IMPACT OF BUDGETARY IMPLEMENTATION ON PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

BY

FRANCIS N. NDEGWA

MASTERS OF SCIENCE IN COMMERCE (FINANCE AND ACCOUNTS)

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IMPACT OF BUDGETARY IMPLEMENTATION
ON PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA:
A CASE OF AGRICULTURAL FINANCE CORPORATION AFC)

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Student Name:____________________ Reg,no.________________

Sign________________________ Date___________________

I do hereby confirm that I have examined the master's dissertation of

Francis Ng'ang'a Ndegwa

And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed**.**

Signature………………………………. Date…….…………………….

Dr. Martin Mbewa

Dissertation Supervisor

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ABSTRACT

Budgetary implementation entails putting of a proposed budget to work with regard to the time frame and the anticipated performance. 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. A descriptive survey design will be adopted and a representative sample of the staff who are involved in the budget process at the Agricultural finance corporation headquarters used. A self-administered questionnaire used to collect data from the respondents. The study attempts to investigate how corporate performance is affected by a poor budget implementation process for the achievement of the objectives of the organization. This study used a regression model to analyze the existence of the various relationships existing between budget implementation and performance in an organization. This is a good analysis method that assisted to show the existence of such relationships among the various variables in the study. The statistical package for social sciences will be used to aid the analysis. The study is intended to come up with the reasons as to why and how the budget implementation process affects the performance of the organization. The study sought to find out what relationship exists between the performance and the implementation process. The study concluded that budget planning was effectively practices in the corporation as employees were sensitized on the budget process, the corporation start with planning for its programmes, that programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the corporation budgets emphasize outcomes . The study concluded that corporation often hold budget conferences to review performance, put clear tracking of programme results in the institution, make adjustments regarding budget performance, the budget performance was always communicated and that the perceived level of budget monitoring and control in the institution was adequate. The study finally recommend that financial corporation should ensure budget adequacy by allocation sufficient budget , ensured equity in distribution of resource in budgeting, increase level of budget monitoring and control in the institution being adequate and implementing regulation ensure standard fair distribution of the budget. From the findings, the study recommend institutions should ensure budget planning was effectively practices in the corporation by sensitization of employees on the budget process, planning for its programmes, ensuring programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the corporation budgets emphasize outcomes.

KeyWords: Budgeting, Financial Institutions, Agricultural financing

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DEDICATION

This research dissertation is dedicated to my dear mum and more so our entire family for their love, prayers support and encouragement during my studies.

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ACRONYMS AND ABBREVIATIONS

MFI -	Micro Financial Institution
AFC-	Agricultural Finance Corporation
BP-	Budget process
BA -	Budget adequacy
BP-	Budgetary planning
BC-	Budgetary control
KENAO -	Kenya national audit office

TERMS AND DEFINITIONS

Budget implementation: This is the actual function of carrying out a proposed plan of spending on available resources within an organization with an aim of achieving its objectives (Esuku,2003).

Job performance: This how an individual carries out his work in all his areas of responsibility. This may be mental of idea contributions or physical which is the actual work that is to be carried out(Cook & Wall, 1980)

Budget adequacy: This is the ability of a budget achieving its pre conceived objectives. That is the ability of a budget in terms of resources being enough to achieve the said objectives (Sugioko, 2010).

Financial institution: This is an organization that provides financial goods and services to its clientele (Esuku,2003).

CHAPTER ONE

1.0 INTRODUCTION

This chapter covered the various studies that have been carried out on budget implementation and the results there on. The chapter highlighted what other studies have found out on the budget implementation process and its impact on performance.

1.1Background of the Study

Many financial institutions operate with a budget which is used to cushion against over spending but at the same time ensure that they achieve the objective of maximizing returns. The study attempts to investigate how corporate performance is affected by a poor budget implementation process for the achievement of the objectives of the organization. The functions of a budget are financial planning, performance evaluation administrative tool etc. the researcher will look at the role budget implementation plays in a budgetary process and how it affects the organization performance (Munene, 2012). Financial institutions have struggled to improve especially their financial performance due to predetermined estimates that don not all the time work as expected due to poor implementation process. The notion that better performances are fueled by accurate budgetary estimates is not always the case. Budgetary implementation entails putting of a proposed budget to work with regard to the time frame and the anticipated performance. A budget provides a detailed plan of action for an organization over a specified period of time. Planning assists in getting early solutions on preconceived challenges. 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. A budget is a reflection of anticipated future performance and what may be considered as achievable within a stipulated period of time (Sugioko, 2010). The performance of an institution will be determined on how well a proposed budget will be implemented and corrective measures taken where it is necessary. The budgetary implementation process will aim at achieving the following with regard to performance of an institution. To come up with short term implementation plans that will see improvement of the institutions' performance in the short term. The management should come up with specific duties and responsibilities for budget implementation managers and give authority of implementation in order to achieve such anticipated performance. During the implementation process the management should ensure that the budget managers are in line with achieving the anticipated performance. The budget implementation managers will therefore be expected to continuously give reports of performance and recommendations of deviations for improved performance of the financial institution.

This may be such as improved interest rates, new ventures that had initially not been budgeted for but have now become available in the market. In a study carried out in Indonesia on budget implementation and participation the researcher found out that budget participation of employees relates positively with job performance. The finding on a test of direct relationship showed that various variables such as budget participation showed a positive impact on job performance. There also existed a challenge on how adequate a budget can be since it showed a critical problem. The study reexamined the brownellius proposition of budget participation on job performance which showed that budget participation had a significant impact on job performance (Sugiuko, 2010). In another study carried out on employees in England, showed that employee trust had a positive correlation with organizational commitment. Thus the level of success of the budget implementation process would depend on the overall commitment of the organization during budgetary planning (Cook & Wall, 1990). The challenges that are experienced during budget implementation normally reflect a budget that is not properly formulated. It may also reflect that the actual implementers were not involved in budgetary planning thus meaning that they do not own the budget. Therefore it is imperative that all employees are involved .in the budget implementation exercise.

Budget adequacy affects the performance of a company. Researches carried out show budget adequacy as an important variable on budget participation and job performance. There exists a relationship between employee's feelings on job performance and to the feeling they had on what they expected from the company (Robbins, 2005) Budget adequacy problem is an intervening variable in the other variables such as trust, job satisfaction, and organization commitment. A study carried out showed that budget implementation process is affected by budget adequacy among other intervening variables (Sugioko, 2010). Managers cease to be bidders for resources and instead become a Manager of resources, which gives more opportunity to focus on outcomes, the students experience and achievement rather than struggle with senior Managers over resource allocation that many managers engage in(Esuku,2003)

Real delegation of authority, which is the essence of empowerment, requires a real and effective control over resources (Sallis, 1996). Under spending at times saves on monies that ought to have been spent but it would be to the expense of improved performance that would have been realized. Poor budget implementation may lead to over spending hence high revenues. However it is not always the case that improved corporate performance is due to over spending at the stage of budget implementation. In Africa the budget implementation process has become quite a challenge with regard to the available resources. For instance Nigeria, the annual budget is always in terms of trillions but this is normally not reflected in the budget. Thus what is proposed is normally not what is budgeted. A researcher in Nigeria, the implementation process of a budget experiences a lot of inconsistencies due to lack of compliance with the laid down budget. It therefore follows that there arises a major challenge of not meeting the corporate objective of the budget. The over or under spending of the corporation leads to underperformance of the corporation. Thus budgetary control is necessary to ensure that the laid down budget is adhered to (Esuku, 2003). The changes to state budget processes will likely reflect a growing need to establish clear linkages between funding levels and program results. The improvement in performance of a company cannot be always equated to total growth in budget spending.

