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DETERMINANTS OF BUDGET IMPLEMENTATION IN NON-GOVERNMENTAL ORGANISATIONS OPERATING IN KAKAMEGA COUNTY KENYA

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ABSTRACT

Effective budget is an important aspect of all organizations today. NGOs that use their budget effectively have been found to receive large funding from donors and thus undertake development programs that alleviate human suffering. This study set to establish the determinants of budget implementation in non-governmental organizations in Kakamega County. The study focused on determinants as budget participation, budget control and donor financing regulations. In a bid to effectively achieve these objectives, the study adopted a descriptive survey design based on samples drawn from across the 40 registered NGOs in Kakamega County Kenya.The unit of observation comprised of 160 senior management staff, 80 Finance staffs and 172 programme staff of the 40 NGOs. Therefore, the target population of this study was total 412 respondents. A two-stage sampling technique was adopted where stratified random sampling was used to select the category of staff amongst the NGOs after which simple random sampling was used to select respondents within the staff categories. The study used Krejcie& Morgan table,(1970) to calculate the sample size which was 201 respondents. Data was collected by use of structured questionnaires which were self-administered. Data was analyzed by use of both inferential and descriptive statistics using SPSS version 25. Result of multiple regressions revealed that the determinants jointly and independently influenced effective budget implementation amongst NGOs in Kakamega County, Kenya. Jointly the three constructs namely participative budgeting, budget control and donor financing regulations contributed 76.7 % of the variation in budget implementation (R Square = 0.767). The t values of the constructs were also positively and significantly related to effective budget implementation where P<0.05. All these together led to the rejection of the null hypothesis. This implies that the management of NGOs should securing stakeholder participation besides investing in budget control and adherence to financing regulations of NGOs through its policy framework which translate to effective budget implementation.

Key Words: *Participative budgeting, Donor Regulations, Budget control and Budget Implementation*

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INTRODUCTION

A budget is a formal statement of estimated income and expenses based on future plans and objectives. In other words, a budget is a document that management makes to estimate the revenues and expenses for an upcoming period based on their goals for the business. Budgeting is the basis of the management control process in nearly all organizations Hansen et al, (2004) and is traditionally described as a common accounting tool that organizations use for implementing strategies (Ostergren & Stensaker, 2011). The purpose of budgeting is to give those targets and plans financial values, making the progress easily measurable and to transform the strategic ideas into understandable operative actions (Hanninen, 2013). Budgeting is a useful tool for planning since it represents a plan (Ruthrock, 2011). Control has generally been viewed as a way of making events conform to a plan. Budgets have embodied the outcomes of predictive models of expense and investment and provided the instruments that allow actions such as resetting objectives and redesigning of the system to be articulated (David, 2010). Abogun & Fagbemi (2012) explain budgeting as a numerical plan of money inflows and outflows that determines how an organization will meet its goals and objectives. According to Silva & Jayamaha (2012) budget assist managers in identifying potential problems and advantages early, thus helping management act promptly to avoid potential problems.

Budgeting in Non-governmental organizations is used as a planning document. Institutions use it as a guiding tool in the implementation of activities. The annual budget is commonly referred to as the "master budget" and it has three principal parts namely the operating budget, cash budget and the capital budget. Budgets are driven by the revenue forecasts of the previous financial year (Homgren, *et al*, 2003). Budgets are used by institutions in setting priorities by allocating scarce resources to those activities the officials deem to be the most important and rationing it to those areas deemed as less vital, (Goldstein, 2005). A budget is the quantitative expression of a proposed plan of action by management for a specified period and aid to coordinating what needs to be done to implement the plan. (Horngren *et al,* 2003). A budget is a method of accomplishing many managerial tasks, it is a means of planning for various revenue streams, a control mechanism for an administration to keep from spending too much, a procedure for controlling its units, a process to coordinate the many activities that an institution undertakes, and a way to communicate to all stakeholders and a summarization of the activities that the various units will undertake. (Goldstein, 2005)

According to Reeve & Warren (2008), a budget is an accounting device used to plan and control resources of operational Departments of Governments and Divisions. This definition seems to have ignored that budget is at the center of planning and control activities in the private sector. To Nda (2009), a budget is a detailed financial statement that shows details of anticipated revenue for specific period of time. Generally, a budget is a plan of action stating performance expectations for a defined period of time. Budgets are useful planning and control device used by both private and public sectors of any given economy. As a planning document, a budget enables business, government, private organization and households to set the priorities and monitor progress towards selected goals. According to Ndan (2009), to meet the budgetary objectives, it is imperative to set aside savings or to borrow from outside sources.

The budget process constitutes an important tool for governments and non-governmental sectors to mobilize adequate resources for local authorities, translate policies into pro-poor investments and provide equitable and efficient quality health services. It also sets the targets for which governments can be held accountable. In many countries institutions are weak, budget processes are undemocratic and public participation opportunities are limited. Resources risk being diverted from the country's key social priorities at the very early stage of the budget formulation and resource allocation towards more politically or financially "profitable "sectors. Centralized budgets have been associated with the problems of either over estimation or underestimation (Kopp, 2004). According to Garrison (2008) a budget is part of a master budget in which management establishes goals throughout the organization that result in a budget for cash, a budgeted income statement, and a budgeted balance sheet he stated that participative budgets have several advantages over imposed budgets, such as, motivation and commitment from participants and increased accuracy.

Funding programs from external sources is a risky business and, therefore, donor organizations should need to carefully navigate the risks attached no matter what funding regime they use (Rezakhan, 2012). Risk can be effectively managed to mitigate its adverse impacts on project objectives. In donor funded projects, financing risks as well as other risks such as political risks, technological risks, legal risks, economic risks are inevitable in the life of the project and, therefore, need to be well mitigated (Aven, 2015). This is so, since, most donor funded projects are competitive in nature and, therefore, carries the risk of innovation that requires the good strategies to hedge against loss. In many instances, the administration system and accounting procedures in budget implementation are not well understood by the relevant authorities (Iratni, Djasuli, &Hayati, 2012). Bagoole (2011), in a review of periodic technical and financial reports of projects alongside interviews revealed that timing of disbursement of funds was affected by funds accountability requirements by financial partners prior to disbursement of funds thereby affecting effectiveness of projects. Donors also impose administrative Regulations on some of the programs they fund. For example, Kepher *et al*., (2017) study on Donor Driven Approach (DDA) to planning in Donor Fund Organizations in Kenya established that the DDA allowed donors to exert much influence over the Donor Fund Organizations projects to the extent of controlling their performance substantially. Donor demand beyond organization capacity was found to significantly influence the performance of the Donor Fund Organizations individually. Keng'ara (2014) found that donors sometimes provide technical experts to the project, mostly foreigners at the expense of locals as an administrative imperative. Monaheng (2007) who argued that donors find expatriate technical staff as helpful in sensitive aspects of project management and control of budgets and are also knowledgeable about home office reporting requirements even when locals can competently handle the same tasks.

