Effect of Budgetary Processes on Organizational Performance: A Case of Marine State Agencies, Kenya

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Abstract Government budgeting processes are always lengthy and elaborate; a system that provides detailed framework of how it has performed in the past and what it plans to execute in the current fiscal year. A budget is a tool which is utilized by the government of Kenya with the aim of achieving both operational and development activities in the short and long term especially with the aim of realizing vision 2030. The aim of this study was to assess the effect of budgetary processes and the performance of an organization in relation to non-commercial marine agencies, Kenya. Specific objectives were to determine the effect of budgetary planning on organizational performance, to establish the effect of budgetary control on organization performance and to determine the effect of implementation and evaluation on organization performance. The study utilized four theories: Budget cycle theory, Agency theory, institutional theory and stewardship theory. The study utilized descriptive research design. The study was conducted in Mombasa County in Kenya. Target population was Heads of Department in Financial, Procurement Audit and Monitoring and Evaluation in Marine sector and Chief executive officers. The sample size of the study was 70 respondents. Data collection tool was questionnaires that were distributed among 70 respondents. Both primary and secondary data were collected. Primary data were collected through questionnaires while secondary data were collected from the organization’s archives because few respondents census was utilized. Content validity was utilized. Collected data was analyzed through multiple regression analysis to determine the relationship between the variables. Collected data was presented through tables. From the analyzed results, it was revealed that there was a positive significant relationship between budgetary processes for intense budgetary planning, budgetary control and budgetary implementation, monitoring and evaluation on organization performance. The regression was 0.834a and R. square of 0.65. For the correlation, there was a positive coefficient between budgetary processes and organization performance. The study recommended that organizations should embrace budgetary process in order to realize superior performance.

Keywords Budget, Organizational Performance, Budgetary Controls, Budgetary Planning

1. Introduction
This paper attempts to look into the budgetary processes in the public sector and link the same to organizational performance. The study focused on marine sector government parastatals in the Coastal Counties in Kenya.

1.1. Background of the Study
A budget is a tool that is used for planning and executing Government of Kenya functions in the course of realizing certain economic and macroeconomic objects, visions and
aspirations. In any given economy, the Government is the single most consumer and provider of goods and services, meaning that the economic performance is dependent on government policy and action in terms of resource mobilization (money) through broad revenue sources and the application/expenditure of the same in various sectors of the economy.

In the recent past, the performance of various sectors of the Kenyan economy has not met the threshold in terms of public expectation in terms of goods and services offered. This has led to hue and cry from the tax payers who feel cheated and take advantage of by the Government whose core mandate is service provision.

1.2. Budgeting Process

The Government budgeting process is a lengthy and elaborate process; a system that provides detailed framework of how it has performed in the past and what it plans to execute in the current fiscal year. According to Little et al [2002], budgeting is a fundamental decision making process in an organization in that it links to the ability of the organization to ignite performance hence a better return to its shareholders.

1.2.1. The Government of Kenya Budgetary Process

a) Constitutional Provision

The National Treasury derives its mandate from the Constitution of Kenya 2010 which provides for proper budgetary process and expenditure management of Governmental financial resources and the preparation of annual estimates of revenues and expenditures that are laid before Parliament every year for approval by 20th June each financial year. This stage provides the Members of Parliament an opportunity to address the broad range of activities facing the country and request for financial resources for funding these activities. To enable the Government to finance its operations, Parliament authorizes by voting an account the appropriation of funds required for purposes of enabling the Government to carry out its activities.

The budgetary process is preceded by two major activities namely:

a). Setting of national priorities and objectives under the Medium Term Expenditure Framework (MTEF).

b). Defining the Macro Economic Framework in which a provision is included for supplementary estimates to be tabled before the National assembly when need arises.

The budgets prepared by Government of Kenya can be classified as surplus budgets in which Government revenues exceed expenditures as opposed to deficit budgets which are not allowed. However, a balanced budget whereby revenue equals expenditure is allowed in Government of Kenya processes though critics argue that this is a practically unrealistic situation.

b) Legal provisions

The legal framework that governs the budget process is as provided for in the Constitution of Kenya 2010 whereby Government raising of revenues and allocation of public resources across all economic and social sectors as contained in Part V. The Exchequer and Audit Act, Cap 412 specifies the modalities for raising Government revenue, appointment of accounting officers and those who manage the revenue generation process, provide procedures for expenditure controls and management of Government assets including accounting and auditing.

1.3. The Role of the Executive in Budget Implementation

The Executive is the key process owner in the budget making process in that they plan, execute, monitor and evaluate the all the sub-processes within the entire framework. This is broken down in form of Central Government Ministries, Counties, Semi- Autonomous Government Agencies spread across all sectors. The budgetary process is a participatory one, being a cardinal principle contained in Chapter 12 of the Constitution of Kenya 2010.

The capacity of directors to organize budgetary use as indicated by prioritized needs should be improved under a decentralized administration structure (Kaplan and Atkinson, 1998). The Kenya Government situation is alive to this since the advent of National Government and Devolved Government in 2010. Planning consumes the biggest chunk of the budgeting in terms of time and resources applied. Planning has prevailing impact on numerous nations including New Zealand, Australia, Singapore, Netherlands, Norway, Sweden, USA, Canada, Mauritius, Rwanda and South Africa. Thailand (Sach, 2008). In Canada for instance, even where there is solid initiative and clear responsibility, full execution bringing about a genuine change in administration culture obliges seven to ten years (GOK, 2006).

The feedbacks from recent surveys conducted in the Public Sector indicate a high level of dissatisfaction by tax payers in terms of service delivery. Whereas the Kenyan Government is keen to make its programmes felt at the lowest level in the public sector, this has not been the case. This is confirmed Sila [2016] in his study of challenges of effective budget implementation in public sector in Kenya whereby failure to present information on budget progress to facilitate scrutiny by other relevant government agencies affect effective budget implementation. In addition the study found that there exist a lack of proper training for employees on the functioning and implementation of the budgets.