The budgeting process in a nutshell is now been termed as a ritual that is carried out annually but due to poor implementation, there are no results that come out of it. Thus there is a wide range of difference between what is actually achieved and the budget. There is increased mismanagement of funds and non performance due to poor budget implementation practices (Ugoh & Wilfred, 2009). Thus budgetary control is important in any budgetary process for improved performance. A survey carried out on budget implementation in commercial banks, confirmed that budget planning are considered as key deliverables in the governance process. Where they exist, the performance levels are exemplary. The Kenya national audit office report on construction of the national hospital insurance fund stated that more than four times the initial budget was used to complete the same. This meant that the returns were highly affected due to poor budget implementation process (Munene,2012). In a thesis carried out at the Kenya national audit office, it continued performing poorly in achieving its objective despite having a well laid strategic plan in the budget implementation. The researcher found out that due to stinging government policies and regulations Kenao lacked sufficient funding hence was unable to achieve its objectives (Mbindyo, 2011).

AFC is a state corporation hence must abide by laid down government policies and regulations. Thus it is .the expectation of the government that the corporation sticks to approved budgets. Thus business opportunities that have come along the way and are not budgeted for have been lost. Performance is therefore not maximum as would be the case. AFC is a state owned financial institution and some of its resources are normally provided for by the govt. this may not be forth coming and may lead to affecting the budget implementation process. Further to this the core business of AFC is to increase the level of food Production in the country as a state Function. Thus in line with this the state limits the in Interest rate levels that AFC should charge its clients. This affects the performance of their income. In a financial institution such as AFC, the government provides a section of the funds to supplement on the small interest rates it insists AFC should charge. The funds are normally released late and at times are never even released during the financial year and hence are withheld by the treasury once the financial year is over.

In some cases, the budget will normally have larger amounts than the actual amount that have been actually released. The performance of an organization will also be measured by the overall returns made by the organization. A poorly implemented budget leads to reduction in expected returns. The level of customers in the organization goes in tandem with the business made in the long run and so the overall case for that matter. In order to meet the maximum possible customers, budgeting in a lot of issues must be carried out such as marketing, availability of resources to disburse loans to potential customers. Thus all this put together will affect the number of clients you are able to capture from the market. On the return on equity, the capital that has been initially budgeted and how well it is implemented, will affect the overall return on equity. Thus high growth rates will be expected where the budget is properly implemented.

The study is to be carried out within the headquarters of the Agricultural Finance Corporation (AFC) a financial institution in Kenya. This is because the branches are situated throughout the country and it will not be practical to complete the study on time. Secondly, the budgetary process is majorly functioned at the headquarters with the branches only expected to forward drafts of their anticipated spending. Thus most of the data on budgetary implementation will be available at the headquarters. This study will investigate the budget implementation process and its impact on the Performance of a financial institution in Kenya. The study will be carried out at the premises of agricultural finance corporation.

1.2 Statement of the problem

Financial organizations in the corporate world ensure that annual preparations of budgets are done for the smooth running of all its activities. There exists a variety of challenges while carrying out budget implementation. Such challenges are for example over spending on items that are considered noncore or logistical such as mostly administrative expenses during budget implementation (Esuku, 2003). The challenges eat into the profits of the corporation and hence the management has been unable to meet their performance targets (Sugioko, 2010).

Organizations draw budgets annually, however, there are inconsistencies in the budgetary implementation hence failure to achieve the set organization objectives. Failure to implement budget led to delays in staff salaries, payment of suppliers and installing of organizational operations and hence affects performance. Due to delayed implementation of the budget, the management is unable to meet its performance targets. Budgets are also approved with regard to the availability of resources. Inadequate resources in a budget have also affected performance. (Munene, 2012).

Budget implementation and eminent low performance of corporations has motivated the study to determine the extent to which the Budgetary implementation lead to achievement of high performance . Despite the critical role of budget implentation in Financial Corporation, there has been no study that has empirically determine the influence of budgetary implementations on performance of financial corporations. This study therefore seek to fill the existing knowledge gap by determining the influence of budgetary implementation and how they impact on the performance of a Agricultural Finance Corporation.

1.3 Objectives of the Study

1.3.1 General objective

The purpose of this study determining the influence of budgetary implementation and how they impact on the performance of a financial institution.

1.3. 2 Specific objective

The specific objectives of the study will be to:

i). Determine the effect of budgetary planning on performance at the agricultural finance corporation.

ii). Analyze the effect of budgetary control on the performance the agricultural finance corporation.

iii). Determine the relationship between budget adequacy and performance the agricultural finance corporation.

1.4 Research questions

In order to meet the research problem statement, the study would seek to answer the following research questions:

i). What is the effect of budgetary planning and how does it affect the performance ?

ii).What is the effect of budgetary control on the performance of the agricultural finance corporation?

iii).What effect does budget adequacy have on the performance of the agricultural finance corporation?

1.5 Importance of the study

The relevance of this study is contribution of additional literature on the theory of budgeting with regard to budget implementation. This study will also assist academic fraternity say when carrying out research projects in the same line and other interested parties carrying out research in the same area. The study will enable many financial institutions evaluate effectively on the inconsistent areas, their effect and implications during the budget implementation process. This will improve the performance of such financial institutions after making changes the budget implementation process. The study will assist the Author to graduate with a master of science in commerce- accounting and finance option. The final results and findings of this research will show how important the budget implementation process is to the performance of a financial institution. The study will assist those involved in policy making to re analyze the budget implementation process. This study will interest various parties. It will help mostly financial organizations to assess the effectiveness of budgetary estimates on performance.

1.5 Scope of the study

The study was confined within the boundaries of budget implementation on a financial institution. The study targeted employees involved in budget implementation. The data to be used will be for the period of the last five years. That is from 2008- 2012. This data will be collected from the relevant staffs who deal with the budgetary implementation process.

1.6 Limitation of the study

The study anticipates un co-operative respondents because financial institutions are reluctant to give out information they see as confidential. This would have an impact on the rate of response which may lead to collection of data which is inadequate hence the research problem may not have come out clearly. Every questionnaire will be attached with a forwarding letter explaining the reasons for carrying out the study. For hand delivered questionnaires, respondents Will be engaged in a brief interview with an aim of preparing them mentally.

Employees might have fear of giving out confidential information with regard to the organization or personnel. A paragraph on confidentiality will be included in the letter that will forward the questionnaire stating clearly that at most level of confidentiality would be maintained. Another limitation is that most respondents don’t deal with the budget analysis and so have little knowledge about it.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter highlights the literature that has been reviewed from other studies on budgetary implementation and its influence on performance. This review is from other scholars and writers. The study will further indicate the critical review by identifying the gap. The study will finally summarize all the major points of the outcome of the study.

2.2 Theoretical literature review

Majority of researchers argue that in addition to a budget, there are also other important factors that affect how an organization would perform. the budget implementation process managers should be persons of high integrity and honest. Thus they will carry out a thorough budget implementation leading to a high performance of an organization. The various advocates of budgets have argued that budgets help to achieve quite a number of duties. Budgeting is seen as the process which involves the preparation of budgets with an aim of achieving the objectives of the management (Blocher, 2002). Budgets have assisted in the allocation of various organizational resources, coordination of operations and provision of a means of performance measurement. Thus a budget may also be seen as the preparation of a set of financial statements showing an anticipated performance on both income and expenditure on a fixed period of time. the purpose of budgeting is transferring of the responsibility of service delivery from policy implementation to the beneficiaries and promotion of local skills the reason for this is to insist on transparency and accountability in the management of public affairs (Danilo, 2002). Budget implementation process entails ensuring that there is improvement in the processes of service delivery . This will enable projects to meet their timely deadlines and avoid un necessary delays in the delivery of services to the clients. The days of traditional budgeting and planning are numbered.. he goes on to say that budgeting is a very expensive exercise and entails wastage of a lot of time (Mcnally, 2002).

There are a variety of challenges with budgeting and planning for control purposes (Prendergast, 2000). Firstly , a lot of guesswork is involved in budget implementation. Secondly , budgets have become increasingly inaccurate due to shorter product lifecycles and the dynamic and changing business environment. Lastly the extent of budget gamesmanship, he argues that over the years, budgets have increased the conflicts that exist between the management and their juniors during the implementation process. A budget is normally established on an annual basis and hence assist in the efficient functioning of an institution (Zimmerman, 2003).

