ISSN 2250-3153

Analysis of Budgetary Control Practices and the Management of Micro and Small Enterprises at Kangemi Town in Kenya

PROF. EVANS KEROSI[1]

Deputy Vice Chancellor APIA, Mount Kenya University, Kenya[1]

ABSTRACT: This study sought to assess the effect of budgetary control practices in the management of micro and small enterprises at Kangemi town in Kenya. The theory of budgeting, accounting theory and budgetary control theory were reviewed under the theoretical framework. Determinants of budgetary control were examined after which an empirical review of the study variables was done both globally and locally. A descriptive survey design was adopted to capture categorical description of attitudes of the study population. The population of the study consisted of 160 respondents from the 160 registered micro and small enterprises in Kangemi, Kenya. The sample size constituted 75 respondents who were derived from the Kothari's formula for cases when the target population is less than 10,000. The questionnaires consisted of both closed and open questions. Secondary data sources were used to supplement the data received from questionnaires. Validity and reliability were determined. Data was analysed to establish the measures of central tendency that include the mean, mode, and median highlighting the key findings. Inferential statistics was used to establish the relationship between the variables of the study and qualitatively by content analysis. Analysis of variance (ANOVA) was used to determine the significance relationship of the variables. The study established that the management of micro and small enterprises is positively related to the budgetary control practices. In establishing the time period covered by budgets, the study found that majority (65.15%) of micro and small enterprises review budget after 1 to 5 years. On the approximate annual budget revenue, the study found that budgets have clear goals and objectives and when budgeting, outcomes, goals and objectives are linked to programs and school activities. On the Impact of evaluation on budgetary control practices in management of micro and small enterprises, the study further established that the enterprises engages its stakeholders in making key budget decisions and that the management of these enterprises review the budget periodically. The study recommended that budget review and control should be done as frequently as possible to achieve greater results.

Key Words: Budgetary control practices, management, micro and small enterprises

1. INTRODUCTION

1.1 Background of the Study

Many companies make use of budgets mainly as an internal control tool for efficient and effective resource allocation. Budgets help organizations compare between the actual and intended performance for effective inference and evaluations. Hokal and Shaw (2002) assert that, ideal budgets are a base for performance management and standard setting. According to Kimani (2014), budgeting entails the establishment of predetermined goals, reporting of actual performance results and evaluation of such performance in terms of predetermined goals.

The systems of budgetary control have been identified to be universal and have been considered as an essential tool for financial planning. Churchill (2001) argues that, the main role of budgetary control is to provide a projection incomes and expenses. According to Blumentritt (2006), budgeting is defined as the process of allocating an organization's financial resources to its units, activities and investments while on the other hand, Horngren et al. (2004) sees budgets as the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinating what needs to be done to implement that plan. In general, a budget is a financial or quantitative statement, containing the plans and policies to be pursued during a specific time period (typically a year).

Riley (2012) asserts that budgets are a source of income control used to establish priorities and set targets in order to provide direction and co-ordination, so that business objectives can be turned into practical reality, to assign responsibilities to budget holders (managers) and allocate resources, to communicate targets from management to employees, to motivate staff, to improve efficiency and to monitor performance.

According to Uyar and Bilgin (2011), budgets are used to aid longer planning, co-ordinate the operation, control expenses, profitability, aid short-term planning, evaluate performance, motivate managers, motivate employees and communicate plans with employees. Organizations should have both recurrent and capital budgets in order to control and plan for both short term and long term cash flows.

Dunk (2009) defines budgetary control as the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. The process of budgetary control is necessary in ensuring that spending is controlled to meet various financial goals. Firms should rely more on budgetary control in order for them to control intra-firm spending activities. This technique is applicable both for the private and public sector institutions as well as individuals who want to make sure they live within their means.

The process of budgetary control is a management control process in which the actual income and spending are controlled viz a viz the planned income and spending so that the firm can make decisions if plans are being followed and if those plans need to be changed in order to make a profit. Organizations according to Epstein and McFerlan (2011) should use budgetary control in projection in order to plan for the future.

Firms usually implement budgetary control techniques to prevent losses resulting from theft, fraud and technological malfunction. These techniques also help management to ensure that expenses remain within budgetary limits. The advantage of budgetary control is that it can be even implemented by three departments within the firm in order to enhance efficiency and effectiveness. Some of these departments within the firm entail: accounting department, statistical department and management department. Suberu (2009) adds further that the management departments make use of both accounting and statistical departments' services to estimate the expenditures and revenue of business under the normal conditions of business.

Mohamed *et al.* (2015) recommends that management in various organizations should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals and better engagement between organizational leaders, managers and finance staff with proper timing of the financial plan.

