

Budgetary Control and Financial Performance of Government Corporations: A Case of Water and Sanitation Corporation (WASAC)

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DOI: 10.29322/IJSRP.10.09.2020.p10559

<http://dx.doi.org/10.29322/IJSRP.10.09.2020.p10559>

Abstract- To run any Government corporation, financial performance is required to enhance the use of budgetary control as a management tool to ensure performance. Nevertheless, returns on investment, net profit margin and return on asset as measure of profitability remains low because of unreliable financial performance within government corporations. Hence, the ignition of conducting a study to examine the effect of budgetary control on financial performance using specific objectives which are to assess the effect of budget variance on financial performance, to examine the impact of cost reduction on financial performance and to analyze the relationship between management support and financial performance. This study involved 86 respondents selected from 110 employees of WASAC in Nyarugenge District. Slovein formula was applied together with random sampling while choosing the number of respondents. Data were collected from respondents, cleaned and entered in SPSS version 21.0 to produce both descriptive statistic tables, correlation tables and regression analysis tables that have given the following results: ($r=.549$ and $sig=.000$), between budget variance and management support ($r=.789$ and $sig=.000$), between budget variance and net profit margin ($r=.582$ and $sig=.000$), between budgetary variance and return on asset ($r=.615$ and $sig=.000$), budgetary variance and return on investment ($r=.665$ and $sig=.000$), between cost reduction and management support ($r=.687$ and $sig=.000$), between net profit and return on investment ($r=.767$ and $sig=.00$), and return on assets and return on investment ($r=.943$ and $sig=.000$). The findings prove that budgetary control have a positive relationship with net profit margin because the coefficient of regression analysis indicates that all the calculated p-values are less than critical level of significance at 0.05. The results of regression analysis have also proved that to the established relationship between budget variance and net profit margin has $b=.016$ and $sig=.039$ which is less than 0.05 level of significance meaning that there is positive significant relationship. The second establishment of relationship is between cost reduction and net profit that indicates that there is a positive relationship because p-value is less than 0.05 level of significance ($b=.633$ and $sig=.000$), the third relationship established between management support and net profit margin showing that there is a positive significant relationship due to 0.02 calculated p-value which is less than 0.05 level of significance ($b=.335$ and $sig=.002$). Thus, the researcher recommends WASAC as a public corporation to increase budgetary control mechanisms by enhancing management

support, cost reduction and budget variance to ensure the progress of WASAC.

Index Terms- Budgetary control, Financial Performance, Government Corporation.

I. INTRODUCTION

Several nations in the world have got involved in detailed planning movements of various types of planning in the period and this has resulted in a wide range of literature on planning. Attention was paid to budgetary controls although this is generally recognized as the main instrument for allocating resources to specific recurrent and development activities. In recent years however, budget systems have received more attention and literature on public expenditure management has become more common. The budget is increasingly recognized as the key tool for economic management (Kiringai, 2002). It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets; this reason that the rules of the game by which the budget is formulated and implemented are equally important and that they do influence outcomes (Schick, 2009).

In the European Union, the Maastricht Treaty on European Union of 1992 mandates reform of budgetary control of the member states to enhance fiscal discipline. Aspect of the budgetary control that has received considerable attention is the sequence of budgeting decisions. Traditionally, Congress voted on budget items line by line, or category by category. The sum of all spending approved by Congress emerged as the overall budget of the institution, a budgeting process called bottom up budgeting. The budget reforms stemming from the Budget Act of 1974 replaced this tradition with a different sequence. First, Congress voted on the total size of the budget. Once that was determined, Congress would allocate that total budget among spending categories of money. A budgeting process of that type is called a top-down process. It was argued at the time, that a top-down budgeting process would lead to a better outcome, in particular, to a smaller budget, than would a bottom-up budget process (Committee on the Budget, 2017).

In Canada, Budgetary control is a system of management control in which the actual income and spending are compared

with 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. Budgetary control is the one of best technique of controlling, management and finance in which every institutional department's budget is made with estimated data. Then, the management conducts a comparative study of the estimated data with original data and fix the responsibility of employee if variance will not be favorable. Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future of the institution (Epstein and McFarlan, 2011).