A perfectly working budget increases motivation of the budget implementation managers (Becker &green, 1990). There is increased trust and commitment which leads to improved organizational performance. The reverse would be the same hence a lot of challenges would be experienced in the budget implementation process hence affecting the overall performance (Bensanko *et al.*, 2007). It therefore follows that there is a significant impact on the performance of managers in an organization.

A budget tries to negotiate compromising targets for various managers who want to prove that they are performers (Libby& Lindsay,2003) This would in actual sense affect the performance of an organization due to poor implementation process. It has been found out that where a budgetary process is carried out the right way, there is increased commitment , trust and a higher performance by managers involved in the budgetary process (Besanko et al, 2007). However the reverse negates and affects the performance of the organization. A budget could also be just a routine exercise that is carried out annually, wastes time discouraging the possibility of new innovations (Hope and Fraser, 2003)

2.2.1 Service Quality Dimension Theory

The development of policies will normally affect the choices that people make. It is therefore important to have an understanding of how persons perceive various issues such as the development of policies, designing of products and coming up with strategies for products marketing. This leads us to the five dimensions of service quality. This are individual factors, price factors, risk factors, service product factors, user input factors and demographic characteristics (Parasuraman *et.al*, 1985)

The service quality affecting clients is the customer's perspective and the service provider perspective.

The performance of an organization will also be affected by the planned of the organization. The choices that clients make must be included in the budget plans in order to come up with a budget that is customer friendly and will largely support the performance of the organization in the long run. The way a budget is prepared may affect customers such that they will make decisions on whether to stick to status quo i.e. the products of the organization or to try other organizations that produce similar products in the market. Thus a proper plan and budget implementation process must be carried out to ensure that the performance of the organization is not jeopardized in any way. Service quality is as a perceived judgment , by a customer of the level or quality of services that they were anticipating they would receive resulting from an evaluation process. Where customers compare their expectations they perceive to have received. The customers' expectations could be fuzzy, implicit and explicit. Fuzzy expectations are where customers expecting the service provider to deliver but do not have an exact picture of what they expect (Bansal, 2004). Financial institutions are more interested in short term lending to agricultural marketing companies, to agro industrial companies, and to import and export companies. He goes on to say that their priorities are just to finance a few corporate customers with sufficient collateral and that the majority of micro entrepreneurs and small scale enterprises active in the informal sector are excluded (Afraca, 2003). This means that budgetary planning and budgetary implementation on such institutions will also focus more on few large clients. This may and will affect performance when such huge clients leave the organization. Thus there is also lose of a wide market of the small scale clients.

2.3 Budgeting Implementation and Performance in organizations

2.3.1 Budget Planning:

Budgetary planning is the key to success in business and budgeting forces planning to take place. Once not done properly the organization will not operate properly (Lucy, 1996). This process encourages managers to anticipate problems before they arise, and hasty decisions that are made on spur of the moment, based on expediency rather than reasoned judgment (Murphy and Peek, 1980). An organizations plan and priorities should therefore be important drivers to the budgeting process. This comes from the information system (Stoner, 1996)

Good planning is characterized by clear objectives and goals. It must be simple and comprehensive. The plan should be well balanced and flexible so as to incorporate changes in the resources and should be time bound. Properly covered plans tell what, when and how something is to be done (Chandan, 1995; Bhatia, 1996). Sound planning mentions priorities and the planning control cycle. Since there are so many activities to be performed, it's imperative that they are listed in order of preference. Budgets are put in place in advance of the budget periods based on anticipated set of circumstances or environment. The major decisions are made as part of the log term planning process (Selznick, 1988). Benefits of budgeting accrue to the whole organization if both the short and long term consequences of the budgets are considered (Otley, 1987). However, the annual budgeting process leads to the

refinement of those plans, since managers must produce detailed plans for the implementation of the long range plans. Without the annual budgeting process, the pressures of day-to-day operating problems may tempt managers not to plan for future operations (Scott, 1987).

2.3.2 Budget Monitoring

Budgetary Monitoring and Control is a deterrent process against misappropriation of funds in terms of procedures and rules that establish the boundaries of financial behaviour. Budgetary monitoring and control process is a systematic and continuous one which, is characterized by the following stages (Drury,2000). Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day. Monitoring actual revenue or cost data this is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers.

This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action. The “bottom-top” approach of budgeting allows participation of all levels of management in the decision-making process. Negotiations then begin between the corporate office and department heads to finalize budgetary figures. The budgetary process then shifts to a "tops-down" approach, where the corporate office has ultimate control to set the final budget. Through this process of monitoring, analysis and control, the problem of "ratcheting" is generally avoided (Kelly, 2003).

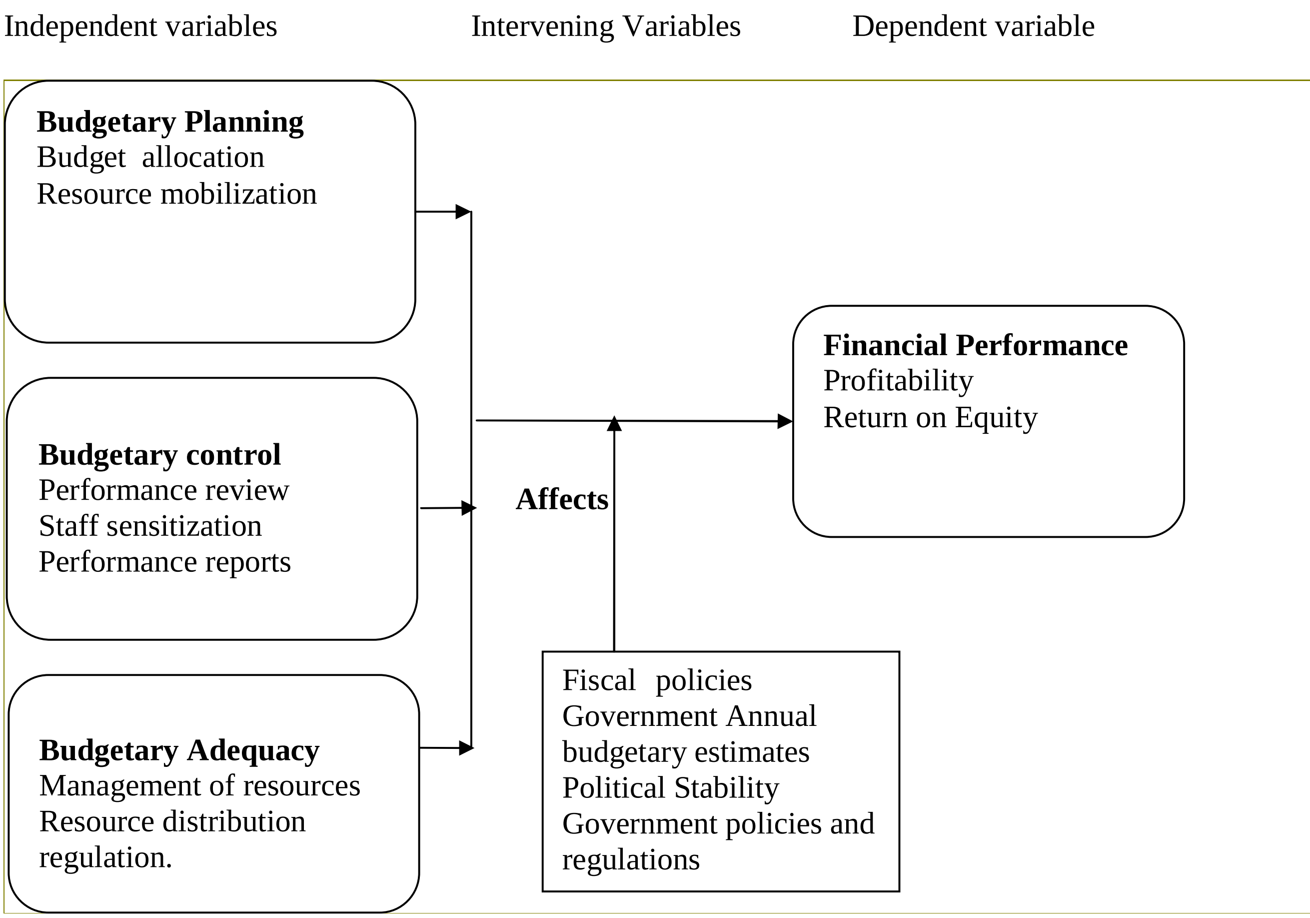
A budgetary monitoring and control process assumes that expenditure must agree with the budgeted plans and maintains information about expenditure. Financial control is also one of the most important aspects of budgeting. By means of budgetary control, which means comparing actual results with planned results and reporting on the variations, a control frame is set for management. This frame points to managers to track flow of resources accurately and consistently. This calls for continuous control process through the year, and not just at the end of a budget period. The objectives of control are to plan the policy of an organization, to coordinate the activities of the organization so as to achieve the targets set. financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability (Briston,1981). He however, notes that the existing financial control arrangements must be complemented by further improvements in the overall program monitoring for better budget implementation in accordance with approved work programme.