According to Ashoka and Mango (2015) NGOs need to invest in building relationships, and basic good financial practice in order to remain sustainable. Apart from being able to raise money from a variety of sources, financially sustainable NGOs actively invest in developing and maintaining strong personal relationships with their key stakeholders particularly their donors, supporters, volunteers, staff and beneficiaries (Pratt & Hailey, 2012). They also have sufficient internal capacity to assess and manage the risks associated with funding and financial resources on a regular basis and in a way that both board members and managers can understand and engage with. Sustainable NGOs also have built sufficient financial reserves, as well as strategically manage and finance all organizational costs and overheads (Pratt & Hailey, 2012). Padilla, Staplefoote and Morganti (2012) observe that donor funded projects in the country are experiencing a myriad of problems that include ineffective boards, absence of strategic planning activities, poor recording practices, lack of necessary policies and procedures, high turnover of employees and volunteers and dependence on a limited number of funding sources. Pompa (2013) found that international donors have shifted their funding regime from a traditional model to a new Challenge fund concept which has impacted greatly on local NGOs.

Statement of the Problem

Budget implementation exercise enables both the private and public sector to successfully execute their plans and programs. In contrast a number of challenges have been reported during budget implementation in NGOs. The NGOs have not been performing well as it was expected. For example, despite receiving the necessary support from different donors NGOs have not met their major obligation of serving the communities of the world's poorest and most vulnerable people. Most of the donated funds have inadequate accountability and absorption. In Kenya, empirical studies have been carried out in NGOs, public institutions, telecommunication and higher learning institutions on budget implementation.

Ooyi (2012) carried out a study on challenges of budget implementation among relief non-governmental organizations in Kenya and the conclusion was that there were no proper mechanisms in monitoring budget implementation. Musyoki (2016) did a case study on challenges to effective implementation of the budget in the public sector case study of CEMASTEA and the conclusion was that there exists a lack of proper training to employees on the functioning and implementation of the budgets. Atunda (2014) carried out a study on factors affecting effectiveness of budgets of non-governmental organizations in Nairobi County The study found out that although NGOs were mainly ensuring that funds were spent according to budget allocation, budget was rarely complied with in most NGO projects. Okinda (2013) carried a study set to establish the accountability of donor funding by Non-Governmental organizations in Kisumu County. The study concluded that NGOs need to come up with proper and effective accountability mechanisms, which will measure performance, enhance legitimacy and accountability. NGOs do not provide sufficient evidence on the use of the fund budgeted and allocated to them (Koitaba,2013). More specifically, the actual expenditure on the project does not match budget prepared by these NGOs, common effectiveness of NGO budget in Kenya (Koitaba, 2013).Thus, there is dearth of literature focusing on challenges of budget implementation in different categories of NGOs and public sector. No study clearly shows the determinants of budget implementation in NGOs to ensure effectiveness in funds absorption during budget implementation. Thus, this study explored the determinants of effective budget implementation in non-governmental organizations in Kakamega County to fill the gap which has not been done. These finding may have a potential to inform our understanding to all non-governmental organizations in Kenya since they operate in similar environment.

Objectives of the Study

The general objective of this study was to analyze the determinants of effective budget implementation in NGOs operating in Kakamega county Kenya. The researcher was guided by the following specific objectives;

- To determine the effect of budget participation on budget implementation in NGOs in Kakamega County Kenya
- To analyze the effect of budget control on budget implementation in NGOs in Kakamega County Kenya
- To assess the effect of donor financing regulations on budget implementation in NGOs in Kakamega County Kenya

LITERATURE REVIEW

Empirical Review

Participative Budgeting and budget implementation

To successfully execute its activities, an organization needs to ensure they have competent human resources with skills on efficient & effective means of budget implementation processes and procedures, Homgren (2002). Silva & Jayamaha (2012), states that employees play an integral role in the process of planning, monitoring, control and evaluation of budget implementation, which contributes to accountability on the usage of budget. The organization should therefore be well equipped with knowledgeable and skilled employees who are well conversant with effective budget implementation measures to effectively implement the budget processes and allocation. Participants makes budget realistic and workable, to ensure the budget is successfully implemented, management and the employees should work together to ensure that the interest of all stakeholders are fully represented when making key decisions involving budget allocations, Simiyu (2002). According to Irvan et al (2017) in their study on the effect of human resource competencies, information technology and internal control systems on good governance and local government financial management performance in the Indonesian local government (Pangkep South Sulawesi). Research conducted on civil servants working on 49 local work units (SKPD) by setting a sample of 245 respondents. Data was analyzed using Structural Equation Model (SEM) supporting through Analysis of Moment Structures (AMOS). A human resources competency, internal control system and good governance have positive and significant effect on the financial management performance, which also relates to effective budget implementation. Stakeholders should also be involved in budgeting in order to in cooperate their views so that implementation may become easier.

Budget control and budget implementation

Onduso (2013), on effect of Financial Performance of manufacturing companies in Nairobi County, the study used a cross sectional research method with a target population of eighteen (18) manufacturing firms listed in the Nairobi Security Exchange by employing a census survey, found out that there are strong positive effect of budgets on financial performances measured by return on assets (ROA), the study recommends that effective budget implementation should be facilitated through capacity building, robust systems and processes prioritization and a close monitoring & evaluation. Also the stakeholders should be involved in the budget execution to enhance the overall budget implementation. Financial management systems should be supported in order to ensure prudent management of funds & adequate sensitization of both the employees and the public, on best financial management practices to enhance the oversight role. In addition, manufacturing companies need to establish a strong link between the planning process and budget process.