In Kenya, budgetary control reforms have been attempted as far back as the early 1970s but the results have not been encouraging. In recent years, a key recommendation has been to shift the focus from the annual budget to a Medium-Term Expenditure Framework approach to budgeting. Kenya adopted the MTEF approach in 2000 and implemented it for the first time in the budget in June 2005 (Tsofa, Sassy & Godman, 2015). According to Kiringai (2002) the goals of adopting the MTEF approach was to achieve Fiscal discipline expenditure by line agencies must adhere to hard budget ceilings in order to remain within aggregate resource constraints. Allocate efficiency-expenditure allocation should address national development priorities and Operational (technical) efficiency of public expenditure should achieve explicit outputs at minimum cost by applying performance targets of output relative to inputs.

In Rwanda, budgetary control to the institutions generally as the collection of the formal and informal rules and principles governing the budgetary control within the executive and the legislature; institutions divide the budgeting process into different steps, determine who does what and when in each step, and regulate the flow of information among the various actors. In doing so, such institutions distribute strategic influence and create or destroy opportunities for collusion and for holding individual agents accountable for their actions (MINECOFIN Report, 2014) the constitutional role of the budgeting process is to provide a framework in which all competing claims on public funds are manifested and reconciled with each other.

This research project aims to identify how budgetary control can contribute to the financial performance of Government Corporation. For this purpose, study defines a research framework for assessing the contribution of budgetary control to the financial performance of Water and Sanitation Corporations (WASAC).

II. STATEMENT OF THE PROBLEM

Most government corporations do not effectively apply budgetary control techniques in financial performance (Needles, 2011). Hence, most of them have failed to recognize the power of budgets and budgetary control over performance outcomes of the corporations. The basic requirement for the success of budgeting is the absolute support and enthusiasm provided by top management to ensure cost reduction through their support which results in budget supervision and appropriate estimation of profit potentials in a business (Hingorani & Ramanathan, 2007).

There have been attempts to clarify the contribution of budgetary control on financial performance in Government corporations worldwide, specifically in studies conducted by Subramaniam and Ashkanasy (2011); Swieringa and Moncur

(2013) in Africa; Onduso (2013), Mohammed (2013) and Oduor (2012) in the region particularly in East Africa. However, literatures have shown that there are not much empirical studies conducted in the field of budgetary control and financial performance in Government corporations in terms of cost reduction, budget variance and management support specifically in WASAC of Rwanda.

Meantime, the reports of Audit General indicate that WASAC has distorted a budget of 20.1 billion and other 3.9 billion which was spent without supporting document though it was budgeted for, this report also highlighted that WASAC carries out project without doing feasibility study which shows that accounting tools like budgetary control are not applied in WASAC (OAG, 2019). This is another gearing fact that brings the researcher to prove whether the issue of financial challenges in government corporations in Rwanda, especially in WASAC are associated to poor financial management practices or budgetary control for the case of this study about budgetary control and financial performance.

Hence, the researcher conducted this study on WASAC to assess the confusion brought by Kenis (2012) who argued that budgetary control has a positive significant relationship with financial performance ($p=.895$ and $sig=.000$) whereas Milani (2011) found a weak positive relationship between budgetary control and financial performance ($p=.511$ and $sig=.010$) at 0.01 level of significance. With reference to no research in the field of budgetary control and financial performance was conducted in WASAC and the ambiguities brought by previous research in same field elsewhere as well as the absence of extensive research in this area and the report of audit general on WASAC, this research found out the relationship between budgetary control and financial performance of government corporation in Rwanda taking WASAC as a case of study.

III. OBJECTIVES OF THE STUDY

3.1. General objective

The main objective of the study was to assess the contribution of budgetary control to the financial performance of Government Corporation.

3.2. Specific objectives

The study was split up in the following specific objectives:

- (i) To determine the effect of budget variance on financial performance of WASAC.
- (ii) To assess the impact of cost reduction on financial performance of WASAC.
- (iii) To establish the relationship between management support and financial performance of WASAC

IV. LITERATURE REVIEW

4.1. Empirical review

Carolyn et al. (2007) examined the association between effects of budgetary control on performance, using a sample of large U.S. cities over 2003-04 timeframe. Within this context they examined whether the tightness of budgetary controls or effective level of budgetary control within the cities as measured by budget

supervision contribute to performance as measured by bond rating and found that effective level of budgetary control is significantly and positively related to bond rating with Pearson correlation of 0.761 and calculated significance value of 0.00 at 0.01 level of significance.

