurement
Project Performance of Government Funded Projects	<ul style="list-style-type: none">• Alignment to strategic goal• Projected completed to agreed quality• Timely completed projects• Projects completed within budget	Likert scale
Budget Planning	<ul style="list-style-type: none">• Budget Position• Capital Operations• Collection and payment	Likert scale
Budgetary Control	<ul style="list-style-type: none">• Accountability• Actual Vs Forecast• KPI	Likert scale
Budget Participation	<ul style="list-style-type: none">• Employee Involvement• Coordinating action plan• Communication	Likert scale
Budget Review	<ul style="list-style-type: none">• Cost-Based• Quality-based• Time-based	Likert scale

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter identified the research methods and techniques that was used in collecting data, Research design, target population, sampling frame, sample and sampling techniques, data collection instruments, data collection procedures, pilot test and data processing and analysis techniques.

3.2 Research Design

A research design as a plan for the execution of a study (Rahi,2017). The strategy is used to obtain answers to the research questions. This study used the descriptive research design. The design explained the state of affairs at they exist. According to Kombo and Tromp (2014), descriptive studies are restricted to fact finding and formulation of knowledge principles. Correlational design enhances the explanation of the relationship between one variable and the other or between two variables (Orodho, 2003).

3.3 Target Population

Population refers to the entire group of elements that the researcher wishes to investigate (Cooper & Schindler, 2003). The target population of this study were all government funded projects in Nairobi Metropolitan under NaMSIP and the Ministry of Transport Infrastructure Public Works Housing and Urban Development. These are the government departments that are responsible for major infrastructural works in the Nairobi Metropolitan Area. There were a total of 98 projects since 2012 to date initiated in Nairobi County. This period is important as it is marked with major infrastructural works in the Nairobi Metropolitan Area (Galuszka, Martin, Nkurunziza, Oginga, Senyagwa, Teko & Lah, 2021; Gichaga,2017), aided by the adoption of the

Constitution of Kenya ,2010, that created devolved systems of government. The study will target project managers for each of the projects

Table 3.2: Target Population

Category of projects	Number of projects
Road Projects	32
Commuter rails station	6
Sewerage and Storm water projects	3
Market projects	7
Integrated urban water development	3
Disasters and emergency preparedness	9
Total	60

3.4 Sampling and Sampling Procedure

A sample is a sub set of a population (Mugenda & Mugenda ,2003). Therefore, sampling involves getting a representation of the population. This study used a census study where all 60 project managers and coordinators were selected. The project managers and the coordinators were easily accessible, hence choice of census. The population is also heterogenous (Cooper ,2006).

3.5 Research Instrument

Massey (2003) describes a data collection instrument as a tool for the gathering of data. Massey (2003) highlights that a data collection instrument should be valid and reliable. The study used questionnaires to obtain data from respondents. Questionnaire was set using a five-point Likert Scale. The questionnaire will also have both close and open-ended questions. The questionnaires had two sections, one on background of the respondents and the other one on the study's variables.

3.6 Validity and Reliability of the Instrument

3.6 Pilot Study

A pilot test administers a data collection tool to a small number of select respondents in order to test the tool's validity and reliability. Cooper and Schindler (2006) explains that the respondents in a pilot test do not have to be statistically selected. This study's pilot study was carried out in Nakuru County, Kenya. The county is among the fastest growing in Kenya. A sample of 10% of the sample size was used in a pilot study. The researcher purposely selected from the categories of the target population and used SPSS to analyse data thus generate reliability coefficient. The 10% population used in the pilot study was not included in the final study to avoid duplication.

3.6.1 Reliability of the Research Instruments

According to Cronbach, (1951) reliability is the consistency of a set of measurement items. A measure is considered reliable if a person scores the same when given similar test twice. It indicates the extent to which a set of test items can be treated as measuring a single latent variable. The recommended value of 0.5 will be used as a cut-off of reliability for this study.

3.6.2 Validity of the Research Instruments

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. To ensure content validity, data collection sheet was scrutinized by the supervisor to ensure it helped to answer the research questions. Supervisor's comments were considered in order to achieve content validity.

3.7 Data Collection Procedures

The researcher issued introduction letters to the respondents. The study employed 3 research assistants for the study. The research assistants were trained by the researcher on the objectives on the study and on the administration of the research instruments. The questionnaires asked

only general questions about the company and therefore dropped and picked immediately as soon as it was filled.

3.8 Data Processing and Analysis

Data gathered was coded to facilitate analysis using quantitative statistical packages for social sciences (SPSS), which was used to analyse data using descriptive and inferential statistics. The descriptive statistics included percentages and measures of central tendency for example mean and standard deviation. Paired t-test was used to develop inferential statistics, analysis of the data was presented using graphs, tables and inferential statistics. This helped to outline the correlation between the variables under study.

The study will apply the following regression model

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

Where Y = Project Performance of Government Funded Projects

X₁ = Budget Planning

X₂ = Budgetary Control

X₃ = Budget Participation

X₄ = Budget Review

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

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

3.8.1 Model Specification Test

Below are the tests that were conducted:

Normality Test

Normality is used to test whether there is normal distribution of the data of the study. Normality was tested by Skewness and Kurtosis. The key threshold were the values within the range of -2 all through to +2.

Heteroskedasticity

Heteroskedasticity is a situation where there is no constant variance in the data set. Its opposite is homoskedasticity. The researcher used Scatter plots to test for Heteroskedasticity.

Multicollinearity

Multicollinearity occurs when at least one of the independent variables are highly correlated with each other. Presence of multicollinearity is undesirable for carrying out regression analysis. Multicollinearity was detected VIF with 1-10 as the threshold.

Autocorrelation

The term autocorrelation refers to the existence of a correlation among the data points in a time series or cross-section (Gujarati & Porter 2013). When error terms from different time periods in a data collection are linked together, the phenomenon is referred to as autocorrelation. It's because of this that the estimator's standard errors have a skewed distribution, which renders the significance test and its inferences incorrect. The study will use Durbin Watson test to measure for autocorrelation

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter details the findings of the analysis on the collected data. The researcher collected primary data using questionnaires. The collected data was entered in Statistical Package for Social Sciences in readiness for analysis. The findings were analyzed using means, standard deviations and regressions.

4.2 Response Rate

The researcher distributed 60 questionnaires to respondents of the study. Out of these, 35 of them were completely filled up and returned to the researcher. This was equivalent to a response rate of 58.3%. The response rate was sufficient and concurred with Mugenda and Mugenda (2003) who revealed that satisfactory presentation of the findings should be supported by response rates of over 50%.

4.3 Reliability Results

The research questionnaire was piloted among 10 respondents selected from other project outside the Nairobi Metropolitan area. The essence of piloting the questionnaire was to establish its reliability. The dully flied questionnaire from the pilot test was coded into SPSS and the values of Cronbach Alpha Coefficients were computed so as to determine reliability. Table 4.1 is a summary of the findings.

Table 4.3: Reliability Results

Variable	Cronbach's Alpha	No. of Items
Budgeting	.989	23

Source: Research Data (2022)

From Table 4.3, budgeting practices had a total of 23 items represented by Cronbach Coefficient value of 0.989. According to Cronbach (1951), the values of Cronbach Alpha coefficient above 0.7 indicate that the instrument is reliable. Thus, it can be inferred that the questionnaire used in the study as a tool for collecting primary data was reliable.