2.3 Conceptualization

A concept is a mental image or symbol that sums up a set of observation and ideas.

Conceptualization can therefore be a process of specifying what we mean by a term. The study will look at the various indicators used to measure reward strategy and clearly indicated the relationship between the independent variable and dependent variable. The figure below shows the conceptual framework explaining the relationship between the budget implementation variables (independent variables) and the perceived performance of a financial institution (Dependent variable)

Figure 2. 1: Conceptual framework



Source: (Author) 2013

2.4 Interpretation of Variables

The indicators used to measure the concept will be determined by the relationship between independent variables and dependent variables in relation to budget implementation. The budgetary planning is an important exercise for a successful implementation. Budget planning exercise when carried out well leads to a proper budget implementation which in turn influences high performance. Where budget planning is not done well the performance is affected negatively. The budgetary control process ensure that the existing budget is adhered to and works towards achieving the laid down objectives. Budgetary control process gives feedback on time and changes are effected to stay on course with the anticipated performance. Where budgetary control is nonexistent or not working, means that the performance of the organization is not been checked and hence below par performance may be recorded. Budgetary adequacy is important for the success of the objectives of the organization. The various objectives of the anticipated to be achieved require sufficient resources for the anticipated performance to be achieved. Thus where the budgeted resources are not adequate, the performance was affected . on the other hand where a budget is adequate, the anticipated performance ultimately be achieved.

2.5 Gaps to be filled by the Study

There have been a number of researches carried out on budgetary implementation process in various institutions. The various institutions continue to report negative results in performance related to budgetary implementation issues. The study will attempt to find out why this is the case and especially in a government regulated financial institution affected by a poor budget implementation process. The study intends to come up with possible solutions on specific issues that will bridge the gap between the budget implementation process and financial performance of a financial institution in Kenya. thus the challenges of budget implementation will be addressed hence provide the anticipated positive performance . This study will also add more literature to the already existing on the impact of budget implementation on the performance.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter entails the procedure that was used in the study, which includes research design, study population, sampling design, data collection, data analysis and reporting study limitations, ethical issues and expected outcomes. This chapter explained how the study was carried out and what the researcher will do to obtain the desired results and gives detailed explanation of how the study was implemented. In this section, the sources and types of data that are to be used and sampling procedures was determined, the population was also identified. Data collection instruments was designed and data required for the study was collected.

3.1 Research Design

This research adopted a descriptive design aimed at establishing the staff perception on impact of budget implementation on performance. This design assisted in establishing the relationship that exists between the dependent and the independent variables as shown in the conceptual frame work. The research results was based on actual findings from the data to be collected.

3.2 Target Population

The target population was 340 employees of agricultural finance corporation at the head quarters. The study was conducted at Agricultural Finance Corporation offices at the headquarters where all relevant data for the study were available. The study targeted the management, supervisors and support staffs who are involved in budget implementation. This is the aggregate of study population. These were the people in the organization who provided the researcher with information required for the study. The study population in Agricultural Finance Corporation included the managers, supervisors and employees.

Table 3.1: Sampling Frame

Category	Target Population	Sample	Percentage
Managers	30	9	30
Supervisors	160	48	30
Operational staff	150	45	30
Total	340	102	30

Source: (Author) 2013

3.3 Sampling procedure

The study used stratified sampling method since it ensured that all groups and sub groups in the population will have an equal chance of been selected and are represented in the sample. Thus this reduced the sampling error. The respondents was put into strata of the various levels of responsibility and then a sample was picked as a representative fraction of each group. The sample sizes will comprise of all the existing groups in the population. The study stratified the organisation into the levels of management, supervisors and Operational staff. This design has been used because it is best placed to give the information required and easy to use and understand. A sample of 30% of the target population was studied as it has been estimated to be sufficient for the study. This is also in line with (Mugenda and Mugenda,2003) a Sample of 30% of the population is sufficient for a research.

Table 3.2 Sampling and Sampling Procedure: Developed for this study

Category	Size of Population	Sample fraction	Sample
Managers	30	30%	9
Supervisors	160	30%	48
Operational staff	150	30%	45
Total	340	30%	102

Source: (Author) 2013

3.4 Sample Size

The sample size to be studied was 30% of the target population which represent 102 staff members of the entire target population of 340 Staff members. This has been estimated to be enough to represent the target population in the study. The fraction of 30% has also been found to be sufficient in previous studies and the same recommended for future studies.

3.5 Data Collection and Instrumentation

The data was collected in this study by use of a questionnaire. The questionnaires was delivered to the respondents and collected after three days to give the respondents enough time to fill in the questionnaires. The questionnaires were used due to the nature of the study and also increased the range of relevance and data reliability. The study was carried through the use of primary data. The primary data was collected mainly through a self-administered questionnaire. Unstructured and structured questions were used so that the Respondents can have the freedom to express themselves fully. Part one covered demographic variables while part two covered information pertaining to implementation of the budget and how it affects the overall performance of the organization. The questions was worded carefully so as to have high accuracy levels (Sekeran, 2000). The type of questions used were both closed and open ended. Close ended questions ensured that the answers by the respondents are relevant to the data that is anticipated to be collected. Questions was phrased clearly so as to ensure clear dimensions of questions and responses for purposes of analysis. The questionnaire method is considered because it created confidentiality. Prior to the research, there were be a pilot study whose purpose used to test the instruments of reliability and fine tuning to ensure that they gathered the relevant data for the research problem. A letter was attached to each questionnaire to explain why the study was carried out.

3.7 Data analysis and presentation

The study used descriptive statistics which provided a statistical summary of the data to be collected. The study also used inferential statics which enables the researcher to draw conclusions about a population from a sample.

The inferential statistics to be used to present this study included Multiple Regression Analysis and Correlation Coefficient to show the existence of such relationships among the various variables in the study. The statistical package for social sciences used to aid the analysis.

$$\mathbf{Y=\beta 0+\beta 1x1+\beta 2x2+\beta 3x3+e}$$

Where:

Y = Performance

X1= Budget planning

X2= Budget control process

X3= Budget Adequacy

B0, β1, β2, β3= Correlation coefficients

e = Error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

This chapter discussed the interpretations and presentations of the findings. The objectives of this study were to investigate the influence of budget implementation on performance of Agricultural finance corporation in Kenya . This chapter focused on data analysis, interpretation and presentation and presents the discussion and conclusion of the study.

4.1 Response rate

From the study, the sample population was 102 where 83 respondents responded and returned the questionnaires. This constituted an 81% response rate (Mugenda & Mugenda, 2003) indicated a respondent rate of 50%, 60% or 70% was sufficient for a study and therefore a respondent rate of 81% for this study was very good.

