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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 12, Iss.2, pp 234 – 256, April 17, 2025. www.strategicjournals.com, © Strategic Journals

BUDGETARY CONTROL AND FINANCIAL PERFORMANCE OF STATE-OWNED SUGAR MANUFACTURING FIRMS IN KENYA

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Accepted: April 7, 2025

DOI: http://dx.doi.org/10.61426/sjbcm.v12i1.3209

ABSTRACT

The study aimed to determine the influence of budgetary control and the financial performance of state-owned sugar manufacturing firms in Kenya, with specific objectives focusing on the influence of budget planning, budget implementation, budget monitoring, and budget control on financial performance. The study was guided by budgetary control theory, accounting theory, stewardship theory, and incremental budgeting theory. A descriptive survey research design was adopted, targeting 57 respondents, including finance managers, internal audit managers, and heads of accounts from 19 state-owned corporations in Nairobi County. The study employed a census sampling technique, ensuring all relevant respondents were included. Primary data was collected through a well-designed questionnaire, while secondary data was obtained from audited financial statements to measure financial performance. Piloting was conducted to test the validity (using content and construct validity) and reliability (using Cronbach's alpha). Quantitative data was analyzed using both descriptive and inferential statistics. Descriptive analysis, including measures of central tendency and dispersion, was used to summarize the data. Inferential analysis, including correlation analysis and multiple linear regression, was applied to test hypotheses. Prior to regression analysis, the study ensured the assumptions of linear regression were met. The findings were presented in tables and models. The results reveal that budget planning, budget implementation, budget control and budget monitoring playing a crucial role in enhancing the financial performance of State-Owned Sugar Manufacturing Firms in Kenya. The study concluded that there is significant influence of budgetary control on Financial Performance of State-Owned Sugar Manufacturing Firms in Kenya in Kenya. The study recommended that State-Owned Sugar Manufacturing Firms in Kenya should prioritize robust budget planning processes. This involves engaging relevant departments early in the planning phase, utilizing historical financial data, and aligning budget allocations with organizational goals. Firms must enforce strict budgetary controls to maintain financial discipline and mitigate the risk of financial mismanagement. This involves establishing clear expenditure limits for departments, conducting regular internal audits, and ensuring compliance with budgetary guidelines.

Key Words: *Budget Planning, Budget Implementation, Budget Monitoring, Budget Control*

CITATION: Nyaega, O. M., & Miroga, J., Otinga, H. (2025). Budgetary control and financial performance of state-owned sugar manufacturing firms in Kenya. *The Strategic Journal of Business & Change Management,* 12 (2), 334 – 256. http://dx.doi.org/10.61426/sjbcm.v12i1.3209

INTRODUCTION

Many countries in the world continue to struggle with issues related to the poor management of state-owned corporation. Despite acknowledged contribution to the economy, the State-Owned Enterprises ‘performance in Kenya has been decried as suboptimal (Chepkorir, Rugut & Langat, 2021). The World Bank's (2020) study on the performance of State-Owned Enterprises (SOEs) in sub-Saharan Africa established that SOEs performed worse than the private sector. This poor performance has resulted in a drain on the exchequer. Experts engaged in public corporations have a craving to improve the budgeting, changes in the reporting framework and strengthen their risk identification and reduction process and the corporate governance framework. They also desire their entities to be corruption free (Ojera, 2021).

Budgetary control is one of the key tools which leads to the realization of benefits in the financial performance in the organization. Budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performance and taking suitable remedial action so that the budgeted performance may be achieved effectively (Maelah & Yadzid, 2018). By implementing proper budgetary control planning, the firm is able to reduce costs and improve on quality of its services based on its budgetary allocations. This helps to reduce on costs and achievement of goals is enhanced thus organizational performance The use of budgetary control in profit planning to improve the financial performance of the organization is tremendous.

The success of budgetary control in most of the European countries is due to presence of democratic process, proof that resources are mostly allocated to regions lagging in infrastructural development. Participatory budgeting becomes a success when there is: autonomy to both local and national levels of governments, a robust regulatory framework for public participation, vibrant civil organizations capable of mobilizing citizens towards public participation in budget making and budget implementation process, together with public and experts willing to enlighten citizens on budget making and implementation process (Levy, 2019).

In South Africa, budget making system entails each of the three tiers of government putting in place activities geared towards budget making. The national governance structure ensures that it makes a unitary budget and the other tires follow suit. Legislation ensures that the national treasury introduces uniform treasury codes of ethics and prescribes measures to enhance transparency and expenditure control in levels of government. The budget making process thus entails the synergy between the three levels of government working in concert to ensure that the public finances are well distributed nationally (Mazikana, 2019).

Studies on budgetary control in manufacturing companies in Kenya reveal significant insights. For instance, a study by Kamau et al. (2017) on the Kenyan manufacturing sector highlighted that effective budgetary control mechanisms contribute positively to financial performance. The research emphasized that adherence to budgetary allocations and regular monitoring of budget performance can reduce wastage and improve profitability. Similarly, Muthoni (2018) found that budgetary participation, where employees at different levels are involved in the budgeting process, enhances the financial outcomes of manufacturing firms by fostering a sense

To address these challenges, the government introduced several reforms aimed at reviving the sector, including improving production processes and offering subsidies. However, issues such as poor governance and mismanagement of state-owned mills have continued to affect progress. A prime example is Mumias Sugar Company, once the leading sugar producer in Kenya, which has struggled with financial instability, operational inefficiencies, and poor management. Despite government intervention, the company’s performance has remained suboptimal, and it now represents the broader challenges facing the industry (Ogutu, 2021). The sugar industry in Kenya thus remains in need of significant structural reforms to enhance efficiency and sustainability.

Statement of the Problem

Despite the critical role that budgetary control plays in enhancing financial discipline, accountability, and performance within public enterprises, State-Owned Sugar Manufacturing Firms in Kenya continue to experience significant financial challenges, inefficiencies, and suboptimal resource utilization. These firms are strategic to the agricultural and manufacturing sectors and contribute to national employment and rural economic development. According to Koigi (2021), State-Owned Sugar Manufacturing Firms are key to the economy, not only in service provision but also as significant employers. As per the Kenya National Bureau of Statistics (2024), these firms account for around 20% of public sector wage employment and contribute approximately 11% to the national GDP (World Bank, 2024). However, despite these critical roles and heavy public investment, their financial performance remains underwhelming (Nyingi, 2019; World Bank, 2024).

While several studies have examined the relationship between budgetary control and financial performance, findings remain mixed. Handuba and Mwanza (2022) reported a positive impact of budget planning on financial performance in the mining sector, while Sebastian (2018) found no significant relationship between budget monitoring or control and performance among manufacturing firms in Tanzania. Mohamed, Evans, and Tirimba (2015) argued that budgetary control influences decision-making, which indirectly impacts organizational performance. However, limited research focuses specifically on State-Owned Sugar Manufacturing Firms in Kenya, despite their fiscal and strategic importance. Therefore, this study sought to fill this gap by investigating how various components of budgetary control namely budget planning, implementation, monitoring, and control influence the financial performance of State-Owned Sugar Manufacturing Firms in Kenya.

Objectives of the Study

This study determined the influence of budgetary control on Financial Performance of State-Owned Sugar Manufacturing Firms in Kenya in Kenya. The specific objectives were:

- To determine the influence of budget planning on Financial Performance of State Owned Sugar Manufacturing Firms in Kenya
- To investigate the influence of budget implementation on Financial Performance of State Owned Sugar Manufacturing Firms in Kenya
- To establish the influence of budget monitoring on Financial Performance of State Owned Sugar Manufacturing Firms in Kenya
- To establish the influence of budget controls on financial performance of State Owned Sugar Manufacturing Firms in Kenya.