Wijewardena and Zoysa (2011) conducted a study in Australia to examine the impact of budgetary control on financial performance of Government Corporation. In their study, performance was measured by two financial indicators: sales growth and return on investment. Data was collected from two Government Corporation in Australia. The results showed a positive and significant relationship between budget variance and sales growth ($p=0.561$ and $sig=0.001$), and between budgetary control and sales growth ($p=0.611$ and $sig=0.001$) at 0.01 level of significance. The study also showed a significant relationship between budget variance and return on investment ($p=0.823$ and $sig=0.000$), between budgetary control and return on investment ($p=0.732$ and $sig=0.000$) at 0.01 level of significance.

Anthony (2013), study sought to evaluate budgetary control of public institution in Poland and see whether budgetary control has significant impact on performance of public firms. The budgetary controls of public corporations were assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of public firms in Poland was examined by using Return on Assets. Based on the data extracted from public firms' financial statements, correlation coefficients of 0.786 and calculated significance value of 0.00 at 0.01 level of significance and regression analysis of ($b=0.0761$ and $sig=0.00$) at 0.05 level of significance showed that budgetary control have significant associations with the organizational performance of public firms in Poland. This confirms that efficient public firms maintain sound budgetary control which contributes to higher levels of organizational performance hence a positive relationship. Qing (2010) conducted a study on the impact of the budgetary control on performance of Government Corporation in China. The main objective for the study was to examine whether the budgetary control significantly and positively impacts the performance of Chinese Government Corporation. The findings showed that there was a positive effect of the budgetary control on public firm's performance ($p=0.876$ and $sig=0.000$) at 0.01 level of significance. First, the study revealed that budgetary control leads to higher sales revenue with a positive significant relationship ($b=0.865$ and $sig=0.000$) at 0.05 level of significance. Secondly, budget goal characteristics strongly affect the budgetary performance of Chinese public firms, thus clear budget goals lead to higher goal

achievement, whereas, difficult (but attainable) budget goals increase the motivation of employees to achieve budget standards at 78.6%. Thirdly, the study discovered that the more formalized budgetary control tends to lead to a higher growth in profit of public institution at 81.3% of progress.

Onduso (2013) conducted a study in Nairobi Kenya to examine the effect of budgetary control on financial performance of public institution. Findings showed that the financial performance as measured by ROA is strongly influenced by using budget variance and management support ($p=0.832$ and $sig=0.000$; $p=0.764$ and $sig=0.000$) at 0.01 level of significance respectively. Mohammed and Ali (2013) in a study the relationship between budgetary control and performance of public Remittance companies in Somalia concluded that the correlation between budgetary control and firm performance is 0.514, which means that one level increase of budgetary control effectiveness leads to 0.514 higher firm performance. The probability of this correlation coefficient occurring by chance is 0.00. This coefficient shows that a statistically significant moderate positive relationship between budgetary control and firm performance.

Faith (2013) conducted a study in Lagos Nigeria entitled the effects of budgetary control on financial performance of commercial and manufacturing parastatals in Nigeria. The aim of this study was to examine how budgetary affect financial performance of firms in Lagos. The key findings of this study showed that more formal cost reduction promotes higher growth of sales revenues in the parastatals, formal budgetary control leads to a higher growth of profit in parastatals and greater budgetary control leads to better managerial performance at rate of 78.9% of increment in growth of profit.

4.2. Conceptual framework

The conceptual framework is the foundation on which the entire research project is based. It identifies the network of relationships among the variables considered important to the study of a given problem. The dependent variable is financial performance of government corporation with the following indicators: net profit margin, return on assets (ROA), and return on investment (ROI), which can result into independent variable that is budgetary control with the following indicators: cost reduction, management support and budget variance. Variable that explains a relation or provides a causal link between other variables is called mediating variable or intervening variable. Indeed, in this study the intervening variable are financial control and government policies.