4.3 General Information of Respondents

The researcher assessed the general information of respondents that included their work position, level of education, department and years of experiences. Table 4.1 gives a summary of these findings.

4.3.1 Work Position

The researcher sought to determine the work position that respondents had occupied in their current organization.

Table 4.4: Work Position

Work Position	Frequency	Percent	Valid Percent
Project manager	14	38.9	40.0
Finance manager	10	27.8	28.6
Procurement Officer	5	13.9	14.3
Operations manager	5	13.9	14.3
Other (specify).....	1	2.8	2.9
Total	35	97.2	100.0

Research Data (2022)

From the findings, most of the respondents 40% were in project manager position, 28.6 were finance managers, 14.3% were procurement officer and 14.3% were operations managers and 2.9% were occupying other positions. This shows that most respondents of the study were project managers and finance managers thus were knowledgeable on the study.

4.3.2 Project Duration

The researcher sought to determine the duration of the projects that was the focus of the current study.

Table 4.5: Project Duration

Projects Duration	Frequency	Percent	Valid Percent
Less than 5 years	19	52.8	54.3
5 or More years	16	44.4	45.7
Total	35	97.2	100.0

Research Data (2022)

From the findings, most projects were done less than 5 years (54.3%) while others were done more than 5 years (45.7%). This implies that the studied projects had operated not for so long period of time and probably in current budgeting practices that the current study focused on.

4.3.2 Number of Employees within the project

The researcher sought to determine the number of employees that were currently working on the project.

Table 4.6: Number of Employees

No. of Employees	Frequency	Percent	Valid Percent
0 - 49 people	13	36.1	37.1
50 – 99 people	13	36.1	37.1
Over 100 people	9	25.0	25.7
Total	35	97.2	100.0

Research Data (2022)

From the findings, most of the respondents (37.1%) indicated they had between 0-49 employees and 50-99 employees , 25.7% of the respondents indicated they had over 100 employees. This shows that most respondents of the study were working in a comprehensively large project hence have the operationalization of the budgeting in the project.

4.3.3 Work Experience

The researcher sought to determine the number of years that respondents had worked in their current organization

Table 4.7: Work Experience

Work Experience	Frequency	Percent	Valid Percent
Less than 3 Years	6	16.7	17.1
3-7 Years	10	27.8	28.6
7-10 Years	6	16.7	17.1
Over 10 Years	13	36.1	36.2
Total	35	97.2	100.0

Research Data (2022)

From the findings, most of the respondents 36.2% had worked for over 10 years, 28.6% for 3-7 years, 17.1.6% for less than 3 years and 17.1% for 7-10 years. This shows that respondents of the study had worked in the organization for relatively longer period of time and thus were knowledgeable on the study.

4.4 Budgeting

The researcher sought to determine the project officers or employee who was responsible for budgeting in the studied organization. From the findings, most of the respondents said that budgeting as a function was performed by the project manager. Thus, there was no clearly established budgeting department in the studied organization.

4.4.1 Budgeting Planning

Budgeting planning was one of the variables of budgeting in the study. Table 4.6 presents the findings on analysis.

Table 4.8: Budgeting Planning

Statements	Minimum	Maximum	Mean	Std. Deviation
-------------------	----------------	----------------	-------------	-----------------------

Past data is used in budgetary planning in our project	1	5	4.26	.980
There is a clearly established timetable for budgetary planning in the company	3	5	4.43	.558
The senior management team effectively communicate budget plans to other staffs in my company	3	5	4.40	.651
Budgeting planning integrates the budget with all activities in our organization	3	5	4.37	.646
Needs of all stakeholders of the company are clearly identified at the budget planning phase	3	5	4.46	.611
Budget planning helps in establishing goals and objectives for each section in my company	4	5	4.40	.497

Research Data (2022)

From Table 4.8, past data was used in budgetary planning in organization and needs of all stakeholders of the company were clearly identified at the budget planning phase with means of 4.26 and 4.46 respectively. There was a clearly established timetable for budgetary planning in the company and budget planning helped in establishing goals and objectives for each section in the company with means of 4.43 and 4.40 respectively. Budgeting planning integrated the budget with all activities in the organization and the senior management team effectively communicated budget plans to other staffs in the company as supported by means of 4.37 and 4.40. The values of standard deviations are low showing that respondents converged on their expression budget planning and how it affected project performance.

4.4.2 Budgetary Control

Budgetary control was one of the variables of budgeting in the study. Table 4.7 presents the findings on analysis.

Table 4.9: Budgetary Control

Statements	Minimum	Maximum	Mean	Std. Deviation
Budget and actual figures are regularly determined in my organization	4	5	4.51	.507
Budgetary control helps in detecting deviations from the plans in my company	3	5	4.37	.646
The management react promptly to any budget deviations in my organization	3	5	4.20	.632
Budgetary control helps in coordinating operations in my company	3	5	4.29	.667
Budgetary control ensures that expenditure are kept within reasonable limits in my company	3	5	4.26	.611
Budgetary control ensures that resources are used efficiently to achieve the goals of my company	3	5	4.46	.561

Research Data (2022)

The findings in Table 4.9 indicate that budgetary control helped in detecting deviations from the plans in the company and the management reacted promptly to any budget deviations in the organization with means of 4.37 and 4.20 respectively. The findings indicated that budgetary control ensured that resources were used efficiently to achieve the goals of the company, the budget and actual figures were regularly determined and budgetary control helped in coordinating operations in the company as shown by means of 4.46, 4.51 and 4.26 respectively.

Some respondents also agreed that budgetary control ensured that expenditure was kept within reasonable limits in the company with a mean of 4.26.

4.4.3 Budget Participation

Budgetary participation was one of the variables of budgeting in the study. Table 4.8 presents the findings on analysis.

Table 4.10: Budget Participation

Statements	Minimum	Maximum	Mean	Std. Deviation
All employees are involved in the budgeting process	1	5	3.94	1.056
Employee involvement in budgeting ensure there is synergy in the organization	1	5	3.57	1.008
The action plan is seamlessly coordinated in this organization	1	5	3.86	.912
Employees are involved in coordination of action plan	1	5	3.77	1.087
Stakeholders receive regular updates on budget progress	1	5	4.06	1.027
The constant flow of information facilitates coordination of the budgeting activities in this organization	1	5	3.89	1.157

Research Data (2022)

As shown in Table 4.10, Stakeholders receive regular updates on budget progress and all employees are involved in the budgeting process with means of 4.06 and 3.94 respectively. The study further established that The constant flow of information facilitates coordination of the budgeting activities in this organization, the action plan is seamlessly coordinated in this organization and Employees are involved in coordination of action plan of 3.89, 3.86 and 3.77 respectively. Respondents however were not certain whether employee involvement in budgeting ensure there is synergy in the organization with a mean of 3.57. On average, most

statements had values of means above 3.5 showing that respondents agreed that budgeting participation affected project performance of their organization.

4.4.4 Budget Review

Budget review was one of the variables of budgeting in the study. Table 4.9 presents the findings on analysis.

