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ABSTRACT

Savings and credit cooperative societies have in the past experienced harsh economic conditions due to poor management caused by incompetent employees who misappropriated approved loans leading to members receiving less. In most organizations, budgetary process is important in financial performance of firm. However, it is not clear as to how performance of Savings and Credit Cooperative Organizations (SACCOs) is affected by budgetary control. The main purpose of this study was to determine effect of budgetary control on financial performance of savings and credit cooperative organization in Nairobi County. The specific objectives of the study were; to determine the effect of human capital budgetary control on financial performance of savings and credit cooperative organizations and to establish effect of cash flow budgetary control on financial performance of savings and credit cooperative organizations. Theory of budgeting and budgetary control model informed the study. This study employed explanatory research design. The target group of the study was 40 Savings and Credit Cooperative Organizations (SACCOs) in Nairobi County registered under Sacco Societies Regulatory Authority (SASRA). The study used questionnaire to collect data. Findings showed that human capital budgetary control and Cash flow budgetary control had significant effect on financial performance of savings and credit cooperative organization. The research recommended the need for communication of details of human capital budget policy and guidelines to the individuals tasked with the preparation of the budget. It also recommended the need for SACCOs to have a database of the daily cash flow to enable tracking against departments' profiles and major divergences. There is need for the SACCOs to have network of contacts, voice and electronic with the main spending and revenue departments tasked with developing forecasts of current and prospective cash flows. In addition, further research need to be done on other geographical dimensions as well as similar research using different methodology.

Key Words: *Human Capital, Cash Flow, Budgetary Control, SACCOs*

INTRODUCTION

Globally, SACCOs are increasingly becoming a major source of the productive resources that are invested by members to create employment opportunities and increase income to the household. This is possible due to the growing ability of the cooperatives to mobilize substantial savings from their members which they can later be borrowed by other member's investors (Kobia, 2011). Danovi (2010) reported that SACCO movement in United State is quickly spreading from its traditional urban and wage employment sectors to the rural and informal sectors, thereby widening the scope of financial service provision (Danovi, 2010). Therefore, high performance of SACCOs promotes development of vibrant economic businesses all over the country by creating entrepreneurial morale to small businesses. The rapid growth of microfinance has brought increasing calls for regulation, but complying with prudential regulations and the associated supervision can be especially costly for microfinance institutions. In Germany, Chortareas, Girardone and Ventouri (2012) found that regulation reforms were positively associated to the performance and the stability of financial institutions. Alternatively, powerful supervisors may exert a negative influence on financial institutions performance.

Budgetary control is the establishment of departmental budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, to ensure that individual actions of the objectives of that policy provide a firm's basis for its revision (Enya, 2012). Budgetary control is one of the approaches to the control of firm's financial activities. Enya (2012) argued that to ensure that the firm's actual performance coincides with expected performance, it is necessary to initiate a system of controls. This method is used to ascertain deviation from the norms which are the result of the economy and make the necessary correction in order to forestall recurrence.

Budgetary control is a complex function which is related to production planning and control, cost control and sales planning and control. If optimum balance is not achieved in planning and controlling this triangle of operations, financial planning and control will be adversely affected. It is worthy to note that budgeting aims at providing a benchmark for controlling performance of managers and their subordinates. Control is sought to be achieved by comparing actual performance with budgeted performance and taking action to correct the budget variance. The principle of management by exception should be applied while enforcing control through budgets. No action or intervention is required so long as the actual performance approximately conforms to the budget (plan). Management attention should be focused only on exceptional or significant deviations. To determine significant deviations, control limits that represent the range of normal deviations from budget (plan) should be developed.

Budgetary control looks at the future and lays down what has to be achieved. Controls check whether the plans are being realized and put into effect corrective measures and determines where deviation or short-fall is occurring (Egan, 2010). Egan emphasized that without effective controls, an enterprise will be at the mercy of internal and external forces that can disrupt its efficiency. When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or provide a basis for policy revision.

Wijewardena and DeZoysa (2011) showed a positive and significant relationship between budgetary control and sales growth. However, no significant difference was found between budgetary control and return on investment. To explain the insignificant relationship between budgetary control and ROI, they state that, although firms with a greater extent of budget control report higher rates of growth in sales, these revenues are not bringing about higher profits because of internal inefficiencies. Following Wijewardena and DeZoysa's research, Fonseka and Perera (2014) also studied the relationship between the budgeting process and performance in Sri Lankas's SMEs. The findings are consistent with the previous findings, which show that those firms engaged in more control processes have achieved higher growth rate in sales, but no significant relationship are found between budgetary control and ROI.