Carr and Joseph (2000) ascertain that, budgetary controls help management teams in making future plans through implementation of short term plans and monitoring activities aimed at conforming to the plans. The authors further argue that effective implementation of budgetary control techniques is a guarantee for the effective implementation of budget in the firm. Effective management is crucial for managers in helping them perform major routine functions. Ineffective management and improperly conceived budgeting procedures, can however be frustrating to managers and they often result to very stringent outcomes such as downsizing, retrenchments, company buy-outs due to insolvency and possible business failure due to continued mismanagement and hence the need for a closure.

The effectiveness of resources is dependent on how enterprises use resources and not just on whether they are present in the first place. It is important to recognize however that the effects of spending on firm performance are difficult to isolate. If resources have a clear and consistent effect on firm performance, then policy-making and budgeting would likely be straightforward as well. Mwaura (2010) asserts that participation in the budgetary process affects the return on capital employed and return on assets as well. Gacheru (2012) also finds that, the process of budget preparation, control of budgeting process and implementation of budgets substantially influences possible budget variances.

It is extremely difficult in most education settings to link spending to outcomes. Micro and Small enterprises in many towns have limited ability, if any, to change their use of resources thereby resulting to difficulties in sustaining new strategies and the lack of appropriate accountability. Furthermore, many small and micro enterprises do make decisions that are based more on political considerations rather than on mutual participation of involved stakeholders as well as on organizational effectiveness.

The lack of proper budgeting in micro and small enterprises has been the cause of the reduced service delivery which has been demonstrated by increased low quality, customer dissatisfaction, low growth prospects and closure on some of the young and newly incorporated firms. While many local and international studies have concentrated on budgetary control techniques and how budgeting affects organizational performance both at the public and private sectors, the role of budgetary control in management of educational institutions has been neglected despite its importance thereby leaving this area of study grey. This study sought to fill this gap by surveying budgetary control practices in management of micro and small enterprises in Kangemi town in Kenya.

2. LITERATURE REVIEW

2.1 Theoretical framework

This section explains the theories that form the emphasis of this study, that try to explain the research question and articulate the already published arguments for verification and critique following the results that were realized from this research.

2.1.1 The Theory of Budgeting

Budgets are used by most firms and projects as future financial performance tools which enable in the evaluation of their financial viability. Organizations can prepare both long-term and short term budgets in different timeliness such as monthly, quarterly, semi annually, annually and over a wide range of years. Usually, short term budget cover a period of within a year while long term budgets cover more than three years, in some instances an organization can have a medium term budget which covers 1-3 years. Budgets have been defined by Silva and Jayamaha (2012) as a mare collection of plans and forecasts. Budgetary control enables an organization to compare between actual and expected outcomes as regards to budgeting.

Budgetary control techniques reflect financial implications of business plans as well as identifies the amount, quantity and timing of resource needed (Shields & Young, 1993). Budget and budgetary procedures' as well as the establishment of short to long-term objectives provide estimates of future sales revenues and expenses, to provide short and long-term firm goals. Sharma (2012) further details that the management benchmarks and task controls are computed by comparing between the actual results and the budgeted plans so as to take corrective actions where necessary. Budgets influence the behavior and decisions of employees by translating business objectives and providing targets against which performance can be assessed.

According to Scott (2005), budgeting and budgetary control processes allow for a subsequent comparison of actual results with the expected results. According to Selznick (2008), budgets play a number of roles which include coding, learning, making goals explicit, contracting with external parties as well as facilitating control.

2.1.2 Accounting Theory
Accounting theory aims at the provision of a coherent set of logical principles that form the general frame of reference for evaluation and development of sound policy development and accounting practices (Kaplan & Norton, 1996). Otley and Pollanen (2000) exemplify further to explain that the main purpose in developing a theory of accounting is to establish standards for judging acceptability of accounting techniques. In the accounting practice, procedures that meet the given standards should be employed.

Based on the accounting theory, Horvath (2009) argues that the accounting methods that do not meet the set standards ought to be rejected. Accounting helps in explaining and guiding management actions into identifying and locating vital information for use in budget preparation. The accounting money measurement technique has contributed greatly in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath & Seiter, 2009).

Accounting principles are an impetus to the general philosophy of budget itself as a tool for effective management (Horngren, Forster & Dater, 1997). Budgets make use of several accounting concepts to a greater extent. It's under the accounting theory that financial standards can be set to guide a firm towards achieving its financial goals. Budgeting provides a feedback mechanism to the management of an organization on how well financial assets are managed as determined by the match between the plans and the actual status upon implementation of budgets. Financial statements are prepared by use of historical data which helps in forecasting of future financial plans. The matching concept in accounting as per Hopwood (1976) is used as a point of reference in budget analysis.

2.1.3 Budgetary Control Theory
According to Robinson and Last (2009), budgeting is used by firms as a framework for spending and revenue allocation. Organizations should come up with effective budgeting systems in order to ensure that their firm's resources are not wasted. Budgeting systems help in ensuring that the outputs produced and services delivered achieve their set objectives.