Table 4.11: Budget Review

Statements	Minimum	Maximum	Mean	Std. Deviation
Budget revisions are conducted during the year in our project(s)	3	5	4.34	.639
Budgets and targets are reviewed on a regular basis in our project(s)	3	5	4.23	.646
Adjustments are made to plan where this becomes necessary in our project	2	5	4.17	.707
All the approved budgets are reviewed by competent employees in our project(s)	3	5	4.29	.622
Budget review are usually conducted at the end of the budgeting period in our project(s)	3	5	4.26	.611

Research Data (2022)

As shown in Table 4.11, Budget revisions are conducted during the year in our project(s) and All the approved budgets are reviewed by competent employees in our project(s) with means of 4.34 and 4.29 respectively. The study further established that Budget review are usually conducted at the end of the budgeting period in our project(s) and Budgets and targets are reviewed on a regular basis in our project(s) and Adjustments are made to plan where this becomes necessary in our project with means of 4.26, 4.23 and 4.17 respectively. On average,

most statements had values of means above 4.0 showing that respondents agreed that budgeting review affected project performance of their organization.

4.5 Project Performance

Project performance was the dependent variable of the study. The findings are reported by respondents are indicated in Table 4.10.

Table 4.12: Project Performance

Statements	Minimum	Maximum	Mean	Std. Deviation
The progress of the project is per the organizational objective	3	5	4.49	.612
We have attained the quality required	3	5	4.31	.631
We have been able to complete the project within the required time-frame	2	5	4.17	.707
We are able to complete the project within the cost stipulated in the budget	3	5	4.43	.558

Research Data (2022)

From Table 4.12, budgeting had ensured the progress of the project is per the organizational objective, projects are able to be completed within the cost stipulated in the budget, the project are completed at the required quality and are able to be completed within the required time-frame with means of 4.49, 4.43, 4.31 and 4.17 respectively. Thus, budgeting had affected project performance.

4.6 Pearson Correlation Results

The value of the Pearson Correlation coefficient r was used to interpret the strength and nature of relationship between the variables. This value of r range from 0-1; it can be negative or positive. The threshold for interpreting this value is r is that that values falling within the range

of 0-0.229 indicate a weak relationship, 0.3-0.49 indicate moderate relationship and 0.5-1.0 indicate strong relationship. Table 4.16 is a summary of the results of the analysis.

Table 4:13: Pearson Correlations

		Project_	Budgetary	Budget	Budget	
		Performance	Budget Planning	Control	Participation	Budget Review
Project Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	35				
Budget Planning	Pearson Correlation	.071	1			
	Sig. (2-tailed)	.686				
	N	35	35			
Budgetary Control	Pearson Correlation	.590**	-.108	1		
	Sig. (2-tailed)	.000	.538			
	N	35	35	35		
Budget Participation	Pearson Correlation	.431**	.574**	.099	1	
	Sig. (2-tailed)	.010	.000	.572		
	N	35	35	35	35	
Budget Review	Pearson Correlation	.644**	.351*	.497**	.529**	1
	Sig. (2-tailed)	.000	.039	.002	.001	
	N	35	35	35	35	35

** . Correlation is significant at the 0.01 level (2-tailed).

The results in Table 4.13 indicate that budget planning ($r=0.071$) has a weak but a positive correlation with project performance. The results also indicated that budgetary control ($r=0.590$) has a strongly and positively correlated with project performance. The results also indicate that budget participation ($r=0.431$) has a strong and positive correlation with project performance. It

was also noted budget review has ($r=0.644$) has a strong and positive correlation with project performance.

4.7 Regression Results and Diagnostic Test Results

The researcher regressed the identified budgeting practices against project performance. However, before carrying out this regression, four assumptions of normality, multicollinearity, autocorrelation and heteroscedasticity were tested. Normality test was conducted to find out whether the budgeting practices as a variable was normally distributed. The findings are illustrated in Figure 4.2 which is a normal PP Plot.

Normal P-P Plot of Regression Standardized Residual

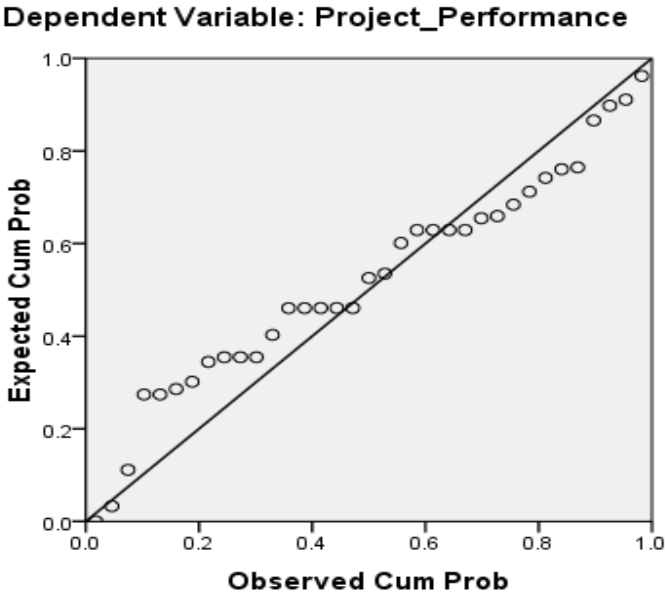


Figure 4.2: Normal PP for Budgeting Practices

Source; Research Data (2022)

Figure 4.1 is a Normal PP plot representing the expected cumulative probability against observed cumulative probability. From the results, majority of the data points are seen falling along the PP line. This could be an indication that the data for budgeting practices were

normally distributed. The result is consistent with the values of overall values of skewness and kurtosis established against each of the budgeting practice which were all within the established range of +2 or -2. These findings are in line with the assertion shared by Kothari (2004) that when the values of Kurtosis and Skewness are within the range of -2 and +2, the distribution can be regarded as normal.

Heteroscedasticity is simply seen as unequal scatter and it is used in reference to the error term or also called the residual of the regression model. It is the variation in spread of the residual within the range of some measured values. In other words, it is a situation where there is variation in the variance of the residual across the observations. Its opposite is homoscedasticity which is desirable. The figures below are the scatter plot which was graphically used to determine the presence of heteroscedasticity in the data.