LITERATURE REVIEW

Theoretical Review

Theory of incremental budgeting

This theory suggests that budgeting should be done basing on the previous period budget. This theory is based on expenditures increases of reductions depending on economic growth and not from resource redistribution. According to Wildavsky (1966) budgets should start with the projected amount of the current financial year then add or subtract increments accommodate budget increases or cut for the coming year. With the absence of projected amount of the current financial year, the firm may use provisional accounts of actual expenditure in the previous financial year. Incremental Budgeting is the most reorganized description of how budget process works. Many scholars and participants prefer it as the prescription of how the budgeting process should work (Schick, 2014). According to this theory, SMEs like other firms should start budgeting with the projected amount of the current year then add or subtract increments according to their objectives.This theory is criticized on the grounds that the allocation of resources is based on the existing patterns thus when the activities are changed significantly, it brings a problem. This implies that the Incremental budgeting model discourages developing new programs since it fails to consider change in circumstances (Pidgeon, 2010). The model is also attributed to the assumption that the funding level that exists is right although it may be too low or high to sustain the firm activities. The Incremental Budgeting theory is relevant to this study for its suggestion that adjusting the corporation's projected amount of the current year budget for factors such as additional resources, change in priorities, new legislative requirements, among others enhances the budgeting process which makes an effective budget.

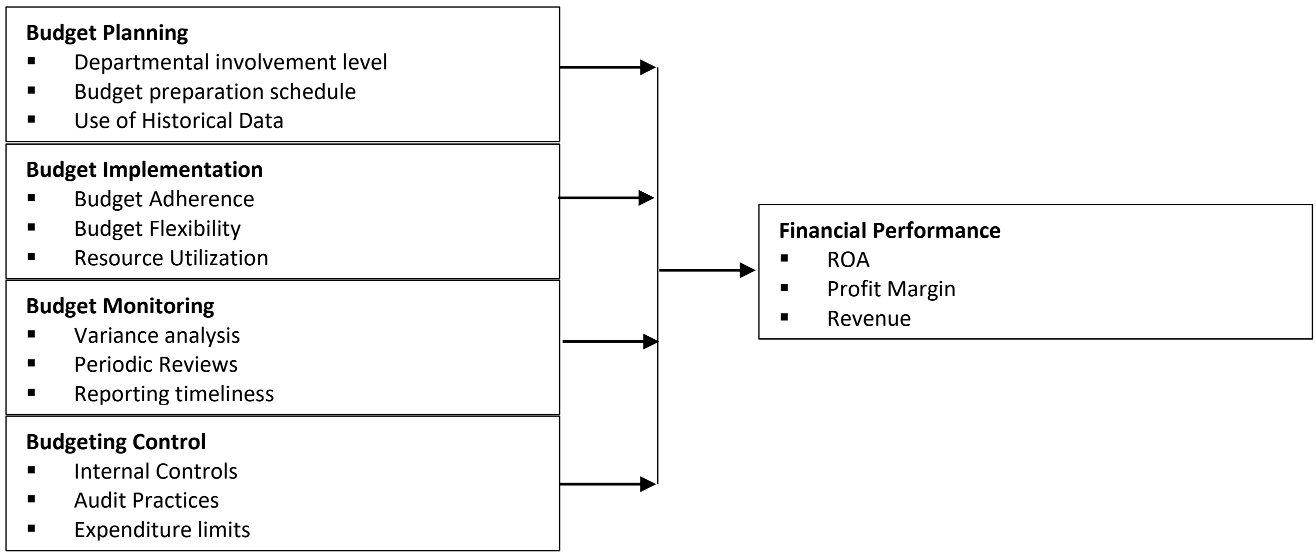
Budgetary Control Theory

Budgetary Control Theory, which emphasizes using budgets for planning and controlling organizational activities, has its strengths but also faces several critiques. One significant issue is the rigidity and inflexibility of budgetary control systems. According to Hope and Fraser (2003), traditional budgeting processes are often too inflexible to respond effectively to dynamic market conditions, leading to missed opportunities and reduced competitiveness. This inflexibility can be particularly detrimental in fast-paced industries where adaptability is crucial. Another critique is the short-term focus of budgetary control. Budgets often emphasize short-term financial goals over long-term strategic objectives. Hansen, Otley, and Van der Stede (2003) argue that the pressure to meet budgetary targets can lead to a myopic focus on immediate results, undermining investments in innovation and long-term growth.

Stewardship Theory

Stewardship theory suggests that the interests of the agents are integrated to those of the organization thus stewards are motivated and satisfied when the organization succeeds. This raises their self-esteem as they are regarded part of the organization in a trust position to safeguard the resources of the organization.It stresses on the importance of structures that empowers managers and employees stressing on maximizing their autonomy as stewards of the organization (Farkas, 2016). According to the PFM Act of 2012, the budget officers therefore are expected to act as good stewards in collecting all the information required guided by the existing regulatory environment including the constitution of Kenya.

Conceptual Framework



Independent variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review of Literature

Budget planning and Financial Performance

Arief (2020) aimed to analyze and explain the influence of budget planning on organizational performance through cost standards at the General Bureau of the Regional Secretariat of West Sulawesi Province. The data used in this study is primary data using a questionnaire. This research is quantitative research, because the research data is in the form of numbers and the analysis uses statistics with the research design of a hypothesis testing study to test the effect between variables. The research uses Path Analysis using the AMOS program. The research sample amounted to 72 respondents. The results show that: Budget Planning have direct and indirect effect on Organizational Performance at the General Bureau of the Regional Secretariat of West Sulawesi Province.

Sebastian (2018) examined the effects of budgeting on financial performance of manufacturing firms in Kinondoni district Dar es Salaam Tanzania. A descriptive research design was adopted. A sample of 75 respondents from selected manufacturing firms was employed. Purposive sampling was used to select seventy five (75) respondents (managerial staffs) from selected manufacturing firms. Self-administered questionnaire were used to collect data from seventy five (75) respondents. The findings indicated that more formalized budgeting planning leads to higher sales revenues. It was also found that the formal budgeting planning and the formal budgetary control show different patterns in terms of their effect on financial performance. The formal budgeting planning has a stronger impact on the growth of sales of manufacturing firms, compared to the formal budgetary control. However; its impact on the growth of profit becomes very weak compared to formal budgetary control.

Budget implementation and Financial Performance

Demie (2021) assessed budget implementation practice in the case of oromia regain sululta woreda. The study was descriptive in nature in order to examine the status, practice and problems by using mixed research approaches. To achieve the objective of the study data was collected from employee of the organization using close ended and mixed items questionnaire and unstructured interview as well as data from annual reports and manual of the organization. The target sample respondents include only 60(managers, supervisors, coordinators and finance staffs) of oromia regian sululta woreda. Overall, the results of the standard diversion analysis revealed that all of the identified determinant factors positively and significantly standard diversion with the organization budget implementation and controlling system.

Cheboi (2019) carried out research on budget implementation and financial performance of the county government of Elgeyo Marakwet, Kenya. descriptive research design was used to guide the investigation of the stated objectives. The target population for this study were the accounting officers at Elgeyo Marakwet County. A census sample of the 79 accounting officers was used in the study. Primary data was collected using standardized and validated questionnaires, administered through a drop and pick method. Correlation and regression analysis showed that while some processes had a positive effect on performance. The regression statistics indicate that there is a positive and statistically significant influence of budget implementation on financial performance.

Budget monitoring and Financial Performance

Keng'ara and Makina (2020) assessed the effect of budgetary processes and the performance of an organization in relation to non-commercial marine agencies, Kenya. The study utilized descriptive research design. The study was conducted in Mombasa County in Kenya. Target population was Heads of Department in Financial, Procurement Audit and Monitoring and Evaluation in Marine sector and Chief executive officers. The sample size of the study was 70 respondents. Both primary and secondary data were collected. From the analyzed results, it was revealed that there was a positive significant relationship between budgetary processes for intense monitoring and evaluation on organization performance.