Wagithi (2013), in her research while investigating factors affecting budget implementation on local authority in Kenya on focus survey of Nyeri Municipality, with a population of 71 employees cutting across board conducted using questioners and adopted a descriptive research design. The study found that there were various challenges facing budget planning and control but lack of dynamic structure and lack of integration were the two outstanding drawbacks. On the effect of integrity and ethics on budget implementation and control, the study found that there was clear linkage of funding to outcome with identifiable performance measures. Miengbeghe (2012) carried out a study to investigate the impact of poor budgetary implementation in construction companies. The purpose was to specifically identify the major causes of poor budgetary implementation practices in construction companies using megastar technical and Construction Company Ltd, Aleed Construction Company, Anasami Construction Nig Ltd, Sametech Construction and C &C Construction Co. Ltd as case study. The study was carried out for the five companies. The researcher made use of primary and secondary sources of data. The primary sources with respect to this study include the various management staff of the companies and the account staff of the companies selected. Information obtained from these people were by asking face to face questions and recording their responses, then questionnaires were also administered to them for more response. A statistical approach (yaro yamen) was used in determining both the sample size and the

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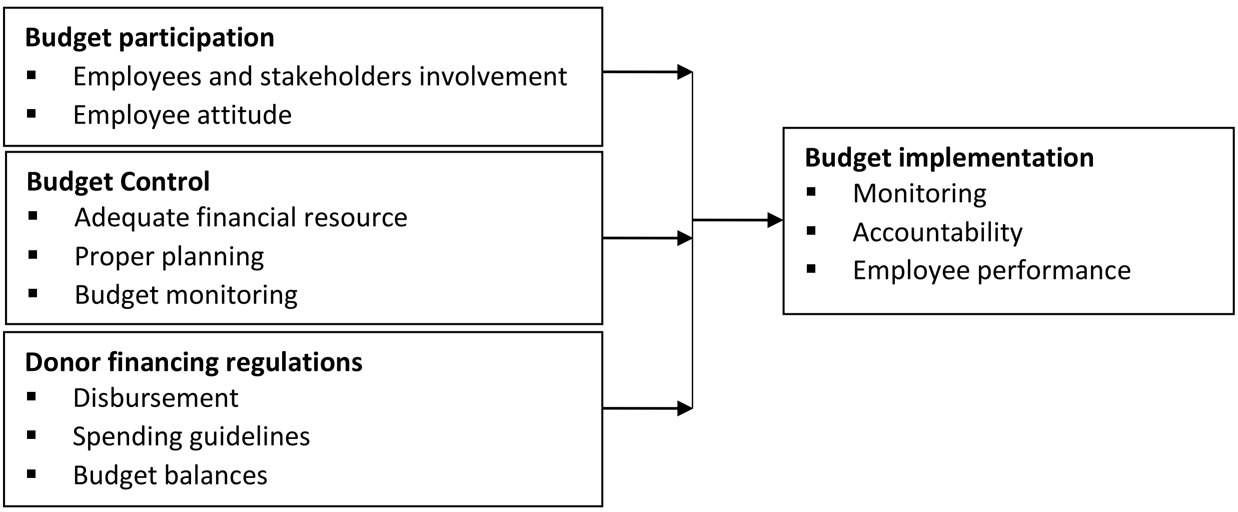
proportion of the sample. Then the researcher used simple percentage and chi-square analysis to analyze the data collected. The study revealed that inadequate or poor budgetary implementation practices are as a result of deviation from the budgetary principles and standards, manipulation of budget by corrupt officials, late release of fund budgeted, etc. Recommendations were made based on the findings. The researcher recommended that there should be timely release of budget so as not to disrupt smooth operations of the companies. There should be an efficient monitoring of how the budget is implemented in the companies. It was also recommended that all employees of the companies should understand how a budget is implemented in the companies.

Donor Financing Regulations and Budget Implementation

A study by Obwoge, (2018) that established the influence of donor Regulations on effective utilization of donor funds focusing on the health sector in Counties of the former Nyanza Province. The study used descriptive survey research design and targeted 4 donor organizations with projects in Kisii, Kisumu and Homa Bay Counties all in the former Nyanza Province. The study used a sample size of 84 persons comprising fund management team members, accountants, auditors, and fund evaluation team members from the area obtained using stratified random sampling. Pre-tested questionnaires were used for data collection. Both descriptive and inferential statistics were used for analysis. The findings revealed that; donor financing Regulations on projects insulated the projects funding base from interference by external actors; second, the donors often imposed strict administrative Regulations on their projects and they were particularly keen on establishing a sound managerial base for their funded projects so as to improve the levels of financial controls and accountability without compromising the levels of service delivery. A study by Keng'ara (2014) on the effects of funds disbursement procedures on implementation of donor projects in Homa Bay County, Kenya revealed that there is delayed receipt of funds by projects of up to 15 months between suppliers' inability to honor contractual obligations and projects incurring cost overruns. Unresolved audit issues result in donors suspending aid and returning huge unspent funds to Treasury. The study also established that provision of staff to man key departments by donors is not a guarantee to completion of projects as scheduled.



Independent variables **Dependent Variables**

Figure 1: Conceptual Framework

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METHODOLOGY

The study adopted descriptive survey research, a scientific method which involves observing (surveying) and describing the behaviour of a subject without influencing it in any way (Saunders, Lewis & Thornhill, 2014). The accessible population was employees of the 40 NGOs in Kakamega county Kenya. This comprised of senior management staffs, finance staffs and Program staff. Hence, the target population of this study was total 412 respondents. The Sample frame consisted of this study included the senior management, finance staff and programme staff from 40 registered and active NGOs in Kakamega County. A two-stage sampling technique was used to narrow down to the respondents from the NGOs. Stratified random sampling technique was used to select the category of staff. The main research instruments were questionnaires and each item of the questionnaire addressed a specific objective of the study. The study used closed ended questionnaires which were self-administered to the respondents. The closed ended questionnaires were designed using 5point Likert scale. Data was analyzed using descriptive (mean, standard deviation, frequencies, skewness and kurtosis) and inferential statistical techniques. Under inferential statistics, multiple regressions was used to determine the effect of a set of independent variable (determinants of budget implementation) on dependent variable (effective budget implementation), coefficient of correlation using the Statistical Package for Social Sciences (SPSS) version 25.0 package.

The regression model was as follows:

$y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$……… Equation 1

Where y was budget implementation, dependent variable x was determinants of budget implementation, β was the standardized regression coefficient.