Financial viability is determined by the level of income a firm is able to maintain in any given time (Robinson, 2009). The firm has to put clear controls that ensure that the budget is well maintained and allocated as required and strictly followed so that variances can be explained and mitigated as much as possible. Robin and Last (2009) assert that, if a firm has lesser income however, it might have to find a way to fund its estimated budget by borrowing and tax restructuring.

According to Sawhill and Williamson (2001), budgets can be used as indicators of measuring ruling governments' performances. Budgets are a statement of whether these governments are competent in administering their national goals through good resource use. It is therefore very crucial that an organization should understand its budgeting systems as well as giving priority to urgent matters that require attention to firm's control tools.

2.2 Determinants of Budgetary Control
There are numerous determinants that influence the effective implementation of budgets among organizations. Those determinants, according to Srinivasan (2005), include: availability of financial resources, skilled human resource, and participation of both staff and other stakeholders in the budgeting process, effective planning, evaluation, staff motivation, monitoring and control of the budget process.

2.2.1 Adequate Availability of Financial Resources
Despite the adequate availability of financial resources, firms are expected to allocate adequate financial resources and other structures efficiently so as to ensure effective implementation of projects and other activities within the firm such as adequate allocation of funds to facilitate effective budget implementation. An organization must ensure that it has adequate access to

financial resources in order to finance its projects and to carry out its activities. According to Dunk (2001), the management team should plan and come up with budgeted estimates before implementing organizational projects.

2.2.2 Competence of Human Resource

Firms are expected to be well equipped with knowledgeable and skilled employees who are well conversant with budgetary control measures to effectively implement the budgetary control processes and allocation as well as having the relevant industry experience. According to Horngren (2002), in order to successfully execute firms' activities, firms must ensure that they have competent human resource with technical knowhow on efficient and effective means of budgetary control processes and procedures.

2.2.3 Participation of both Staff and other Stakeholders

During budgetary formulation, all staff and other stakeholders responsible for achieving results should be consulted. Budgetary control systems prosper only when they compact a mutual understanding of superiors and subordinates. Firms should communicate budget decisional outcomes with all the relevant personnel. To ensure that the process of implementing the budget is successful, management and employees must work together to ensure that all stakeholders' interests are fully represented when making key decisions involving budgetary allocations in key projects. Budgets play an important part in the communication of objectives, targets and responsibilities throughout the organization. Full participation in budget and budgetary control process assures full co-operation and commitment for making budgets successful which makes budgets realistic and workable (Simiyu, 2002).

2.2.4 Proper Planning

The budgetary period duration is usually one year. The plan should to be in line with the long term development strategy of the firm, although in the shorter term of a budget year, conditions may prevail which could filter this aim. It is important that feedback is made available to the managers responsible for budget operations through monthly budget reports. These reports have comparisons between the budget and the actual position and they draw differences which are known technically as variances. The management team ought to define these patterns of expenditure and revenue over the life of the project or the activity that the firm is undertaking.

A predetermined budget of possible costs that was incurred carrying out the activities planned in a project should be made. A realistic planning of finances is vital to the implementation of a project or programme (Joshi & Abdulla, 1996). The budget plans must be properly coordinated in order to remove all possible bottlenecks. Individual budgets should be coordinated with one another to ensure that the implementation process is conducted properly in order to save time and costs (Horngren, Forster & Dater, 1997). Thus, before formulating the budgets, the policy to be pursued during the forthcoming trading period should be established (Dunk *et al.*, 2001).

2.2.5 Evaluation

Simiyu (2002) states evaluation as the process of developing a plan in cooperation with an evaluation workgroup of stakeholders who foster common objective for effective budgetary control. Hancock (2009) says to enhance effectiveness and transparency the management requires to be involved in both monitoring and evaluation.

2.2.6 Monitoring and Control of Budget Process

Once the budgets have been implemented they need to be monitored and controlled to ensure effectiveness in aligning budgets over a given period of time (Horngren *et al.*, 1997). An open and professional approach to budget planning boost investors, development financial partners and national or international donors to make financial resources available (Otley & Van der Stede, 2003). This is achieved through ensuring that the estimated budget does not deviate from the actual outcome in order to make necessary adjustment from any variance noted.

2.2.7 Staff Motivation

Challenging but realistic targets in budgeting can play a significant part in motivating management. Hansen *et al*. (2003) In addition says that targets must be measurable and easier to achieve, while managers should be involved in setting own budgets. The budget acts as parameter for top management to measure performance of their teams. It should be noted, that adherence to the budget alone may not measure all aspects of management's performance. Hansen *et al.* (2003) asserts, for an effective budget implementation, the budget plan should be more clear and accurate, the financial resources readily available and sufficient , while actively involved staff in the budget making should be motivated to facilitate successful implementation of the budget process.