4.1.1 Reliability Results

The Table 4.2 illustrates the findings of the study concerning the reliability analysis. In this study, reliability was ensured by piloted questionnaire with a selected sample from corporation staff who managers, operation officers and supervisors who were not included in the actual data collection. The pre-test was conducted principal researcher (Neuman, 2000). From the findings, the coefficient was 0.8327 approximately 0.83 which was closer to 1 making the instrument very reliable.

Table 4. 1; Reliability Results

Variable	Crobanch	No of Item
Budget planning	0.7527	5
Budget control process	0.8892	6
Budget Adequacy	0.8049	6
Overall	0.8327	

Source: Author (2013)

4.1.2 Validity Outcomes

Validity is the accuracy or meaningfulness and technical soundness of the research. It was the degree to which a test measure what it purport to measure. (Mugenda and Mugenda, 1999), stated that, to enhance validity of a questionnaire, data should be collected from reliable sources, the language used on the questionnaire was kept simple to avoid any ambiguity and misunderstanding. The validity of data collected was made through collecting data from the relevance respondents having been permitted by the University and the management of Agricultural Finance corporation . The validity of the instrument was established by being given to experts with experience in provision budgeting in corporation and the supervisor who evaluated the items in relation to the study objectives.

4.1.3 Nature of business

The respondents were requested to indicate the nature of the business the corporation was focussed on . All 100% of the respondents indicated that the corporation focus on credit facilitation to agricultural farmers in Kenya.

4.1.4 Gender of the Respondents

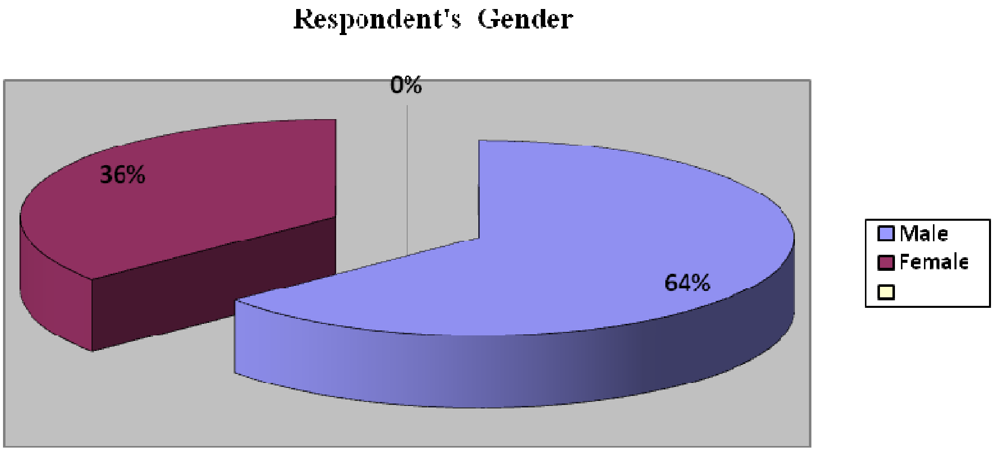


Figure 4. 1: Gender of the Respondents

The respondents were requested to indicate the gender they belonged. From the findings, 64% indicated that they were male while 36% were female. This implied that the corporation was gender sensitive in its workforce.

4.1.4 Respondents Age

Table 4. 2: Respondents Age

Age	Frequency	Percent
21-30 years	27	31
31-40 years	43	53
40-50 years	9	11
51-60 years	4	5
Total	83	100

Source: Author (2013)

The respondents were requested to indicated their respective age bracket. From the findings, most 42% indicated that they were aged between 21-40 years, 31% indicated that they were aged between 21-30 years, 11% indicated that they were aged 40-50 years while 5% of the respondents indicated that they were aged between 51-60 years. This clearly indicated that the respondents were mature in aged and were in a position of offering information correctly validating the data collected.

4.1.5 Level of Education

Table 4. 3: Highest academic qualifications

	Frequency	Percent
Post graduate level	22	25
Degree	42	51
Diploma	19	24
Total	83	100

Source: Author (2013)

The study sought to investigate the highest academic qualifications attained by the respondents. From the findings, majority 51% of the respondents indicated that they had attained degree as the highest level of education, 25% had post graduate degree as their highest level of education, and 24% had diploma level of education .This implied that the respondents were educated and therefore were in a position of offering correct information regarding budget implementation and its influence on corporation performance.

4.1.6 Respondents category of staff in the organization

Table 4. 4: Respondents category of staff in the organization

Management Level	Frequency	Percent
Management	24	28
Supervisory	38	46
Operational Staff	21	26
Total	83	100

Source: Author (2013)

The respondents were requested to indicate the management level they belong to. From the findings, most 46% indicated that they were in supervisory level of management , 28% indicated they were in management level while 26% indicated that they were in operational level of management .

4.1.7 Work Experience with Organization

Table 4. 5: Work Experience with Organization

	Frequency	Percent
1-5 years	8	10
6-10 years	12	15
11-20 years	39	47
Over 20 years	23	28
Total	83	100

Source: Author (2013)

The respondents were requested to indicate their period of working experience with organization. From the findings, 47% of the respondents indicated that they had 11-20 years working experiences, 28% of the respondents indicated they had over 20 years working experience , 15% of the respondents indicated that they had 6 -10 working experience while 10% of the respondents had 1 to 5 years working experience. This clearly implied that information was collected from staff who had experience on influence of budget implementation on performance in the corporation.

4.2 Budget Planning

Table 4. 6: Agricultural Finance corporation embrace budget planning

	Frequency	Percent
Very great extent	44	53
Great extent	26	31
Moderate	13	16
Total	83	100.0

Source: Author (2013)

The study sought the extent to which agricultural finance corporation embrace budget planning. From the findings, 53% indicated that the corporation embrace budget planning to a very great extent, 31% of the respondents indicated that the corporation embrace budget planning to a great extent while 16% indicated that the corporation embrace budget planning a moderately extent. This clearly indicated that the Agricultural Finance corporation engage in budget implementation to influence financial management and improve on performance.

Table 4. 7: Budgeting planning influence performance in the corporation

Statement on Budgeting planning influence performance in the corporation	Mean	Std deviation
Employees are involved in the budget setting process	4.35	0.64
Employees are sensitized on the budget process	4.80	0.79
Resource re-allocation is based on the performance indicators	3.98	0.44
Planning helps organization to know the type and level of resources to provide	3.73	0.41
The company budgets emphasize outcomes	4.50	0.59
The company budgets are for more than one year	4.43	0.67
The corporation start with Planning for its programmes	4.71	0.87
Planning of the budget activities is done by the departments	3.91	0.37
Planning helps to manage the programmes of the institution	4.44	0.73
The corporation combine Planning with the Budgeting process	4.41	0.54
Programmes and plan are the basis for allocating financial resources	4.13	0.59
Programmes and plans are the basis for getting financial resources	4.66	0.48
The management in the organization normally formulate the firm objectives from the set goals	4.55	0.64

Source: Author (2013)

The respondents were requested to indicate the extent they agreed with the statement on budget planning in the corporation. From the findings, majority of the respondents strongly agreed that employees were sensitized on the budget process, the corporation start with Planning for its programmes, that Programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the corporation budgets emphasize outcomes as indicated by a mean of 4.80 , 4.71, 4.66, 4.55 with a standard deviation of 0.79, 0.87, 0.48, 0.64 and 0.59 respectively.