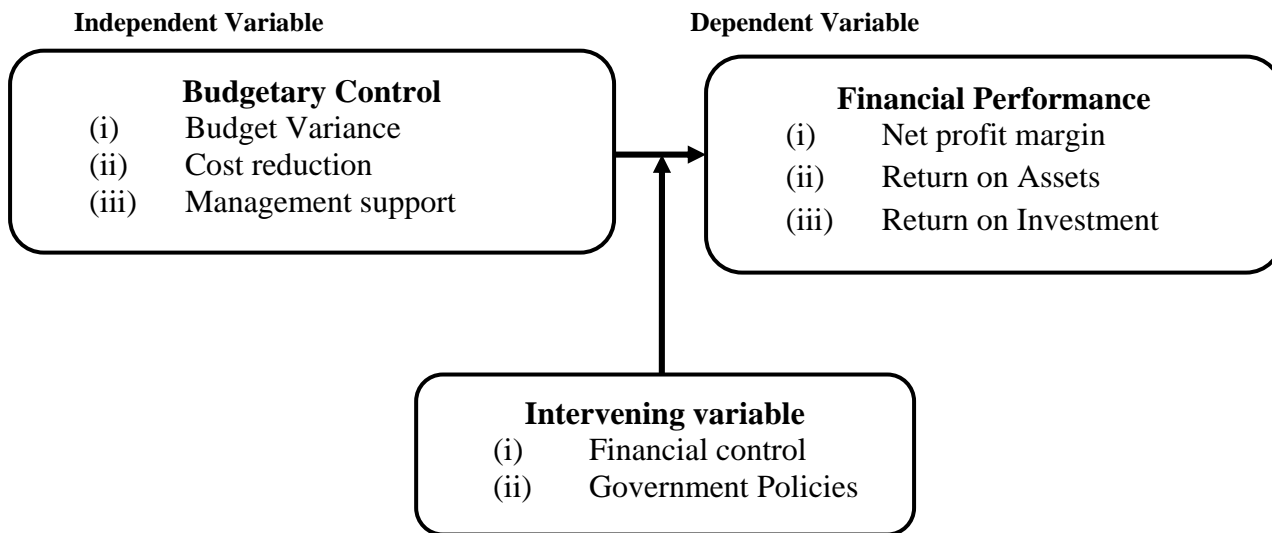


Figure 2. 1: Conceptual framework
Source: Researcher, 2019

Figure 2.1 indicates the relationships between variables under the study; those are budgetary control as measured by budget variance, cost reduction and management support; and financial performance of Government Corporation as measured by net profit margin, return on assets and return on investment. The conceptual model shows also the moderating/intervening variables which are others factors that may have an impact on dependent variables which are financial control and government policies.

V. RESEARCH METHODOLOGY

This study used descriptive survey as research design taking a quantitative approach. This research design is preferred because it helps to explain and explore the existing problem of budgetary control and financial performance within WASAC as a government corporation. This research assessed the contribution of budgetary control to the financial performance in WASAC headquarter as case study. It has been therefore, focusing on a population who are employees of this WASAC and Financial Controller. The 110 employees of WASAC are the people that are considered as target population of this study. The sample size of this study were drawn from 110 employees to became 86 respondents using Slovenia’s formula

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{110}{1 + 110 (0.05)^2}$$

$$n = 86$$

Whereby n is the sample size, N is the total population and e is the error. By using this formula above when e= 0.05, N= 110 then sample size was 86 employees of WASAC.

The researcher used simple random sampling technique to select sample size that has been used in this study that aimed at assessing the relationship between of budgetary control and

financial performance of public institution. The simple random sampling was used because it was assumed to afford each element of the population the opportunity of having independent and equal chance of being represented in the sample of 86 respondents as the sample size. The researcher gained the information from the primary data obtained through a questionnaire, interview schedule and document review applied as to obtain secondary data. In data collection instruments, researcher used Questionnaire, interview schedule and document review.

In the data analysis procedures, researcher focused on the data analysis and the data presentation. In the data analysis, researcher used a real statistics program namely SPSS 21.0 version. By using this statistics program, researcher entered the data in the software then researcher started to assign a number to each response item, enter a clear code, clean data, and also produced descriptive statistics, correlation and regression analysis. In the data analysis, researcher presented the findings from the data by using the correlation and regression analysis to show the relationship between budgetary control and financial performance of WASAC.

VI. RESEARCH KEY FINDINGS

6.1. The effect of budget variance on financial performance of WASAC

This subsection considers the perceptions and views of respondents about the effect of budgetary control on financial performance in terms of the actual revenues, budgeted revenues, actual service cost, material price, labor rate variance, material usage variance and labor efficiency variance. The respondents indicated their responses in relation to the statements on effect of budget variance on financial performance of WASAC measured using 1-5 Likert Scale (1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5-Strongly agree).

