



**FACTORS INFLUENCING BUDGET PROCESS IN DONOR FUNDED PROJECTS IN KENYA: A  
CASE OF UNITED STATES SELF-HELP FUNDED PROJECTS IN NAIROBI**

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CASE OF UNITED STATES SELF-HELP FUNDED PROJECTS IN NAIROBI**

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**Abstract**

The aim of this study was to investigate on the factors influencing budget process in donor funded projects in Kenya: a case of United States Self-Help Funded Projects in Nairobi City County. The study objectives were; to determine the influence of technology on budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi, to establish the influence of employee's competences on budgeting process in donor funded project in United States Self-Help Funded Projects in Nairobi, to examine the influence of donor specifications on donor funded projects in United States Self-Help Funded Projects in Nairobi and to determine how the leadership and culture influence the budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi.

**Keywords:** *Budget Process, Donor Funded Projects*

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## INTRODUCTION

### Background of the Study

The industrial growth had a big impact on the economy. Economies of scale could be achieved by standardizing the use of raw materials and labour and calculating the standard cost price. Therefore, the efficacy of budgeting was quickly adopted by the private sector. Large firms, such as DuPont, General Motors and Siemens developed budgeting as a method to plan and control their costs and cash flow (Blumentritt, 2006).

Later, DuPont used budgeting as a tool to plan, control and motivate managers. DuPont linked rewards to the budget which also indicated the relationship between the budget and the managerial performance. Twenty years after the first governmental budget, nearly half of all well established firms in the US introduced budgetary control. The use of budgeting was adopted quickly. (Camillus and Grant, 2005).

The course of budgeting was set into a manner of planning and control. In the early stage of budgeting, control was more important than planning. Planning and allocation of the resources were only conducted by the senior management that had a great understanding of the business and was only set out for the budgetary period. The planning was afterwards cascaded to the middle-managers who acted as the controllers of the plans and finally, the plans were implemented by the divisional managers (Blumentritt, 2006).

Budgeting is not from the past decades. On the contrary, it can be traced back to the late 1800's to the government of the United

States (US). In the US, budgets were introduced at municipal level to control the state's tax earnings and expenses. By 1919 more than forty states had adopted a form of a state budget. The first national budget was provided in 1921 to the National Congress. This was the start of the role of budgeting in the public sector (Emsley, 2001).

The word on the effectiveness of budgeting spread quickly in the private sector. In 1930, most of the larger industrial companies had implemented some kind of budgetary control, although not many used budgeting throughout the organization. A study was conducted in 1941 and showed that almost 50% of the established companies in the US used a form of budgeting. Budgeting was practically fully integrated by 1958 in the US. European companies followed the example the US a bit later in time (Camillus and Grant, 2005).

Nowadays almost every organization has implemented a management control systems (MCS). The budgeting process is a vital component of the MCS and has been a very useful system by which the management successfully plan, coordinate and control. The budgeting process involves the creation and implementation of the organization's objectives as well as the short and long term planning. A budget allows the organization to better utilize the available financial resources (Emsley, 2001).

The budget can be distinguished into a normative and behavioural approach. The former elaborates on the preparation and the use of a budget. The latter explains the behavioural aspects of budgeting and people (Gronhaug and Ims, 1988). Argyris (1952) found that behavioural factors were

important for understanding the effectiveness of budgeting. DeCoster and Fertakis (1968) investigated how budget pressure was related to leadership style of departmental supervisors. More distinctive research has been conducted on the budgetary participation by subordinates and to which they were able to influence budget targets. Otley (2013) respectively showed how the budgets are used to evaluate managerial and subordinates performance. This is now commonly known as Reliance on Accounting Performance Measures (RAPM).

Other studies show the relationship between job related issues and managerial style (Otley, 2001; Merchant, 1981; Brownell and McInnes, 1986; Chenhall, 1986; Harrison, 1992; Ross, 1995; Lau and Tan, 1998; Emsley, 2001), and between budgetary participation and job satisfaction and rewards (Merchant and Manzoni, 1989; Frucot and Shearon, 1991). The normative and behavioural approaches show the distinct relationship between organizational, individual and environmental variables. Both approaches have factors that negatively influence the budgeting process. Neely, Sutcliffe and Heyns, (2001) determined the twelve most cited criticisms which relate to non-added value of the budgeting process, the impeding results of budgetary controls and organizational and people related issues.