Where;

y represents Effective Budget Implementation
β0 represents constant
X_1 represent participative budgeting
X_2 represent budget control
X_3 represent donor financing regulations
β1 to *β3*, are the coefficients of the variables to be determined by the model
e = the estimated error of the regression model

FINDINGS AND DISCUSSION

Descriptive Statistics for Participative Budgeting

Eight questionnaire items were used to examine the prevailing status participative budgeting in NGOs in Kakamega county Kenya. Results presented in Table 1 revealed that majority (75.8%) of the respondents agreed they were involved in the budget setting process. Out of (75.8%), 45.2% Agreed, 30.6% strongly agreed, (20.4%) were neutral, 3.8% disagreed, and 0% strongly disagreed (M=4.03 SD=.816). Most (72%) of the respondents were in agreement that they were sensitized on the budget control process (M=3.82 SD=1.003), 45.9% agreed, 26.1% strongly agreed, 14.6% disagreed and 6% strongly disagreed while 12.7% neutral. The study suggested that respondents were in agreement that (M=4.10 SD=.949) all the stakeholders to the budget are involved. Additionally, majority (80.2 %) of the respondents agreed that all departments are always involved in the budgeting process (M=4.08 SD=.913). Out of 80.2% of the respondent who agreed that all departments are always involved in the budgeting process 43.3% agreed, 36.9% strongly agreed, 10.8% were neutral while 8.9% disagreed.

The study suggested that respondents were in agreement that (M=4.08 SD=.832) approved budgets are shared with all departments. 70.1 % of the respondents were in agreement that leadership and support is given to all the subordinates throughout the budget by managers (M=3.71 SD=1.291). Out of the 70%, 37.6% agreed, 32.5% strongly agreed, 7.6% were neutral while 13.4% disagreed and 8.4% strongly disagreed. The study suggested that respondents were in agreement (M=4.23 SD=.783) each department prepares a budget prior to the Overall budget. Majority

(75.7%) of the respondents were in agreement that all stakeholders are given feedback on budget implementation (M=4.01 SD=.870). Out of the (75.7%), 43.9% agreed, 31.8% strongly agreed, (17.8%) were neutral, 6.4% disagreed.

Table 1: Results of Descriptive Analysis of Participative Budgeting

Statements	SD %	D %	UD %	A %	SA %	MEAN	SD
I'm involved in the budget setting process	0	3.8	20.4	45.2	30.6	4.03	.816
We are sensitized on the budget control process	.6	14.6	12.7	45.9	26.1	3.82	1.003
All the stakeholders to the budget are involved	0	7.6	17.2	32.5	42.7	4.10	.949
All departments are always involved in the budgeting process	0	8.9	10.8	43.3	36.9	4.08	.913
Approved Budgets are shared with all Departments	0	6.4	11.5	32.5	49.7	4.08	.832
Leadership and support is given to all the Subordinates Throughout the budget by managers	8.9	13.4	7.6	37.6	32.5	3.71	1.291
Each department prepares a budget prior to the Overall budget.	0	4.5	8.3	47.1	40.1	4.23	.783
All stakeholders are given feedback on budget implementation	0	6.4	17.8	43.9	31.8	4.01	.870

Key: 5 = Strongly Agree (SA) 4 = Agree (A) 3 = Undecided (UD) 2 = Disagree (D) 1 = Strongly Disagree (SD)

Descriptive Statistics for Budget Control

Budgetary control is a systematic and formalized approach for accomplishing the planning, coordination, and control responsibilities of management (Ibrahim, 2018). The comparison of budgeted figures with actual figures in budgetary control will help the management to find out variances and take corrective actions without any delay. In this respect eight questionnaire items were used to examine the prevailing status of Budgetary control in NGOs in Kakamega county. Results presented in Table 2 revealed that majority of the respondents 73.3% agreed that managers hold budget conferences/meetings regularly to review performance (Mean =3.92 SD=1.180). Out of 73.3%, 34.4% agreed, 38.9% strongly agreed, 14.0% were neutral, 5.7% disagreed, and 7.0 % strongly disagreed. The study revealed that the respondents were in agreement (Mean =3.94 SD=.992) that they have budget policies to check on spending. 17.8 % of the respondents were neutral on whether control of the budget activities is done by the head of departments. However, a total of 70% were in agreement (Mean =3.81 SD=1.026). Out of this, 43.9% agreed, 26.1% strongly agreed, 8.9% disagreed and 3.2% strongly disagreed. The study suggested that respondents were in agreement that (Mean =4.09 SD=.908) that the costs of activities are always reviewed by the executive committee. Additionally, majority 67.5% of the respondents were in agreement that budget performance evaluation reports are prepared regularly (Mean =3.55 SD=1.452). Out of 67.5% those who agreed were (36.9%), (30.6%) strongly agreed, 7.6% were neutral, 6.4% disagreed and 18.5% strongly disagreed. The study revealed that respondents were in agreement (Mean =4.10 SD=.949) that there is proper planning before budgeting exercise. Most (75.7%) of the respondents were in agreement that there is a regular follow up on budget plans by the budget committee/Departmental heads (Mean =4.01 SD=.870). Out of 75.7% those who agreed were (43.9%), 31.8% strongly agreed, 17.8% were neutral and 6.4% disagreed. The study suggested that respondents were in agreement that adequate financial resources are available (Mean =3.76 SD=1.248)

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Table 2: Results of Descriptive Analysis of Budgetary Control

Statements	SD %	D %	UD %	A %	SA %	MEAN	SD
Managers hold budget conferences/meetings regularly to review performance	7.0	5.7	14.0	34.4	38.9	3.92	1.180
We have Budget policies to check on spending	.6	10.2	17.8	37.6	33.8	3.94	.992
Control of the budget activities is done by the head of departments	3.2	8.9	17.8	43.9	36.9	3.81	1.026
The costs of activities are always reviewed by the executive committee	0	8.9	10.2	43.9	36.9	4.09	.908
Budget performance evaluation reports are prepared regularly.	18.9	6.4	7.6	36.9	30.9	3.55	1.452
There is proper planning before budgeting exercise	0	7.6	17.2	32.5	42.7	4.10	.949
There is a regular follow up on budget plans by the budget committee/Departmental heads	0	6.4	17.8	43.9	31.8	4.01	.870
Adequate financial resources are available	10.8	4.5	14.0	39.5	31.2	3.76	1.248