Table 6.1: The budget variance and financial performance of WASAC

| Statement | 1 | 2 | 3 | 4 | 5 |
|--|---------|-----------|-----------|-----------|-----------|
| The actual revenues should be more than the budgeted revenues to enhance financial performance | 1(1.2%) | 7(8.1%) | 29(33.7%) | 34(39.5%) | 15(17.4%) |
| The budgeted or planned revenues should be less than the budget to enhance financial performance | 1(1.2%) | 2(2.3%) | 7(8.1%) | 54(62.8%) | 22(25.6%) |
| The actual service cost should be less than the amount budgeted for the period | 1(1.2%) | 6(7.0%) | 35(40.7%) | 28(32.6%) | 16(18.6%) |
| Material price variance affects negatively financial performance | 1(1.2%) | 1(1.2%) | 8(9.3%) | 36(41.9%) | 40(46.5%) |
| Labour rate variance affect negatively financial performance | 1(1.2%) | 3(3.5%) | 41(47.7%) | 12(14.0%) | 29(33.7%) |
| Material usage variance affects financial performance | 1(1.2%) | 1(1.2%) | 27(31.4%) | 21(24.4%) | 36(41.9%) |
| Labour efficiency variance affects financial performance | 1(1.2%) | 13(15.1%) | 39(45.3%) | 15(17.4%) | 18(20.9%) |

Source: Primary Data (2019)

The results in Table 6.1 indicate that 54 (62.8%) of total respondents agreed that budgeted revenues should be less than the budget to enhance financial performance, 34 (39.2%) of total respondents have agreed that the actual revenues should be more than the budgeted revenues to enhance financial performance, 40 (46.5%) of the total respondents strongly agreed that material price variance negatively affects financial performance, 39 (45.3%) of total respondents strongly agreed that labor efficiency variance affects financial performance, 36 (41.9%) of total respondents strongly agreed that material usage variance affects financial performance, whereas 41 (47.7%) of total respondents kept neutral on the statement that labor rate variance affect negatively financial performance, and 35 (40.7%) of total respondents kept neutral on the statement that the actual service cost should be less than the amount budgeted for the period. Hence, the results prove that budgetary variance affects financial performance because the rate of strongly agree and agree is above 60% from the views and perception of respondents on the given statements.

In an interview conducted with Chief Budget Manager at WASAC Head Quarter in Nyarugenge, he mentioned that due to some challenges that are encountered during Budget execution period regarding budgetary control, WASAC has put up strategies to enhance budgetary control in order to increase financial

performance of WASAC Head Quarter in Nyarugenge. He stated in his own words:

“To solve issues that hinder financial performance in relation to budget variance and control, we decided to keep budgeting and forecasting very flexible to incorporate actual revenues is greater than budgeted revenues to enhance financial performance. To ensure its success story we involve the whole budgeting team so that profit target and cash flows are well recorded to increase credibility and bookkeeping services to support budgetary control and financial performance”. This statement from the interviewee indicates that budgetary control in terms of budget variance affect financial performance of WASAC Head Quarter in Nyarugenge District

6.2. The impact of cost reduction on financial performance of WASAC

The respondents indicated their responses in relation to the statements on the impact of cost reduction on financial performance of WASAC measured using 1-5 Likert Scale (1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5-Strongly agree).

Table 6.2: The cost reduction and financial performance of WASAC

| Role of cost reduction | 1 | 2 | 3 | 4 | 5 |
|--|-----------|-----------|-----------|-----------|-----------|
| Pressure on profits | 5(5.8%) | 16(18.6%) | 4(4.7%) | 4(4.7%) | 57(66.3%) |
| Careful use of resource | 1(1.2%) | 12(14.0%) | 22(25.6%) | 18(20.9%) | 33(38.4%) |
| Increase productivity | 29(33.7%) | 12(14.0%) | 9(10.5%) | 4(4.7%) | 32(37.2%) |
| Desire to be the best in business | 32(37.2%) | 13(15.1%) | 2(2.3%) | 8(9.3%) | 31(36.0%) |
| Motivate the employees to render and sell service/products | 10(11.6%) | 14(16.3%) | 3(3.5%) | 32(37.2%) | 27(31.4%) |