The taxpayers are reeling from unfulfilled, some stalled, and programs being implemented by SAGAs, yet the same
institutions return huge chunks of cash to the National Treasury unspent at the end of the financial year.

**Statement of the problem**

A budget is a tool which is utilized by the Government of Kenya with the aim of achieving both operational and development activities in the short and long term especially in the bid to achieve the Vision 2030 economic, social and political pillars as a strategic objective. Budgeting as a tool in financial management regularly prepares performance plans and budget requests that describe performance goals, measures of output and outcomes in various activities aimed at achieving performance goals. This helps in the sense that annual plans set forth in measurable terms form the levels of performance for each objectives in the budget period (Larson, 1999).

A standard budget implementation process should ensure that the intended government programmes are achieved in the most efficient, transparent and fair manner according to Shard & David [2010]. Government budgets can either be classified as surplus when the revenue exceeds expenditure, deficit budget when expenditure exceeds revenue and a balanced budget when expenditure and revenue are equal as enunciated by Smith et al, [2004]. The Government of Kenya has over the past years dutifully facilitated disbursement of funds to Ministries, MDAs and SAGAs during each budget cycle. Despite the fact that there is budget calendar including consultative, well elaborated budget and participatory budget that are carried out by different organizations in Kenya during every financial year. This is usually done with the aim of having minimal budgetary variances there is still poor performance in budget is evident terms of products, services delivery and efficiency. Budgets processes are not clearly linked to the planning process and approval process which leads to variances in budget implementation. The deficits found between the expenditure and revenue collection leads to mini-budgets and the supplementary budgets. In the financial year 2013/2014 Energy Regulatory Commission (ERC) budget performance was on the negative trend of 11% even after revising its budget upward by 15%. Similarly, procurement oversight Authority PPOA budget performance was negative of 14% despite having a supplementary budget that was equivalent to 10% of its original budget (Kamau, Rotich and Anyango 2017). This has negative impacts on the completion of scheduled programmes which in turn has a bearing on the non-completion of projects and non-fulfillment of Government of Kenya pledges to her citizens hence poor service delivery. The under-utilization of allocated budgets is also a concern for development partners and donors as this tends to tie up funds unnecessarily attracting high holding costs for the same thereby pushing up the cost of credit.

Most researches carried out on budget performance in Kenya are focused on commercial aspect of these institutions yet there is little research conducted on non-commercial organizations. Nothing big has changed. It is on these grounds that is why this research was done.

**1.3. Objectives of the Study**

**1.3.1. General Objective**

To assess the effect of budgetary processes on organization performance: A case of non-commercial Marine state agencies, Kenya

**1.3.2. Specific Objectives**

i). Establish the effect of budgeting planning on organizational performance

ii). To determine the effect of budgetary control on organization performance

iii). To determine the effect of budgetary implementation and evaluation on organization performance
1.4. Conceptual Framework

From the above conceptual frame work budgeting process is independent variable. It includes budgetary planning, budgetary control and budget implementation, monitoring and evaluation. The independent variables are the inputs and the arrows show the process.

The organization performance is the dependent variable which shows the output. Organization performance is measured in terms of spending as per the appropriation of the funds, working capital ratio and development ratio.

2. Literature Review

2.1. Theoretical Literature Review

2.1.1. Budget Cycle Theory

As indicated by Dehn et al (2002), most open areas have numerous level structures with various errands. As a rule, assignments and interests at every level of hierarchical structure of open segment may struggle with each other from the perspective of constrained assets and limited time, and different partners may likewise have clashing interests. In the meantime, the yields of open administration offices are frequently hard to quantify and deliberate information is once in a while accessible about particular sources of information and yields of administration conveyance especially in creating nations. The spending cycle in general society area goes through three noteworthy stages.

2.1.2. Agency Theory

The Principal-Agent (Agency) theory bolsters advancement of planning and clarifies why clashes exist between principals (shareholders/proprietors) and their operators (administrators) prompting to office costs. It goes
for lessening data asymmetry so that both the proprietor and operator read from a similar script through the risk of approvals and the likelihood of motivating forces. Agency theory is created around the idea of authoritative connections between two gatherings with clashing destinations, i.e. principals and operators. The target in organization hypothesis is to structure the authoritative relationship between these gatherings with the goal that specialists take activities to expand the welfare of principals. This depends on standard vital specialist models including supervision Kofman and Lawaree, (1993 and 1996) and Khalil and Lawaree, (2006). The National Treasury has control over critical line services and should speak to people in general premium. County Governments, Ministries and Public offices can be viewed as operators of the National Treasury (the primary) since they are required to deliver a specific level of open yield including the nature of this yield in return for their spending appointment. This need has been connected with three essential global advancements i.e. democratization, devolution and open consumption administration changes.

2.1.3. Institutional theory

Institutional theory has its birthplace from the work of scholars a great many years before. Business analyst and social scholar Max Weber concentrated on the ways administration and organizations were coming to command the general public with his thought of the iron confine that wild systematization made. The incorporated viewpoint originated from the work of Scott (1995). Argue that the foundation gives steadiness and intent. Institutional theory concentrates on the more profound and stronger determinants of financial, performing artists’ conduct. It considers the procedures by which structures, including plans, standards and schedules, are set up as definitive rules for social conduct and reaches out to clarify financial connections between a few monetary units of investigation. Distinctive parts of institutional hypothesis clarify how these components are made, diffused, received, and adjusted over space and time; and how they fall into decay and neglect. In planning it gives a typical benefit of bookkeeping. Asset arranging and dealing, disguising and assembling power, ecological change, authoritative change (Covaleski et al, 2003).