The study also found that most respondents agreed that planning helps to manage the programmes of the institution, the corporation budgets was for more than one year, the corporation combine Planning with the Budgeting process and that employees were involved in the budget setting process as indicated by a mean of 4.44 , 4.43, 4.41 and 4.35 with a standard deviation0.73, 0.67, 0.54 and 0.64 respectively The study further found that respondents agreed that Programmes and plan were the basis for allocating financial resources, Resource re-allocation is based on the performance indicators ,Planning of the budget activities is done by the departments as indicated by a mean of 4.13, 3.98. and 3.91 with a standard deviation of 0.59, 0.44 and 0.37 respectively . This implied that corporation undertake budget planning in budget implementation . The findings concurred with Lucy, (1996) who found that Budgetary planning was the key to success in business and budgeting forces planning to take place. Once not done properly the organization will not operate properly

4.3 Monitoring and Control.

Table 4. 8: budget reviewing undertaken in the corporations

	Frequency	Percent
Annually	60	73
Quarterly	9	11
Semi annually	15	16
Total	83	100

Source: Author (2013)

The study sought how often the budget reviewing was undertaken in their corporation. From the findings, 73% of the respondents indicated that budget reviewing was undertaken annually, 16% of the respondents indicated that their budget were reviewed semiannually while 11% indicated that the budget were reviewed quarterly. This implied that budget reviewing in the corporation was undertaken annually

Table 4. 9: Extent of monitoring and control in budgeting implementation in the corporation

Budget Monitoring	mean	Std Deviation
The perceived level of budget monitoring and control in corporation is excellent	4.41	0.55
There is clear tracking of programme results in my institution	4.69	0.34
The corporation always make adjustments regarding budget performance	4.67	0.63
The organization often hold budget conferences to review performance	4.03	0.41
The budget performance is always communicated	4.61	0.53
The often hold budget conferences to review performance	4.87	0.84
The perceived level of budget monitoring and control in my institution is adequate	4.53	0.55
The budget performance reports are prepared regularly in corporation institution	3.99	0.34
The budget deviations are reported to budget committee/top management	4.21	0.59

Source: Author (2013)

The respondents were requested to indicated the extent to which they agreed on monitoring and controls in budget implementation in the corporations. The study found that respondents agreed that corporation often hold budget conferences to review performance, there was clear tracking of programme results in my institution, the corporation always make adjustments regarding budget performance, the budget performance is always communicated and that the perceived level of budget monitoring and control in my institution is adequate as indicated by a mean of 4.87, 4.69, 4.67, 4.61 and 4.53 respectively. The study also found that respondents agreed that the perceived level of budget monitoring and control in corporation was excellent, that the budget deviations are reported to budget committee/top management, that The organization often hold budget conferences to review performance and that the corporation often hold budget conferences to review performance as indicated by a mean of 4.41, 4.21,4.03 and 3.99 respectively. The implementation that the corporation enhance budget monitoring and controls to a great extent. The findings concurred with Drury (2000) findings who found that budgetary monitoring and control process which is systematic and continuous focus on establishing targeted performance or level of activity for organizations. He further indicated that objectives of budget monitoring and it control are to plan the policy of an organization, to coordinate the activities of the organization so as to achieve high performance .

4.4 Budget Adequacy

Table 4. 10: Budget adequate in African Finance corporation

	Frequency	Percent
Very Adequate	13	15
adequate	53	65
Inadequate	17	20
Total	83	100

Source: Author (2013)

The respondents were requested to rate budget adequacy in the corporation. From the findings, majority 65% indicated rated budget adequacy in the corporation as adequate, 20% indicated that budget adequacy in the corporation was inadequate while 15%

indicated that budget adequacy in the corporation was very adequate . This implied that budget adequacy was adequate.

4.5 Influence of budgeting adequate influence performance in the corporation

Table 4. 11: budgeting adequate influence performance in the corporation

	Mean	Standard deviation
The allocation of sufficient budget influence effective credit disbursement	4. 79	0.83
The management in the corporation ensure effective management of the available financial resources	4.45	0.75
The corporation ensure all the function are allocated equate financial resources	4.52	0.87
Corporation implements regulation that ensure standard fair distribution of the budget	4. 12	0.88
Equity in distribution of resource in budgeting	4. 61	0.83
The perceived level of budget monitoring and control in my institution is adequate	4.54	0.75

Source: Author (2013)

The study sought the extent to which the respondents agreed with the given statement regarding budget adequacy in the corporation. From the findings, majority of the respondents strongly agreed that the allocation of sufficient budget influence effective credit disbursement, equity in distribution of resource in budgeting, that the perceived level of budget monitoring and control in my institution is adequate that the corporation ensure all the function are allocated equate financial resources as indicated by a mean of 4.79, 4.61, 4.54 and 4.51 respectively. The study found that most respondents agreed that The management in the corporation ensure effective management of the available financial resources and that corporation implements regulation that ensure standard fair distribution of the budget as indicated by a mean of 4.45 and 4.12 respectively. This implied that budget adequacy impact positively on financial performance of the organizations. This findings concurred with Kelly, (2003) who found that budgetary adequacy was important for the achievement of the objectives of the organization which influence various objectives of the anticipated to be achieved require sufficient resources for the anticipated performance to be achieved.

4.6 Budget implementation and performance in the Corporation

Table 4. 12: Influence of budgeting implementation influence performance

Statement on performance	Mean	Standard dev
Attaining credit lending efficiency	4.43	0.53
Increase interest	4.11	0.57
Increase in return on equity	4.08	0.33
The corporation increase efficiency in lending	3.86	0.77
Offering competitive financial services to members	4.03	0.49
Increase market share	4.70	0.87
Increase credit performance	4.71	0.67
Improve financial innovation in agriculture	4.00	0.75
Increase corporation network	4.67	0.56
The corporation increase efficiency in loan collection	4.53	0.53
The corporation reduces loan repayment defaults	4.13	0.57

Source: Author (2013)

The study sought the extent to which budget implementation influence performance in the corporation. From the findings, majority of the respondents strongly agreed that budget implementation increase credit performance, increase market share, Increase corporation network , that the corporation increase efficiency in loan collection as indicated by a mean of 4.71, 4.70, 4.67 and 4.53 respectively . the study further found that respondents agreed that Attaining credit lending efficiency, increase corporation interest, increase corporation return on equity, enable the corporation offering competitive financial services to members and improve agricultural financial innovation as indicated by a mean of 4.43, 4.11, 4.08, 4.03 and 4.00 respectively. This clearly indicated that budget implementation influence performance of the Agricultural corporation influence to great extent. The findings concurred with Brewer, (1993) who indicated that Improving the performance of an organization is a central concern of management researchers, and speculation about the factors related to organizational effectiveness organizational performances achieved through effective budget implementing.

4.7 Correlations Analysis

Table 4. 13: Correlation of the study variables

		Budget planning	Budget control process	Budget Adequacy	performance
Budget planning	Pearson Correlation	1			
	Sig. (2-tailed)	0.02			
	N	83			
Budget monitoring and control process	Pearson Correlation	.768*)	1		
	Sig. (2-tailed)	.001			
	N	83	83		
Budget Adequacy	Pearson Correlation	.0.835(*)	.590(*)	1	
	Sig. (2-tailed)	.001	.007		
	N	83	83	83	
Performance	Pearson Correlation	.839(*)	.580(*)	430	1
	Sig. (2-tailed)	.002	.037	.003	
	N	83	83	83	83

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

* Correlation is significant at the 0.05 level (2-tailed).

The study conducted a Pearson Correlation analysis for all the study variables and noted that there existed a very strong positive correlation between budget implementation and performance in the corporation with the result statistically significant as $P < 0.05$

The strength of association between budget planning and performance was strong and positive having scored a correlation coefficient of 0.839 and a 95% precision level . The correlation was statistically significant since it had a P- Value <0.05 at 0.002 hence statistically significant.

The study also established that there also existed a strong and positive correlation between budget monitoring and controls performance at Agricultural finance corporation with a correlation coefficient of.0.768 and a significance level of 0.01. This correlation was statistically significant since its P- Value was less than 0.005 at 0.001. There was a significant positive relationship between Budgetary Control and

perceived financial performance ($r = 0.519$**, P-Value<0.01

The strength of association budget adequancy and performance at the corporation was strong and positive having scored a correlation coefficient of 0.835 with a P-Value of 0.01 and a 95% confidence level. The correlation was statistically significant since it had a P- Value of less than 0.005 and therefore statistically significant.

4.8 Regression Analysis

A multivariate regression model was applied to determine the influence of budget implementation on performance of financial corporations.