2.3 Empirical Studies

In Kenya, most of the public and privately owned firms have shifted focus to budgetary control as a way of enhancing effectiveness in their services. The recognition of budgetary control role has gained attention which has led some firms to establish departments for effective implementation. This has placed the budget monitoring and project implementation committees as an integral part of the administrations to most private organizations in Africa (NGO's, 2013). This section reviews the empirical studies which have been advanced on budgetary control practices and how that affects the management of schools both globally and locally:

Badu (2011) researched on budgeting practices in Ernest Chemist, a pharmaceutical company based in Ghana with an aim of identifying the perception of budgeting experts in the Ernest Chemist. Self-designed interview questionnaires were sent to members of staff in the companies to seek their views on the problems and concerns regarding budgeting and budgetary control in the firms. The results of the study indicated that appropriate systems of budgeting and budgetary control had been adopted and used to prepare the pharmacy's budgets but there were a few problems associated with ethical issues which were also revealed.

In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts. A sample of 5 ministries was examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used. A regression model was used for data analysis. The study found a statistical positive relationship between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to increased performance of state ministries.

Kabiru et al. (2013)'s study sought to determine the relevance of variance analysis in managerial cost control within the context of Nigeria. The study intended to review and analyze literature to find out what constitutes efficient standard in a manufacturing organization with a view to disclosing realistic variance for management cost control and based on the review and analysis to assess the extent to which costs variance analysis can adequately be useful in controlling costs to provide for improved profit. The study recommended that the realistic standards should be put in place through participation of the operators and top management with a view to achieving optimal results. The study also recommended that the variances falling within the pre-defined boundary should be investigated and the report be adequately and properly implemented at once to guide against future variance.

Aruomoaghe and Agbo (2013) investigated on the application of a variance analysis as a tool for performance evaluation with a particular focus on the cost and benefit associated with its utilization as a performance evaluation tool. The objectives of the study were to ensure that the departmental managers don't deviate from the budgeted standards put in place in the organization as whole, to ensure that the objectives of the organization are achieved through the budgetary techniques. The researchers employed both financial and non-financial measures and found that the use of variance analysis for performance evaluation has its cost and benefits to the organization as a whole. The study established that it was reasonable for managers to exercise caution in the use of variance analysis so that the correct decisions will be made. The study recommended for managers to exercise considerable care in their use of a standard cost system and it was particularly important that managers go out of their way to focus on the positive, rather than just on the negative, and to be aware of possible unintended consequences of the choices they make on their organizational objectives.

Ekanem (2014) sought to investigate the application of zero-based budgeting (ZBB) as a management tool for effective university budget implementation in University of Calabar, Nigeria, to determine the level of effectiveness in the application of ZBB for university budget implementation, to find out the factors which inhibit effective ZBB application for university budget implementation and to ascertain the difference between academic and non-academic staff in the application of ZBB for university budget implementation. Using a stratified random sampling technique, 250 members of senior staff was drawn from the staff population. Data was analyzed using mean and independent t-test statistics. Results revealed that the application of Zero Based Budgeting for university budget implementation was effective; some factors inhibited the application of Zero Based Budgeting while the application of Zero Based Budgeting was dependent on university senior staff for university budget implementation. The researcher concluded that zero-based budgeting was credible and rewarding to the university budget implementation in University of Calabar.

Nawaiseh et al. (2014) carried out an empirical assessment of measuring the extent of implementing responsibility accounting rudiments in Jordanian Industrial Companies listed at Amman Stock Exchange. The objectives of the study were to identify the extent the Jordanian Industrial Companies fully implement responsibility accounting, to disclose the obstacles that may abstain of full implementation of responsibility accounting rudiments. The study established that there was an available background for the implementation of responsibility accounting with percentage of 69.40%. The percentage of the obstacles that might deter this applicability was found to be 74.80%, which was a very high percentage. The study recommended the necessity for public shareholding companies to give generally more interest to managerial accounting, specifically for responsibility accounting by recruiting professionals in accounting departments.

Mohamed *et al.* (2015) examined how budgetary control can impact on the performance of Dara-salaam Bank in Somaliland. The study objectives were: to determine how responsibility accounting influences organizational performance, to investigate whether variance cost analysis affects organizational performance and to establish how zero based budgeting affects organizational performance. The study used both descriptive and retrospective research designs. A census study of the 70 staff of Dara-salaam Bank in Hargeisa Somaliland was done. Data was analyzed by SPSS version v and presented in form of frequency tables and charts. The study findings revealed that responsibility accounting, variance analysis and zero based budgeting enhanced budget control and improved efficiency and productively. The study recommended for accounting staff needs to acquire relevant training in accounting skills so as to enhance process business decisions and improve efficiency and productivity of the accounting profession.