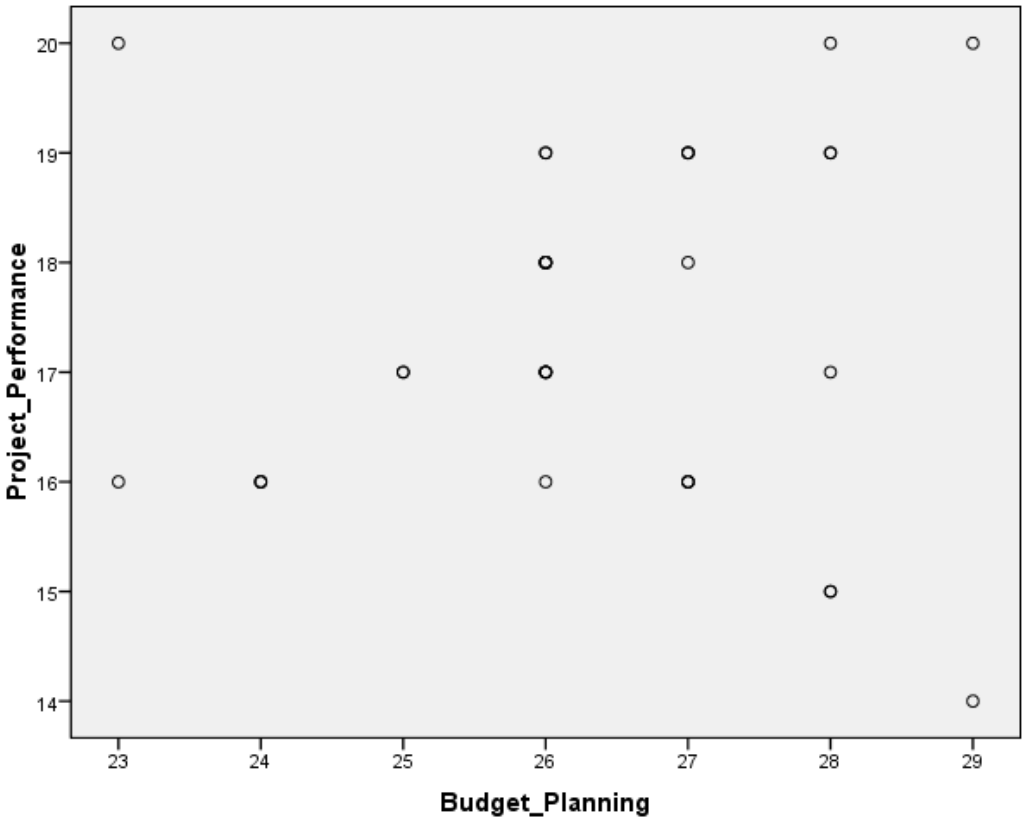


Figure 4.3: Scatter Plot or Budget Planning

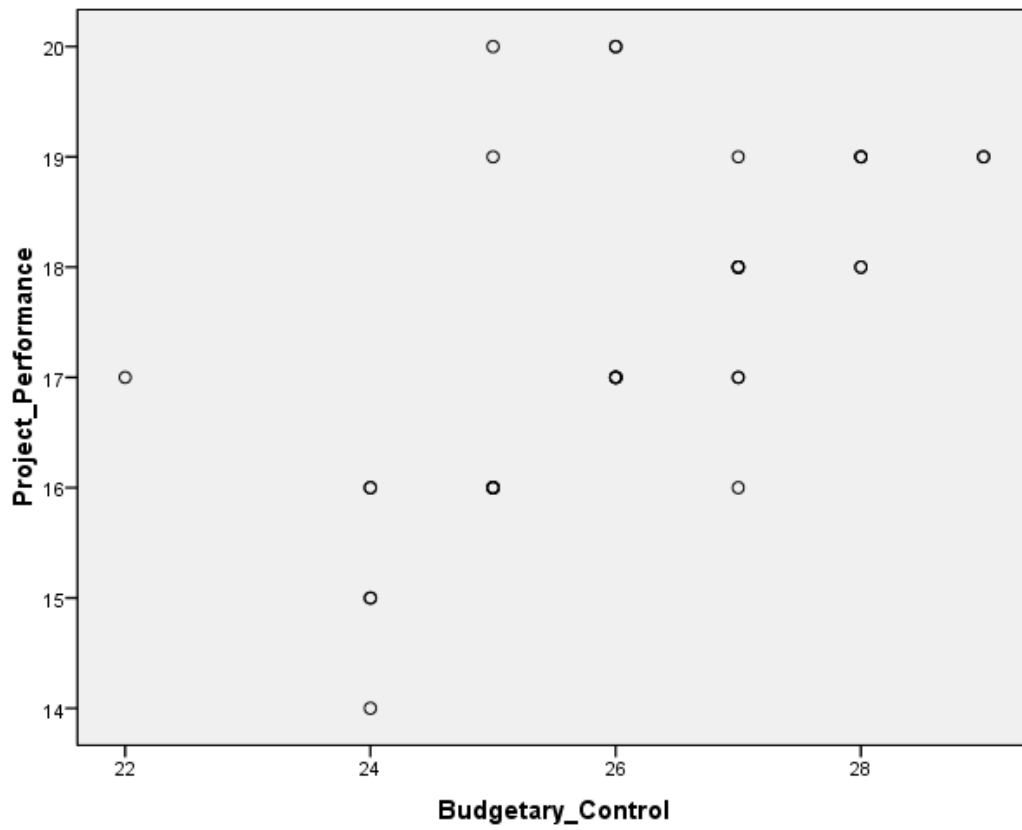


Figure 4.4: Scatter Plot for Budgetary Control

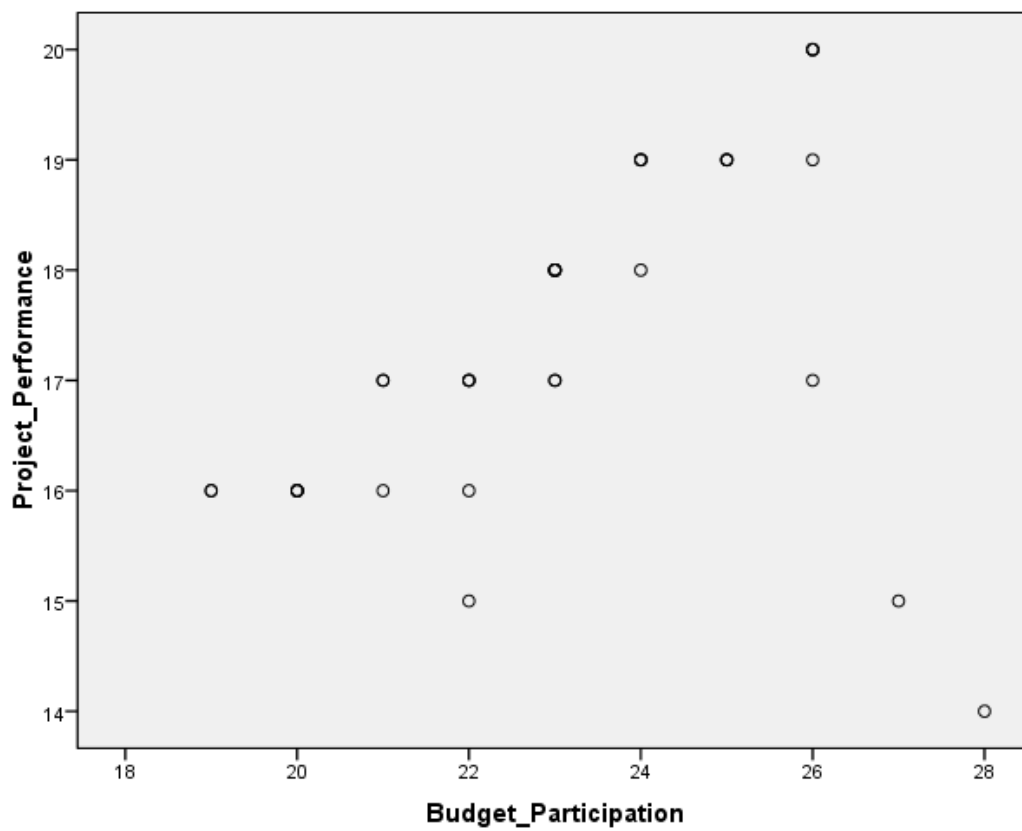


Figure 4.5: Scatter Plot for Budget Participation

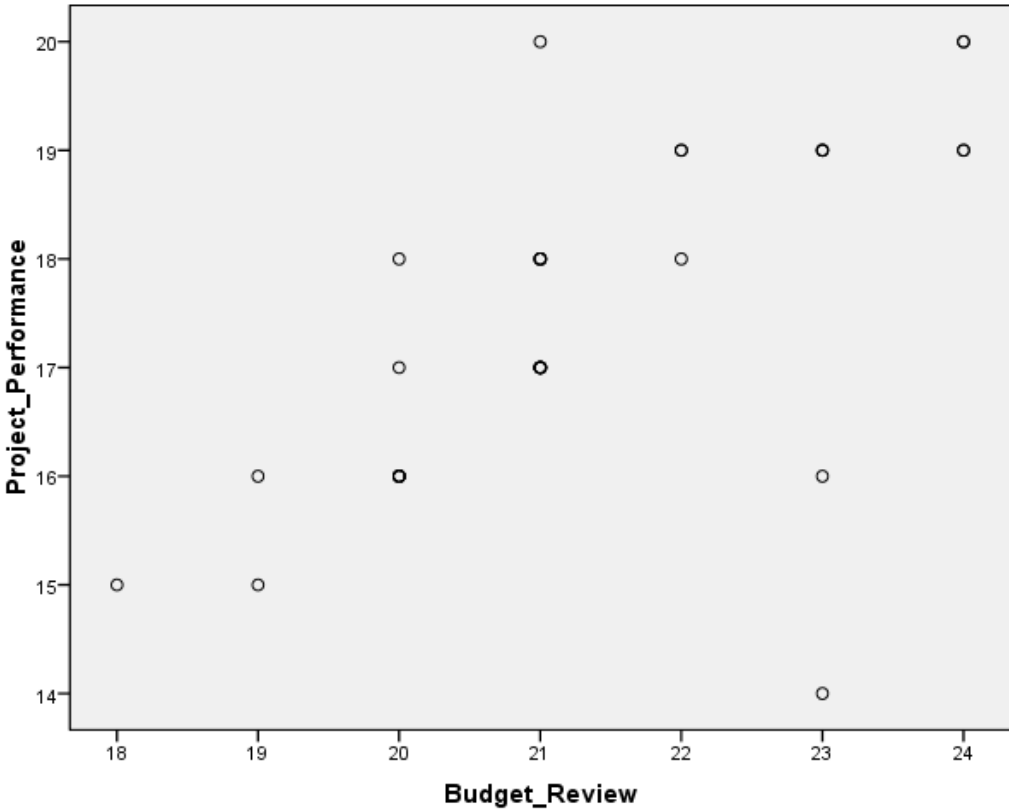


Figure 4.6: Scatter Plot for Budget Review

From the scatter plots above showing the distribution of the observations represented by residual against the predicted values. From the results, majority of the observations are widely spread with no clearly established pattern. This could be an indication of absence of heteroscedasticity in the variable of budgeting practices and possibly presence of homoscedasticity which is desirable for modelling of regression. In essence, presence of heteroscedasticity in the data set is a key concern during the analysis using regression as well as when conducting the Analysis of Variance (ANOVA) since the assumption of significance will have been invalidated.

To determine how budgeting affected project performance, the researcher carried out regression analysis. The Model Summary findings are shown in Table 4.14.

Table 4.14: Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.754 ^a	.569	.512	1.075	1.716

a. Predictors: (Constant), Budget Review, Budget Planning, Budgetary Control, Budget Participation

b. Dependent Variable: Project Performance

From Table 4.14, the coefficient of determination R square is 0.569, this shows that 56.9% change in project performance is explained by the budgeting in place. Thus, there are other factors apart from budgeting that influence project performance which future studies should focus on.

The results in Table 4.14 also indicate the value of Durbin Watson Statistic as 1.716; which when rounded off to the nearest one decimal place becomes 2. The rule of thumb when testing for autocorrelation is usually that values of Durbin Watson statistic closer or equal to 2 indicate absence of serial correlation in the data (Öztuna, Elhan & Tüccar, 2006). Hence, it can be inferred from this assertion that the data on budgeting did not have serial correlation and thus was in line with the assumptions of regression analysis.

Table 4.14 presents the findings on the Analysis of Variance (ANOVA) that was conducted at 5% level of significance.

Table 4.15: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.747	4	11.437	9.901	.000 ^a
	Residual	34.653	30	1.155		
	Total	80.400	34			

a. Predictors: (Constant), Budget Review, Budget Planning, Budgetary Control, Budget Participation

b. Dependent Variable: Project Performance

From the findings in Table 4.15, the value of F calculated is 9.901 while significance value is .000. This means that the overall regression model of the study was significant. The p-value less than 0.05 indicate budgeting practices has significant effect on project performance.

The coefficients with significance of the individual variables are shown in Table 4.13.

Table 4.16: Regression Coefficient

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				