Yang (2010) observed that more formalized budgetary control tends to lead to a higher growth of profit of a firm. The underlying reason can be that due to management control; the total expense of a firm will be at most minimized, which thus results into the growth of profit of the firm. It is also interesting to find that the formal budgeting planning and the formal budgetary control show different patterns in terms of their effect on financial performance. Akintoye (2014) in his work on budgetary control and its effect on firms' performance tested the association using turnover as one of the variables with the assumption of turnover as the budgetary control indicator on dividend per share.

The global statistics indicate that in the year 2011, 100 countries had credit co-operatives that numbered 51,013 with a membership of 196,498,738 (WOCCU, 2012). In the year 2009, globally there were 49,330 credit co-operatives with a membership of 183,916,050 which indicated growth globally. The WOCCU statistical report also indicated that Kenya is leading in membership, number of credit co-operatives and savings mobilization in the African continent. The statistics further show that Kenya ranks number seven (7) globally in savings mobilization

In Kenya, the growth in the co-operative movement has been witnessed in the areas of number of new co-operatives registration, savings, turnover, surplus; share capital and membership, and computerization as will be highlighted in this research. According to the Co-operative Digest (MOCD & M, 2008), co-operatives in Kenya remain friendlier in offering credit and products to the small scale firms and traders and if they coalesced into bigger unions, they would become profitable financial institutions that would be able to face stiff competition in the sector. For this to be realized, co-operative leaders must accept to give up positions held in their respective small co-operatives in order to accommodate mergers for the interest of their members. The journal further adds that the ministry of co-operative development and marketing has put up measures in place to develop co-operatives which will provide young people – across all sectors of the economy – with opportunities to grow and be self-reliant. On the growth of the co-operative movement, the co-operative Digest adds that the Sacco sector is growing very rapidly – 20% per annum – and has the potential for further growth to be able to serve the un-banked segment of the population. It says growth will further be accelerated with enactment of the Sacco Legislation. The legislation aims at ensuring that members‟ savings are safe and sound, and in effect result in requisite confidence vital for any financial intermediary.

Statement of the Problem

Savings and credit cooperative societies have in the past experienced harsh economic conditions due to poor management caused by incompetent employees who misappropriated approved loans leading to members receiving less (Okwee, 2011). These financial institutions struggle to pay their debts to reduce the cost of holding the debts but on the other hand there is laxity in collection of money lent out to their customers and this increases number of days that business cash stays in the hands of these customers which negatively affects profitability. Since the introduction of SASRA in 2008, a number of SACCOs have had their licenses canceled due to inadequate compliance to minimum liquidity requirements. In 2014 poor financial performance recorded by most SACCOs in Kenya led to cancellation of 44% of SACCOs operating licenses (Osoro & Muturi, 2015).

Research Objectives

The main purpose of the study was to determine the effect of budgetary control on financial performance of savings and credit cooperative organizations in Nairobi County. The specific objectives were:-

- To determine the effect of human capital budgetary control on financial performance of savings and credit cooperative organizations
- To establish effect of cash flow budgetary control on financial performance of savings and credit cooperative organizations

LITERATURE REVIEW

Theoretical Framework

The Theory of Budgeting

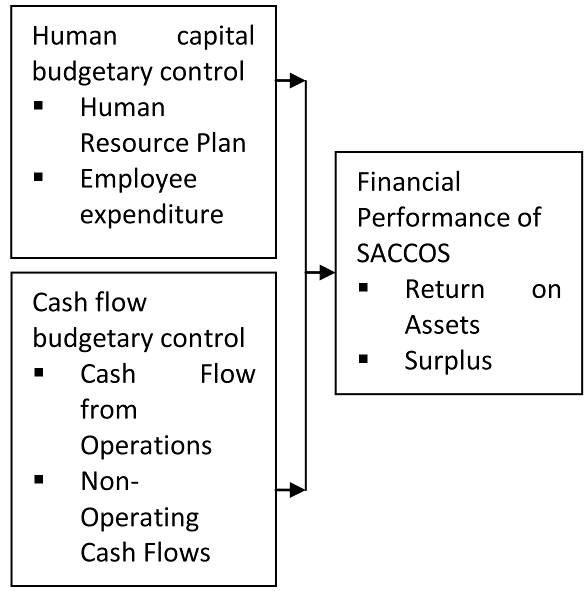
The proponent of the theory was Hirst (1987). Hirst (1987) explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control. Shields and Young (1993) define the theory of budgeting as a detector of variances between organizational objectives and performance. Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control. Theory in budgeting, like much of public administration, has been of two kinds, descriptive and normative. Descriptive theory is based on close observation or participation in public sector activities. Theorists describe trends, sequences of events, and infer causes, paying attention to local variations as well as uniformities across cases. Normative theory advice may be based on a much narrower range of observations than descriptive theory and its proposed solutions may be based on values rather than observations. If the explanatory power of the descriptive theory is too weak, or if the advice of normative theory is not adopted by public officials or is adopted and abandoned because it does not work, the gap between theory and practice may become unacceptably wide.