Deal et al. (2015) analyzed the relationship between teacher experience and its effect on marginalized categories of the school budget and on student-teacher ratios at the district level. Panel data analysis was done covering the years 2000-2014 across approximately 200 Oregon public school districts was used. The study used logarithmic variations of the Ordinary Least Squares empirical models. They study established that an increase in teacher experience resulted to a decrease in the percentage of the budget allocated to athletics, the arts, physical education, and extracurricular activities. Thus a positive relationship between years of teacher experience and student-teacher ratios, an effect that was statistically significant at the one-percent level.

Mwaura (2010) investigated unto the effect of participatory budget setting on budget commitment as a factor that affects performance of the NSE listed companies. This study used a causal research design to identify cause-effect relationship. The population of interest comprised of 55 listed companies listed. Data was both quantitative and qualitative hence both descriptive and content analysis techniques were employed. The descriptive statistical tools helped the researcher to describe the data and determine the extent used. The study found that budgetary participation affects return on capital employed and return on assets to a great extent. It was further established that budgetary participation affects return on investment and budget commitment to moderate extents.

Meliano (2011) researched on management perception and the usefulness of zero based budgeting with evidence from the non-governmental organizations in Kenya. The objective was to establish the managerial perception on the usefulness of Zero Based Budgeting among nongovernmental organizations in Kenya. This study adopted a descriptive survey design. The population of the study constituted of all Non-governmental Organizations (NGOs). A sample of 300 Non-Governmental Organizations (NGOs) was drawn for this study. Data was collected using questionnaires while the analysis was done by generating descriptive statistics. The study findings revealed that the zero based budgeting technique is a very useful technique in Kenyan NGOs given that its flexible, communicated corporate goals, minimized cost and encouraged knowledge sharing. Further, it was established that bases of budgeting we the most vital factors affecting managements' perception and effectiveness of Zero Based Budgeting in NGOs followed by organization structure. The researcher therefore recommended for a further study on other stakeholders' perceptions on the usefulness of zero based budgeting.

Karanja (2011) examined the effect of budgetary control process in Saccos with specific reference to SACCOs in Nyeri County. This study used descriptive research design to generalize the findings to a larger population. The population of this study was the 120 finance officers of Nyeri County SACCOs. Stratified random sampling technique was used where a stratum of 30% was selected using simple random sampling method. Primary data was collected by use of questionnaires. The study established that the finance and administration departments participated in budgetary control processes. The study further established that budgetary control processes were not intimately linked with considerations of labor controls.

3. RESEARCH METHODOLOGY

A descriptive survey design was adopted to capture the categorical description of attitudes of the study population. According to Sekeran (2003), descriptive studies often result in formulation of principles of knowledge and solution to significant problems. Sekeran (2003) further details that the descriptive studies are designed to obtain current phenomenon and whenever possible to draw varied conclusions from facts that are discussed. Sekeran (2003) asserts that a descriptive research design is easy to understand as it attempts to collect data from population members and describes existing phenomenon with reference to budgeting controls.

Lumley (2004) defines a population as a larger collection of all subjects from where a sample is drawn. Sekeran (2003) define target population as the population in which the researcher wants to generalize the study results. The population of the study consisted of 160 micro and small enterprises registered with Kangemi Township in

Since the population of the study was 160 micro and small enterprises which were less than 10,000, Kothari (2004)'s formula was used in order to draw the required sample size from the targeted school population:

$$n = \frac{Z^{2*}p*q + ME^2}{ME^2 + \frac{Z^2*p*q}{N}}$$

Where: n = desired sample size
z = standard normal variable at the required confidence level.
P = estimated characteristic of target population
q = 1- p
ME = level of statistical significance sets/margin of error
N = total target population

Given that:
N = 160, z = 1.96/95%, p = 0.9, q = 0.1, ME = 0.05/5%

$$n = \frac{((1.96)2\ (0.9)\ (0.1) + (0.05)2}{(0.05)2 + \frac{(1.96)2\ (0.9)\ (0.1)}{160}} = \frac{0.345744 + 0.0025}{0.0025 + \frac{0.345744}{160}} = \frac{0.348244}{0.0046609}$$

n= 74.716

Therefore, the sample size constituted 75 micro and small enterprises in Kangemi town. The respondents were picked by simple random sampling technique, one respondent per registered institution. Sekeran (2003) argues that the advantage of sampling is that it saves time and resources.

Both primary and secondary data techniques were used. Primary data was collected by use of semi-structured questionnaires. The questionnaires consisted of both closed and open questions. The structured questionnaires were administered through a drop and pick later method at an agreed time with the researcher. To achieve the objective of the study, the dependent variable was measured using performance indicators from the recent annual reports. Secondary data sources were used to supplement the data received from questionnaires.

The independent variables consisted of budgetary control which involves planning, monitoring, control and evaluation. These variables were used in measuring the extent of budget control. The data on the budget control was obtained using structured questionnaires by use of a likert scale.