Source: Primary Data (2019)

The results in Table 4.4 show that 57 (66.3%) of total respondents strongly agreed that pressure on profits is one among other impact of cost reduction on financial performance, 48 (55.8%) of total respondents strongly agreed that increase completion ensures financial performance, 33 (38.3%) of total respondents strongly agreed that careful use of resource also

indicate the impact of cost reduction on financial performance, 32 (37.2%) of total respondents strongly agreed that increase productivity and 31 (36.0%) of total respondents strong agreed that desiring to be the best in business can also enhance the impact of cost reduction on financial performance. Thus, implies that the

rate of both strongly agreed and agreed responses show that cost reduction affects financial reduction.

The third interviewee states that: “Since the start WASAC desired to be the best service provider public corporation but careful use of resources remains a challenge that hinders this kind of desire. In viewpoint, budget is a tool to promote careful use of resources and on the other hand it promotes financial performance”. This statement indicates that the interviewee supports with the study findings indicating that desire to be the best in business and careful use of resources have a great impact

on financial performance of WASAC Head Quarter in Nyarugenge District of Rwanda

6.3. The relationship between management support and financial performance of WASAC

The respondents indicated their responses in relation to the statements on the relationship between management support and financial performance of WASAC measured using 1-5 Likert Scale (1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- Strongly agree).

Table 6.3: Role of management in cost reduction to enhance financial performance

| Role of management in cost reduction to enhance financial performance | 1 | 2 | 3 | 4 | 5 |
|---|-----------|-----------|-----------|-----------|-----------|
| Originate the goals of cost reduction | 4(4.7%) | 18(20.9%) | 2(2.3%) | 4(4.7%) | 58(67.4%) |
| Consolidate cost reduction activities into a single organisational function | 24(27.9%) | 14(16.3%) | 10(11.6%) | 6(7.0%) | 32(37.2%) |
| Assign responsibilities for the achievement of cost reduction to specialist | 2(2.3%) | 26(30.2%) | 5(5.8%) | 15(17.4%) | 38(44.2%) |
| Formulate broad policy guidelines for cost reduction implementation | 4(4.7%) | 4(4.7%) | 6(7.0%) | 7(8.1%) | 65(75.6%) |
| Communicate enthusiasm for the cost reduction | 3(3.5%) | 6(7.0%) | 8(9.3%) | 6(7.0%) | 63(73.3%) |
| Measure the effect of cost reduction | 2(2.3%) | 4(4.7%) | 6(7.0%) | 8(9.3%) | 66(76.7%) |
| Budget the money that will be spent for cost reduction | 1(1.2%) | 4(4.7%) | 7(8.1%) | 7(8.1%) | 67(77.9%) |
| Place control on cost reduction | 3(3.5%) | 5(5.8%) | 7(8.1%) | 7(8.1%) | 64(74.4%) |

Source: Primary Data (2019)

The results in Table 6.3 indicate that 68 (79.1%) of total respondents strongly agreed that management support help to budget the money that will be spent for cost reduction in order to enhance financial performance, 67 (77.9%) of total respondents strongly agreed that management support help to measure the effect of cost reduction to enhance financial performance, 67 (77.9%) of total respondents strongly agreed that management support help to place control on cost reduction to enhance financial performance, 66 (76.7%) of total respondents strongly agreed that management support defines the scope of cost reduction to enhance financial performance, 65 (75.6%) of total respondents strongly agreed that management support formulates broad policy guidelines for cost reduction implementation, 63 (73.3%) of total respondents strongly agreed that management support communicate enthusiasm for the cost reduction to enhance financial performance, 38 (44.2%) respondents strongly agreed that management support assign responsibilities for the achievement of cost reduction to specialist, and 32 (37.2%) respondents strongly agreed that management support consolidate cost reduction activities into a single organizational function. Thus, this implies that most of the respondents agreed or strongly agreed

that management support impact financial performance.