Nickson and Mears (2018) carried out a study on the impact of budget monitoring and financial performance of ministries for ten years. They sampled five of the ministries in Massachusetts. They employed secondary data in their work. The study applied a regression analysis model for the data. The finding was that a budget monitoring has huge influence on performance of the ministries.

Budget Control and Financial Performance

Otieno (2019) sought to establish the Effect of Budgetary Control Uses on Financial Performance of Public Universities in Kenya. A census survey was conducted in all the five main Public Universities located in Nairobi County. A sample size of 40 respondents were considered, targeting; Finance Officers, Deputy Finance Officers, Accountants and Accounts Assistants. Data was elicited from selected respondents using structured questionnaire whose content validity was checked through an expertise opinion and reliability through Cronbach (0.7 Alpha – α) model. Secondary data necessary for computation of measures of Financial Performance were obtained from audited financial statements of the Public Universities for the three financial periods falling between 2014 and 2017. The results indicated existence of a significant relationship between Budget Control and Financial Performance of public universities in Kenya.

Nafisatu (2018) researched on the effect of budget and budgetary control on firms' performance: A case study of the East African Portland cement company limited. Descriptive research design was used to describe the independent variable whereas explanatory research design was used to describe the relationship between the independent and dependent variables in the study. The study employed the use of quantitative and qualitative data. Published accounts and questionnaire were used to collect both secondary and primary data. The staff of East African Portland cement company limited constituted the population of the study. SPSS was used to analyze the data collected. The data collected was presented using graphs and charts. The study concluded that there was a high positive correlation between budgetary control and firm's financial performance.

METHODOLOGY

For this study, a descriptive survey research design was chosen due to its suitability for examining relationships (Peshkin, 1990). According to Mugenda (2008), descriptive research is ideal for gathering data to address questions concerning the current state of a phenomenon, without involving the manipulation of study variables. This design was selected for its cost-effectiveness, minimal resource requirements, and the ability to collect data from all respondents simultaneously. Additionally, it facilitated the integration of data from study questionnaires, enhancing the overall value of the information gathered (Mugenda & Mugenda, 2008).

The study targeted a total of 78 respondents from five sugar manufacturing firms in Western Kenya, which will serve as the unit of analysis. The unit of observation will include key personnel such as Chief Finance Officers, Operation Managers, Accountants, Finance Officers, Chief Internal Auditors, and Internal Auditors.

Since the population in this study is relatively small comprising 78 individuals a census method was employed to avoid sampling bias and ensure full representation of the study population (Kothari, 2007).

Primary data was collected using questionnaires. For all of the constructs, a Likert-type scale with five points, ranging from 1 (Strongly Agree) to 5 (Strongly Disagree), was used, with 5 (Strongly Agree), 4 (Agree), 3 (Undecided), 2 (Disagree), and 1 (Strongly Disagree) being the possible responses (Appendix II). This instrument helped the researcher to evaluate the effect of financial management practices on the financial performance of sugar manufacturing firms in

Western Kenya. Secondary data on performance was also collected using a secondary data collection sheet (Appendix II).

The researcher then proceeded to collect data from the identified sugar manufacturing companies. Data collection was only carried out with the permission of the concerned head of department through a written letter, which was obtained two weeks prior to the actual data collection date. The researcher personally visited the departments and administered the questionnaires. A drop-and-pick technique was employed during the data collection exercise. A checklist was maintained to ensure all questionnaires administered were collected on time for data analysis.

A pilot study was done for this research, all components of the questionnaires were reviewed and coded to ensure clarity of language and accuracy of statements. The instruments were pretested at Butali Sugar Company, an established sugar manufacturing company in Western Kenya. A total of eight (8) respondents were involved in the pilot study. This small sample size was chosen to identify any weaknesses in the instruments, allowing for necessary adjustments before the main study.

Data processing and analysis

All collected data was coded, cleaned, tabulated, and analyzed using both descriptive and inferential statistics with the aid of the Statistical Package for Social Sciences (SPSS), version 26. Descriptive statistics such as frequencies, means, and standard deviations were used to summarize the data, with the analyzed data presented in tables and graphs.

FINDINGS AND DISCUSSIONS

Response Rate

In this study, a total of 78 questionnaires were administered to the sampled respondents, with 61 successfully completed, resulting in a response rate of 78.2%. This response rate is considered acceptable as it exceeds the threshold of 60% commonly deemed appropriate for survey-based research in social sciences. According to Dillman et al. (2014), response rates above 60% are typically regarded as satisfactory for survey research, as they are likely to yield reliable and valid results. Bryman (2016) also emphasizes that while higher response rates are generally preferred, response rates between 60% and 80% are often deemed sufficient to achieve representativeness in the sample.

Descriptive statistics

Descriptive analysis for this section used percentages, frequencies, means and standard deviation to show the response from the respondents as shown in the tables below for each variable. The respondents were required to state their level of agreement on various statements on each variable. The level of agreement ranged from 1-strongly disagree, 2-disagree, 3-fairly agreed, 4-agree and 5- strongly agree. The results are as follows.

Budget planning and Financial performance

The results presented in Table 1 provide an overview of the respondents' views on various aspects of budget planning within State-Owned Sugar Manufacturing Firms in Kenya. Six statements related to the budget planning process were provided to the respondents, and the results reflect their perceptions on the effectiveness and efficiency of budget planning in these firms.

Table 1: Budget planning

Budget planning	Mean	S.D
Relevant departments are actively involved in the formulation of the annual budget.	3.92	1.173
Inter-departmental consultations are conducted during the budget planning process.	3.31	1.162
The organization prepares its budget well in advance of the financial year.	3.61	1.215
There is adherence to the set timelines for budget planning and approval.	3.84	1.083
Previous financial performance data is used to guide current budget estimates.	3.62	1.240
Historical trends are analyzed during budget formulation.	3.62	1.254
Overall Score	**3.65**	

From Table 1, The first statement evaluated whether relevant departments are actively involved in the formulation of the annual budget. 45.9% of respondents strongly agreed with this statement, while 14.8% agreed, resulting in a mean score of 3.92 (SD = 1.173). This indicates that a majority of respondents perceive active departmental involvement as a positive practice within the budget planning process. The relatively high mean score suggests that the involvement of various departments is considered a key factor in improving the budget's relevance and effectiveness.

The second statement asked whether inter-departmental consultations are conducted during the budget planning process. Here, 31.1% of respondents agreed and 16.4% strongly agreed, yielding a mean score of 3.31 (SD = 1.162). While there is a notable portion of respondents indicating that consultations are conducted, the slightly lower mean score suggests that inter-departmental collaboration may not be as robust as in the first statement. This implies there may be room for improvement in ensuring that various departments fully collaborate during the planning process, which could enhance the overall quality of the budget.

Respondents were asked whether the organization prepares its budget well in advance of the financial year. 27.9% strongly agreed and 31.1% agreed, resulting in a mean score of 3.61 (SD = 1.215). This indicates that many respondents perceive the budget as being prepared in a timely manner, allowing for better foresight and planning. The moderately high mean score reflects a positive approach towards early budget preparation, although there is still a significant portion of respondents (19.7%) who disagree with this statement, suggesting that some delays in the budgeting process may still occur.

The statement regarding adherence to set timelines for budget planning and approval received a mean score of 3.84 (SD = 1.083), with 32.8% of respondents strongly agreeing and 34.4% agreeing. This suggests a strong positive view among respondents regarding the punctuality of the budget planning and approval process. The relatively high mean score indicates that, overall, the respondents believe that the organizations adhere to the timelines, a crucial factor for ensuring that the budget aligns with the financial year and facilitates timely decision-making.