Accounting Theory

The theory of accounting was founded by Kaplan and Norton (1996) .Kaplan and Norton (1996) assert that the accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development. Otley and Pollanen (2000) exemplifies that the purpose in developing a theory of accounting is to establish Standard for judging the acceptability of accounting methods. Procedures that meet the Standard should be employed in practice of accounting. Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances. Accounting theory has developed models in which Standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. The cost accounting theory developed by Wedgwood in the early 20th century which stresses on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. According to Hopwood (1976), the matching concept in accounting also plays a role as reference issue in budget analysis.

According to Hutchinson and Gul (2014) and Mashayekhi and Bazazb (2012), accounting-based performance measures present the management actions outcome and are hence preferred over market-based measures when the relationship between corporate governance and firm performance is investigated. As a result, a company showing a positive performance through ROA, it indicates its achievement of prior planned high performance (Nuryanah & Islam, 2011). Contrastingly, a negative person indicates failure of the planned high performance which requires revision of plans to enhance short-term performance. The negative performance results in investors' (local and foreign) loss. The company therefore has to update its objectives from time to time if it is desirous of competing in the market place. The rest of the section provides extensive summaries of all accounting-based measurements tested by researcher.

Conceptual Framework



Independent variable **Dependent variable**

Figure 1: Conceptual Framework

Human Capital Budgetary Control

Several articles have been debated the importance of human capital budget control in the organizational financial performance but still research are not conclusive that HR assets are important in creating value of organizations. Training is one of the main functions that directly contribute to the development of employees. Research also suggests that the organizations investing considerably in training justify their investment by the contribution training makes to improve individual and firm performance (Khan, 2010; Batool & Batool, 2012). Training and development cost being employed by organizations helps them to enhance employee skills and firm performance (Solkhe & Chaudhary, 2011).

Cash Flow Budgetary Control

Cash control is concerned with the management of cash flow that is to say inflow and out flow of cash, this seeks to achieve control of cash by paying obligations like meeting organizational needs (Kakuru, 2011). The indicators of Cash control include cash planning which is a technique use to plan and control the use of cash, safety that is to say there should be one to authorize use of cash, cash control, cash allocation and cash budget.

According to Ross (2010) major business expenses are incurred in the production of goods or the provision of services. In most cases, a business incurs such expenses before the corresponding payment is received from customers. In addition, employee salaries and other expenses drain considerable funds from most business. These make effective Cash control an essential part of the business financial planning. According to Bort (2014) cash is the lifeblood of the business.

SACCO Performance

The concept of performance forms the core of strategic management and empirically, most strategy studies make use of the construct of business performance in their attempt to examine various strategy content and process issues (Al-Matari, 2014). Richard et al., (2009) defined organizational performance as comprising the actual output or results of an organization as measured against its intended outputs (or goals and objectives). He mentioned that it is the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Don Hee (2011) on the other hand defined organization performance as the analysis of a company's success compared to its profitability. He added that within corporate organizations, there are three primary dimensions analyzed: financial performance, market performance and shareholder value performance.

The countless number of ways has been brought forward to measure financial performance and among them are: measurement of performance as the level of Return on Assets (ROA), Return on Equity (ROE) (Heenetigala & Armstrong, 2011),

Empirical Review

A number of empirical studies have been conducted on the issue of human resource accounting in corporate organizations. A number of these studies have highlighted the need to capitalize human capital asset in the balance sheet of companies as against being written off as expenses in the profit and loss accounts (Enofe, Sunday & Ovie, 2013). Hermannson (1964), in his pioneer work concerning the valuation of human assets attempts to place money value on human capital in the balance sheet

Syed (2013) employed a meta-analytic approach using data from 26 previously published examined the relationship between corporate characteristics and human resource accounting disclosure and concluded that companies with higher profitability intended to disclose more human resource accounting information. There have been also been some empirical researches on the issues of human resource accounting in Nigeria. Okpala and Chidi (2010) in their work, examined the relevance of human capital accounting to stock investment decisions in Nigeria and opine that corporate success now rests on the ability and knowledge of people who can easily adapt to technological changes and drive organization to attain its goals and objectives. They explain that the function of human capital accounting is to provide information which affords investors opportunity to truly evaluate and understand the complete picture of an organization.