Key: 5 = Strongly Agree (SA) 4 = Agree (A) 3 = Undecided (UD) 2 = Disagree (D) 1 = Strongly Disagree (SD)

Descriptive Statistics for Donor Financing Regulations

Donor financing regulations are rules set by donors to govern funds disbursed to their different partners to ensure the funds are utilized for the activities intended in the most effective way. In this respect eight questionnaire items were used to examine the prevailing status of donor financing regulations in NGOs in Kakamega County. Results presented in Table 3 revealed that majority of the respondents 80.2% agreed that the rules and regulations for disbursement of funds were rigorous and time consuming leading to delays (Mean =4.09 SD=.908). Out of 80.2%, 43.3% agreed, 36.9% strongly agreed, 12.1% were neutral, 7.0% disagreed, and .6 % strongly disagreed. The study revealed that the respondents were in agreement (Mean =4.15 SD=.752) that the disbursement procedures are usually cumbersome and lead to delays in project implementation. 12.1 % of the respondents were neutral on whether the disbursement procedures are usually cumbersome and lead to delays in project implementation. However, a total of 84.8% were in agreement. Out of this, 51% agreed, 33.8% strongly agreed, 3.2% disagreed. The study suggested that respondents were in agreement that (Mean =4.09 SD=.827) that the donor representatives usually requires accountability for the previous disbursement(s) before releasing the funds. Additionally, majority 89.1% of the respondents were in agreement that the time required for reporting precedent fund Regulations before disbursement of funds is usually enough (Mean =4.32 SD=.681). Out of 89.1% those who agreed were (45.2%), (43.9%) strongly agreed, 10.2% were neutral, .6% disagreed. The study revealed that respondents were in agreement (Mean =4.21, SD=.680) that disbursements are usually done following scheduled tranches that are favorable to the implementing partner. Most (95.6%) of the respondents were in agreement that spending guidelines are understood by the implementing partner (Mean =4.37 SD=.618). Out of 95.6% those who agreed were 52.9%, 42.7% strongly agreed, 3.2% were neutral and 1.3% disagreed. The study suggested that respondents were in agreement that adequate financial resources are available (Mean =4.23 SD=.783).

Table 3: Results of Descriptive Analysis of Donor Financing Regulations

Statements	SD %	D %	UD %	A %	SA %	MEAN	SD
The rules and regulations for disbursement of funds are rigorous and time consuming leading to delays	.6	7.0	12.1	43.3	36.9	4.09	.908
The disbursement procedures are usually cumbersome and lead to delays in project implementation	0	3.2	12.1	51.0	33.8	4.15	.752
The donor representatives usually requires accountability for the previous disbursement(s) before releasing the funds	0	6.4	10.8	50.3	32.5	4.09	.827
The time required for reporting precedent fund Regulations before disbursement of funds is usually enough	0	.6	10.2	45.2	43.9	4.32	.681
Disbursements are usually done following scheduled tranches that are favorable to the implementing partner	0	1.3	10.8	53.5	34.4	4.21	.680
Spending guidelines are understood by the implementing partner	0	1.3	3.2	52.9	42.7	4.37	.613
Spending guidelines are favorable to the implementing partner	0	4.5	8.3	47.1	40.1	4.23	.783

Key: 5 = Strongly Agree (SA) 4 = Agree (A) 3 = Undecided (UD) 2 = Disagree (D) 1 = Strongly Disagree (SD)

Descriptive Statistics for Budget Implementation

Eight questionnaire items were used to examine the prevailing status of budget implementation in NGOs in Kakamega County. Results presented in Table 4 revealed that majority of the respondents 82.8% agreed that their organization experienced high budget balances in the last reporting period (Mean =4.07 SD=.699). Out of 82.8%, 56.7% agreed, 26.1% strongly agreed, 15.3% were neutral and 1.9% disagreed. The study revealed that the respondents were in agreement (Mean =3.99 SD=.630) that based on the last audit report their NGO performed well. 19.7% of the respondents were neutral on whether all of their planned projects were completed in good time. However, a total of 79% were in agreement (Mean =4.00 SD=.689). Out of this, 56.7% agreed, 22.3% strongly agreed and 1.3% disagreed. The study suggested that respondents were in agreement that (Mean =4.09 SD=.779) that their NGOs were always working within the budget limits. Additionally, majority 69.4% of the respondents were in agreement that all funds are often allocated adequately as per the votes (Mean =3.84 SD=.738). Out of 69.4%those who agreed were (52.2%), (17.2%) strongly agreed, 28.7% were neutral, 1.3% disagreed and 1.6% strongly disagreed. The study revealed that respondents were in agreement (Mean =4.10 SD=.700) that we rarely request for extra funding for our projects. Most (74.5%) of the respondents were in agreement that all activities are adequately accounted for (Mean =3.92 SD=.742). Out of 74.5% those who agreed were (54.8%), 19.7% strongly agreed and 24.2% were neutral 1.3% disagreed. The study suggested that respondents were in agreement that all donor reports are submitted within the required period (Mean =4.06 SD=.753). Most (62.4%) of the respondents were in agreement that there are qualified personnel to monitor finances at all levels (Mean =3.85 SD=1.005). Out of 62.4% those who agreed were (29.3%), 33.1% strongly agreed, 28.0% were neutral, 8.9% disagreed and.6 strongly disagreed. The study suggested that respondents were in agreement that budget performance is a matter of importance in your organization. (Mean =3.96 SD=.516).