The weaknesses of the traditional budgeting have been studied and therefore alternative budgeting techniques such as Zero Based Budgeting, Activity Based Budgeting, Rolling Budgets (Jensen, 2001). Although, the approach of each technique can be very different, the fundamental purpose of each alternative serves the same cause; to plan

and control. Most alternatives are in line with the traditional budgeting, but the researcher advocates abandoning the traditional budgeting as the budget does not aid the organization as intended. The researcher argues that the disadvantages cause more damage to the organization than the advantages yield. The organization should move to a more devolved environment and use adaptive processes that are based on relative performance. There are several examples of companies (e.g., Svenska Handelsbanken, Tetra Pak, Borealis) who have successfully implemented alternative budgeting techniques and have outperformed their competition.

An organization's structure and (performance) culture always is susceptible to change. These changes can lead to several shortfalls in the management control systems. The shortfalls are most notably noted in the short-term related goals. Negative effects, such as impeding of allocation of organizational resources to their best use and myopic decision planning and other dysfunctional behaviour e.g., slack or budget gaming, play a major role in the annual budget planning and performance evaluation (Hansen et al., 2003). The numerous shortfalls of the traditional budgeting process have extensively been discussed in the past decades (e.g., Schmidt, 1992; Bunce et al., 1995; Hope and Fraser, 1997, 2003a, 2003b; Wallander, 1999; Ekholm and Wallin, 2000; Marcino, 2000; Jensen, 2001).

The shortfalls have led to the discussion whether the traditional budgeting is the best solution for an organization to go forward or that the organization should decide to change

to an alternative budgeting technique. For many decades, empirical research has documented extensive use of budgeting systems (Bourne, 2005). These studies have largely highlighted the significant emphasis, which diverse types of organizations in various countries, put on budgeting systems, as key elements of management control. Increasingly, however, there appears to be a paradigm shift in the management accounting literature. While there are still advocates of budgeting, critics argue that the traditional budget is no longer appropriate given changes in technology and the rapidly changing business environment (Kaplan and Norton 2007).

In most organizations, a significant amount of time and effort is spent in preparing and updating budgets. Traditionally these formed part of the tracking and control mechanism for the business. It is not clear whether this time and effort adds value. Budget processes and new ways to budget are popular themes in the business and academic press. Articles regularly appear on the subject of problems with budgets and budgeting. Types of problems include frequent re-forecasting, a lack of alignment to strategy, rigid target setting that fails to adjust for environment change and the linking budgets to financial rewards have been implicated in driving dysfunctional behaviour in managers (Marcino, 2000).

The term budgeting can be interpreted in various ways. To promote clarity, a standard definition will be used. The Chartered Institute of Management Accounts (CIMA) define budgeting as 'A quantitative expression of a plan for a defined period of time. It may include planned sales volumes

and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows' in their topic gateway on Budgeting (Ross, 2008). The same document expands this definition to include; rolling or continuous budgets, budget flexing, activity-based budgeting, zero-based budgeting and demand pull budgets. The current research intends to gain a deeper understanding about how budgeting influences the performance of funded projects.

The Ambassador's Special Self-Help Fund is one way that the U.S. Embassy touches the lives of Kenyans. Through the Special Self-Help Fund, the U.S. Government contributes to projects that have strong community involvement and lead to the development of ongoing self-sustaining activities. We have seen over the years that this is a sustainable model to help Kenyans help themselves (Self-Help US Fund Report: 2010).

The Fund works on a grassroots level, investing in people who take the initiative to launch small-scale projects that improve education, environment, nutrition, economic circumstances, and local living conditions in their communities. Grants are distributed in various counties of Kenya to schools, special needs groups, women's groups, community based organizations, and self-help groups that work together to help raise their standards of living. For seven projects from seven different counties stands at Ksh 4,328,000 (\$50000.00) in total grant funding, benefitting approximately 25,000 people; since the program was launched in Kenya in 1996, nearly two and a half million Kenyans have benefited from Special Self-Help Fund grants (Special Self-Help Fund Vendor Day (February 23, 2012).