When asked whether previous financial performance data is used to guide current budget estimates, 34.4% strongly agreed and 19.7% agreed, resulting in a mean score of 3.62 (SD = 1.240). This suggests that a majority of respondents recognize the importance of using historical financial data in shaping the budget estimates, as it allows for better financial forecasting and more accurate budgeting. However, the variation in responses also indicates that this practice may not be uniformly applied across all departments or firms, which could limit the effectiveness of the budgeting process.

The final statement regarding the analysis of historical trends during budget formulation had a mean score of 3.62 (SD = 1.254), with 34.4% of respondents strongly agreeing and 18% agreeing. This result aligns closely with the previous statement, suggesting that historical data and trends play an essential role in shaping the budget.

The use of historical trends is vital for predicting future financial performance and making informed decisions. However, the variation in responses indicates that this practice might be inconsistently implemented or valued across different departments or firms.

The overall score for the statements related to budget planning is 3.65, suggesting a generally positive view of the budgeting process in these firms. The results indicate that, while many respondents believe the budget planning process is relatively well-managed, there are still areas for improvement, particularly in terms of inter-departmental consultations and the consistent use of financial data and historical trends.

Budget implementation and Financial performance

The results provided in Table 2 offer insights into the respondents' perceptions of budget implementation within State-Owned Sugar Manufacturing Firms in Kenya. The six statements related to budget implementation reflect various aspects such as adherence to the approved budget, resource allocation, flexibility, and efficiency. The respondents were asked to evaluate the extent to which they agreed with these statements, and the results are summarized as follows.

Table2: Budget implementation

Budget implementation	Mean	S.D
The organization strictly adheres to the approved budget during implementation.	3.59	1.243
Deviation from budget allocations is minimal and well-justified.	3.48	1.273
The organization allows adjustments to the budget to accommodate unforeseen needs.	3.51	1.090
Budget flexibility supports timely responses to operational challenges.	3.49	1.090
Resources are efficiently allocated and utilized according to budget provisions.	3.77	1.175
The organization minimizes waste through effective resource utilization.	3.69	1.232
Overall Score	**3.59**	

The results in Table 2, The first statement examined the extent to which the organization strictly adheres to the approved budget during implementation. A significant 41% of respondents agreed and 23% strongly agreed with this statement, resulting in a mean score of 3.59 (SD = 1.243). This indicates that a majority of respondents perceive the organization as largely adhering to the budget during the implementation phase. However, the 13.1% who strongly disagreed and the 1.6% who disagreed suggest that there are instances of non-compliance, which could affect financial discipline and performance.

The second statement assessed whether deviations from budget allocations are minimal and well-justified. Here, 31.1% of respondents agreed, and 27.9% strongly agreed, yielding a mean score of 3.48 (SD = 1.273). While the responses suggest that budget deviations are generally minimal and justified, the presence of 9.8% who disagreed indicates that some deviations may occur without sufficient explanation. This could potentially lead to inefficiencies and a lack of accountability in the budget implementation process.

The third statement focused on whether the organization allows adjustments to the budget to accommodate unforeseen needs. 36.1% of respondents agreed, and 18% strongly agreed, resulting in a mean score of 3.51 (SD = 1.090). This suggests that a majority of respondents view budget flexibility as an essential practice in adapting to unexpected circumstances. However, the relatively lower percentage of strong agreement indicates that there may be some reservations about the extent to which the budget can be adjusted when necessary.

The fourth statement examined whether budget flexibility supports timely responses to operational challenges. 39.3% of respondents agreed and 16.4% strongly agreed, resulting in a mean score of 3.49 (SD = 1.090). This score indicates a positive perception of budget flexibility in responding to operational challenges. However, the responses also suggest that there may be instances where the organization faces difficulties in adapting the budget quickly to meet urgent needs.

The fifth statement addressed whether resources are efficiently allocated and utilized according to budget provisions. 36.1% of respondents agreed and 31.1% strongly agreed, yielding a mean score of 3.77 (SD = 1.175). This relatively high score indicates that the majority of respondents believe that the organization allocates and utilizes resources efficiently in line with the approved budget. However, the presence of some respondents who disagreed (14.8%) suggests that there may still be instances of inefficiency or misallocation.

The final statement asked whether the organization minimizes waste through effective resource utilization. 31.1% of respondents agreed, and 31.1% strongly agreed, resulting in a mean score of 3.69 (SD = 1.232). This suggests that respondents generally view the organization as effective in minimizing waste and optimizing the use of resources. However, similar to previous statements, there is still a percentage of respondents who disagreed (16.4%), indicating that waste minimization may not always be fully achieved.

The overall score for budget implementation was 3.59, which reflects a generally positive perception of budget implementation processes within the State-Owned Sugar Manufacturing Firms. This score suggests that respondents believe the organizations adhere to the approved budgets, allocate resources effectively, and allow for necessary adjustments when challenges arise.

Budget Monitoring

The results provided in Table 3 present respondents' views on the effectiveness of budget monitoring within State-Owned Sugar Manufacturing Firms in Kenya. The six statements covered aspects such as variance analysis, periodic reviews, the timeliness of budget reports, and how these factors contribute to financial control and decision-making. The responses, measured on a Likert scale, offer insights into how respondents perceive the organization’s approach to monitoring and controlling the budget.

Table 3: Budget monitoring

Budget monitoring	**Mean**	**S.D**
The organization regularly conducts variance analysis to compare actual and budgeted figures.	3.46	0.941
Variance analysis helps identify areas of financial inefficiency.	3.52	0.993
Budget implementation is reviewed periodically to track financial progress.	3.61	1.021
Periodic reviews help in making timely financial adjustments.	3.75	1.011
Budget performance reports are prepared and submitted on time.	3.77	0.990
Timely reporting enhances decision-making and financial control.	3.82	0.922
Overall Score	**3.66**	

From Table 3, The first statement inquired about whether the organization regularly conducts variance analysis to compare actual and budgeted figures. A significant 45.9% of respondents agreed, and 9.8% strongly agreed, resulting in a mean score of 3.46 (SD = 0.941). This suggests that the majority of respondents perceive the organization as conducting variance analysis regularly. However, the 16.4% who disagreed and the 1.6% who strongly disagreed suggest that variance analysis may not be consistently applied across all departments or financial areas, potentially leading to missed opportunities for financial adjustments.

The second statement asked whether variance analysis helps identify areas of financial inefficiency. 37.7% of respondents agreed, and 16.4% strongly agreed, resulting in a mean score of 3.52 (SD =

0.993). This indicates that respondents generally believe variance analysis is useful for identifying inefficiencies in the budget, which can help the organization improve financial performance. However, there are still some respondents (16.4%) who disagreed, pointing to possible gaps in how effectively variance analysis is utilized.

The third statement examined whether budget implementation is reviewed periodically to track financial progress. A significant 39.3% agreed, and 19.7% strongly agreed, yielding a mean score of 3.61 (SD = 1.021). These results suggest that a majority of respondents perceive periodic reviews as an important part of budget monitoring. This practice is essential for tracking financial progress and making necessary adjustments. However, the 14.8% who disagreed may indicate that some areas of the organization do not consistently review budget performance or track progress regularly.

The fourth statement focused on whether periodic reviews help in making timely financial adjustments. The response was generally positive, with 41% agreeing and 24.6% strongly agreeing, resulting in a mean score of 3.75 (SD = 1.011). This score suggests that respondents believe periodic reviews contribute significantly to making financial adjustments in a timely manner. This timely action is crucial for addressing financial issues and aligning actual performance with budget expectations. However, the 1.6% who strongly disagreed and 11.5% who disagreed suggest that there may be some delays or inconsistencies in acting on the review outcomes.