2.1.4. Stewardship theory

Stewardship theory has its underlying foundations in brain science and humanism and was intended for scientists to look at circumstances in which officials as stewards are propelled to act to the greatest advantage of their principals (Donaldson and Davis, 1989 and 1991). It is another idea that exclusive dates from the late 80s. Stewardship and open 15 administration starts with evaluate of market based changes that have significantly reshaped people in general administration worldwide amid the previous two decades. While it is kept up that these changes were important and brought about numerous positive results, the focal contention is that the market hypothesis whereupon they are fabricated is not sufficiently vigorous to grasp the full scope of open segment exercises, for example, administration and guarding open premium. Stewardship is introduced as an option model that scaffolds advertise approaches, fundamentally relevant to value based administrations, and more extensive open part duties. Stewardship is an extremely old thought that is being rediscovered in many quarters. Stewardship is not a system or procedure that would be be able to quickly connected, nor is it recommended that it is a solution for all sicknesses. Or maybe, it is a method for doing things that gives a compass instead of recommedng a course. Stewardship can address productivity issues. In any case, it goes past self-premium, and all the more significantly, gives the conditions to administration security over a long stretch, something that the market display does not do (Armstrong and Associates, 1997).

2.2. Empirical Literature Review

2.2.1. Effect of Budgetary Process on Organization Performance

Ardiansyah, Isnurhadi and Widiyanti (2019) conducted a research on the effect of budget participation on budget performance with the organizational commitment as a moderating variable: Case study at the public service agency (BLU) of Sriwijaya University. The collected data was analyzed through multiple regression analysis. The analyzed data revealed that public participation positively and significantly affected budget performance. On the other hand, organization commitment did not strengthen or weaken the relationship between budget participation and performance. Similarly, a different research was conducted in relation to the budgetary process.

Kimunguyi, Mamba and Njeri (2015) conducted a research on the effect of budgetary process on the financial performance of NGOs in health sector in Kenya. From the analyzed data it was revealed that budgetary process had a significant influence on financial performance of NGOs in health sector in Kenya. It was further revealed that there was a positive correlation of financial performance of NGOs in health sector. The study recommended that formulation of policy both management of NGOs and Government should explore and implement sustainable policies and regulations that are geared to towards improving budgetary management as a way of improving financial performance of NGOs.

Kamau, Rotich, and Anyango (2017) conducted a research on the effect of budgetary process on budget performance of State Corporation in Kenya: A case of Kenyatta National Hospital. The target population was 450 employees of Kenyatta National Hospital. Data was collected through questionnaires. The study utilized descriptive statistics. Collected data was analyzed through correlation analysis. Findings revealed that budgetary
participation had an effect on performance of the state Corporation. The researcher recommended that staff proposals should be taken into consideration.

Ngumi and Njogu (2017) carried out a research on effect of budgeting practices on the financial performance on insurance companies in Kenya. The study applied descriptive research design. The population of the study was 45 insurance and reinsurance companies. The collected data was secondary data. From the analyzed data it revealed that CAPEX variance and performance (ROI) are negatively and significantly related. Human resource variance and performance of an organization were negatively related. On the other hand income variance and performance (ROI) were positively related. The study recommended that insurance companies should focus on minimizing the variances since it was found to have a positive effect on performance.

Gacholka et al (2018) conducted a research on the moderating effect of organizational characteristics on the relationship between budgeting process and performance of churches in Kenya. The study applied positivist research and descriptive research design. Data was collected from 104 churches and it was analyzed through regression analysis. It was revealed that organizational characteristics have moderating effect on the relationship between budgeting process and the performance of churches in Kenya. It was further revealed that budgeting process is adequately practiced have a positive correlation with the performance of churches in Kenya. In a related study Muslih, (2018) conducted a study on the influence of budgeting system, organizational culture and firm size to performance. The study applied quantitative research design. From the analyzed data, it was revealed that the budgeting process has a significant effect on firm performance but with different signs. It means that budgeting process has a negative on firm performance. On the other hand organizational culture and firm size have significant positive effect on firm performance.

Organizations operate strategic plans which are drawn over a five year period. These inform the operational activities based on budgets implemented over a one year cycle. Kipyego and Wanjare (2017) found out that public participation enhances the quality of the budgeting process. The study also found out that stakeholders’ involvement in budgeting process enhances accountability and transparency. Major findings drawn from these findings were that most of the respondents agreed that public outreach and education enhance the budgeting process and thus affect the quality of public participation, implying that the community members understood the significant influence of public outreach and education on budgeting process. It was also found that the budget workshops were vital in collecting public views regarding the budgeting process.

Besides, Transparency International (TI) (2014) observes that public participation in budgeting can only be effective if the local authority develops policies which allow citizens to access accurate and timely information for decision making. Such information will allow citizens to be involved in all fiscal planning besides monitoring implementation of the programmes (Kenya School of Government, 2015). Commonly used mechanisms include public outreach and education, surveys, budget advisory committee and budget workshops among others (Kahn, 1997).

2.2.2. Effect of Budgetary Planning on Organizational Performance

Taufiq and Rokhman (2017) carried out a research on improving managerial performance through participation role of budget preparation: A theoretical and empirical overview of many accounting management studies pay attention to the issue of participation budgeting in relation to managerial performance and produce opposition empirical results. There were contradictory results. In a similar study that was conducted by Maher, Fakhar and Karimi (2017) on the relationship between budget emphases, budget planning models and performance of Far Province University of medical sciences. The study employed descriptive survey research design. The study included financial experts in Shiraz University in 2016. The study used 250 samples. It was revealed that there was a significant relationship between budget emphasis and the strategy. It was further revealed that there was a positive and meaningful relationship between budget planning models and organizational performance, management performance and budgetary satisfaction.