Table 4. 14: Model summary

Model	R	R 2	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.082(a)	.672	.631	0.34	1.741	6	6.207	8.191	.001(a)

Predictors: (Constant) : Budget planning, Budget Monitoring and controls and budget adequacy

Dependent: performance

From the table, R is the square root of R-Squared and is the correlation between the observed and predicted values of dependent variable implying that the association of 0.082 between budget implementation and performance of the Agricultural Finance corporation .

Adjusted R^2 is called the coefficient of determination which indicates how the corporation performance varies with variation in budget implementation practices Budget planning, Budget Monitoring and controls and budget adequacy . This implied that, there was a variation of 71.8% of performance achieved due to implementation of budget in the corporation with the result statistically significant with P-Value of 0.01 which was less than 0.05 at a confidence level of 95%.

Table 4. 15: ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	**Sig.**
1	Regression	3.841	15	.307	5.191	0.01(a)
	Residual	7.714	68	.059		
	Total	11.556	83			

Predictors: (Constant) Budget planning, Budget Monitoring and controls and budget adequacy

Dependent: Performance of corporation

The Total variance (11.556) was the difference into the variance which can be explained by the independent variables (Model) and the variance which was not explained by the independent variables (Error). The strength of variation of the predictor values influences the performance in the corporation at 0.01 significant levels. From the study, the mean of the dependent variable differs significantly among the respondents. From the findings, the strength of variation of the predictor values of budget planning, budget Monitoring and controls and budget adequacy influence performance in the corporation as the analysis of variance indicated with P Value< 0.05 at 0.01

Table 4. 16: Coefficients (a)

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.768	.275		3.640	0.01
	Budget planning	0.883	.405	.857	2.931	0.03
	Budget Monitoring and controls	0.717	.546	.693	2.803	0.04
	Budget adequacy	0.791	.520	.760	1.906	0.03

Predictors: (Constant) Budget planning, Budget Monitoring and controls and budget adequacy

Dependent: Performance

$Y = 0.768 + 0.883 X_1 + 0.717 X_2 + 0.791 X_3 + e$

The values, 0.883, 0.717and 0.791 were the un standardized coefficients and indicate the extent to which budget implementation influence performance in the corporation.

The first variable constant of 0.768 represented the constant which predicted value of corporation performance holding the implementation of budget in the corporation Budget planning, Budget Monitoring and controls and budget adequacy constant (0).

A change in budget planning would influence performance in the corporation by a factor of 0.883 with P value of 0.003 while a change in budget monitoring and controls would led to a change in the corporation performance by a factor of 0.717 with P value of 0.004. This clearly indicated that budget monitoring and controls influence performance of the corporation significantly. The study found that a change in budget adequacy would lead to positive change in performance in the corporation by a factor of 0.791with a P value of 0.004 which was greater than 0.05 and therefore its change in performance of the corporation was statistically significant. The study concurred with Gonahasa (1994), who established that there existed statistically significant and positive relationship between budget implementations and perceived financial performance and that effective budgeting reflects good financial performance in organizations.

The multi-regression resulted in a linear model as indicated below,

$Y = 0.768 + 0.883 X_1 + 0.717X_2 - 0.9791X_3 + .e$

Where

$X1_=$ Budget planning

$X_{2=}$ Budget Monitoring and controls,

$X3_=$ Budget adequacy

The study therefore established that there was a positive relationship between budget implementation and performance of Agricultural finance corporation

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter provided the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study. The main objective of this study was to examine influence of budget implementation on performance of financial corporation with a focus on Agricultural finance corporation

5.2 Summary of the Findings

5.2.1 Budget Planning

The study revealed that agricultural finance corporation embrace budget planning as indicated by majority 53% of the respondents indicated that Agricultural Finance corporation engage in budget implementation to influence financial management and improve on performance.

The study established that budget planning was effectively practices in the corporation as employees were sensitized on the budget process, the corporation start with Planning for its programmes, that Programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the corporation budgets emphasize outcomes .Budget planning was found to helps in managing the programmes of the institution, the corporation budgets was for more than one year, the corporation combine Planning with the Budgeting process and that employees were involved in the budget setting process as

The study further found that budget programmes and plan were the basis for allocating financial resources, Resource re-allocation is based on the performance indicators ,Planning of the budget activities is done by the departments .

5.2.2 Budget monitoring and controls

The study revealed that budget monitoring and controls were also undertaken as indicated by budget reviewing as indicated by, 73% of the respondents implying that budget reviewing in the corporation was undertaken annually

The study revealed that corporation often hold budget conferences to review performance, there was clear tracking of programme results in my institution, the corporation always make adjustments regarding budget performance, the budget performance is always communicated and that the perceived level of budget monitoring and control in the institution was adequate . The study also revealed that the perceived level of budget monitoring and control in corporation was excellent, that the budget deviations are reported to budget committee/top management, that the organization often hold budget conferences to review performance and that the corporation often hold budget conferences to review.

5.2.3 Budget adequacy

The study found that budget adequacy was rated adequate. The study established that the allocation of sufficient budget influence effective credit disbursement, equity in distribution of resource in budgeting, that the perceived level of budget monitoring and control in the institution was adequate and that the corporation ensure all the function are allocated equal financial resources .The study found that most respondents agreed that

The management in the corporation ensure effective management of the available financial resources and that corporation implements regulation that ensure standard fair distribution of the budget .

5.2.4 Budget Implementation and performance

On the influence of budget implementation on performance, the study revealed that budget implementation increase credit performance, increase market share, Increase corporation network , that the corporation increase efficiency in loan collection . the study further found the corporation attained credit lending efficiency, increase corporation interest, increase corporation return on equity, enable the corporation offering competitive financial services to members and improve agricultural financial innovation due to budget implementation.

The study found that there existed a very strong positive correlation between budget implementation and performance in the corporation with the result statistically significant as $P< 0.05$ .The strength of association between budget planning and performance was strong and positive having scored a correlation coefficient of 0.839 and a 95% precision level with correlation statistically significant asP- Value <0.05 at 0.002

The study revealed that there existed a strong and positive correlation between budget monitoring and controls performance at Agricultural finance corporation with a correlation coefficient of.0.768 and a significance level of 0.01. This correlation was statistically significant since its P- Value was less than 0.005 at 0.001. The correlation between budget adequancy and performance at the corporation was statisticaly significant ,strong and positive having scored a correlation coefficient of 0.835 with a P-Value of 0.01 and a 95% confidence level.

The study revealed that there existed a positive relationship between budget implementation and performance in the corporation. A change in budget planning would influence change in performance in the corporation by a factor of 0.883 with P value of 0.003 , a change in budget monitoring and controls would led to a change in the corporation performance by a factor of 0.717 with P value of 0.004, while a change in budget adequacy would lead to positive change in performance in the corporation by a factor of 0.791with a P value of 0.004 which was greater than 0.05 and therefore its change in performance of the corporation was statistically significant. The study therefore established that there was a positive relationship between budget implementation and performance of Agricultural finance corporation.

5.3 Conclusions of the Study

The study concluded that budget planning was effectively practices in the corporation as employees were sensitized on the budget process, the corporation start with planning for its programmes, that programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the corporation budgets emphasize outcomes .

The study concluded that corporation budget planning helped in managing the programmes of the institution, the corporation combine planning with the budgeting process and that employees were involved in the budget setting process while budget programmes and plan were the basis for allocating financial resources, resource re-allocation based on the performance indicators ,planning of the budget activities being done by the departments .

The study concluded that corporation often hold budget conferences to review performance, put clear tracking of programme results in the institution, make adjustments regarding budget performance, the budget performance was always communicated and that the perceived level of budget monitoring and control in the institution was adequate . The study also concluded that the perceived level of budget monitoring and control in corporation was excellent, budget deviations reported to budget committee/top management, holding budget conferences to review performance and that the corporation often hold budget conferences to review

The study also concluded that budget adequacy ensured allocation of sufficient budget influence effective credit disbursement, ensured equity in distribution of resource in budgeting, level of budget monitoring and control in the institution being adequate and that the corporation ensure all the function were allocated equate financial resources and that corporation implements regulation ensure standard fair distribution of the budget .