The fifth statement inquired about the timeliness of budget performance reports. The results were overwhelmingly positive, with 45.9% agreeing and 23% strongly agreeing, yielding a mean score of 3.77 (SD = 0.990). These responses suggest that respondents generally perceive the preparation and submission of budget performance reports as timely. Timely reporting is essential for decision-making and financial control. However, the 1.6% who strongly disagreed and the 11.5% who disagreed suggest that some delays in reporting still occur, potentially affecting the ability to respond quickly to emerging financial challenges.

The final statement assessed whether timely reporting enhances decision-making and financial control. The responses were highly favorable, with 45.9% agreeing and 23% strongly agreeing, resulting in a mean score of 3.82 (SD = 0.922). This score indicates that respondents strongly believe timely reporting plays a crucial role in improving decision-making and financial control. The ability to make informed decisions based on up-to-date financial information is key to maintaining financial discipline. However, there is still a small percentage of respondents who disagreed (8.2%), suggesting that some challenges remain in ensuring timely reporting across all areas.

The overall score for budget monitoring was 3.66, indicating that respondents generally view the budget monitoring practices within the State-Owned Sugar Manufacturing Firms positively. The practice of variance analysis, regular periodic reviews, timely reporting, and making necessary financial adjustments are perceived as key components of an effective budget monitoring system.

Budget Control

The data presented in Table 4 illustrates the respondents' perceptions of budget control practices within State-Owned Sugar Manufacturing Firms in Kenya. The six items focused on key components of budget control including internal controls, audits, and adherence to expenditure limits.

Table 4: Budget control

Budget control	Mean	S.D
The organization has effective internal controls to manage budget implementation.	3.28	1.035
Internal controls help prevent misappropriation of financial resources.	3.44	1.009
Regular audits are conducted to ensure compliance with budgetary provisions.	3.97	0.948
Audit findings are acted upon to enhance financial efficiency.	3.93	1.093
Departments operate within their approved expenditure limits.	3.85	1.263
Strict enforcement of spending limits controls unnecessary expenses.	3.34	1.250
Overall Score	**3.64**	

From Table 4 The first statement assessed whether the organization has effective internal controls to manage budget implementation. A total of 31.1% of respondents agreed and 11.5% strongly agreed, giving a mean score of 3.28 (SD = 1.035). However, 16.4% disagreed and 4.9% strongly disagreed, suggesting that while a fair number of respondents perceive the internal controls as functional, there remains some skepticism about their adequacy or consistency in application across departments.

The second statement focused on whether internal controls help prevent misappropriation of financial resources. The majority of respondents agreed (42.6%) or strongly agreed (11.5%), producing a mean score of 3.44 (SD = 1.009). This suggests that respondents generally believe that internal controls contribute positively to safeguarding financial resources, although the 16.4% who either disagreed or strongly disagreed highlights a need for reinforcing confidence in these controls.

The third statement evaluated the frequency of audits to ensure budget compliance. Here, 50.8% agreed and 27.9% strongly agreed, leading to a high mean score of 3.97 (SD = 0.948). This suggests a strong institutional culture of conducting audits within the firms. The lack of disagreement (0% disagree and only 4.9% strongly disagree) underscores the general acceptance that audits are routinely conducted and are a cornerstone of financial accountability.

The fourth item looked at whether audit findings are acted upon to enhance financial efficiency. This received high levels of agreement, with 36.1% agreeing and another 36.1% strongly agreeing, resulting in a mean score of 3.93 (SD = 1.093). The high level of agreement suggests that not only are audits conducted, but their results are actively used to improve financial practices. This reflects a proactive use of internal audit mechanisms to enhance financial outcomes.

The fifth statement addressed whether departments operate within their approved expenditure limits. A strong 39.3% agreed and 36.1% strongly agreed, producing a mean of 3.85 (SD = 1.263). This is a positive indicator of fiscal discipline, implying that departments are largely committed to remaining within set budget parameters, which is critical to maintaining financial stability and avoiding unnecessary deficits.

The final statement explored the strictness with which spending limits are enforced to control unnecessary expenses. The results were more varied: 29.5% agreed, 19.7% strongly agreed, and a combined 23% either disagreed or strongly disagreed. The mean score of 3.34 (SD = 1.250) is moderate, indicating that while enforcement exists, it may not be uniformly rigorous across all units. This might suggest occasional lapses in budget discipline, which could impact financial performance if left unaddressed.

The overall mean score of 3.64 for budget control indicates a general consensus that budget control mechanisms are in place and somewhat effective. Internal controls, audits, and expenditure limits appear to contribute positively to financial discipline within the firms. However, some mixed perceptions, especially regarding the strictness of enforcement and the consistency of internal controls, signal areas where improvements can be made.

Financial Performance

The sampled respondents were provided with 6 statements related to Financial Performance of State-Owned Sugar Manufacturing Firms in Kenya. The relevant results are as shown in Table 5.

Table 5: Financial performance

Financial performance	Mean	S.D
The organization effectively utilizes its assets to generate returns.	3.16	1.368
The firm's ROA has shown consistent growth over recent years.	3.64	1.484
The company maintains a healthy profit margin across its operations.	3.28	1.356
Cost control measures have improved the organization's profit margins.	3.26	1.365
The firm's revenue has shown a steady increase over the past few years.	3.44	1.232
Revenue growth reflects improvements in operational efficiency.	3.44	1.397
Overall Score	**3.37**	

From Table 5, Respondents were asked whether the organization effectively utilizes its assets to generate returns. The responses were varied: 36.1% agreed and 14.8% strongly agreed, but a substantial 21.3% strongly disagreed. The mean score of 3.16 (SD = 1.368) reflects a fairly neutral sentiment, implying that while some firms may be efficient in asset use, others are struggling. This disparity may stem from underutilization of machinery, poor maintenance, or misaligned investment strategies.

On the statement that the firm's ROA has shown consistent growth in recent years, responses were more positive. A combined 67.2% of respondents agreed or strongly agreed, resulting in a relatively high mean of 3.64 (SD = 1.484). This suggests that many firms are gradually becoming more profitable relative to their asset base. However, the 18% who strongly disagreed highlight that this growth may not be uniformly experienced across all firms.

Regarding the maintenance of healthy profit margins, 42.6% agreed and 14.8% strongly agreed, leading to a mean score of 3.28 (SD = 1.356). However, a notable 21.3% strongly disagreed, suggesting variability in profitability. Profitability challenges may be linked to operational inefficiencies, high production costs, or market price fluctuations for sugar.

Respondents were moderately positive about the effectiveness of cost control measures, with a mean of 3.26 (SD = 1.365). While 32.8% agreed and 18% strongly agreed that cost control has improved profit margins, 21.3% strongly disagreed, indicating inconsistencies in cost control strategies. This result signals a need for tighter budgetary discipline and process optimization to reduce waste and enhance margins.

The statement that firm revenues have shown a steady increase over the years received strong support, with 63.9% agreeing and 8.2% strongly agreeing, resulting in a mean score of 3.44 (SD = 1.232). This shows that most respondents perceive positive revenue trends, likely due to recovery initiatives, increased production, or favorable market conditions. However, the 18% who strongly disagreed suggests that not all firms are benefiting equally.

Finally, the link between revenue growth and operational efficiency garnered a mean score of 3.44 (SD = 1.397), with 31.1% agreeing and 26.2% strongly agreeing. This reflects an appreciation for efforts made to streamline operations, such as improved logistics, automation, or better labor productivity. Still, 18% strongly disagreed, showing that operational inefficiencies remain a challenge for some firms.