Natsir, Amir and Kahar (2017) conducted a research on the effect of budgetary participation, planning and control on managerial performance with leadership style as intervening variable study on hospitality services company in central Sulawesi province. The study used 170 respondents. From the analyzed data it was revealed that planning had no significant effect on leadership style but it had a positive effect on managerial performance.

Planning is key in budgeting process. Mbuthia and Omagwa (2019) conducted a research on the effect of budgetary control on financial performance of the selected commercial banks in Kenya. The study adopted a cross-sectional research design. Collected data was analyzed through multiple regression analysis and descriptive analysis. It was revealed that budgetary planning has a positive correlation with the performance of an organization. It was further revealed that budgetary implementation had a significant impact on performance of an organization. Similarly, it was revealed that budget control and budget review had a positive significant impact on performance of an organization. The study recommended that managers of banks should review their current performance, establish more budgeting centers and employ more budget officers to realize better performance of an organization.
2.2.3. Effect of Budgetary Control on Organization Performance

Mohamed, Evans and Tirimba (2015) conducted a research on analysis of the effectiveness of budgetary control Techniques on organizational performance at Darasalaam Bank Headquarters in Hargeisa Somaliland. The study applied descriptive and retrospective research designs. Data collected was both primary and secondary data. The researcher carried out a census study of 70 staff. It was revealed that responsibility, accounting, variance analysis and zero based budgeting enhances budget control and improves efficiency and productivity. It was further revealed that variance cost analysis alone may not affect organizational performance. The study recommended that organizational staff needs to be trained on the existing budgetary control techniques to enhance business decisions making and improve efficiency and productivity.

Etale and Idumesaro (2019) conducted a research by analyzing the link between budgetary control and performance: A case study of Bayelsa state of Nigeria. The study adopted actual expenditure (AEX) representing performance. The study adopted ex-post facto research design. Data was analyzed using descriptive statistics and multiple regression analysis. It was revealed that there was a negative correlation between budgetary controls on performance of an organization. The study recommended that government should encourage budgetary participation, consider resources availability in budgeting and employ qualified and highly skilled personnel.

Imo and Deswosu (2019) conducted a research on assessment on the effect of budgeting control on return on assets and net profit of government owned companies in river state. The study applied descriptive survey research design. Data was collected through questionnaires pearson product moment correlation coefficient and frequency table was used to analyze data. It was revealed that there was positive significant relationship between budgetary control and financial performance of government owned companies. It was concluded that budgetary control systems can be used as a control mechanism to strengthen performance measurement systems. The study recommended that, for improved performance in these organizations should continue to adopt improved budgetary control measures in totality.

Nyongesa, Odhiambo and Ngoze (2016) carried out a research on the budgetary control and financial performance in public institutions of higher learning institutions in western Kenya. The study used descriptive survey research design with the target population of 109. Collected data was analyzed using regression analysis. Results showed that budgetary control had a positive correlation with the performance of public higher learning institutions. Similarly, a different research was conducted Deboh (2018) on the effect and budgetary control on firm’s performance: A case study of the East African Portland cement company. Descriptive research design was utilized where explanatory research design was used to explain the relationship between the variables. Both primary and secondary data were collected. The collected data was analyzed through regression analysis. It was revealed that there was low positive correlation between budgetary control and sales turnover.

Kerosi (2018) conducted a research on the analysis of budgetary control practices and the management of micro and small enterprises at Kangemi town in Kenya. The study applied descriptive survey research design. The population was 160 respondents. Collected data was primary and secondary data. Collected data was analyzed through analysis of variance (ANOVA). It was revealed that the management of micro and small enterprises is positively related to the budgetary control practices. It was further revealed that budgets have clear goals and objectives and when budgeting. Similarly, it was revealed that enterprises engage its stakeholders in making key budget decisions. The study recommends that budgeting review and control should be done as frequently as possible to achieve greater results.

Abuga and Muturi (2019) conducted a research on the effect of budgetary control process on financial performance of tea factories: A study of selected tea factories in Kisii in Kenya. The study adopted a co relational research design. Data was collected from 70 top managers who were the respondents. Data was collected though questionnaires. Collected data was analyzed through descriptive statistics, correlation analysis. It was revealed that budgetary planning; budgetary execution and budgetary monitoring had a positive significant effect on financial performance of tea factory. The study recommended that organizations should use already existing workable budgeting strategies that have enabled an effective budget monitoring.

2.2.4. Effect of Budgetary Implementation and Evaluation on Organization Performance

Murei, Kidombo and Gakuu (2017) carried out a research on the influence of monitoring and evaluation budget on performance of horticulture projects in Kenya. The study utilized correlation and cross-sectional survey. Collected data was analyzed through Pearson product moment correlation. It was revealed that monitoring and evaluation budget was the major contributor to higher performance of the organization.

Makina and Keng’ara [2018] argued that of all stakeholders in strategy formulation implementation and control. This in turn makes a case for commitment for the entire team involved in the value chain of budget implementation. This is in line with the public participation policy on budget making process. The authors also opine that strategic change is the process of moving an organization away from its present state towards some desired future state to increase its competitive advantage.
Ngumi and Njogo (2017) confirmed that staffing plays an important role in budgetary performance is directly affected by staffing. This also aligns to assertions by Gacheru (2012) that budgetary preparation, control and implementation significantly influence budgetary variance. The authors recommend that staff participation and views must be taken into account in order to motivate and grow their knowledge and potential in budget preparation implementation and control process.

Kamau et al. (2017) found out that the University of Nairobi does not have adequate budgeting procedures. In effect, allocation of funds to user departments was found to be unsatisfactory due to institutional weaknesses. The study recommends that the University of Nairobi needs to improve its policies, procedures and guidelines in order to curb budgetary implementation challenges. On the same vein, the above authors found that the University of Nairobi did not have capacity to absorb the budget allocation in its entirety. This leads to clog up of incomplete activities/projects for respective users hence this clearly points to serious budgetary inefficiencies.