Kirfi and Abdullahi (2012), view the practice of human resources accounting in Nigerian companies as more of a mirage than reality as human resource is not reported in financial statements. Kirfi and Abdullahi (2012), argue that the existing accounting practice lack regard to human resource as an asset and have significantly discouraged the use of any or a combination of measurement technique(s) in quantifying human resource let alone reporting it in Nigeria. Bassey and Tarpang (2012), examined the influence of expensed human resources cost (HRC) on corporate productivity and found that expensed human resources (remuneration, protection and dismissal / compensation) costs are important determinants of expensed human resources cost and does significantly influence corporate productivity.

Cash flow control involves managing the monies of the firm in order to maximize cash availability. It includes policies and procedures adopted by the management of an entity to assist in achieving the management policies, laws and regulations of cash, the prevention and detection of fraud and error, promoting orderly, efficient operations (Van Horme, 2010). According to Pandey (2010) cash is the money that a firm can disburse without any restriction. The term cash includes coins, currency and cheques held by the firm and balances on its bank accounts. Sometimes near cash items such as marketable securities or bank time deposits are also included in cash. Pandey (2010) noted that Cash control is concerned with management of cash flows into and out of the firm, cash flow within the firm and cash balances lent by the firm at a time of financing deficit.

In a study done on Kenyan Parastatals, Anderson (2010) argues that a properly managed accounts receivable portfolio can expedite cash flow and support corporate cash requirements. Companies have traditionally viewed accounts receivable as a basic function. They are beginning to realize, however, that improving the process can lead to significant financial gain for the company. Fewer outstanding account balances mean fewer bad-debt write-offs and enhanced profitability. In communication companies, the observed emphasis on turnover by concentrating on recruitment of customers has resulted on less emphasis on credit and debt management. Ironically, this has put the profit of these organizations at risk. Brown (2013) notes that with revenue leakage occurring throughout the industry and cost spiraling as demand for even more sophisticated services increases, some companies may be facing a crisis if they fail to address the credit management problem.

According to McLaney (2016), negotiating a reduction in cash outflows may be done in order to postpone or reduce payments. This was done by taking longer credit from suppliers. However, if the credit period allowed is already generous, creditors might be very reluctant to extent credit even further and any such extension of credit would have to be negotiated carefully. There would be a serious risk of having further supplies refused. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, (Bort, 2014). Given the context of a company, cash disbursements are controlled through a policy of delaying payments to suppliers. However, failure to meet financial obligations by the company on time, owing to cash shortages mean loss of further supplies from injured suppliers. This is extremely damaging since some products would be vital to continuing business operations.

As Nyabwanga (2011) asserts, cash management is the process of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Pandey, 2014). Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Ross *et al*., 2010) and as stressed by Atrill (2016), there is need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold. As Nyabwanga (2011) asserts, setting up of cash balance policy ensures prudent cash budgeting and investment of surplus cash (Kwame, 2011). These findings agree with the findings by (Kotut, 2013) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms. The assertion by (Ross *et al*., 2010) that reducing the time cash is tied up in the operating cycle improves a business's profitability and market value furthers the significance of efficient cash management practices in improving business performance.

Budgetary control is a complex function which is related to production planning and control, cost control and sales planning and control. If optimum balance is not achieved in planning and controlling this triangle of operations, financial planning and control will be adversely affected. It is worthy to note that budgeting aims at providing a benchmark for controlling performance of managers and their subordinates. Control is sought to be achieved by comparing actual performance with budgeted performance and taking action to correct the budget variance. The principle of management by exception should be applied while enforcing control through budgets. No action or intervention is required so long as the actual performance approximately conforms to the budget (plan). Management attention should be focused only on exceptional or significant deviations. To determine significant deviations, control limits that represent the range of normal deviations from budget (plan) should be developed.

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Chodechai (2004) further stressed that "banks' lending decisions are also influenced by the past relationship with the borrowers". Past relationship according to him can help banks to obtain more private information, leading to a more accurate understanding of the borrower's business and financial situation. Carletti *et al*. (2006) however, discussing on multiple-lending is of the opinion that banks choose to share lending whenever the benefit of greater diversification, in terms of higher cost per project monitoring dominates the cost of free-riding and duplication of efforts. If banks set interest rates too high, they may induce adverse selection problems because high-risk borrowers are willing to accept these high rates. Once these borrowers receive the loans, they may develop moral hazard behavior or so called borrower moral hazard since they are likely to take on highly risky projects or investments (Chodechai, 2004).