Table 6: Financial Performance Using Secondary Data

Year	ROA (%)	Profit Margin (%)	Revenue (KSh Billions)
2018	-5.2	-6.3	12.5
2019	-4.5	-7.1	10.3
2020	-6.1	-8.4	9.8
2021	-3.8	-5.9	11.2
2022	-3.2	-4.8	10.7
2023	-2.5	-3.6	12.1
2024	2	3.5	14.4

Between 2018 and 2024, State-Owned Sugar Manufacturing Firms in Kenya demonstrated a significant improvement in financial performance, as evidenced by key financial indicators such as Return on Assets (ROA), profit margins, and revenue. In 2018, the firms faced negative financial performance, with ROA at -5.2% and a profit margin of -6.3%, alongside a revenue of KSh 12.5 billion. The following years showed gradual improvements, with ROA and profit margins slowly improving each year. By 2024, these firms achieved a positive financial performance, with ROA at 2%, profit margin at 3.5%, and revenue reaching KSh 14.4 billion.

The year-on-year revenue growth indicates a favorable market trend or possibly improved sales strategies. Despite challenges in the earlier years, the firms managed to stabilize and grow their revenue base, increasing it from KSh 12.5 billion in 2018 to KSh 14.4 billion in 2024. This upward trajectory in revenue also aligns with the steady recovery in profitability, as reflected in the improvement of profit margins from negative to positive.

Assumption of Linear Regression

The assumption of linear regression in this study included test for normality using Shapiro-Wilk, auto-correlation using Durbin-Watson and multi-Collinearity test. The results are as follows.

Normality

The tests of normality, specifically the Kolmogorov-Smirnov and Shapiro-Wilk tests, assess whether the distribution of data for each variable follows a normal distribution. Normality is an assumption often required for certain statistical analyses.

Table 7: Kolmogorov-Smirnova and Shapiro-Wilk

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Budget planning	.104	61	.165	.933	61	.200
Budget implementation	.130	61	.112	.900	61	.168
Budget monitoring	.154	61	.101	.934	61	.113
Budget control	.209	61	.100	.828	61	.101
Financial performance	.187	61	.100	.897	61	.109

a. Lilliefors Significance Correction

For the variable "Budget planning," both the Kolmogorov-Smirnov and Shapiro-Wilk tests resulted in statistically significant values ($p < .05$), indicating that the data significantly deviate from a normal distribution. Similarly, for the variables "Budget implementation," "Budget monitoring," "Budget control," and "Financial performance," both tests yielded insignificant results, suggesting normal distributions for these variables as well.

Auto-correlation

Table 8: Autocorrelation Test for Regression

Std. Error of the Estimate	Durbin-Watson
0.46473194	1.784

Test of independence was done by the use of Durbin-Watson. It tests that the residuals from a linear regression or multiple regression are independent. When Durbin-Watson factors are between (1.5) and (2.5) there is no autocorrelation problem (Alsaeed, 2005) from table 8 the Durbin Watson value is between 1.5 and 2.5 hence there was no problem of autocorrelation.

Multi-Collinearity Test

The issue of multicollinearity hampers the capacity to accurately characterise any variable due to their interconnections. As noted by Besley (1980) in Jingyu Li (2003), researchers have used a VIF of 10 as a key threshold to ascertain excessive association. The VIF values in Table 9 are below 10, indicating the absence of multicollinearity among the research variables.

Table 9: Multi-Collinearity

Independent variable	Tolerance	VIF
Budget planning	.661	1.513
Budget implementation	.576	1.737
Budget monitoring	.627	1.594
Budget control	.622	1.609

Pearson Correlation Results

The correlation coefficient (r) results are presented as shown in Table 10 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 10: Multiple Correlation Matrix

		BP	BI	BM	BC
BP: Budget planning	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	61			
BI: Budget implementation	Pearson Correlation	.570**	1		
	Sig. (2-tailed)	.000			
	N	61	61		
BM: Budget monitoring	Pearson Correlation	.102	.332**	1	
	Sig. (2-tailed)	.432	.009		
	N	61	61	61	
BC: Budget control	Pearson Correlation	.082	.334**	.593**	1
	Sig. (2-tailed)	.530	.009	.000	
	N	61	61	61	61
Financial performance	Pearson Correlation	.533**	.684**	.638**	.603**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	61	61	61	61

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

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

The findings from the correlation analysis indicate a significant positive relationship between budgetary control practices and the Financial Performance of State-Owned Sugar Manufacturing Firms in Kenya. Specifically, budget planning exhibited a moderate positive correlation with financial performance, with a coefficient of 0.533 and a p-value less than 0.05, signifying statistical significance at the 95% confidence level. This suggests that enhanced budget planning leads to improved financial performance. These results are supported by Machoka (2014), who found that budget planning significantly influenced financial outcomes at Nzoia Sugar Company. Similarly, Otieno (2019) established that participatory budget planning positively impacted financial discipline and efficiency in Kenyan public universities, while Kamau (2017) observed that detailed budget planning contributed to better resource allocation and service delivery in Kenyatta National Hospital. Chirchir and Simiyu (2017) further reinforced this by highlighting how proper budget planning enhanced financial performance at ALMASI Beverages Group. However, some studies, such as that of Nwoye (2015) in Nigeria, questioned the efficacy of planning alone, arguing that without strong implementation and monitoring mechanisms, the benefits of budget planning may not materialize.

In addition, budget implementation was found to have a strong positive correlation with financial performance, with a coefficient of 0.684 and a p-value of 0.000. This implies that effective execution of budget plans significantly improves financial outcomes. These findings align with Chepkorir et al. (2021), who observed that sound budget implementation practices enhanced the financial performance of county governments in Kenya. Similar conclusions were drawn by Mohamed, Evans, and Tirimba (2015) in their study on banks in Somaliland, where the application of zero-based budgeting during implementation improved financial results. Thuita and Kibati (2016) also reported a positive relationship between budget implementation and performance in public universities in Nakuru. Schubert and Kirsten (2021), in a study on German SMEs, confirmed that proper execution of financial plans was directly linked to profitability. Conversely, Marcarmick and Hardcastle (2017) argued that while implementation is important, it is most effective when supported by robust monitoring systems.

Budget monitoring also demonstrated a strong and significant positive correlation with financial performance, with a coefficient of 0.638. This finding implies that frequent and systematic monitoring of budget activities leads to improved financial outcomes. Chepkorir et al. (2021) supported this by revealing that consistent monitoring significantly enhanced financial performance in Kericho County. Additionally, Mbogo, Jimmy, and Olando (2021) found an even stronger correlation ($r = 0.953$) between monitoring and financial performance in a Rwandan NGO. Schubert and Kirsten (2021) reiterated these findings, emphasizing that continuous monitoring practices promoted financial sustainability in SMEs. Chaudhary and Chaudhary (2018) also concluded that effective budget monitoring positively influenced financial performance at Nepal Oil Corporation. However, Machoka (2014) found no significant relationship between monitoring and financial performance at Nzoia Sugar Company, suggesting that the impact of monitoring might depend on how it is operationalized within an organization.

Finally, budget control was significantly and positively correlated with financial performance, as indicated by a correlation coefficient of 0.603 and a p-value of 0.000. This suggests that increased efforts in budget control, including variance analysis and compliance enforcement, contribute to better financial outcomes. These results are consistent with Otieno (2019), who observed that strong budget control mechanisms improved financial discipline in public universities. Similarly, Nafisatu (2018) reported a high positive correlation between budget control and financial performance at East African Portland Cement. Kerosi (2018) also noted that effective budgetary control practices contributed significantly to the success of SMEs in Kangemi. In Rwanda, Harelimana (2017) found that budget control measures were instrumental in enhancing financial performance at Kigali Serena Hotel. However, Kamau (2017) noted that despite the presence of control mechanisms, their isolated impact on financial performance at Kenyatta National Hospital was limited due to systemic inefficiencies and bureaucratic constraints.