The participants were briefed early in advance by the researcher on the need and importance of the study and permission was sought for their participation in order to have their full support. Guidance on how to answer the questionnaire was made available from the researcher. This was done to ensure high completion rates and accuracy of the information provided. Sekaran (2003) contends that for the purpose of ascertaining content validity of a measure, a professional expert in a particular field should be used.

Data was analysed to establish the measures of central tendency that include the mean, mode, and median highlighting the key findings. Inferential statistics was used to establish the relationship between the variables of the study and qualitatively by content analysis. Analysis of variance (ANOVA) was used to determine the significance relationship of the variables. The study used regression analysis to determine the extent to which budgetary control affects management of micro and small enterprises at Kangemi town in Kenya.

The study adopted a linear regression model to test the relationship between the variables in budgetary control as the independent variables and management of micro and small enterprises as the dependent variable. The empirical model was thus:

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$

Where:

Y= management of small and micro enterprises in Kangemi

β0 = Intercept

β1, β2, β3, β4, β5, β6 = coefficients

X1 = Planning, this was evaluated by use of a questionnaire by defining the patterns of expenditure and revenue for a project or an activity.

X2 = Monitoring and Control was evaluated using a questionnaire by reviewing reports are prepared frequently and taking appropriate actions where necessary.

X3 = Evaluation was evaluated using a questionnaire by determining the comparisons between the budget allocated and the actual position from budget reports

X4= Adequate availability of financial resources was determined using the questionnaire by determining the amount of financial resources committed to a particular project or activity.

X5= Cost Reduction was evaluated using the percentage of cost reduction in projects.

X6= Performance was evaluated using a questionnaire by determining the time spend in a certain project and the budgetary costs allocation for the project.

ε = error term

All the variables in the present study were measured by interval and ratio scales. The study used management of micro and small enterprises in Kangemi town. Independent variables that were used to measure budgetary control of micro and small enterprises in Kangemi town included planning, monitoring, control and evaluation. To achieve the objective of this study, the independent variables were measured using the frequency at which budgetary control is implemented in order to achieve effectiveness of Kangemi Township. Mean and Standard Deviation within a range of five points was used to measure all the independent variables.

Whereby Y is the dependent variable management of micro and small enterprises in Kangemi town, β0 is the regression constant or Y intercepts β1….β6 are the coefficients of the regression model. The basis of the model is to help in determining whether micro and small enterprises in Kangemi town adhere to proper budgetary control measures in order to achieve effectiveness and efficiency in their procedures. This was measured using the three key independent variables that are planning, monitoring and control and evaluation. Information will be obtained by the use of structured questionnaires. The test of significance was the ANOVA test.

4. SUMMARY OF FINDINGS, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCH

4.1 Summary of Findings

The study sought to find out how evaluation of budgetary control practices affects management of Kangemi Township Micro and Small enterprises. It was revealed that the firms engage their stakeholders in making key budget decisions and the management of the organizations review of the budget as the respondents strongly agreed at 28% and 24% respectively.

On the other hand, the respondents agreed that the firms review the process of budget allocation at 61% and the study respondents (57.3%) acknowledged also that lack of budget review is the leading factor that affect the budgetary control practices in management of Kangemi Township Micro and Small enterprises; followed by the firm not engaging its stakeholders in making key budget decisions while the firms put priorities for the coming annual budget conference and committees constitute the least percentage. This implies that budget allocation review is mandatory for budgetary control practices in management of Kangemi Township Micro and Small enterprises. It therefore calls that the budget review committee should be competent. Whereas budget preparation is an important activity, it is necessary to involve all stakeholders to make it more acceptable and realizable. Failure to involve stakeholders will lead to deficiencies in the budget where some areas will not be catered for.

The management of Kangemi Township Micro and Small enterprises is positively related to budgetary control practices. These budgetary control practices influences management in the following order: Cost reduction measures, Monitoring and control of budgets, evaluation of budgetary process, performance of budgetary process, planning for budgetary allocations and availability of financial resources. The researcher established that all these factors are positively related to the management of Kangemi Township Micro and small enterprises and they can be used to determine the level of management of a certain enterprise.

In establishing the time period covered by budgets, the study found that majority (65.15%) of Kangemi Township Micro and Small enterprises review budget after 1 to 5 years. This figure was evidenced by the fact that budget review increases the level of understanding and evaluating major projects to be given priority, also increase reliability and accountability as it makes the owners more knowledgeable on various policies and current trends in management and that it gives one the capacity to handle financial aspects.

On the approximate annual budget revenue, none of the Kangemi Township Micro and Small enterprises' budget holders' disagreed that budgets have clear goals and objectives and when budgeting, outcomes, goals and objectives are linked to programs and firm activities. This means firms should plan for budgetary practices in order to control practices in management of micro and small enterprises. This was examined by the extent to which budget control members of the micro and small enterprises agreed on that the firms should have long term and short term budget plans, the budgets have clear goals and objectives, when budgeting, outcomes, goals and objectives are linked to programs and school activities, the enterprises put priorities for the coming annual budget conference and committees and that educational departments prepare budget plans prior to the budget year.