Table 4: Results of Descriptive Analysis of Budget Implementation

Statements	SD %	D %	UD %	A %	SA %	MEAN	SD
Our organization experienced high budget balances in the last reporting period	0	1.9	15.3	56.7	26.1	4.07	.699
Based on the last audit report, our NGO performed well	0	.6	18.5	62.4	18.5	3.99	.630
All of our planned projects are completed in good time	0	1.3	19.7	56.7	22.3	4.00	.689
We are always working within the budget limits	1.3	1.9	12.7	54.8	29.3	4.09	.779
All funds are often allocated adequately as per the votes	.6	1.3	28.7	52.2	17.2	3.84	.738
We rarely request for extra funding for our projects	1.3	0	12.1	60.5	26.1	4.10	.700
All activities are adequately accounted for	1.3	0	24.2	54.8	19.7	3.92	.742
All donor reports are submitted within the required period	.6	.6	19.7	50.3	28.7	4.06	.753
There are qualified personnel to monitor finances at all levels	.6	8.6	28.0	29.3	33.1	3.85	1.005
Budget performance is a matter of importance in your organization.	0	1.3	12.1	69.4	17.2	3.96	.516

Key: 5 = Strongly Agree (SA) 4 = Agree (A) 3 = Undecided (UD) 2 = Disagree (D) 1 = Strongly Disagree (SD)

Regression Analysis

Effect of Participative Budgeting on budget implementation

The model summary presented in table 5 involves participative budgeting as the only independent variable. The coefficient of determination (R square) of 0.699 indicated that the model explained only 69.9 % of the variation or change in the dependent variable with the remainder of 30.1 % explained by other factors other than participative budgeting. Adjustment of the R square did not change the results substantially, having reduced the explanatory behavior of the predictor to 69.7%

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.836[a]	.699	.697	.274	1.793

a. Predictors: (Constant), Participative budgeting

b. Dependent Variable: Budget implementation

ANOVA output was examined to check whether the proposed model was viable. Results shown in Table 6 reveal that the F-statistic was highly significant (F= 359.727 p<0.05), this showed that the model was valid.

Table 6: Regression Model Goodness of Fit Test Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.063	1	27.063	359.727	.000[b]
	Residual	11.661	155	.075		
	Total	38.724	156			

a. Dependent Variable: Budget participation

b. Predictors: (Constant), Budget implementation

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The model significantly improved the ability to predict budget implementation. Thus, the model was significant.

Regression Coefficients of budget implementation as explained by Participative Budgeting

Results of the regression coefficients showed that the estimates of β values and give an individual contribution of a predictor to the model. The β value tells us about the relationship between budget implementation with the predictor. The positive β value indicated a positive relationship between the predictors and the outcome. The unstandardized coefficient for budget implementation (.683) was positive. The positive β values indicated the direction of relationship between predictor and outcome. From the results the model was then specified as: -

$y = \beta_0 + \beta_1 X_1 + \varepsilon$ ……………………………..……Equation 2

Budget implementation = 1.251+ .683 participative budgeting

The coefficient of the variable indicates the amount of change one could expect in budget implementation given a one-unit change in participative budgeting basing on the unstandardized coefficients. Result reveal unstandardized regression coefficient for budget implementation (β=0.683), implies that an increase of 1 unit in participative budgeting is likely to result in 0.683 units increase in budget implementation. T-test was used to identify whether the predictor was making a significant contribution to the model. When the t-test associated with β value is significant then the predictor is making a significant contribution to the model. The results show that participative budgeting is ($t = 18.966$, $P<.05$). In this regard the null hypothesis was rejected and alternative accepted that participative budgeting significantly affects the budget implementation of NGOs in Kakamega County Kenya.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
(Constant)	1.251	.146		8.572	.000		
Participative Budgeting	.683	.036	.836	18.966	.000	1.000	1.000

a. Dependent Variable: Budget implementation

Effect of budget control on budget implementation

The model summary presented in table 8 involved budget control as the only independent variable. The coefficient of determination (R square) of 0.618 indicated that the model explained only 61.8 % of the variation or change in the dependent variable with the remainder of 38.2 % explained by other factors other than budget control. Adjustment of the R square did not change the results substantially, having reduced the explanatory behavior of the predictor to 61.5%

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.786[a]	.618	.615	.309	1.701

a. Predictors: (Constant), Budget Control

b. Dependent Variable: Budget implementation

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ANOVA output was examined to check whether the proposed model was viable. Results shown revealed that the F-statistic was highly significant (F= 250.265 $p<0.05$), this shows that the model was valid.

Table 9: Regression Model Goodness of Fit Test Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.914	1	23.914	250.265	.000[b]
	Residual	14.811	155	.096		
	Total	38.724	156			

a. Dependent Variable: Budget Control

b. Predictors: (Constant), Budget implementation

The model significantly improved the ability to predict budget implementation. Thus, the model was significant.

Regression Coefficients of budget implementation as explained by budget control

Results of the regression coefficients showed that the estimates of β values and give an individual contribution of a predictor to the model. The β value tells us about the relationship between budget implementation with the predictor. The positive β value indicated a positive relationship between the predictors and the outcome. The unstandardized coefficient for budget implementation (.597) was positive. The positive β values indicate the direction of relationship between predictor and outcome. From the results the model was then specified as: -

$y= \beta_0 + \beta_1 X_1 + \varepsilon$ ……………………….………Equation 3

Budget implementation = 1.660+ .597 budget control

The coefficient of the variable indicated the amount of change one could expect in budget implementation given a one-unit change in budget control basing on the unstandardized coefficients. Result reveal unstandardized regression coefficient for budget implementation (β=0.597), implied that an increase of 1 unit in budget control is likely to result in 0.597 units increase in budget implementation. T-test was used to identify whether the predictor was making a significant contribution to the model. When the t-test associated with β value is significant then the predictor is making a significant contribution to the model. The results show that budget control is (t =15.820, $P<.05$). In this regard the null hypothesis was rejected and alternative accepted that budget control significantly affects the budget implementation of NGOs in Kakamega County Kenya.

Table 10: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	1.660	.149		11.124	.000		
Budget control	.597	.038	.786	15.820	.000	1.000	1.000

a. Dependent Variable: Budget implementation

Effect of donor financing regulations on budget implementation

The model summary involves donor financing regulations as the only independent variable. The coefficient of determination (R square) of 0.471 indicated that the model explained only 47.1 % of the variation or change in the dependent variable with the remainder of 52.9 % explained by other factors other than donor financing regulations. Adjustment of the R square did not change the results substantially, having reduced the explanatory behavior of the predictor to 46.7%

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.686[a]	.471	.467	.364	1.723

a. Predictors: (Constant), Donor financing regulations

b. Dependent Variable: Budget implementation

ANOVA output was examined to check whether the proposed model was viable. Results shown revealed that the F-statistic was highly significant (F= 137.941 p<0.05), this showed that the model was valid.

Table 12: Regression Model Goodness of Fit Test Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.914	1	23.914	250.265	.000[b]
	Residual	14.811	155	.096		
	Total	38.724	156			

a. Dependent Variable: donor financing regulations

b. Predictors: (Constant), Budget implementation

The model significantly improved the ability to predict budget implementation. Thus, the model was significant.