The absorption capacity of allocated funds has been found to be a problem in budget implementation, attributed to disbursement procedures. This is attested by Keng’ara (2013) in the study effect of funds disbursement procedures on implementation of donor funded projects in Homa Bay, Kenya. The study found out that budgetary processes affect the absorption capacity of project implementation units since the procedures are complex and rigid and inhibit funds flow.

3. Methodology

3.1. Research Design

The study adopted a descriptive case study design since the main aim was to describe record, analyze and make deductions on the concerns that exist in marine public sector budgeting processes so as to make generalizations of the whole population.

3.2. Study Area

The study was undertaken in Mombasa County situated in the former Coast Province; Kenya.

3.3. Target Population

The study targeted Heads of Departments in functional areas such as finance, procurement, audit, monitoring and evaluation in Marine Sector Mombasa County. The staffs are stationed at the County and Sub-County Headquarters offices. Apart from the staffs who are engaged in various functional areas, the study also involved Chief Executive Officers (CEOs).

3.4. Sample Frame

The sampling frame comprised of officers involved in management of public funds/budget processes by virtue of their positions in Mombasa County for the period 2012-2018. There were 5 (five) such institutions in Mombasa County and a census was conducted since the population is small and also for convenience purposes of the researcher. A total of seventy respondents comprising of senior staff (Heads of Departments Deputies and Section Heads) per institution filled the questionnaires.

3.5. Data Collection

Data was obtained from both primary and secondary sources, using appropriate data collection instruments. Data was collected using questionnaires.

3.5.1. Sources of Data Collection

Data was gathered from secondary data relevant sources. Primary data was collected through questionnaires and while secondary data was collected from the organization’s archives.

3.5.2. Data Collection Procedure

Questionnaires were designed in such a way that they could generate as much information as possible in line with the study objective.

3.5.3. Instrument for Data Collection

Questionnaires

The project research involved use of questionnaires administered to respondents to collect primary data.

3.5.4. Reliability Tests for Data Collection Instrument

Data collection instrument was tested for relevance and consistency of results in order to minimize errors. Internal consistency was used to test responses that are consistent across board and that the administration of the questionnaire and scoring is done with great care. All correlations were tested and retested. The reliability of the instrument was used to measure the degree to which the research instrument yields consistent results after repeated trials (Mugenda & Mugenda 2003).

3.5.5. Validity Tests for Data Collection Instrument

Data collection instrument should yield data that enables one draw meaningful inferences from the scores. It should be able to measure intended content and the scores should predict a criterion measure and whether the scores obtained should be practical. The validity of the data was verified by my research supervisors in line with the research objectives. Content Validity was used.

3.6. Data Analysis

In this research, quantitative data analysis methods were
adopted in addition to use of descriptive statistics. Items were measured on a likert scale and data was analyzed through multiple regression analysis through IBM Statistical Package for Social Sciences (SPSS) computer software.

3.7. Data Presentation

Data collected was presented in form of tables.

4. Results and Discussions

4.1. Frequency Tables

4.1.1. Years of existence of organizations

The study established that most of the organizations surveyed have been in existence for between 16-30 years as indicated by the respondents’ scores. 25.7% of the respondents indicated that their organizations had been in existence for 1-15 years, and another 31.4% of the respondents’ organizations had been in existence for over 31 years as illustrated in Table 1.

| Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|-------------------|
| 1-15 yrs | 18 | 25.7 | 25.7 | 25.7 |
| 16-30 yrs | 30 | 42.9 | 42.9 | 68.6 |
| 31-45 yrs | 22 | 31.4 | 31.4 | 100.0 |
| Total | 70 | 100.0 | 100.0 | 100.0 |

4.1.2. Level of education of respondents

In regard to the level of education of the respondents, those who hold Masters Degree level accounted for 35.7%, while those who attained undergraduate degree as the highest academic qualification accounted for 54.3% and were the majority category for this study. Respondents who attained Diploma qualification accounted for 10% and were the least group in the study as indicated in Table 1 below.

| Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|-------------------|
| Masters | 25 | 35.7 | 35.7 | 35.7 |
| Degree | 38 | 54.3 | 54.3 | 90.0 |
| Diploma | 7 | 10.0 | 10.0 | 100.0 |
| Total | 70 | 100.0 | 100.0 | 100.0 |

4.1.3. Previous budget implementation experience

Further, the study sought to establish the officers’ previous experience in budget implementation processes. From the respondents’ scores, out of the 70 participants, 17 indicated 0-1 year accounting for 24.3%, and 23 individuals accounting for 32.9% indicated 3-5 years. Those who have 6-10 years’ experience accounting for 42.9% as shown in table 3.

| Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|-------------------|
| 0-1 yr | 17 | 24.3 | 24.3 | 24.3 |
| 3-5 yrs | 23 | 32.9 | 32.9 | 57.1 |
| 6-10 yrs | 30 | 42.9 | 42.9 | 100.0 |
| Total | 70 | 100.0 | 100.0 | 100.0 |

4.1.4. Likelihood of full budget implementation during the year

Besides, the study inquired on the likelihood of full budget implementation during the year. From the respondents’ scores out of the 70 participants, 57.1% indicated that this was achievable during the year whereas 26 individuals accounting for 37.1% felt this was not likely to be achieved whereas 4 members translating to 5.7% were indifferent summarized in table 4.

| Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|-------------------|
| Yes | 40 | 57.1 | 57.1 | 57.1 |
| No | 26 | 37.1 | 37.1 | 94.3 |
| Don’t know | 4 | 5.7 | 5.7 | 100.0 |
| Total | 70 | 100.0 | 100.0 | 100.0 |