### *Statement of the Problem*

Budgets are monetary records of the goals to be achieved and the resources allocated to accomplish them. For several years, US funded projects have not been able to comply with the annual budget. The problems that US funded projects face is a snowball effect of the past five years (Self Help Final Completion Report, 2010). Firstly, the budgetary process is not punctual and the budget works counterproductive due to the unrealistic targets. And secondly, the performance culture is unsatisfactory. Some of the US funded projects do not work as a team, but as mere individuals who strive for their own goals (Self Help Final Completion Report, 2010). Insufficient subordinates dare to take responsibility for their actions related to the budget. Therefore, synergies from running efficient processes and accountability are fully missed, and the budget misses its purpose as a control mechanism for the organization. Therefore, it is necessary to better understand the traditional budgetary problems and the actions that can be taken to mitigate the risk of these problems (Drury, 2010). A number of studies also have been conducted on budgeting matter in Kenya Osoro (2001) found that budgetary practices in relief organizations are clearly different from development organizations due to differences in donor funding and reporting requirements. The study revealed that more stringent controls exists in relief programs than in development ones. Muleri (2004) revealed that financial mismanagement in the NGOs in Kenya is never taken too seriously. There is no research that has been carried out to examine the determinants of budgeting process in the US funded projects. This study was set to investigate on the factors

influencing budget process in donor funded projects (A case study of United States Self-Help Funded Projects in Nairobi City County).

### **Objectives of the Study**

#### **General Objective**

The general objective of this study was to determine factors influencing budgeting process in donor funded projects and in particular US self-help funded projects, Nairobi City County, Kenya.

#### **Specific Objectives**

1. To determine the influence of technology on budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi City County.
2. To establish the influence of employee's competences on budgeting process in donor funded project in United States Self-Help Funded Projects in Nairobi City County.
3. To examine the influence of donor specifications on donor funded projects in United States Self-Help Funded Projects in Nairobi City County.
4. To determine how the leadership and culture influences the budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi City County.

#### **Research Questions**

1. How does technology influence budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi City County?
2. How does employee's competence influence the budgeting process in donor funded projects in United States Self-Help

Funded Projects in Nairobi City County?

3. What is the influence of donor specification on budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi City County?
4. How does leadership and culture influence the budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi City County?

### **Scope of the Study**

This study evaluated the factors influencing the budget process in donor funded projects and in particular US self-help projects. The research targeted the projects in Nairobi City County. The research addressed the functionality of the traditional budgeting process within an organization and compare budgeting to the alternative budgeting techniques that had been developed.

The research contributed to a better understanding of the traditional budgeting process in a holistic way and to explain the weaknesses of budgetary control that have been found in the literature. The twelve most cited weaknesses from a report by Neely et al. (2001) will be used as it is primarily drawn from the practitioner literature and widely used in the literature on budgeting. A good understanding of the budgeting process is a necessity for elaborating on the alternative budgeting techniques that have been developed to overcome those weaknesses.

### **LITERATURE REVIEW**

#### **Traditional Budgeting**

McNally (2002) divided the approach to budgeting into four levels (time period of the

budget, forecasted values, forecasting process, and goal setting) to better analyze processes. Applying this structure to Nolan's findings, the traditional approach to budgeting usually focuses on a fixed timed period, usually coinciding with the company's fiscal year. Forecasting values remain static, and are not changed during the life of the budget-cycle (Nolan, 2005). Jones (1998) further emphasized the forecasting process as the core differentiating element between traditional and modern approach. The traditional incremental budgeting process begins with last year's continuing budget figures as the base budget. These numbers are then adjusted to reflect inflation, growth, changing conditions and other information gathered from financial forecasts for the upcoming fiscal year (Rivero & Emblemssvag, 2007). Goals according to which performance evaluation is completed are set top-down. Senior management for example sets performance objectives such as revenue and profitability ratios and imposes these goals on the rest of the organization (Narong, 2009).

Modern budgeting creates a rolling budget. A budget that is continuously updated so that the time frame remains stable while the actual period covered by the budget changes. As each month passes, a one-year rolling budget would be extended by one month so that there would always be a one-year budget in place (Hosack, 2006). Forecasting values remain flexible. Budgeted revenues and costs are adjusted during the budget period according to predetermined variances between the budgeted and actual output and revenue (Bryan, 2010). The key difference in forecasting (Jones, 1998) is signified through the employed zero-based budgeting (ZBB) approach. According to Akten, Giordano and

Scheiffele (2009), ZBB or just in-time budgeting, tries to counter today's extreme uncertainty. ZBB was developed during the inflationary environment of the mid-1970s to avoid the trap of only building up upon last year's budget, as traditionally done (Wilhelmi & Kleiner, 1995).