Regression Coefficients of budget implementation as explained by donor financing regulations

Results of the regression coefficients showed that the estimates of β values and give an individual contribution of a predictor to the model. The β value tells us about the relationship between budget implementation with the predictor. The positive β value indicates a positive relationship between the predictors and the outcome. The unstandardized coefficient for budget implementation (.692) was positive. The positive β values indicate the direction of relationship between predictor and outcome. From the results the model was then specified as: -

$y = \beta_0 + \beta_1 X_1 + \varepsilon$ ……………………………….Equation 4

Budget implementation = 1.076+ .692 donor financing regulations

The coefficient of the variable indicates the amount of change one could expect in budget implementation given a one-unit change in donor financing regulations basing on the unstandardized coefficients. Result reveal unstandardized regression coefficient for budget implementation (β=0.692), implies that an increase of 1 unit in donor financing regulations is likely to result in 0.692 units increase in budget implementation. T-test was used to identify whether the predictor was making a significant contribution to the model. When the t-test associated with β value is significant then the predictor is making a significant contribution to the model. The results show that donor financing regulations is (t =11.745, P<.05). In this regard the null hypothesis was rejected and alternative accepted that donor financing regulations significantly affects the budget implementation of NGOs in Kakamega County Kenya.

Table 13: Regression Coefficients

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	VIF
(Constant)	1.076	.250		4.311	.000		
Donor Financing Regulation	.692	.059	.686	11.745	.000	1.000	1.000

a. Dependent Variable: Budget implementation

The determinants of effective budget implementation in NGOs operating in Kakamega county Kenya

The model summary was analyzed to establish the strength of the conceptualized determinants in predicting budget implementation. Results revealed that the three constructs namely participative budgeting, budget control and donor financing regulations accounts for 76.7 % of the variation in budget implementation (Adjusted R Square = 0.762). Therefore, the remaining 23.3% is explained by other factors not considered in the study.

Table 14: Model Summary for Budget implementation of NGOs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Durbin Watson
1	.876[a]	.767	.762	.243	.767	1.648

Predictors: (constant), participative budgeting, budget control and donor financing regulations.
Dependent Variable: Budget Implementation.

ANOVA output was examined to check whether the proposed model was viable. Results shown revealed that the F-statistic was highly significant (F= 167.889<0.01), this showed that the model was valid.

Table 15: Regression Model Goodness of Fit Test Results

Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
29.702	3	9.901	167.889	.000[a]
9.023	153	.059		
38.724	156			

a. Predictors: (Constant) participative budgeting, budget control and donor financing regulations.

b. Dependent Variable: Budget implementation

The model significantly improved the ability to predict budget implementation. Thus, the model was significant.

Regression Coefficients of Budget implementation

Results of the regression coefficients showed that the estimates of β values and give an individual contribution of each predictor jointly to the model. The β value tells us about the relationship between budget implementation with each predictor. The positive β values indicate the positive relationship between the predictors and the outcome. The β value for participative budgeting (.256), budget control (.302) and donor financing regulations (.284) were positive. The positive β values indicate the direction of relationship between predictors and outcome. From the results the model was then specified as: -

$y= \beta_0+\beta_1X_1+\beta_2X_2+ \beta_3X_3$ ……………….………Equation 5

Budget implementation =.592 + .256 participative budgeting +.302 budget control+ .284, donor finance regulation

The coefficients for each of the variables indicates the amount of change one could expect in budget implementation given a one-unit change in the value of that variable, given that all the variables in the model keeping other independent variables constant. Results reveal unstandardized regression coefficient for budget implementation β=.256 implied that an increase of 1 unit in participative budgeting is likely to result in a .256 unit of increase in budget implementation keeping other independent variables constant. Unstandardized regression coefficient for budget control β= .302, implies that an increase of 1 unit in budget control is likely to result in a 0.302 units of change in budget implementation keeping other independent variables constant. Unstandardized regression coefficient for β=.284 implies that an increase of 1 unit in donor finance regulation is likely to result in 0.284 units of increase in budget implementation keeping other independent variables constant.

T-test was used to identify whether the predictors were making a significant contribution to the model. When the t-test associated with β value is significant then the predictor is making a significant contribution to the model. The results show that participative budgeting (t =3.584, P<.05), budget control (t =5.609, P<.05) and donor finance regulation (t =4.976, P <.05). These findings indicated that all these determinants of budget implementation under study as predictors, which significantly affect the budget implementation amongst NGOs. These results imply that budget control is the most important predictor for budget implementation. However, this doesn't devalue the role of budget participation and donor financing regulations as the determinants of budget implementation in NGOs in Kakamega County.

Table 16: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.592	.174		3.396	.001		
	Participative budgeting	.256	.071	.314	3.584	.000	.199	5.024
	Budget control	.302	.054	.397	5.609	.000	.304	3.287
	Donor finance regulations	.284	.057	.281	4.976	.000	.477	2.098

a. Dependent Variable: Budget implementation

Discussion of results

The main purpose of the study was to analyze the determinants of effective budget implementation in NGOs operating in Kakamega county Kenya. From the results, there is no second opinion to the fact that budget participation, budget control and donor financing regulations significantly determines effective budget implementation. This fact is underpinned by the findings of this study.

The first objective was to determine the effect of Participative budgeting on budget implementation in NGOs in Kakamega County Kenya. It is worth acknowledging that when stakeholders are involved in budget making through participation it ensures accountability in terms of actions, policies and priorities. This guarantees effective allocation of resources in order to achieve the mission and strategic goals of the NGO which eventually culminate to effectiveness of the budget implementation and by extension the performance of the NGO. This was underscored by the fact that ensuring participation of actors whose views and opinions need to be sought is necessary in the budget implementation strategy (Wacera, 2016).

This is further corroborated by the findings of this study where the simple linear regression analysis showed that a significant relationship exists between dependent variable and independent variables. The model explained only 69.9 % of the variation or change in effective budget implementation variable with the remainder of 30.1% explained by other factors other than participative budgeting. From the regression analysis table t=18.966, Similarly, P value is less than 0.05 that is sufficient to show relative importance. Therefore, it is evident from the results that budget participation was found to be a positive and a significant predictor of effective budget implementation. These findings are supported by the findings of (Mwaura ,2010; Rifqi *et al,* 2017; Maiga, Nilsson, & Jacobs, 2014; Ogiedu & Odia, 2013). The findings subscribe to the agency theory which articulates that there ought to be a system of ensuring accountability among management of NGOs who represent the agent to whom the donors and beneficiaries (principal) have given their power of making major decisions which affect budget implementation.