I. Effect of budgetary planning on organization performance

4.1.5. Budget is pegged on projected revenue

Also, the study sought to establish whether the budget is matched to projected revenue. From the respondents’ scores out of the 70 participants, 12.9% disagreed whereas 54.3% agreed yet 32.9% strongly agreed that this is the case as summarized in table 5.

| Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|-------------------|
| Disagree | 9 | 12.9 | 12.9 | 12.9 |
| Agree | 38 | 54.3 | 54.3 | 67.1 |
| Strongly agree | 23 | 32.9 | 32.9 | 100.0 |
| Total | 70 | 100.0 | 100.0 | 100.0 |

4.1.6. Budget is aligned to regulatory framework

The study also sought to establish whether the budget is matched to projected revenue. From the respondents’ scores, out of the 70 participants, 8.6% disagreed whereas 54.3% agreed that is aligned to regulatory framework %
agreed yet 37.1% strongly agreed that this is the case as summarized in table 6.

Table 6. Our budget planning is usually aligned to regulatory framework

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Disagree  | 6       | 8.6           | 8.6                |
| Agree     | 38      | 54.3          | 62.9               |
| Strongly agree | 26    | 37.1          | 100.0              |
| Total     | 70      | 100.0         | 100.0              |

4.1.7. There is public participation in budget planning

Also, the study sought to establish whether the budget is matched to projected revenue. From the respondents’ scores, out of the 70 participants, 11.4% strongly disagreed whereas 32.9% disagreed. 40% of the respondents were indifferent, 11.4% agreed and 4.3% strongly agreed. that there is public participation in budget process as summarized in table 7.

Table 7. We involve public participation in our budget planning

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Strongly disagree | 8  | 11.4          | 11.4               |
| Disagree  | 23      | 32.9          | 44.3               |
| Indifferent | 28  | 40.0          | 84.3               |
| Agree     | 8       | 11.4          | 95.7               |
| Strongly agree | 3  | 4.3           | 100.0              |
| Total     | 70      | 100.0         | 100.0              |

4.1.8. Budget is pegged on projected revenue

Also, the study sought to establish whether the budget is matched to projected revenue. From the respondents’ scores out of the 70 participants, 12.9% disagreed whereas 54.3% agreed yet 32.9% strongly agreed that this is the case as summarized in table 5.

Table 8. The budget meets our projected revenue

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Disagree  | 25      | 35.7          | 35.7               |
| Indifferent | 5   | 7.1           | 7.1                |
| Agree     | 40      | 57.1          | 100.0              |
| Total     | 70      | 100.0         | 100.0              |

4.1.9. Spending is done as per appropriation

In regard to whether spending is done as per appropriation by the organization, 28.6% of the respondents’ disagreed whereas 71.4% agreed that this is the case as summarized in table 9.

Table 9. Spending is usually done as per appropriation

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Disagree  | 20      | 28.6          | 28.6               |
| Agree     | 50      | 71.4          | 100.0              |
| Total     | 70      | 100.0         | 100.0              |

4.1.10. Development projects take the highest % of budget

The respondents were asked whether development projects take the highest % of budget in the organization; 17.1% of the respondents’ were indifferent, 31.4% agreed whereas 51.4% strongly agreed that this is the case as summarized in table 10.

Table 10. Developmental projects take the highest % in our budget

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Indifferent | 12  | 17.1          | 17.1               |
| Agree     | 22      | 31.4          | 48.6               |
| Strongly agree | 36  | 51.4          | 100.0              |
| Total     | 70      | 100.0         | 100.0              |

II. Budgetary control on Performance of organizations

4.1.11. The projected income is usually attained that enables to spend as appropriated

The respondents were asked whether development projects take the highest % of budget in the organization; 40% of the respondents disagreed, 28.6% were indifferent, whereas 31.4% agreed that this is the case as summarized in table 11.

Table 11. The projected income is usually attained that enables to spend as appropriated

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Disagree  | 28      | 40.0          | 40.0               |
| Indifferent | 20  | 28.6          | 68.6               |
| Agree     | 22      | 31.4          | 100.0              |
| Total     | 70      | 100.0         | 100.0              |

4.1.12. Funds are usually allocated to developmental projects

Also, the study sought to establish whether funds are usually allocated to developmental projects. From the respondents’ scores, out of the 70 participants, 7.1% disagreed whereas 18.6% of the respondents were indifferent, 47.1% agreed and 27.1% strongly agreed as summarized in table 12.
Table 12. Funds are usually allocated to developmental projects

|       | Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Disagree | 13 | 18.6 | 18.6 | 25.7          |
| Indifferent | 33 | 47.1 | 47.1 | 72.9          |
| Agree | 19 | 27.1 | 27.1 | 100.0        |
| Total | 70 | 100.0 | 100.0 |              |

4.1.13. The organization has had operations related challenges due to lack of funds

Concern whether the organization has had operations related challenges due to lack of funds. 25.7% strongly disagreed whereas 14.3% of the respondents were indifferent, 32.9% agreed and 27.1% strongly agreed that there is public participation in budget process as summarized in table 13.

Table 13. The organization has had operations related challenges due to lack of funds

|       | Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Disagree | 18 | 25.7 | 25.7 | 25.7          |
| Indifferent | 10 | 14.3 | 14.3 | 40.0          |
| Agree | 23 | 32.9 | 32.9 | 72.9          |
| Strongly agree | 19 | 27.1 | 27.1 | 100.0        |
| Total | 70 | 100.0 | 100.0 |              |

4.1.14. Availability of funds allows us to operate well

As concerns whether availability of funds allows a firm to operate well, 28.6% strongly disagreed whereas 10% of the respondents were indifferent, 31.4% agreed and 30% strongly agreed. as summarized in table 14.