1	(Constant)	1.446	4.699		.308	.760		
	Budget Planning	-.207	.156	-.204	-1.331	.193	.615	1.626
	Budgetary Control	.334	.140	.350	2.374	.024	.660	1.516
	Budget Participation	.206	.106	.315	1.940	.062	.546	1.832
	Budget Review	.373	.169	.375	2.206	.035	.498	2.009

a. Dependent Variable: Project Performance

The resultant equation becomes:

$$Y = 1.446 - 0.207X_1 + 0.334X_2 + 0.206X_3 + 0.373X_4$$

Where Y is =Project Performance

X_1 =Budget Planning

X_2 =Budgetary Control

X_3 =Budget Participation

X_4 =Budget Review

The first specific objective of the study was to determine the effect of budget planning on project performance, the findings from table 4:16 indicates budgeting planning with p value

$p=0.197 < 0.05$, which can be deduced that budgeting planning has insignificant effect on project performance, hence indicates that budget planning does not influence project performance. The finding was in contrary with Gacheru (2012) who indicated that budget planning has a positive and significant relation with budget variances effectiveness in the studied NGOs. One aspect of planning that budget facilitates is on the use of resources. According to Alviniussen and Jankensgard (2015), a budget is used to control the use of resources by managers of an organization.

The second specific objective of the study was to determine the effect of budgetary control on project performance, the finding from the table above indicates that budgetary control with $p=0.024 < 0.05$ indicates that budgetary control has a significant effect on project performance, hence it indicates that budgetary control has an influence on project performance. The coefficient of budgetary of 0.334 implying that a unit increase in budgetary control leads to 0.334 increase in project performance. The findings were in line with Liu, Lin, Diaz and Fan (2018) which indicates that budgetary control has a positive and significant relationship with performance of the firm.

The third specific objective of the study was to determine the budget participation on project performance, the findings from table above indicates budgetary participation $p=0.062$ shows that budget participation has a significant influence project performance, hence that budget participation has an influence on project performance. The coefficient of budget participation of 0.206 implying that a unit increase in budget participation leads to 0.206 increase in project performance. The study findings are in line with Eker (2006) that indicated budget participation has a positive and significant relationship with managerial performance. The finding is in line with Kimunguyi et al. (2015) who sought to find out how the process of budgeting affected financial performance. The study covered NGOs in Kenya and revealed that budgetary process and financial performance of NGOs in Kenya were interrelated. Ngumi and Njogo (2017)

critically assessed how budgeting affected financial performance of firms in the insurance sector in Kenya and established that budgeting affected financial performance of the studies companies.