Table 6.4: Correlation Analysis between Budgetary Control and Financial Performance

| | | budget Variance | Cost Reduction | Management Support | Net Margin | Profit Return Asset | on Return Investment | on |
|----------------------------|---------------------|--------------------|-------------------|-----------------------|---------------|------------------------|-------------------------|----|
| budget Variance | Pearson Correlation | 1 | .549** | .786** | .582** | .615** | .665** | |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 | |
| | N | 86 | 86 | 86 | 86 | 86 | 86 | |
| Cost Reduction | Pearson Correlation | .549** | 1 | .687** | .848** | .703** | .756** | |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 | |
| | N | 86 | 86 | 86 | 86 | 86 | 86 | |
| Management Support | Pearson Correlation | .786** | .687** | 1 | .741** | .778** | .834** | |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 | |
| | N | 86 | 86 | 86 | 86 | 86 | 86 | |
| Net Profit Margin | Pearson Correlation | .582** | .848** | .741** | 1 | .713** | .767** | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 | |
| | N | 86 | 86 | 86 | 86 | 86 | 86 | |
| Return on Asset | Pearson Correlation | .615** | .703** | .778** | .713** | 1 | .943** | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 | |
| | N | 86 | 86 | 86 | 86 | 86 | 86 | |
| Return on Investment | Pearson Correlation | .665** | .756** | .834** | .767** | .943** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | | |
| | N | 86 | 86 | 86 | 86 | 86 | 86 | |

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

Source: Primary Data, 2019

The findings in Table 4.9 prove that there is a significant relationship between budget variance and cost reduction (p=.549 and sig=.000), between budget variance and management support (p=.786 and sig=.000), between budget variance and net profit margin (p=.582 and sig=.000), between budgetary variance and return on asset (p=.615 and sig=.000), budgetary variance and return on investment (p=.665 and sig=.000), between cost

reduction and management support (p=.687 and sig=.000), between net profit margin and return on investment (p=.767 and sig=.00), and return on assets and return on investment (p=.943 and sig=.00). Hence, the results show that there is a positive significant relationship between budgetary control and financial performance

Table 6.2: Coefficients of Budgetary Control and Net Profit Margin

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .082 | .099 | | .828 | .410 |
| budget Variance | .016 | .077 | .018 | .204 | .039 |
| Cost Reduction | .633 | .072 | .642 | 8.742 | .000 |
| Management Support | .335 | .106 | .314 | 3.168 | .002 |

a. Dependent Variable: Net Profit Margin

Source: Primary Data, 2019

The findings of Table 4.12 prove that budgetary control has appositive relationship with net profit margin because the coefficient of regression analysis indicates that all the calculated p-values are lesser than 0.05 significance level; basing on the coefficient of regression model, $Y = \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta$ and it becomes $Y = .082 + 0.16x_1 + .633x_2 + .335x_3 + \beta$. Thus, the model demonstrates that there is a significant relationship between budgetary control and net profit margin within WASAC.

The first relationship established between budget variance and net profit margin (b=.016 and sig=.039) demonstrates a significant relationship because the .039 calculated p-value is less

than the 0.05 level of significance. The second relationship established between cost reduction and net profit margin (b=.633 and sig=.000) demonstrates that there is a positive significant relationship because the calculated .000 p-value is less than 0.05 level of significance. And the thirst relationship established between management support and net profit (b=.335 and sig=.002) indicated that there is a positive significance relationship between the two because the calculated p-value .002 is less than 0.05 level of significance. This implies that there is a relationship between budgetary control and net profit margin in WASAC.

Table 6.2: Coefficients of budgetary control and return on asset

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .258 | .102 | | 2.542 | .013 |
| budget Variance | .000 | .079 | .000 | .002 | .008 |
| Cost Reduction | .268 | .075 | .319 | 3.600 | .001 |
| Management Support | .508 | .109 | .559 | 4.667 | .000 |

a. Dependent Variable: Return on Asset

Source: Primary Data, 2019

The findings of Table 4.15 prove that budgetary control has a positive relationship with return on asset because the coefficient of regression analysis indicates that all the calculated p-values are less than 0.05 significance level. Basing on the coefficient of regression model, $Y = \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta$ and it becomes $Y = .258 + .000x_1 + .268x_2 + .508x_3 + \beta$. Thus, the model demonstrates that there is a significant relationship between budgetary control and return on asset within WASAC.

The first relationship established between budget variance and return on asset (b=.000 and sig=.008) demonstrates a significant relationship because the .008 calculated p-value is less

than the 0.05 level of significance. The second relationship established between cost reduction and return on asset (b=.268 and sig=.001) demonstrates that there is a positive significant relationship because the calculated .001 p-value is less than 0.05 level of significance. And the third relationship established between management support and return on asset (b=.508 and sig=.000) indicated that there is a positive significance relationship between the two because the calculated p-value .000 is less than 0.05 level of significance. This implies that there is a relationship between budgetary control and return on asset in WASAC.