The study concluded that budget implementation influenced performance in the corporation by increasing credit performance, increasing market share, increasing corporation network , increase efficiency in loan collection , attaining credit lending efficiency, increase corporation interest, increase corporation return on equity, enable the corporation offering competitive financial services to members and improve agricultural financial innovation due to budget implementation. The study finally concluded that there existed a positive relationship between budget implementation and performance in the corporation and institutions should focus on implementing budget effectively to influence institution performance.

5.4 Recommendations of the Study

From the findings, the study recommend institutions should ensure budget planning is effectively practiced in the corporation by sensitization of employees on the budget process, planning for its programmes, ensuring programmes and plans were the basis for getting financial resources, the management in the organization normally formulate the firm objectives from the set goals and that the corporation budgets emphasize outcomes. This would influence performance of the financial institution to a great extent. The corporation budget planning help in managing the programmes of the institution enable combine planning with the budgeting process and that employees being involved in the budget setting process as well allocating financial resources, resource re-allocation based on the performance indicators .

The study recommend that financial corporation should enhance budget monitoring and evaluation through review performance, putting clear tracking of programme results in the institution, make adjustments regarding budget performance, always communicating budget performance and adequately improve budget monitoring and controls as this would improve financial corporation performance.

The study finally recommend that financial corporation should ensure budget adequacy by allocation sufficient budget , ensured equity in distribution of resource in budgeting, increase level of budget monitoring and control in the institution being adequate and implementing regulation ensure standard fair distribution of the budget .This would ensure that budget implementation influenced performance in the corporation by increasing credit performance, increasing market share, increasing corporation network , increase efficiency in loan collection , attaining credit lending efficiency, increase corporation interest, increase corporation return on equity, enable the corporation offering competitive financial services to members and improve agricultural financial innovation due to budget implementation.

5.5 Recommendations for Further Studies

The study examined the budgetary implementation and how it impact on the performance of a financial institution. A further study should be carried out determining challenges affecting implementation of budget implementation in state corporation .

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Appendix I: Questionnaire forwarding letter

Date:

Dear Sir /madam

I am conducting a research on the impact of a budgetary implementation on the performance of a financial institution in Kenya for my project for partial fulfillment of a Master of Science degree (Accounting& Finance option)

I have therefore attached a questionnaire, which I am kindly requesting you to complete. I am required to submit my project for review in the nearest future. May I therefore kindly request that you attend to my questionnaire to enable I to meet the deadline. Please telephone me to collect the completed questionnaire when ready. As the information provided is highly confidential, I give my undertaking that the information given will be treated with at most confidentiality and will be strictly used for academic research as indicated above. If you have any question or need any confirmation please call me at cell phone No. 0721946553.

I sincerely thank you for the time that you will take out of your busy schedule to complete the questionnaire and I do thank you very much.

Yours Sincerely,

Francis Ndegwa

Appendix II   Questionnaire

This questionnaire aims at collecting data on the impact of budgetary implementation on the performance of a financial institution in Kenya (a case of agricultural finance corporation).

Data collected will solely be used in for this particular Study and will treat with strict confidence.

Your effort at answering this questionnaire will be highly appreciated.

Tick as appropriate (✓) Appropriate

<u>SECTION A TO BE FILLED BY STAFF AT ALL LEVELS</u>

Corporate Information

Nature of business……………………………………………………………………..

Registered office……………………………………………………………………….

Personal Particulars

1. Gender: Male [ ] Female [ ]

2. Age:

   21-30 [ ] 31-40 [ ] 41-50 [ ] 51-60 [ ]

3. Which category of staff in the organization are you in?

Management [ ] Supervisory [ ] Operational Staff [ ]

4. Work Experience with Organization

   1-5 yrs [ ] 6-10 yrs [ ] 11-20 yrs [ ]

SECTION 11: MAIN ISSUES

Budget Planning

4. To what extent has your company embrace budget planning?

   i. Very great extent [ ]
   ii. Great extent [ ]
   iii. Moderately extent [ ]
   iv. Less extent [ ]
   v. No extent [ ]

To what extent do you agree with the following statement regarding budgeting planning influence performance in the corporation ?(1=Strongly Disagree,2=Disagree, , 3=Moderately agree, 4= Agree and 5= Strongly agree)

	Strongly agree	Agree	Neutral	disagree	Strongly
Employees are involved in the budget setting process					
Employees are sensitized on the budget process					
Resource re-allocation is based on the performance indicators					
Planning helps organization to know the type and level of resources to provide					
The company budgets emphasize outcomes					
The company budgets are for more than one year					
The company start with Planning for its programmes					
Planning of the budget activities is done by the departments					
Planning helps to manage the programmes of the institution					
The corporation combine Planning with the Budgeting process					
Programmes and plan are the basis for allocating financial resources					
Programmes and plans are the basis for getting financial resources					
The management in the organization normally formulate the firm objectives from the set goals					

MONITORING AND CONTROL.

How often, are budget reviewing undertaken in your corporations

i. Semiannually [ ]
ii. Quarterly [ ]
iii. Annually [ ]
iv. Any other………………………………………….

To what extent do you agree with the following statement regarding budgeting planning influence performance in the corporation ?(1=Strongly Disagree,2=Disagree, , 3=Moderately agree, 4= Agree and 5= Strongly agree)

	Strongly agree	Agree	Neutral	disagree	Strongly
The perceived level of budget monitoring and control in corporation is excellent					
There is clear tracking of programme results in my institution					
The corporation always make adjustments regarding budget performance					
The organization often hold budget conferences to review performance					
The budget performance is always communicated					
The often hold budget conferences to review performance					
The perceived level of budget monitoring and control in my institution is adequate					
The budget performance reports are prepared regularly in corporation institution					
The budget deviations are reported to budget committee/top management					

BUDGET ADEQUACY

Rate how adequate is the budget in the African corporation finance

Very adequate [ ]
i. Adequate [ ]
ii. Less Adequate [ ]
iii. Inadequate [ ].

To what extent do you agree with the following statement regarding budgeting adequate influence performance in the corporation ?(1=Strongly Disagree,2=Disagree, , 3=Moderately agree, 4= Agree and 5= Strongly agree)

	Strongly agree	Agree	Neutral	disagree	Strongly
The allocation of sufficient budget influence effective credit disbursement					
The management in the corporation ensure effective management of the available financial resources					
The corporation ensure all the function are allocated equate financial resources					
Corporation implements regulation that ensure standard fair distribution of the budget					
The budget performance is always communicated					
The often hold budget conferences to review performance					
The perceived level of budget monitoring and control in my institution is adequate					

FINANCIAL PERFORMANCE

To what extent do you agree with the following statement regarding budgeting implementation influence financial performance in the corporation ?(1=Strongly Disagree,2=Disagree, , 3=Moderately agree, 4= Agree and 5= Strongly agree)

	Strongly agree	Agree	Neutral	disagree	Strongly
Attaining loan disbursement					
Increase interest					
Increase in return on equity					
The corporation increase efficiency in lending					
Offering competitive financial services to members					
Increase member share					
Increase credit performance					
Improve financial innovation in agriculture					
Increase corporation network					
The corporation increase efficiency in loan collection					
The corporation reduces loan repayment defaults					

APPENDIX III: WORK PLAN

	MONTHS YEAR 2013															
MONTH	MARCH-APRIL				**MAY-JUNE**				**JULY-AUGUST**				SEPTEMBER			
Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Proposal Writing																
n																
Data Collection																
Data Analysis																
Report Writing																
Submit Report																

Total amount of time available (March 01, 2013 to September 31, 2013)

Less 20% for unforeseen circumstances = 2 weeks.

APPENDIX IV: PR0POSED BUDGET

ACTIVITIES	**AMOUNT (Kshs.)**
Stationery	1,500.00
Typing and Printing	4,000.00
Binding	1,800.00
Photocopying	800.00
Transport	800.00
Telephone	1,500.00
Miscellaneous	1,200.00
TOTAL	**11,600.00**