The fourth specific objective was to determine the effect of budget review on the project performance. The finding indicates that budget review $p=0.035<0.05$ implies that budget review had a significant effect on project performance, hence budget review has an influence on project performance. The coefficient of budgetary review of 0.373 implying that a unit increase in budget review leads to 0.373 increase in project performance. The study finding was in line with Muleri (2017) which indicates that budget review has a positive and significant relationship with managerial performance. Similarly, Pimpong and Laryea (2016) assessed how budgeting influenced financial performance and established that budget coordination significantly affected financial outcomes of a firm.

The overall finding is therefore that budgeting has significant effect on project performance. Onduso (2013) critically examined how budgets affected financial performance of manufacturing companies in Kenya and established that budgeting had strong influence on financial performance. At the same time, Onduso (2013) studied how budgets affect financial performance. The study was done among manufacturing firms in Kenya and established that budgeting had strong and significant effect on financial performance.

The value of VIF was used to test for the presence of multicollinearity in the data. From the results, all the VIF values for the budgeting practices were all less than 3; but within the range of 1-10. This means that there was multicollinearity in the data set of budgeting practices and thus it was suitable for regression analysis.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the analyzed findings based on the objectives that guided the study. The chapter also gives the conclusion based on the findings. The recommendations are also pointed out based on the findings of the study. The areas for further studies are also clearly shown.

5.2 Summary of the Findings

The main objective of the study was to determine how budgeting influenced project performance. To achieve this objective, the researcher collected primary data that was analyzed using descriptive and inferential statistics. From regression results, the coefficient of determination R square was 0.569, which imply that 56.9% change project performance is explained by the budgeting in place. An ANOVA results at 5% level of significance indicated that the overall model was fit. The p values of individual variables of budgeting were all lees than 0.05, showing that budgeting has significant influence on project performance. The descriptive analysis on each of the variable of budgeting is presented in subsequent sections.

On budgeting planning, the study revealed that past data was used in budgetary planning in organization and needs of all stakeholders of the company were clearly identified at the budget planning phase. There was a clearly established timetable for budgetary planning in the company and budget planning helped in establishing goals and objectives for each section in the company. Budgeting planning integrated the budget with all activities in the organization and the senior management team effectively communicated budget plans to other staffs in the company.

In view of budgetary control, the study established that it helped in detecting deviations from the plans in the company and the management reacted promptly to any budget deviations in the

organization. The findings indicated that budgetary control ensured that resources were used efficiently to achieve the goals of the company, the budget and actual figures were regularly determined and budgetary control helped in coordinating operations in the company.

With regard to budgeting participation, stakeholders receive regular updates on budget progress and all employees are involved in the budgeting process. The study further established that The constant flow of information facilitates coordination of the budgeting activities in this organization, the action plan is seamlessly coordinated in this organization and Employees are involved in coordination of action plan.

In respect to budget review, the study found out that it was usually conducted at the end of the budgeting period in the project and the budgets and targets were reviewed on a regular basis in the company. The study further established that all the approved budgets were reviewed by competent employees in the company, adjustments were made to plan where this became necessary in the company and that budget revisions were also conducted during the year.

5.3 Conclusion

The study concludes that budgeting has significant effect on project performance. The past data was used in budgetary planning in organization and needs of all stakeholders of the company were clearly identified at the budget planning phase. There was a clearly established timetable for budgetary planning in the company and budget planning helped in establishing goals and objectives for each section in the company.

The study concludes that budgetary control helps in detecting deviations from the plans in the company and the management reacts promptly to any budget deviations in the organization. Budgetary control ensures that resources are used efficiently to achieve the goals of the company. The study also concludes that stakeholders receive regular updates on budget progress and all employees are involved in the budgeting process. The study concludes that there is a

constant flow of information facilitates coordination of the budgeting activities in this organization, the action plan is seamlessly coordinated in this organization and Employees are involved in coordination of action plan.

The budgets and targets should be reviewed on a regular basis in the company. All the approved budgets should be reviewed by competent employees in the company. Adjustments should be made to plan where this became necessary in the company.

5.4 Recommendations of the Study

The study recommends that the management team of the projects in Nairobi Metropolitan Area Should encourage all section heads to prepare flexible budgets. The project managers should consider putting in place a fully-fledged budgeting department with clearly established roles and responsibilities. The senior management team of projects in the Nairobi Metropolitan area should also improve on the budget planning, budgetary controls, budgeting participation and reviews in order to significantly influence managerial performance.

The study also recommends that the project managers should encourage all project heads to improve on their budgeting practices in order to improve on their project performance. The top management of other projects should make relevant budgeting decisions in the companies in order to positively influence project performance of their organizations.

5.5 Limitations of the Study

The above study is based on the four variables i.e. budget planning, budgetary control, budget participation and budget review as the only variables that influence project performance of government funded projects. There are other budgeting variables that affect project performance which the research is unable to cover in this context.

Additionally, the availability of relevant and timely data in Kenya is a source of limitations to the study since different sources give different and distorted data for the same variable. Thus, to maintain consistency and reliability, the study used the data only from project managers who were difficult to find since their had tight schedule within the work environment.

Moreover, the study focused only on the government funded projects in Nairobi Metropolitan area while there are other areas and industries such as non-governmental projects and industries such as manufacturing industries that can also be relevant for the same study.

Lastly, the data that was used came from a sub set sample of the whole population with an assumption that the very findings from this sample could be inferred to represent the entire population since the study is limited to resources and manpower which is humanly impossible to carry out the study for the entire population.

5.6 Suggestions for Further Studies

The current study focused on budgeting and how it influenced project performance. From regression results, the study established that budgeting on explains 56.9% change in project performance. Thus, there exists other factors with significant influence on project performance which future studies should be carried out to establish.

In the current study, the projects at the Nairobi Metropolitan area were involved. This is one of the metropolitan area in Kenya. Thus, for detailed and comprehensive decision making, future studies should focus on other metropolitan area in Kenya apart from the one that this study focused on. At the same time, future studies should be carried out in other sectors including the insurance, the banking and other service firms. With this, comparison of the findings will be easier and thus informed decision making among policy makers in different sectors and industries.

REFERENCES

- Abata, M. A. (2014). Participative budgeting and managerial performance in the Nigerian food products sector. *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA) An Online International Research Journal*, 1(3), 148-67.
- Abubakar, A., &Gani, I. M. (2013). Impact of banking sector development on economic growth: Another look at the evidence from Nigeria. *Journal of Business Management & Social Sciences Research*, 2(4), 47-57.
- Adan, I. H. (2012). *Influence of stakeholders' role on performance of constituencies development fund projects a case of Isiolo North Constituency, Kenya* (Doctoral dissertation, University of Nairobi, Kenya).
- Adilli, A. (2020). *The Flexible Budget as a Development Tool: Evidence from the Personal Preparation Course*.
- Adongo, K.O. (2015). *The relationship between budgetary controls and financial performance of State Cooperation in Kenya; Unpublished MBA Project, Kenyatta University*
- Afolabi, L. (1999). *Monetary Economics*, Ibadan, Nigeria. Heinemann Educational books (Nigeria) Plc. Artis, M. and Marcellino, M. (2000). *The Solvency of Government Finances in Europe in Banca d'Italia*.
- Alsharari, N. M. (2019). Accounting changes and beyond budgeting principles (BBP) in the public sector: institutional isomorphism. *International Journal of Public Sector Management*.