From the reasoning of Stieglitz and Weiss, it is usual that in some cases we may not find that the interest rate set by banks is commensurate with the risk of the borrowers .These theories predict that the number of borrowing relationships will be decreasing for small, high-quality, informational opaque and constraint firms, all other things been equal. (Godlewski & Ziane, 2014) It is found in literature that banks should be less inclined to share lending (loan syndication) in the presence of well-developed equity markets and after a process consolidation. Both outside equity and mergers and acquisitions increase banks' lending capacities, thus reducing their need of greater diversification and monitoring through share lending (Degryse *et al.,* 2014). This theory has a great implication for banks in Nigeria in the light of the recent 2005 consolidation exercise in the industry. As for the soft-budget-constraint problem, multiple-bank lending enables banks not to extend further inefficient credit, thus reducing firms' strategic defaults. Both of these theories consider multiple-bank lending as a way for banks to commit towards entrepreneurs and improve their incentives

Effective management of the loan portfolio and the credit function is fundamental to a bank's safety and soundness. Loan portfolio management (LPM) is the process by which risks that are inherent in the credit process are managed and controlled. Because review of the LPM process is so important, it is a primary supervisory activity. Assessing LPM involves evaluating the steps bank management takes to identify and control risk throughout the credit process. The assessment focuses on what management does to identify issues before they become problems. This booklet, written for the benefit of both examiners and bankers, discusses the elements of an effective LPM process. It emphasizes that the identification and management of risk among groups of loans may be at least as important as the risk inherent in individual loans (Chodechai, 2004).

For decades, good loan portfolio managers have concentrated most of their effort on prudently approving loans and carefully monitoring loan performance. Although these activities continue to be mainstays of loan portfolio management, analysis of past credit problems, such as those associated with oil and gas lending, agricultural lending, and commercial real estate lending in the 1980s, has made it clear that portfolio managers should do more. Traditional practices rely too much on trailing indicators of credit quality such as delinquency, non-accrual, and risk rating trends. Banks have found that these indicators do not provide sufficient lead time for corrective action when there is a systemic increase in risk (Sanchez, 2010).

Effective loan portfolio management begins with oversight of the risk in individual loans. Prudent risk selection is vital to maintaining favorable loan quality. Therefore, the historical emphasis on controlling the quality of individual loan approvals and managing the performance of loans continues to be essential. But better technology and information systems have opened the door to better management methods. A portfolio manager can now obtain early indications of increasing risk by taking a more comprehensive view of the loan portfolio (Hirtle, 2010).

To manage their portfolios, bankers must understand not only the risk posed by each credit but also how the risks of individual loans and portfolios are interrelated. These interrelationships can multiply risk many times beyond what it would be if the risks were not related. Until recently, few banks used modern portfolio management concepts to control credit risk. Now, many banks view the loan portfolio in its segments and as a whole and consider the relationships among portfolio segments as well as among loans. These practices provide management with a more complete picture of the bank's credit risk profile and with more tools to analyze and control the risk (Gonzalez, 2010).

Nima, Mohammad, Saeed, and Zeinab (2012) examined the relationship between capital structure and firm performance of Tehran Stock Exchange Companies is investigated between the years 2006 to 2011. The study uses three performance measures including Gross Profit Margin, Return on Assets as dependent variable and three capital structures including long term debt short term debt and total debt ratios as independent variable. The study reported a significant relationship between dependent and independent variable, except long term debts with gross profit margin. According to Ebaid (2009) research, capital structure choice decision, in general terms, has weak-to-no influence on the financial performance of listed firms from 1997 to 2005 in Egypt as one of emerging or transition economies. By using three accounting-based measurements of financial performance which are return on assets, return on equity, and Gross Margin, the empirical tests come with the result that capital structure particularly Short term debts and Total debts have a negative impact on an organization's performance which is measured by ROA. Apart from that, capital structure including short-term debt, long-term debt and total debt has no significant impact on an organization's performance which is measured by ROE and Gross margin. Valeriu and Nimalathasan (2010) researched on capital structure and its impact on profitability: a study of listed manufacturing companies in Sri Lanka. The result shows that debt is positively and strongly associated to all profitability ratios (gross profit ratio; operating profit ratio; and net profit ratio) except return on capital employed and ROA.

According to Iorpev and Kwanum (2012) they examined the impact of capital structure on the performance of manufacturing companies in Nigeria. The annual financial statements of 15 manufacturing companies listed on the Nigerian Stock Exchange were used for this study which covers a period of five years from 2005-2009.