Table 6.3: Coefficients of Budgetary Control and Return on Investment

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|--------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .168 | .083 | | 2.027 | .853 |
| budget Variance | .012 | .065 | .016 | .185 | .046 |
| Cost Reduction | .283 | .061 | .347 | 4.658 | .000 |
| Management Support | .512 | .089 | .583 | 5.780 | .000 |

a. Dependent Variable: Return on Investment

Source: Primary Data, 2019

The findings of Table 4.12 prove that budgetary control has a positive relationship with return on Investment because the coefficient of regression analysis indicates that all the calculated p-values are less than 0.05 significance level; basing on the coefficient of regression model, $Y = \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta$ and it becomes $Y = .168 + .0126x_1 + .283x_2 + .512x_3 + \beta$. Thus, the model demonstrates that there is a significant relationship between budgetary control and return on investment within WASAC.

The first relationship established between budget variance and return on investment (b=.012 and sig=.046) demonstrates a significant relationship because the .046 calculated p-value is less

than the 0.05 level of significance. The second relationship established between cost reduction and return on investment (b=.283 and sig=.000) demonstrates that there is a positive significant relationship because the calculated .000 p-value is less than 0.05 level of significance. And the thirst relationship established between management support and return on investment (b=.512 and sig=.000) indicated that there is a positive significance relationship between the two because the calculated p-value .000 is less than 0.05 level of significance. This implies that there is a relationship between budgetary control and return on investment in WASAC.

VII. CONCLUSION AND RECOMMENDATIONS

7.1. Conclusion

This study is about budgetary control and financial performance in Government Corporation, it was limited on budgetary control with its predictors such as budget variance, cost reduction and management support; and financial performance of Government Corporation as measured by net profit margin, return on assets and return on investment. Literatures have shown that researchers like Carolyn *et al.*; (2007) examined the association between effects of budgetary control on performance, using a sample of large U.S. cities over 2003-04 timeframe, and found that effective level of budgetary control is significantly and positively related to bond rating with Pearson correlation of 0.761 and calculated significance value of 0.00 at 0.01 level of significance. Another study of Wijewardena and Zoysa (2011) conducted a study in Australia to examine the impact of budgetary control on financial performance of Government corporation revealed that there is a positive and significant relationship between budget variance and sales growth ($r=0.561$ and $sig=0.001$), and between budgetary control and sales growth ($r=0.611$ and $sig=0.001$) at 0.01 level of significance. The study also showed a significant relationship between budget variance and return on investment ($r=0.823$ and $sig=0.000$), between budgetary control and return on investment ($r=0.732$ and $sig=0.000$) at 0.01 level of significance.

Thus, the findings of this study revealed that there is a significant relationship between budget variance and cost reduction ($r=0.549$ and $sig=0.000$), between budget variance and management support ($r=0.789$ and $sig=0.000$), between budget variance and net profit margin ($r=0.582$ and $sig=0.000$), between budgetary variance and return on asset ($r=0.615$ and $sig=0.000$), budgetary variance and return on investment ($r=0.665$ and $sig=0.000$), between cost reduction and management support ($r=0.687$ and $sig=0.000$), between net profit and return on investment ($r=0.767$ and $sig=0.000$), and return on assets and return on investment ($r=0.943$ and $sig=0.000$). This implies that there is significant relationship between budgetary control and financial performance in WASAC. Hence, to ensure financial performance one has to first improve budgetary control

7.2. Recommendations

Basing on the study findings, the researcher would like to recommend to WASAC as a public corporation to increase budgetary control mechanisms by enhancing management support, cost reduction and budget variance to ensure the progress of WASAC. Hence, WASAC managers should ensure that appropriate financial resources are available, accessible and aligned with budget; these managers of WASAC also need to implement budgetary control for profit maximization, return on Asset and return on Investment

Basing on the study findings, the researcher would like to recommend to the Government to ensure that the entire government corporation have separate budget, well controlled and well presented to the ministry in charge, office of ombudsman and office of Auditor General and reported on each phase of expense

to better track the likely hindrances for effective budgetary control.

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