- Almasi, H., Palizdar, M. R., & Parsian, H. (2015). Budgetary participation and managerial performance: *The impact of information and environmental volatility*.
- Alviniussen, A., & Jankensgard, H. (2015). Enterprise risk budgeting: bringing risk management into the financial planning process.
- Asogwa, I. E., & Etim, O. E. (2017). Traditional Budgeting in Today's Business Environment. *Journal of Applied Finance and Banking*, 7(3), 111.
- Barr, M. J., & McClellan, G. S. (2018). Budgets and financial management in higher education. John Wiley & Sons.
- Beck, F., Mucci, D. M., & Frezatti, F. (2020). Which are the Roles of the Flexible Budget Practices? *International Conference in Accounting* 29(31)
- Bouckaert, G., Peters, B. G., & Verhoest, K. (2016). Coordination of public sector organizations. London: *Palgrave Macmillan*.
- Coyte, R., Messner, M., & Zhou, S. (2021). The revival of zero-based budgeting: drivers and consequences of firm-level adoptions. *Accounting and Finance*.
- Demil, B., Lecocq, X., & Warnier, V. (2018). “Business model thinking”, business ecosystems and platforms: The new perspective on the environment of the organization. *Management (France)*, 21(4), 1213–1228.
- Deshpande, S. P., Damle, V. V., Patel, M. L., & Kholamkar, A. B. (2015). Implementation of ‘5S’ Technique in a manufacturing organization: A Case Study. *IJRET: International Journal of Research in Engineering and Technology*, 4(1), 136-148.
- Din, M., & Achmad, T. (2015). Budgetary participation-based as mediating to escalate managerial performances.
- Du, J. (2021). Business model innovation. In *Transformative Strategies: Strategic Thinking in the Age of Globalization, Disruption, Collaboration and Responsibility* (3) 65–81).

- Eker, M. (2006). The Impact of Budget Participation on Managerial Performance Via Organizational Commitment. *Ankara Universitesi SBF Dergesi*, 64-4.
- Everien, M. N., & Claude, R. (2018) Budgetary Control and Financial Performance of Government Corporations: A Case of Water and Sanitation Corporation (WASAC).
- Frost, D. M. (2017). Social capital and the budgeting process (*Doctoral dissertation, University of Waikato*).
- Galuszka, J., Martin, E., Nkurunziza, A., Oginga, J. A., Senyagwa, J., Teko, E., & Lah, O. (2021). East Africa's policy and stakeholder integration of informal operators in electric mobility transitions—Kigali, Nairobi, Kisumu and Dar Es Salaam. *Sustainability (Switzerland)*, 13(4), 1–21
- Gathecha, A. M. (2017). The Effects of Budget Control on Operational Performance of Public Hospitals in Kiambu County (*Doctoral dissertation, University of Nairobi*).
- Gichaga, F. J. (2017, March 1). The impact of road improvements on road safety and related characteristics.
- Harelimana, J. (2017) The Effect of Budgetary Control on Financial performance of Kigali Serena Hotel in Rwanda.
- Ho, A. T. K. (2018). From performance budgeting to performance budget management: *theory and practice. Public Administration Review*, 78(5), 748-758.
- Isaboke, E. M., &Kwasira, J. (2016). Assessment of budgeting process on financial performance of county government of Nakuru, Kenya. *International Journal of Economics, Commerce and Management*, 4(5), 134-150.
- Joanita, N. (2018). Budgetary Controls and Performance of Construction Companies in Uganda: A Case Study of Roko Construction Company Nasser Road, Kampala-Uganda
- Kamau, J. K., Rotich, G., &Anyango, W. (2017). Effect of budgeting process on budget performance of state corporations in Kenya: A case of Kenyatta National

- Hospital. *International Academic Journal of Human Resource and Business Administration*, 2(3), 255-281
- Kashiwagi, I. (2018). A global study on ICT project performance. *Journal for the Advancement of Performance Information and Value*, 10(1), 8-27.
- Kimunguyi, S., Memba, F., & Njeru, A. (2015). Effect of Budgetary Process on Financial Performance of NGOs in Health Sector in Kenya. *International Journal of Business and Social Science*, 6(12), 163-172.
- Lawal, M., & Okoli, T. (2019). A Systematic Review of Budgeting and Budgetary Control in Government Owned Organizations. *Research Journal of Finance and Accounting*, 6(6), 1–11.
- Liu, L. L., Lin, C. Y., Diaz, J. F., & Fan, F. H. (2018) Factors affecting budget preparation and flexibility: Evidence from Taiwanese local government units. *Asian-African Journal of Economics and Econometrics*, 18(1), 167-175
- Lutwama, J. (2017). Budgetary controls and performance of selected construction Companies in Kampala, Uganda (*Doctoral dissertation, Kampala International University*).
- Mah'd, O. (2014). Decentralized Budget Impact on Managerial Performance: Evidence from Private Jordanian Universities. *International Review of Management and Business Research*, 3(2), 583.
- Mah'd, O., Al-Khadash, H., Idris, M., & Ramadan, A. (2013). The impact of budgetary participation on managerial performance: Evidence from Jordanian university executives. *Journal of Applied Finance & Banking*, 3(3), 133-156.
- Mazikana, A. T. (2019). The Effect of Budgetary Controls on the Performance of an Organization.

- Meersman, H., & Nazemzadeh, M. (2017). The contribution of transport infrastructure to economic activity: The case of Belgium. *Case Studies on Transport Policy*, 5(2), 316-324.
- Mishra, C. R. (2018) A Study On Budget and Budgetary Control: Analysis Of Flexibility Of Cash Budget.
- Muhtar, E. A., Hermana, D., Gartika, D., & Muharam, R. S. (2019). Policy Implementation: E-village Budgeting in Banyuwangi Regency. *Iapa Proceedings Conference*,
- Musau, P. M., & Kirui, C. (2018). Project management practices and implementation of government projects in Kenya, case of Machakos County government. *International Academic Journal of Information Sciences and Project Management*, 3(2), 58-79.
- Mugwe, J (2010). Internal control Practices on Performance of Manufacturing Companies in Kenya, MBA Thesis. University of Nairobi.
- Muleri A.M (2001), A Survey of Budgeting Practices among the Major British Non-Governmental Organizations in Kenya.
- Mutungi, Z. W. (2017). Effects of Budgeting and Budgetary Control on Financial Performance of Devolved Government in Kenya (*Doctoral dissertation, University of Nairobi*).
- Mwangi, C. M. (2014) Assessment of effects of budgetary planning tools on the financial performance of registered public service vehicle companies. A case of Kisii County Kenya (*Doctoral Dissertation, Kisii University*).
- Nafisatu, A. D. (2018). Effect of Budget and Budgetary Control on Firms Performance: A Case Study of the East African Portland Cement Company Limited (*Doctoral dissertation, United States International University-Africa*).
- Nanzala, L. I., & Alala, O. B. (2019) Budget and Budgetary Control Systems as A Tool For Decision Making In An Organization: A Case Study Of Kenya Public Universities.
- Ngugi, M. (2015). The relationship between budgetary control and Performance of constituency development fund in Machakos county (*Doctoral dissertation, University of Nairobi*).