Table 14. Availability of funds allows us to operate well

|       | Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Disagree | 20 | 28.6 | 28.6 | 28.6          |
| Indifferent | 7 | 10.0 | 10.0 | 38.6          |
| Agree | 22 | 31.4 | 31.4 | 70.0          |
| Strongly agree | 21 | 30.0 | 30.0 | 100.0        |
| Total | 70 | 100.0 | 100.0 |              |

4.1.15. The organization has witnessed lack of sufficient inventory

On whether availability of funds allows a firm to operate well, 40% strongly disagreed whereas 20% of the respondents were indifferent, 28.6% agreed and 11.4% strongly agreed. as summarized in table 15.

Table 15. The organization has witnessed lack of sufficient inventory

|       | Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Disagree | 28 | 40.0 | 40.0 | 40.0          |
| Indifferent | 14 | 20.0 | 20.0 | 60.0          |
| Agree | 20 | 28.6 | 28.6 | 88.6          |
| Strongly agree | 8 | 11.4 | 11.4 | 100.0        |
| Total | 70 | 100.0 | 100.0 |              |

4.1.16. The organization is able to meet short term financial obligations

In regard to whether the organization is able to meet short term financial obligations, 30% strongly disagreed whereas 11.4% of the respondents were indifferent, 44.3% agreed and 14.3% strongly agreed. as summarized in table 16.

Table 16

|       | Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Disagree | 21 | 30.0 | 30.0 | 30.0          |
| Indifferent | 8 | 11.4 | 11.4 | 41.4          |
| Agree | 31 | 44.3 | 44.3 | 85.7          |
| Strongly agree | 10 | 14.3 | 14.3 | 100.0        |
| Total | 70 | 100.0 | 100.0 |              |

4.1.17. The organization has a cash management system

The study also tried to establish whether the organization has a cash management system, 2.9% disagreed whereas 37.1% of the respondents were indifferent, 34.3% agreed and 25.7% strongly agreed as summarized in table 17.

Table 17. The organization has a cash management system

|       | Valid | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Disagree | 2 | 2.9 | 2.9 | 2.9          |
| Indifferent | 26 | 37.1 | 37.1 | 40.0          |
| Agree | 24 | 34.3 | 34.3 | 74.3          |
| Strongly agree | 18 | 25.7 | 25.7 | 100.0        |
| Total | 70 | 100.0 | 100.0 |              |

4.1.18. The organization maintains sufficient cash balances for operations

In regard to whether the organization maintains sufficient cash balances for operations, 2.9% strongly disagreed, 11.4% disagreed, 21.4% of the respondents were indifferent, 52.9% agreed and 11.4% strongly agreed that organization maintains sufficient cash balances for operations as summarized in table 18.
The study also sought to establish whether the organization has a structure of monitoring and evaluation system to enable reporting on progress of implementation. From the respondents’ scores, out of the 70 participants, 24.3% disagreed whereas 17.1% of the respondents were indifferent and 28.6% agreed as summarized in table 21.

Table 21. There is a structure of monitoring and evaluation system to enable reporting on progress of implementation

|                | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|-----------|---------|---------------|--------------------|
| Disagree       | 17        | 24.3    | 24.3          | 24.3               |
| Indifferent    | 12        | 17.1    | 17.1          | 41.4               |
| Agree          | 41        | 58.6    | 58.6          | 100.0              |
| Total          | 70        | 100.0   | 100.0         |                    |

4.1.22. There is periodic review of budgetary performance for feedback

With respect to whether the organization does a periodic review of budgetary performance for feedback, out of the 70 participants, 20.0% disagreed whereas 11.4% of the respondents were indifferent, 62.9% agreed and 5.7% strongly agreed as summarized in table 22.

Table 22. There is periodic review of budgetary performance for feedback

|                | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|-----------|---------|---------------|--------------------|
| Disagree       | 14        | 20.0    | 20.0          | 20.0               |
| Indifferent    | 8         | 11.4    | 11.4          | 31.4               |
| Agree          | 44        | 62.9    | 62.9          | 94.3               |
| Strongly agree | 4         | 5.7     | 5.7           | 100.0              |
| Total          | 70        | 100.0   | 100.0         |                    |

4.1.23. The organization analyzes and report on budget allocation

With respect to whether the organization does a periodic review of budgetary performance for feedback, out of the 70 participants, 14.3% were indifferent, whereas 57.1% of the respondents agreed and 28.6% strongly agreed as summarized in table 23.

Table 23. The organization analyze and report on budget allocation

|                | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|-----------|---------|---------------|--------------------|
| Indifferent    | 10        | 14.3    | 14.3          | 14.3               |
| Agree          | 40        | 57.1    | 57.1          | 71.4               |
| Strongly agree | 20        | 28.6    | 28.6          | 100.0              |
| Total          | 70        | 100.0   | 100.0         |                    |

4.1.24. There is political interference on budgetary process

Further, the study sought to establish whether there is political interference on budgetary process. From the respondents’ scores, out of the 70 participants, 12.9%
strongly disagreed whereas 20.0% disagreed, 20.0% of the respondents were indifferent, 28.6% agreed and 18.6% strongly agreed as summarized in table 24.

Table 24. There is political interference on budgetary process

| Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------|---------|---------------|--------------------|
| Strongly Disagree | 9 | 12.9 | 12.9 |
| Disagree | 14 | 20.0 | 20.0 |
| Indifferent | 14 | 20.0 | 20.0 |
| Agree | 20 | 28.6 | 28.6 |
| Strongly agree | 13 | 18.6 | 18.6 |
| Total | 70 | 100.0 | 100.0 |

III. Regression Analysis

The data was also subjected to a linear regression analysis to establish the extent to which the three variables affect performance of marine state corporations in the Coastal Kenya. The summary model with a regression of 0.834, an R square of 0.695, adjusted R square of 0.660 with a standard error of estimate of 0.76079

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---|----------|-------------------|---------------------------|
| 1     | .834*| .695 | .660 | .76079 |

a. Predictors: (Constant), x3, x2, x1

From the data analysis, the calculated R squared was 0.66 meaning the variables X1,X2, X3 accounted for 66% whereas the error term was 34% arising from other exogenous factors other than X1, X2,X3.