Multiple regression analysis was applied on performance indicators such as Return on Asset and Profit Margin as well as Short- term debt to Total assets, Long term debt to Total assets and Total debt to Equity as capital structure variables. The results show that there is a negative and insignificant relationship between Short term debt to total assets and Long term debt to total assets, and ROA and profit margin; while Total debt to equity is positively related with ROA and negatively related with profit margin. Short term debt to total assets is significant using ROA while Total Long term debt to total assets is significant using profit margin. The work concludes that statistically, capital structure is not a major determinant of firm performance.

RESEARCH METHODOLOGY

This study employed explanatory research design. The study targeted 40 SACCOs in Nairobi County registered under SASRA. The sampling frame of this study was derived from the database of the Ministry of Co-operative Development and Marketing which regulates and licenses SACCOs in Kenya. The list contained SACCOs licensed by the Ministry as at 1st January 2017 registered under SASRA. A census of 40 SACCOs registered under SASRA in Nairobi County was used. The study collected both primary and secondary data for the purpose of this study. The study used questionnaire and data collection sheet to collect data. The questions were formulated according to the study objectives with similar order and content for all the. The researcher used both closed and open ended questions. Data collected was edited first to identify the items that would have been wrongly responded to and any blank spaces left unfilled, the information was categorized into topics.

DATA ANALYSIS, DISCUSSION AND FINDINGS

These findings from pilot test obtained Cronbach's Alpha value of 0,84 which were in line with the benchmark suggested by Hair, *et al*. (2010) where coefficient of 0.60 is regarded to have an average reliability while coefficient of 0.70 and above indicates that the instrument has a high reliability standard. The study deemed it important to establish if the educational level of the respondents had a bearing on the financial performance of savings and credit cooperative organizations. From the results, 7.9% (3) of the respondents have primary level of education as their highest academic level, 65.8% (25) secondary level and 23.7% (9) university level of education. It is evident that the respondents possess the requisite skills to perform their duties effectively. As such, the respondents' educational attainment is part of the organizations' human capital. Job tenure was chosen as one of the respondents' characteristics to ascertain the respondents' experience with the SACCO's operations. From the study, most of the respondents had worked with the SACCO for over two years (50%); 15.8% for over a year but less than two years; while 34.2% had worked with the SACCO for over 5 years. Overall, most of the respondents had worked with the SACCO for more than a year and this provided responses based on a wider knowledge base of the SACCO operations.

Human Capital Budgetary Control

This seeks to analyze descriptive statistics for Human capital budgetary Control as shown in table 1 below.

Table 1: Human capital budgetary Control

		SD	D	N	A	SA	Mean	Std. Deviation
We set ceiling for human resources cost	Freq.	6	6	10	9	7	3.13	1.339
	%	15.8	15.8	26.3	23.7	18.4		
Explanations above are provided on human capital budgetary control when budget is revised.	Freq.	9	9	13	1	6	2.63	1.324
	%	23.7	23.7	34.2	2.6	15.8		
Free discussions between staff members on budget are encouraged	Freq.	5	23		4	6	2.55	1.309
	%	13.2	60.5		10.5	15.8		
Staffs have a significant influence on the final human capital budget.	Freq.	10	13	3	7	5	2.58	1.407
	%	26.3	34.2	7.9	18.4	13.2		
Contribution from staff to the human capital budget is viewed important.	Freq.	10	14	5	4	5	2.47	1.35
	%	26.3	36.8	13.2	10.5	13.2		
Opinions and / or proposals relating to human capital budget are challenged before publication of budget	Freq.	0	14	20	4	0	2.74	0.644
	%	0	36.8	52.6	10.5	0		
Communication of details of human capital budget policy and guidelines to people responsible for preparation of budgets are always made.	Freq.	0	11	22	5	0	2.11	1.226
	%	0	28.9	57.9	13.2	0		

Firstly, the research tested existence of Human Capital Budgetary control existed in a SACCO. Syed (2013) elucidated that companies with higher profitability disclosed more human capital budgetary control. Therefore, the study sought to establish if the SACCO has human capital budgetary control. Basing on the results, 55% (21) of the respondents noted that there is existence of human capital budgetary control. However, 45% (17) of the respondents denied that the human capital budgetary control exists in their SACCO.

Secondly, the study sought to establish if there is employee involvement in preparing human capital budget. From the results, majority (87%) of the respondents denied employee involvement in preparing human capital budget. The implication is that employees' ability and skills are not utilized in the preparation of human capital budget.

In addition, the findings on human capital budget control are presented on a 5-point likert scale (Based on the 1-strongly disagree to 5- strong agree scale rate).The respondents were asked whether the SACCO sets ceiling for human resources cost. The results from the study revealed that, of the total respondents, 18.4% (7) strongly agreed that a ceiling for human resources is set, 23.7% (9) agreed,15.8% (6) strongly disagreed while 26.3%(10) were neutral. The findings were supported by a mean of 3.13 and a standard deviation of 1.339.