- Ngumi, D. K., & Njogo, M. M. (2017). Effect of budgeting practices on the financial performance of insurance companies in Kenya. *International Journal of Economics*, 2(3), 14-30.
- Nyirenda, C. (2019). Leadership and Managerial Mismatch as a Contributing Factor in the Failure of Public Industrial Projects in Tanzania. *Tanzania Journal of Development Studies*, 17(1), 117–126.
- Nzekwe, Justina & Oladejo, Esther & Emoh, Fidelis. (2015). Project Failure as A Reoccurring Issue In Developing Countries: *Focus On Anambra State, South East Nigeria* (3) 1-20.
- Ogiedu, K. O., & Odia, J. (2013). Relationship between budget participation, budget procedural fairness, organizational commitment and managerial performance. *Review of Public Administration and Management*, 2(3), 234-250.
- Oluwalope, A. A., & Sunday, O. (2017). Impact of budgetary participation and organizational commitment on managerial performance in Nigeria. *Accounting and Finance Research*, 6(3), 48.
- Onduso, E. A. (2013). The effect of budgets on financial performance of manufacturing companies in Nairobi County. *Unpublished MBA Thesis, University of Nairobi*.
- Oyadomari, J. C. T., Afonso, P. S. L. P., Dultra-de-Lima, R. G., Mendonça Neto, O. R. R., & Righetti, M. C. G. (2018). Flexible budgeting influence on organizational inertia and flexibility. *International Journal of Productivity and Performance Management*, 67(9), 1640–1656.
- Panda, B., & Leepsa, N. M. (2017). Agency theory: Review of theory and evidence on problems and perspectives. *Indian Journal of Corporate Governance*, 10(1), 74-95.
- Pimpong, S., & Laryea, H. (2016). Budgeting and Its Impact on Financial Performance: *The Case of Non-Bank Financial Institutions in Ghana*.

- Sukandani, Y., & Istikhoroh, S. (2016). Participatory Budgeting Role in Improving the Performance of Managerial Head of Department East Java. *Review of European Studies*, 8(4), 148.
- Shim, J. K., Siegel, J. G., & Shim, A. I. (2011). Budgeting basics and beyond. *John Wiley & Sons*.
- Tarigan, J. (2015). The Influence of Budgeting Participation on Managerial Performance in Service Companies: An Evidence from Indonesia. *Journal of Accounting & Finance* (2158-3625), 15(8).
- Tsofa, B., Musotsi, P., Kagwanja, N., Waithaka, D., Molyneux, S., Barasa, E & Chuma, J. (2021). Examining health sector application and utility of program-based budgeting: County level experiences in Kenya. *International Journal of Health Planning and Management*, 36(5), 1521–1532.
- Waititu, P., Njeje, D., & Kiriimi, E. (2019). Influence of management support on budgeting system efficiency in public secondary schools Nakuru county, Kenya. *International Journal of Advanced Research in Management and Social Sciences*, 8(9), 1–18.
- Yang, Q. (2010). The Impact of the Budgeting Process on Performance in Small and Medium-Sized Firms in China. *University of Twente China*.
- World Bank Group. (2016). World development report 2016: *Digital dividends*. *World Bank Publications*.

APPENDICES

Appendix I: Introduction Letter

Date:

Dear Respondent,

I am a student of Masters of Science Commerce at KCA University. I am carrying out a study to investigate *The effect of budgeting practices on the performance of government funded projects in Nairobi Metropolitan Area*. I have chosen to use your organization to aid in making my study successful. You will be issued with a questionnaire. Kindly respond to all the questions, honestly. There will be no risk in responding to the questions.

Regards,

NJERU PATRICIA KATHONI

Appendix II: Questionnaire

SECTION A: GENERAL INFORMATION

Part A: General Information

1. Name and Title of the respondent (optional)
2. Name and location of your project.....
3. What is your position in the firm?
 - Project manager []
 - Finance manager []
 - Procurement Officer []
 - Operations manager []
 - Other (specify).....
4. Duration the project has been in undertaking/undertaken.
 - Less than 5 years []
 - 5 or More years []
5. Number of employees working for the project
 - 0 - 49 people []
 - 50 – 99 people []
 - Over 100 people []
6. How long have you worked in your current position?
 - Less than 3 Years ()
 - 3-7 Years ()
 - 7-10 Years ()
 - Over 10 Years ()

SECTION B: BUDGETING

7. Who is responsible for making of budgeting decisions in your project?
.....

8. Below are several statements on budgeting practices that are applicable to your project(s). On a five point Likert scale where 1=strongly disagree and 5=strongly agree; kindly indicate whether these statements apply to your organization.

BUDGETING PLANNING

Statements	1	2	3	4	5
Past data is used in budgetary planning in our project					
There is a clearly established timetable for budgetary planning in the company					
The senior management team effectively communicate budget plans to other staffs in my company					
Budgeting planning integrates the budget with all activities in our organization					
Needs of all stakeholders of the company are clearly identified at the budget planning phase					
Budget planning helps in establishing goals and objectives for each section in my company					
BUDGETARY CONTROL					
Statements	1	2	3	4	5
Budget and actual figures are regularly determined in my organization					
Budgetary control helps in detecting deviations from the plans in my company					
The management react promptly to any budget deviations in my organization					
Budgetary control helps in coordinating operations in my company					
Budgetary control ensures that expenditure are kept within reasonable limits in my company					
Budgetary control ensures that resources are used efficiently to achieve the goals of my company					
BUDGET PARTICIPATION					
Statements	1	2	3	4	5
All employees are involved in the budgeting process					
Employee involvement in budgeting ensure there is synergy in the organization					
The action plan is seamlessly coordinated in this organization					

Employees are involved in coordination of action plan					
Stakeholders receive regular updates on budget progress					
The constant flow of information facilitates coordination of the budgeting activities in this organization					
BUDGET REVIEW					
Statements	1	2	3	4	5
Budget revisions are conducted during the year in our project(s)					
Budgets and targets are reviewed on a regular basis in our project(s)					
Adjustments are made to plan where this becomes necessary in our project					
All the approved budgets are reviewed by competent employees in our project(s)					
Budget review are usually conducted at the end of the budgeting period in our project(s)					

9. What challenges does your organization encounter during the budgeting process?

.....

.....

.....

SECTION C: PROJECT PERFORMANCE

10. Below are several statements on project performance that are applicable to your project(s). On a five point Likert scale where 1=strongly disagree and 5=strongly agree; kindly indicate whether these statements apply to your organization

Statements	1	2	3	4	5
The progress of the project is per the organizational objective					
We have attained the quality required					
We have been able to complete the project within the required time-frame					
We are able to complete the project within the cost stipulated in the budget					

THANK YOU

Appendix III: Work plan

Activity	TIME FRAME																			
	March 2022				April 2022				May 2022				June 2022				August 2022			
	Week				Week				Week				Week				Week			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Topic selection & approval	■																			
Production of a draft proposal					■	■	■	■												
Incorporate reviews by supervisor									■	■	■	■								
Draft proposal ready for presentation													■	■	■	■				
Seeking research authorization from relevant authorities (University and NACOSTI) to conduct the study																	■	■	■	■
Pilot testing of questionnaire																	■	■	■	■
Data collection from selected sample																		■	■	■
Data processing and analysis																			■	■
Review of draft project by supervisor																				■