On the Impact of evaluation on budgetary control practices in management of Kangemi Township Micro and Small enterprises, the study found that the firms engages their stakeholders in making key budget decisions and the management of the organization review the budget as the respondents strongly agreed at 44% respectively. On the other hand, the respondents agreed that the firms review the process of budget allocation at 61% and that the firm management should review the budget at 57.3%. These were the leading factors that affect the budgetary control practices in management of Kangemi Township Micro and Small enterprises.

In establishing the influence of monitoring and control on budgetary control practices in management of Kangemi Township Micro and Small enterprises, the study found that the program efficiency as a percentage of program expenses divided by total expenses in the past year was recorded as 0-5% (16%) for most firms. It was also evidence from the study that less than half (48%) of the firms execute their projects within the stipulated deadline and the estimated percentage of costs reduction by the firm is majorly 0-3% (25.3%).

4.2 Recommendations

In light of the findings of this study, the following recommendations to improve and ensure effective budget control and monitoring are suggested: there is need to review and harmonize existing policies on strategic planning in schools. Policies should work towards strengthening of local participation in service delivery. To better control budget of the Kangemi Township Micro and Small enterprises, there is need for a comprehensive in-service training for all relevant firm participants. The training should isolate components of financial management, and in this case budget management, monitoring and control would facilitate correct procedures and would eliminate most of the challenges found in this study. For instance, training in the budgeting process would result in realistic budgets that can be implemented properly.

There is need to actively involve all stakeholders in strategic planning as successful level change will only occur if supported by all stakeholders. Firm management should seek collaboration with other stakeholders such as NGO, civil society, government and other development agencies that are good at resource mobilization. Both internal and external evaluations should be done regularly to ensure firm finances are properly spent towards the achievement of the firm specific objectives. The government should put in place relevant legislation compelling preparation of budgets so as to ensure all firms despite their firm size adhere to preparation of budgets which in the long run is good for their survival.

4.3 Areas for Further Studies

A study is recommended to evaluate the adoption of technology use and advanced accounting systems in the management of finances in micro and small enterprises. Further studies are also encouraged on the effect of involvement of internal and external controls on the effective management of micro and small enterprises not only in Kangemi Township but also in the rest of Kenya.

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REFERENCE TABLES AND CHARTS

Table 4.1: Classification of Variables

Dependent variable Y is a measure of management of Kangemi Township Micro and Small Enterprises	Represented by answers to question 11, 16, 20, 21 and 26
X1 measured by Planning activities and expenditures	Represented by question 1, 4, 5 and 24 in the questionnaire
X2 Measured by activities and expenditures undertaken in monitoring and control	Represented by questions 2, 9, 10, 13, 14, 21, and 22.
X3 measured by the set of activities undertaken in evaluation of budget process and activities	Represented by question 6, 10 and 12 of the questionnaire.
X4 measured by availability of financial resources	The variable was answered by question 3 of the questionnaire.
X5 measured by activities undertaken to curb costs for budgetary process	The variable was represented by question 15, 18 and 25.
X6 Measured by performance evaluation activities determined by time spent and allocation on budgetary tools and process	The variable was represented by question 7, 8, 17, 19 and 23.

Table 4.2: Descriptive Statistics Table

	Y	*X1*	*X2*	*X3*	*X4*	*X5*	*X6*
Mean	8.603448276	9.267241	16.28448	6.568966	1.517241	5.560345	11.67241
Standard Error	0.664463047	0.535313	1.159525	0.357659	0.259304	0.488133	0.660718
Median	6	10	17	7	1	6	11
Mode	8	10	36	7	1	2	9
Standard Deviation	7.156486034	5.765501	12.48847	3.852101	2.792794	5.257357	7.116149
Sample Variance	51.21529235	33.241	155.9618	14.83868	7.7997	27.63981	50.63958
Kurtosis	-0.984312562	-0.56913	0.155924	0.871504	0.829398	0.186286	18.89026
Skewness	0.40735613	-0.32576	-0.50189	-0.59165	-0.84485	-0.21706	2.938246
Range	25	21	53	20	10	25	62
Minimum	-4	-3	-17	-5	-5	-10	-1
Maximum	21	18	36	15	5	15	61
Sum	998	1075	1889	762	176	645	1354
Count	116	116	116	116	116	116	116
Largest(1)	21	18	36	15	5	15	61
Smallest(1)	-4	-3	-17	-5	-5	-10	-1
Confidence Level(95.0%)	1.316173371	1.060353	2.296796	0.708453	0.513632	0.966898	1.308755

Table 4.3: How often is the budget reviewed?