In determining whether explanations were provided on human capital budgetary control when budget was revised, the study revealed that; 15.8% (6) of the respondents strongly agreed that explanations were provided on human capital budgetary control when budget is revised, 2.6% (1) agreed, 23.7% (9) disagreed while 34.2% (13) of them were neutral. The results also showed a mean of 2.63and standard deviation of 1.324.

The study sought to establish whether there were free discussions between staff members on budget were encouraged, results from the study revealed that, the question had a mean of 2.55 and standard deviation of 1.309.This was because of 15.8% (6) of the respondents strongly agreeing, 10.5% (4) agreeing, 13.2% strongly disagreeing and 60.5% (23) disagreeing.

To find out whether, the staff had a significant influence on the final human capital budget. Of the total respondents, 13.2% (5) strongly agreed that the staff have a significant influence on the final human capital budget, 18.4% (7) agreed, 34.2% (13) disagreed, 26.3% (10) strongly disagreed while 7.9% (3) of the respondents were neutral. The results revealed a mean of 2.58 and standard deviation of 1.407. The mean value suggests that there is less focus on contribution from staff to the human capital budget.

A related item on whether opinions relating to human capital budget were challenged before publication of budget. Of the total respondents, 10.5% (4) agreed that opinions relating to human capital budget are challenged before publication of budget, 36.8% (14) disagreed and 52.6% (20) of them were neutral. This position was further confirmed by the 2.74 question mean and standard deviation of 0.644 that showed the non-variation in the responses.

The study further sought to find out if communication of details of human capital budget policy and guidelines to people responsible for preparation of budgets are always made. The results revealed that 13.2% (5) of the respondents agreed, 28.9% (11) disagreed while 57.9% (22) of them were neutral. The item mean was 2.11 and the standard deviation of 1.226.

Cash Flow Budgetary Control

Table 2: Cash Flow Budgetary Control

		SD	D	N	A	SA	Mean	Std. Deviation
The SACCO has database of actual daily cash flows, as a means of identifying patterns and for monitoring.	Freq.	30	0	0	0	8	2.63	1.239
	%	78.9	0	0	0	21.1		
The SACCO actual cash flows are	Freq.	8	22	0	0	8	2.42	1.407

closely tracked against departments' profiles and major divergences investigated.								
	%	21.1	57.9	0	0	21.1		
Departments are best placed to supply information when actual flows are diverging from budget.	Freq.	8	14	8	0	8	2.63	1.403
	%	21.1	36.8	21.1	0	21.1		
The SACCO has network of contacts, voice and electronic, with the main spending and revenue departments which are used to develop forecasts and current and prospective flows.	Freq.	0	12	16	10	0	2.95	0.769
	%	0	31.6	42.1	26.3	0		

This section of the analysis highlights results on the cash flow budgetary control. Table 2 illustrates the results. The respondents were asked whether the SACCO has database of actual daily cash flows, as a means of identifying patterns and for monitoring. The results from the study revealed that, of the total respondents, 21.1% (8) strongly agreed that the SACCO has database of actual daily cash flows, as a means of identifying patterns and for monitoring while 78.9% (30) of them strongly disagreed.

In determining whether the SACCOs' actual cash flows are closely tracked against departments' profiles and major divergences investigated, the respondents were asked to respond accordingly. The study revealed that; 21.1% (8) of the respondents agreed, 57.9% (22) disagreed while 21.1% (8) strongly disagreed. Generally, most of the respondents denied that the SACCOs actual cash flows are closely tracked against departments' profile and major divergences investigated. The results were supported by a mean of 2.42 and standard deviation of 1.407.

To find out whether, departments are best placed to supply information when actual flows are diverging from budget; respondents were asked to state the degree to which they concurred with the above. Of the total respondents, 21.1% (8) of the respondents strongly agreed, 21.1% (8) strongly disagreed, 36.8% (14) disagreed while 21.1% (8) of them were neutral. The item realized a mean of 2.63 and standard deviation of 1.403.

Finally, in a bid to establish if the SACCO has network of contacts, voice and electronic, with the main spending and revenue departments which are used to develop forecasts and current and prospective flows, the respondents were asked to respond accordingly. 26.3% (10) of the respondents agreed, 31.6% (12) disagreed and 42.1% (16) of the respondents were neutral. The results were supported by a mean of 2.95 and standard deviation of 0.769.