The second objective of the study was to determine the effect of budget control on budget implementation in NGOs in Kakamega County Kenya. In practice budget control is regularly comparing actual income or expenditure to planned income or expenditure to identify whether or not corrective action is required. Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any (Isaac, Lawal & Okoli, 2015). Budget control ensures planning for future by setting up various budgets, the requirements and expected performance of the enterprise are anticipated besides elimination of wastes. Thus, budget control remains a cornerstone for effective implementation of the budget. Through budget control all the functional heads are entrusted with the responsibility of ensuring proper implementation of their respective departmental budgets without deviations from the established standards (Taware, 2012).

This argument is supported by the findings of the current study where the unstandardized regression weight was found to be positive and explores that a positive relation is caused by independent variable in dependent variable. The model explained only 61.8 % of the variation or change in budget implementation with the remainder of 38.2 % explained by other factors other than budget control with t =15.820, P<0.05. Therefore, these results are providing sufficient ground to affirm that budget control significantly affect effective budget implementation amongst NGOs in Kakamega county. These findings are supported by (Marcormick & Hardcastle,2011; Serem,2013; Margah, 2005; Machoka, 2014). Budgetary control enables the relationships between organizational activities to be determined in advance and therefore their smooth implementation made possible. Therefore, effective budget implementation cannot be achieved without an excellent or good level of budget control. Budget control acts as a key pillar of budget implementation by setting standards catalyst for heightened accountability and allocation of resources. This implies that there is need for NGOs to develop appropriate policies, practices and procedures to guarantee budget control. These findings are premised on the theory of budgeting and control which provides a boon to the adoption of budget control which enhances adequate control of resources and detector of variances between organizational objectives and performance vital for budget implementation for NGOs.

The third objective was to determine the effect of donor financing regulations on budget implementation in NGOs in Kakamega County Kenya. NGOs should strengthen adherence to donor financing regulations. Efficient management of donor funds calls for compliance with auditing and reporting requirements of NGOs thus effective budget implementation (Too, 2015; Mueller-Hirth, 2012). Adhering to the donor financing regulations determines the pace of the budget implementation and this forms the basis for translating the NGOs activities to measurable outputs. Funds must be clearly designated and committed to project so as to ensure successful implementation of the activities without delays (Keng'ara., 2014).This is supported by the finding of the current study that donor financing regulations has a significant effect on effective implementation of budgets.

The model explained only indicated that the model explained only 47.1 % of the variation or change in the budget implementation with the remainder of 52.9 % explained by other factors other than donor financing regulations. The multiple regression results show that t is 11.745, P<0.05. These findings are supported by the findings of (Keng'ara, 2014; Obwoge, 2018). The implication of these results is that NGOs should give eminence to the dictates of the donor financing regulations as they work on their budgets. This argument is underpinned by both the control and agency theory. Courtesy of the agency theory to some extents, imposing sanctions to the agent who are the management of the NGOs through donor funding regulations is a major of way of holding them to account by the principal.

The general objective of the study was to analyze the determinants of effective budget implementation in NGOs operating in Kakamega county Kenya. From the study findings all the determinants under study had a positive and significant effect on effective budget implementation. The variables jointly budget participation, budget control and donor financing regulations accounted for 76.7 % of the variation in budget implementation (Adjusted R Square = 0.762) with an F-statistic which was highly significant (F= 167.889<0.01). Which is higher than the individual contribution of each of the determinants. It therefore behooves the NGOs to synergistically bundle all the determinants for a maximal outcome in terms of effective budget implementation. However, budget control (.302) was the greatest contributor to effective budget implementation followed by donor financing regulations (.284) and lastly participative budgeting (.256). These altogether doesn't devalue the rest of the determinants which include donor financing regulations and budget participation but invokes the need for hinging on the theory of control, budgeting theory and agency theory in bundling all the three determinants for effective budget implementation.

CONCLUSION AND RECOMMENDATIONS

From the findings, this study made a number of conclusions. The study concluded that the three research constructs are key in enhancing budget implementation in NGOs. This was evidenced by the fact that these constructs jointly and independently affect to some magnitude the budget implementation as per the study findings. The effectiveness of all the determinants of effective budget implementation understudy positively and significantly affects budget implementation. It therefore calls for the formulation, promotion of budget implementation-oriented policies and focusing on their implementation. In consequence, it would become ingrained in management and operations of NGOs and not just an additional component of organizational policies thus enhancing effective budget implementation amongst the NGOs.

The current study provided absolute support to the suggestion that budget participation should be recognized as a significant precursor for effective budget implementation in NGOs as well as other organizations. The study implied that in light of determinants of budget implementation should be adopted in tandem to enhance their synergistic relationship, which would eventually warrant effective budget implementation. The study provides evidence that having determinants associated with effective budget implementation under study are overly indispensable in performance of NGOs. That is, a strategic recipe which embeds budgetary control, budgetary participation, and adherence to donor financing regulations within the NGOs, policy framework is evidently instrumental in enhancing their effective budget implementation.

From the study findings and extensive literature review, it was apparent that strengthening the determinants of budget implementation in NGOs is an important ingredient for eliciting effective budget implementation and their high performance. While there are other determinants crucial for effective budget implementation. From the results, NGOs should pay more attention in addressing budget participation, budget control and compliance with donor financing regulations as a means of increasing effective budget implementation. In this regard, the current study makes the following recommendations:

The management of NGOs and other organizations should acquire effective budget implementation by embracing budget participation by giving impetus to the involvement of the stakeholders in each stage of budgeting. However, there is need to ensure that they are competent and have the interest of the NGO at heart. Besides there is need for securing stakeholder participation through policy framework. During budgeting the organization should ensure that there is budget control in all dimensions during budgeting in order to reap maximum benefits of effective budget implementation. It therefore remains inordinate for NGOs to bring on board top management and other stakeholder by giving their support eminence in provision of capacity requirements for effective budget implementation. The NGOs should invest in budget control and adherence to financing regulations of NGOs through its policy framework as it would certainly translate to efficient formulation and adoption of sound strategies for effective budget implementation.

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