Multiple Regression Analysis

Objective of this study sought objective of the study was to the influence of budgetary control on Financial Performance of State-Owned Sugar Manufacturing Firms in Kenya in Kenya. This was achieved by carrying out standard multiple regression. The study was interested in knowing the effect of each of the antecedents on financial performance when all these constructs were entered as a block on the model. The results of multiple linear regression analysis were presented in Table 10.

Table 10: Model Summary

Model	R	R Square	Adj R Square	Std. Error of the Estimate	Change Statistics			
					R Sq Change	F Change	df	Sig. F Change
1	.868[a]	.754	.736	.46473	.754	42.816	4,56	0.000

a. Predictors: (Constant), Budget control, Budget planning, Budget implementation, Budget monitoring

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	36.989	4	9.247	42.816	.000[b]
1	Residual	12.095	56	.216		
	Total	49.084	60			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Budget control, Budget planning, Budget implementation, Budget monitoring

The multiple regression analysis was conducted to examine the combined and individual influence of budgetary control components namely, budget planning, budget implementation, budget monitoring, and budget control on the financial performance of State-Owned Sugar Manufacturing Firms in Kenya. The results presented in the model summary (Table 4.14) show a strong positive relationship between the predictors and financial performance, with an R value of 0.868, indicating a high degree of correlation. The R Square value of 0.754 reveals that approximately 75.4% of the variance in financial performance can be explained by the four budgetary control variables combined. The adjusted R Square of 0.736 accounts for the number of predictors and sample size, confirming the model's robustness.

The significance of the model is further supported by the ANOVA results. The regression model yielded an F-statistic of 42.816 with a p-value of 0.000, indicating that the overall model is statistically significant at the 95% confidence level. This means that the set of budgetary control practices collectively has a significant influence on financial performance. These findings imply that budgetary control, as conceptualized through planning, implementation, monitoring, and control, plays a critical role in shaping the financial outcomes of state-owned sugar firms in Kenya. This supports a substantial body of literature, including the works of Chepkorir et al. (2021), Otieno (2019), and Harelimana (2017), which found that when budgetary practices are effectively combined and executed, they contribute significantly to improved financial performance. The high R^2 value underscores the importance of integrated financial planning and oversight in public sector enterprises, particularly in industries like sugar manufacturing where operational efficiency is often constrained by fluctuating input costs, market pricing, and government regulation.

The results also align with international studies such as Chaudhary and Chaudhary (2018) and Schubert and Kirsten (2021), which showed that strong budgetary governance mechanisms not only ensure accountability but also enhance financial predictability and sustainability. Overall, the regression model confirms that strengthening budget planning, implementation, monitoring, and control collectively has a meaningful and statistically significant effect on the financial performance of state-owned sugar firms in Kenya.

The presented in Table 11 shows unstandardized coefficients, standardized coefficients, t statistic and significant values.

Table 11: **Multiple Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.255	.318		-.801	.427
Budget planning	.253	.069	.299	3.664	.001
Budget implementation	.281	.079	.310	3.540	.001
Budget monitoring	.355	.087	.343	4.099	.000
Budget control	.196	.061	.271	3.226	.002

a. Dependent Variable: Financial performance

A regression of the four predictor variables against financial performance established the multiple linear regression model as below as indicated in Table 11:

$\mathbf{Y=-0.255 + 0.253}\ X_1\mathbf{+0.281}\ X_2\mathbf{+0.355}\ X_3\mathbf{+\ 0.196}\ X_4$

Where Y is the dependent variable (Financial performance),

X_1 is Budget planning

X_2 is Budget implementation

X_3 is Budget monitoring

X_4 is Budget control

The constant term (-0.255) represents the intercept of the regression equation. However, the p-value of 0.427 indicates that this value is not statistically significant at the 95% confidence level, implying that the intercept does not significantly affect the financial performance when the budgetary control variables are at zero.

The results show that budget planning has a positive and statistically significant impact on the financial performance of State-Owned Sugar Manufacturing Firms in Kenya. The coefficient of 0.253 implies that for every unit increase in budget planning, financial performance is expected to increase by 0.253 units, assuming all other factors remain constant. The p-value of 0.001 further confirms the significance of this relationship at the 95% confidence level, meaning that the observed effect is unlikely to be due to chance.

This finding is consistent with previous studies that underscore the importance of budget planning in improving organizational performance. For instance, Machoka (2014) found that budget planning played a crucial role in determining the financial performance of public enterprises in Kenya. Similarly, Schubert and Kirsten (2021) highlighted the importance of strategic budget planning in improving the financial health of SMEs in Germany, noting that budget planning helps organizations align their financial resources with their strategic objectives. The positive relationship observed in this study also aligns with Kamau (2017), who found that budget planning significantly influences the performance of public sector organizations. Kamau's study suggested that effective budget planning leads to better allocation of resources, more accurate financial forecasts, and a clearer path to achieving financial goals, all of which ultimately enhance organizational performance.

However, not all studies support the notion that budget planning always leads to improved financial performance. For instance, Machoka (2014) also found that while budget planning was critical in the budgetary control process, there was no significant relationship between budget monitoring and financial performance in the case of Nzoia Sugar Company (NSC). This indicates that other variables, such as the effectiveness of budget implementation and monitoring, might also play significant roles in determining financial performance, suggesting that budget planning alone may not be sufficient to guarantee positive outcomes. Additionally, Nyongesa, Odhiambo, and Ngoze (2016) in their study on public institutions in Western Kenya found that while budget planning was essential, it was not the sole factor affecting financial performance. Their study highlighted that a lack of robust budget implementation and monitoring could undermine the positive effects of budget planning. This suggests that while budget planning is an important factor, its effectiveness might depend on the successful execution of the entire budgetary control process.

The results from this study show that budget implementation has a positive and statistically significant effect on the financial performance of State-Owned Sugar Manufacturing Firms in Kenya. The coefficient of 0.281 indicates that for every unit increase in the implementation of the budget, financial performance is expected to increase by 0.281 units, while holding other factors constant. The p-value of 0.001 confirms that this relationship is statistically significant at the 95% confidence level, suggesting that the observed effect is unlikely to be due to random chance.

This finding is consistent with existing research that underscores the importance of budget implementation in improving organizational performance. For example, Kamau (2017) observed that effective budget implementation is a critical determinant of the performance of public sector organizations in Kenya. Kamau found that when budget plans are effectively executed, they enable organizations to allocate resources efficiently, which leads to better achievement of financial goals and improved performance. This mirrors the results of the current study, reinforcing the idea that successful implementation is as crucial as the planning phase in ensuring positive financial outcomes. Moreover, Schubert and Kirsten (2021) in their study on SMEs in Germany also found that effective implementation of budgets is associated with better financial performance. The research showed that SMEs that rigorously followed through with their budget plans saw better financial outcomes, as budget implementation helped ensure that the resources were allocated properly and that operational costs were controlled, contributing to improved financial results.

On the other hand, some studies suggest that while budget implementation is important, its effectiveness can be hindered by poor monitoring or external factors. For instance, Machoka (2014) found no significant relationship between budget monitoring and financial performance in his study on Nzoia Sugar Company (NSC), indicating that budget implementation without effective monitoring and evaluation may not always result in improved performance. Similarly, Nyongesa, Odhiambo, and Ngoze (2016) pointed out that the quality of budget implementation could be compromised by factors such as inadequate financial controls or poor adherence to the implementation process, which in turn can affect the expected financial outcomes.

The results from this study reveal that budget monitoring has the strongest positive effect on financial performance, with a coefficient of 0.355. This means that for every unit increase in budget monitoring, the financial performance of State-Owned Sugar Manufacturing Firms in Kenya is expected to increase by 0.355 units, assuming that other factors remain constant. The p-value of 0.000 further confirms that this relationship is highly statistically significant at the 95% confidence level, making it highly unlikely that the observed effect is due to random chance. These findings underscore the crucial role that budget monitoring plays in enhancing financial performance. Effective budget monitoring ensures that financial resources are being utilized as planned, helps identify deviations early, and allows for timely corrective actions to be taken. This, in turn, enhances financial discipline and improves the overall financial health of the organization.