The regression coefficients revealed that significance of 0.049, 0.000 and 0.058 for X1, X2 and X3 respectively indicating that the variables are significant and affect the performance of an organization

| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|----------------------------|---|------|
|       | B | Std. Error | Beta |     |     |
| 1     | (Constant) | -1.939 | .790 | -2.456 | .021 |
|       | x1 | .525 | .255 | .298 | 2.061 | .049 |
|       | x2 | .688 | .160 | .503 | 4.312 | .000 |
|       | x3 | .372 | .188 | .303 | 1.982 | .058 |

Partial Correlation

| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|----------------------------|---|------|
|       | B | Std. Error | Beta |     |     |
| 1     | (Constant) | -1.939 | .790 | -2.456 | .021 |
|       | x1 | .525 | .255 | .298 | 2.061 | .049 |
|       | x2 | .688 | .160 | .503 | 4.312 | .000 |
|       | x3 | .372 | .188 | .303 | 1.982 | .058 |

a. Dependent Variable: Y

Y

| Correlations | x1 | x2 | x3 |
|--------------|----|----|----|
| x1 | Correlation | 1.000 | - .373 | .453 |
| | Significance (2-tailed) |  | .046 | .014 |
| | Df | 0 | 27 | 27 |
| x2 | Correlation | -.373 | 1.000 | -.154 |
| | Significance (2-tailed) |  | .046 | .424 |
| | Df | 27 | 0 | 27 |
| x3 | Correlation | .453 | -.154 | 1.000 |
| | Significance (2-tailed) |  | .014 | .424 |
| | Df | 27 | 27 | 0 |
5. Conclusion

In conclusion, budgetary process is critical in performance of any organization. From the reviewed literature most of the studies showed a positive relationship between budgetary processes and organization performance. Employees who have for an organization do have easy time on making, implementing and evaluating budget of an organization. From the analyzed data it was revealed that there is a positive correlation between budgetary processes and performance of an organization. The regression of 0.834 and R square of 0.65. This proves a hypothesis that there is a relationship between budgetary processes and organization performance. From the study it can be concluded that organization that craft well planned budget and adhere to it without a lot of political interferences will realize better performance. Therefore the study recommends that organizations should adhere to the budgetary processes in order to realize better performance.

| Variable Description                                                                 | N  | Minimum | Maximum | Mean  | Std. Deviation |
|--------------------------------------------------------------------------------------|----|---------|---------|-------|---------------|
| Length of existence (Tick as Appropriate)                                           | 70 | 1       | 3       | 2.06  | .759          |
| Level of Education                                                                  | 70 | 1       | 3       | 1.74  | .630          |
| What was your experience in budget implementation prior to this organization?       | 70 | 1       | 3       | 2.19  | .804          |
| Is the organization likely to implement its budget in full during the year?          | 70 | 1       | 3       | 1.49  | .608          |
| We do our budget planning depending on our projected revenue                        | 70 | 2       | 5       | 4.07  | .922          |
| Our budget planning is usually aligned to regulatory framework                      | 70 | 2       | 5       | 4.20  | .827          |
| We involve public participation in our budget planning                               | 70 | 1       | 5       | 2.64  | .979          |
| The budget meets our projected revenue                                              | 70 | 2       | 4       | 3.21  | .946          |
| Our Spending is usually done as per appropriation                                   | 70 | 2       | 4       | 3.43  | .910          |
| Developmental projects takes the highest % in our budget                            | 70 | 3       | 5       | 4.34  | .759          |
| The projected income is usually attained that enables to spend as appropriated       | 70 | 2       | 4       | 2.91  | .847          |
| Funds are usually allocated to developmental projects                                | 70 | 2       | 5       | 3.94  | .866          |
| The organization has had operations related challenges due to lack of funds          | 70 | 2       | 5       | 3.61  | 1.146         |
| Availability of funds allows us to operate well                                     | 70 | 2       | 5       | 3.63  | 1.194         |
| The organization has witnessed lack of sufficient inventory                          | 70 | 2       | 5       | 3.11  | 1.071         |
| The firm is able to meet its short term financial obligations                        | 70 | 2       | 5       | 3.43  | 1.071         |
| The organization has a cash management system                                       | 70 | 2       | 5       | 3.83  | .851          |
| The organization maintains sufficient cash balances for operations                  | 70 | 1       | 5       | 3.59  | .940          |
| The organization have internal Audit on the how funds are being utilized            | 70 | 1       | 5       | 4.24  | .875          |
| The organization has a clean Auditor general’s report                               | 70 | 1       | 4       | 2.49  | 1.164         |
| There is a structure of monitoring and evaluation system to enable reporting on progress of implementation | 70 | 2       | 4       | 3.34  | .849          |
| There is periodic review of budgetary performance for feedback                      | 70 | 2       | 5       | 3.54  | .879          |
| The organization analyze and report on budget allocation                             | 70 | 3       | 5       | 4.14  | .643          |
| There is political interference on budgetary process                                | 70 | 1       | 5       | 3.20  | 1.314         |
| x1                                                                                   | 70 | 2.00   | 4.33   | 3.4611 | .74108       |
| x2                                                                                   | 70 | 1.00   | 4.25   | 3.2375 | .95387       |
| x3                                                                                   | 70 | 2.00   | 5.00   | 3.5667 | 1.06231      |
| Y                                                                                     | 70S| 1.00   | 5.00   | 3.2727 | 1.29750      |

Valid N (listwise) 70
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