		Total	
		1-5 years	Percentage
How often is the budget reviewed?	Annually	89	67.47
	Monthly	3	2.27
	None	5	3.78
	Quarterly	35	26.43
Total		132	138

Table 4.4: Budget Planning and Budgetary Control Practices

Responses	Strongly agree		Agree		Disagree		Strongly Disagree		Not sure	
	f	%	F	%	F	%	F	%	f	%
The firm has a long term and short term budget plans	19	13.77	81	58.69	10	7.25	2	1.45	20	14.49
The budgets have clear goals and objectives	33	23.9	58	42.03	5	3.6	3	2.17	39	28.26
When budgeting, outcomes, goals and objectives are linked to programs and school activities	26	18.84	67	48.55	9	6.5	34	24.63	2	1.45
The firm put priorities for the coming annual budget conference and Committees	16	11.6	68	49.3	41	29.7	8	5.8	5	3.6
Firm departments prepare budget plans prior to the budget year	21	15.2	62	44.9	8	5.70	39	28.3	8	5.8

Table 4.5: Impact of Evaluation on Budgetary Control Practices

Response	Strongly agree		Agree		Disagree		Strongly Disagree		Not sure	
	F	%	F	%	F	%	f	%	f	%
The management of the organization review the budget	18	24.0	25	33.3	0	0	1	1.3	31	41.3
The firm review the process of budget allocation	13	17.3	33	44.0	5	6.7	0	0	22	32.0
The firm puts priorities for the coming annual budget conference and Committees	8	10.7	27	36.0	5	6.7	3	4.0	32	42.7
The firm engages its stakeholders in making key budget decisions	21	28.0	18	24.0	8	10.7	5	6.7	23	30.7
The management of the organization review the budget	11	14.7	22	29.3	9	12.0	3	4.0	30	40.0

Table 4.6: Monitoring and Control Impact on Budgetary Control Practices

Response	Strongly agree		Agree		Disagree		Strongly disagree		Not sure	
	F	%	F	%	F	%	f	%	f	%
There exist a budgeting committee that holds budget conferences and meetings to review performance	29	17.3	36	26.7	15	10.7	24	17.3	29	21.3
The firm has budget policies that monitors budget spending	17	12.0	48	34.7	18	13.3	17	12.0	38	28.0
Control of the budget activities is done by the departmental heads	31	22.7	46	33.3	15	10.7	9	6.7	36	26.7
The firm puts priorities for the coming annual budget Committees	17	12.0	50	36.0	11	8.0	0	0	60	44
The costs of activities and functions of the firm are constantly reviewed by the budgeting committee	25	18.7	39	28.0	18	13.3	15	10.7	54	39.3
The firm's budget performance evaluation reports are prepared	11	8.0	71	52	17	12.0	4	2.7	35	25.3
The firm's budget deviations are reported to budget committees	18	13.3	50	36.0	22	16.0	9	6.7	37	28
Firm owners always take timely corrective actions when adverse variances are reported	17	12.0	42	30.7	15	10.7	9	6.7	55	40
There is a regular follow up on budget plans by the budget committee and departmental heads	11	14.7	20	26.7	11	14.7	3	4.0	30	40

Table 4.7: Regression Summary

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.874992974
R Square	0.765612704
Adjusted R Square	0.752710651
Standard Error	3.558791412
Observations	116

Table 4.8: ANOVA TABLE

ANOVA					
	Df	*SS*	*MS*	*F*	*Significance F*
Regression	6	4509.274023	751.5457	59.34038	4.26115E-32
Residual	109	1380.484598	12.665		
Total	115	5889.758621			

Table 4.9: Regression Matrix

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.494184621	0.793014605	0.623172	0.534473	-1.077544497	2.065914	-1.07754	2.065914
X1	-0.2675339	0.098534436	-2.71513	0.007705	-0.46282594	-0.07224	-0.46283	-0.07224
X2	0.218041617	0.062358271	3.496595	0.000683	0.094449555	0.341634	0.09445	0.341634
X3	0.207100478	0.16533018	1.252648	0.213015	-0.120578554	0.53478	-0.12058	0.53478
X4	0.107518463	0.152513602	0.704976	0.482329	-0.194758528	0.409795	-0.19476	0.409795
X5	0.637119952	0.110856878	5.74723	8.35E-08	0.41740523	0.856835	0.417405	0.856835

X6	0.168919295	0.05728991	2.9485	0.003907	0.055372558	0.282466	0.055373	0.282466

Table 4.10 Correlation Matrix

	Y	*X1*	*X2*	*X3*	*X4*	*X5*	*X6*
Y	1						
X1	0.554963555	1					
X2	0.788394544	0.783934235	1				
X3	0.720814742	0.716645624	0.81706255	1			
X4	0.475011063	0.542181798	0.50535085	0.589937979	1		
X5	0.828970511	0.613526204	0.80385742	0.720499106	0.49770393	1	
X6	0.577289416	0.490682022	0.52590957	0.541372852	0.350756523	0.5125733	1