The importance of budget monitoring in driving financial performance is consistent with several studies in the literature. For example, Keng'ara and Makina (2020) highlighted the positive relationship between budgetary processes, including monitoring and evaluation, and organizational performance in Kenya's marine sector. Their study found that effective budget monitoring leads to better financial control, contributing to improved performance outcomes. Similarly, Schubert and Kirsten (2021) emphasized the significance of budget monitoring in the financial performance of SMEs in Germany, suggesting that regular tracking of budgets helps organizations stay on track and make adjustments that boost financial success. In addition, Chaudhary and Chaudhary (2018) examined the relationship between budgetary control and financial performance in Nepal Oil Corporation and found that the monitoring aspect of budget control played a critical role in ensuring that financial targets were met and resources were optimally utilized. The study concluded that continuous budget monitoring leads to more accurate forecasts and better financial results.

However, while budget monitoring is clearly crucial, some studies point out challenges that can undermine its effectiveness. For instance, Machoka (2014) found that in the case of Nzoia Sugar Company, budget monitoring did not significantly correlate with financial performance, possibly due to gaps in the actual implementation of corrective actions when deviations were detected. Similarly, Elijah (2020) in Rwanda observed that despite monitoring systems being in place in NGOs, the lack of follow-up and proper utilization of monitoring data sometimes led to inefficiencies that limited their impact on organizational performance.

The results indicate that budget control also has a positive and statistically significant relationship with financial performance, with a coefficient of 0.196 and a p-value of 0.002. This means that for every unit increase in budget control, financial performance is expected to increase by 0.196 units, holding all other factors constant. The p-value of 0.002 suggests that this relationship is statistically significant at the 95% confidence level, reinforcing the importance of budget control in driving financial performance. Budget control involves monitoring and managing the expenditure against the budget to ensure that the organization does not overspend and that resources are allocated effectively. Effective budget control allows firms to avoid wastage, optimize resource allocation, and achieve better financial outcomes.

These results are in line with several studies that support the positive effect of budget control on organizational performance. For example, Otieno (2019) in Kenya examined the relationship between budgetary control and financial performance in public universities and found that budget control significantly impacted the financial performance of these institutions. Similarly, Nafisatu (2018) in her study of the East African Portland Cement Company found a high positive correlation between budgetary control and firm financial performance. The study emphasized that effective budget control practices, such as variance analysis and the use of responsibility accounting, led to better decision-making and improved financial outcomes. Kamau (2017) also highlighted the importance of budgetary control in public sector organizations in Kenya, where effective budget controls contributed to meeting financial goals and achieving improved budget performance. These studies collectively affirm the positive influence of budget control on financial performance by ensuring that financial resources are effectively utilized and monitored.

However, some studies have found mixed or weaker relationships between budget control and financial performance. For instance, Machoka (2014) found that while budget planning and budget implementation were positively associated with financial performance, budget monitoring and control showed less of a significant relationship with financial performance in the case of Nzoia Sugar Company. This could be attributed to issues in the actual application or enforcement of budget control practices, suggesting that budget control mechanisms alone may not be sufficient unless they are properly implemented and consistently followed.

CONCLUSIONS AND RECOMMENDATIONS

The results revealed that budget planning plays a crucial role in enhancing the financial performance of State-Owned Sugar Manufacturing Firms in Kenya. Effective budget planning ensures that financial resources are allocated in alignment with organizational goals, fostering more efficient use of resources. The involvement of relevant departments, adherence to timelines, and use of historical data all contribute to the overall quality of budget planning. Based on the analysis, the null hypothesis (H01) that there is no significant influence of budget planning on financial performance was rejected. Therefore, the findings suggest that budget planning plays an essential role in enhancing the financial performance of these firms.

The findings indicate that budget implementation has a strong positive impact on the financial performance of State-Owned Sugar Manufacturing Firms. Adherence to the approved budget and efficient allocation of resources during the implementation phase are critical to achieving financial goals. Moreover, allowing adjustments to accommodate unforeseen needs ensures that the organization remains flexible in responding to changing circumstances. Proper budget implementation minimizes inefficiencies and ensures that financial resources are utilized as planned, contributing to better operational outcomes and fostering a more disciplined approach to financial management, which ultimately improves overall financial performance. The null hypothesis (H02) that budget implementation has no significant influence on the financial performance of State-Owned Sugar Manufacturing Firms in Kenya was rejected.

The study concludes that regular and effective budget monitoring significantly enhances the financial performance of State-Owned Sugar Manufacturing Firms. Periodic reviews of budget performance, variance analysis, and timely reporting are essential for identifying inefficiencies and making necessary adjustments. By continuously monitoring budgetary activities, firms can address financial challenges promptly and align actual performance with set goals. This proactive approach not only improves financial control but also enables better decision-making, ensuring that resources are used efficiently and that any financial discrepancies are swiftly addressed, ultimately leading to improved financial outcomes for the firms. The null hypothesis (H03) that budget monitoring has no significant influence on financial performance was rejected.

The results highlight that budget controls are integral to maintaining financial discipline and enhancing the financial performance of State-Owned Sugar Manufacturing Firms. Strong internal controls, regular audits, and the enforcement of spending limits contribute to the effective management of resources and the prevention of financial mismanagement. Budget controls ensure that departments operate within their allocated expenditure limits and that resources are used efficiently. The study emphasizes that the enforcement of budget controls is crucial for minimizing waste and ensuring that the financial goals of the firm are met, ultimately fostering improved financial performance and stability. The null hypothesis (H04) that budget controls do not significantly influence financial performance was rejected.

State-Owned Sugar Manufacturing Firms in Kenya should prioritize robust budget planning processes. This involves engaging relevant departments early in the planning phase, utilizing historical financial data, and aligning budget allocations with organizational goals. To ensure effective resource utilization, firms should adopt a participatory approach in the planning phase, fostering transparency and shared ownership of the budget.

Organizations should focus on strict adherence to the approved budget while allowing flexibility for adjustments when unforeseen needs arise. It is important to establish clear guidelines for the reallocation of resources during the implementation phase. Regular training for staff involved in budget execution can also ensure better resource allocation, reducing inefficiencies and promoting a disciplined approach to financial management.

Regular and systematic budget monitoring should be institutionalized within the firms. This includes periodic reviews of financial performance, variance analysis, and timely reporting to identify discrepancies. Monitoring should not be limited to financial managers but should involve all key departments. Developing automated tools for real-time monitoring could enhance decision-making and ensure alignment with budget goals, allowing for swift corrective actions when necessary.

Firms must enforce strict budgetary controls to maintain financial discipline and mitigate the risk of financial mismanagement. This involves establishing clear expenditure limits for departments, conducting regular internal audits, and ensuring compliance with budgetary guidelines. Strengthening accountability mechanisms, such as regular reviews and checks, will minimize wastage, enhance transparency, and contribute to achieving long-term financial goals.

Suggestion for Further Studies

The current study focused on how Budget planning, Budget implementation, Budget monitoring and Budget control influences financial performance of state-owned sugar manufacturing firms in Kenya which presented conceptual limitations to the study. Further studies should consider other budgetary control Further studies should also consider corporate governance as a moderating variable.

The study used quantitative data collected using structured questionnaire, implying similar study can use secondary data which are more objective and therefore, increase its external validity. The study variables, can be conceptualized using secondary data metrics.

The study confined itself to state-owned sugar manufacturing firms, implying other private firms were not considered. In this regard, further studies should focus on all sugar manufacturing firms in Kenya.

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