The study sought to establish the frequency in which cash budgets are prepared and revised. Table 3 illustrates the results. Basing on the results, 42.1% (16) of the respondents noted that the budgets are revised weekly, 42.1% (16) monthly and 10.5% (4) quarterly.

Table 3: Preparation and revision of cash budgets

	Frequency	Percent
Weekly	16	42.1
Monthly	16	42.1
quarterly	4	10.5
any other	2	5.3
Total	**38**	**100**

The study deemed it important to establish the source of cash flow. Basing on the results in table 4.7, 68.4% (26) of the respondents generate their cash from investing cash flow and 31.6% (12) operation cash flow.

Table 4: Source of cash flow

	Frequency	Percent
operation cash flow OCF	12	31.6
investing cash flow ICF	26	68.4
Total	**38**	**100**

Firm Performance

The study sought to establish the performance of the commercial banks. The results are as presented in table 4.10.The performance of the firms was sought. From the findings, there had been a significant decline in the sales volume from a high of 3,924,001.00 in the year 2012 with a slight decline to 3,779,265.00 in 2013 and the least being 1,591,245.00 in 2015.The net profit is also high.

Table 5: Firm Performance

	Mean	SD
Return on asset (ROA)	0.501	0.119
Sale volume	1,591,245.00	238,445.00
Surplus	1,500,000	204,480

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Basing on the findings, there was doubt whether the SACCOs' set ceiling for human resources cost. As well, it was undefined if explanations were provided on human capital budgetary control when the budget is revised. There was also doubt if there were free discussions between staff members on budget are encouraged. Furthermore, there was less focus on contribution from staff to the human capital budget. Likewise, there was less focus on opinions relating to human capital budget are challenged before publication of budget. However, there was no communication of details of human capital budget policy and guidelines to people responsible for preparation of budgets.

Furthermore, findings on cash flow budgetary control indicated that most of the SACCOs lack database of the actual daily cash flow. Similarly, the SACCOs actual cash flows are not closely tracked against departments' profiles and major divergences. Besides, it is undefined if departments are best placed to supply information when actual flows are diverging from budget. It is also unclear if the SACCO has network of contacts, voice and electronic, with the main spending and revenue departments which are used to develop forecasts and current and prospective flows.

Conclusion

In conclusion, human capital budgetary control was key in creating value of organizations. With human capital budgetary control, it is easier for investors to evaluate and understand an organization fully. The challenge however was that there was no ceiling for human resources and concerned stakeholders such as staff members are partially involved in the revision of budgets. The implication was that staff members are unaware of budget policy and guidelines that relate to the human capital. There is thus less contribution from their side which was disadvantageous to the organization mainly because the firms' success is dependent on the ability and knowledge of the staff.

In addition, cash flow budgetary control has a positive and significant influence on firm performance. With cash flow budgetary control, SACCOs can plan for shortages and surpluses in cash and thereby maximize cash availability. SACCOs therefore have control over their cash hence better investment opportunities. The resulting outcome is improved financial performance.

Recommendations

The study has established that human capital budgetary control had a positive and significant effect on firm performance. As such, it was important for explanation to be provided on human capital budgetary control whenever the budget is revised. Free discussions between staff members on the budget needs to be encouraged. As well, contribution from staff relating to human capital budget needs to be viewed as important. To sum, there was need for communication of details of human capital budget policy and guidelines to the individuals tasked with the preparation of the budget.

Finally, since cash flow budgetary control has a significant effect on firm performance, it was crucial for SACCOs to have a database of the daily cash flow. Most importantly, the cash flows needed to be tracked against departments' profiles and major divergences. As well, there was need for the SACCOs to have network of contacts, voice and electronic with the main spending and revenue departments tasked with developing forecasts of current and prospective cash flows. With this in place, firm performance will be improved.

Areas for Further Research

This study expands our knowledge on the effect of budgetary control on financial performance of savings and credit cooperative organizations in Nairobi County. Though this study had fulfilled its aim and objectives, there existed an area for additional studies and empirical research, given the limitations of the research.

Despite the in-depth coverage of this study and its findings, there still exists a gap that future research could explore. The results of the study showed that revenue budgetary control and investing budgetary control had no significant effect on firm performance, there is therefore need for further studies on the same to validate the results.

On a geographical dimension, this study was primarily limited to SACCOs in Nairobi County. Therefore, it may not be appropriate to generalize to the whole population of SACCOs countrywide. For this reason, further empirical investigations in different regions and countries are needed.

The methodology that was chosen to achieve the research objectives was limited to questionnaires. As such, future research could build on this study by examining the effect of budgetary control on financial performance of savings and credit cooperative organizations in both a qualitative and quantitative way.

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