Thereby the budgeting process begins from the ground up, as though the budget was being prepared for the first time. ZBB employs a "bottom-up" approach. This method starts with a base budget of zero and calculates the costs of running each program from scratch. On an annual basis, each cost associated with running a program must be justified before it can be included in the budget (Borjesson, 1997). The primary goal is to control undistributed costs that cannot be directly related to volume or revenue levels by obliging justification for incurred costs that have to be improved (Labbe, 2008). Consequently, goals to evaluate performance are a set in a participative approach meaning those responsible for achieving the budget goals are included in setting them (Brown, Evans & Moser, 2009).

Budgeting is concerned with the implementation of the approved programme within the long-range plan. The purpose of a budget system is to serve the needs of management in respect of the judgments and decisions it is required to make and to provide a basis for the management functions of planning and control. Chief executive officers like the warm feeling they get when they see the year-end profit forecasts. But they might be anxious about the reliability of the assumption and the firm's ability to respond to change. They like the way they are able to tie operating managers to fixed

performance contracts (Fixed Targets reinforced by incentives). But they also know that the process takes too long and adds too little value. Operating managers like knowing where they stand but they are also concerned about the time wasted and more importantly, the fixed performance contracts lead to decisions paralysis and cosmetic accounting rather than decisive action and ethical reporting (Hilton et al, 2000).

A Budget is a detailed plan, which sets out, in money terms, the plans for income and expenditure in respect of the future period of time. It is prepared in advance of the time period and is based on the agreed objectives for that period of time together with the strategy planned to achieve those objectives (Frank, 2002). To implement the strategy decisions, a budget committee will be formed comprising the senior managers who are responsible for designing the strategy. The budget committee receives the initial budgets from each functional manager. If the initial budget is based on unrealistic targets, then the functional manager will be asked to modify the budget within the organization's overall targets.

### **Capital budgeting theory**

The Capital budgeting theory outlined that budgeting is the process of identifying and selecting investments in long-lived assets, or assets expected to produce benefits for more than one year (Fabbozi, 2002). The theory makes it clear that budgeting is an ongoing process which comprises of five stages; Investment screening and selection where project identified are consistent with the corporate strategy identified by management of the firm or project and where they are evaluated and screened by estimating how

they affect the future benefits or cash flows of the firm. The second stage is the capital budgets proposal where the proposal starts as an estimate of expected revenues and cost but as the project analysis is refined the cost becomes clear. This is followed by the budgeting approval and authorization which mainly allows for further fact gathering and analysis and approval allows for expenditures for the project. The fourth stage is the project tracking where the manager reports periodically on its expenditures as well as on any revenues associated with it. The final stage as per the Capital budgeting theory is the post completion audit where the aim is to show how the benefits realized are in line with the original plan.

In support of the Capital budgeting theory Dannilo principal stages of the budgeting process include; communicating the details of objectives and strategy to those responsible for preparation of budgets, communicating the details of budget preparation procedures to those responsible for preparation of budgets, determining the limiting factor which restricts overall budget flexibility and forms the focus of the budget cascades, preparation initial budgets, negotiating budgets with line managers, coordinating and review budgets, accepting budgets in final form and finally carrying out on-going review of budgets. Budgets are financial blueprints that quantify a firm's plans for a future period. Budgets require management to specify expected sales cash inflows and outflows, and costs; and they provide a mechanism for effective planning and control in organizations (Dannilo, 2002).

The budget is a standard against which the actual performance can be compared and

measured. To ensure effective financial management and to avoid uncertainty or waste of financial resources, budgets and budgeting become vital. Fang (2012) pointed out that a budget is a formalized way of preparing a statement of all accounts and an allocation of all available financial resources. In other words, a budget can be described as a policy on which expenditures and income are based. Proponents of budgeting argue that budgets have several important roles. Neely et al (2003), for instance, argue that budgets help to allocate resources, coordinate operations and provide a means for performance Measurement.

Figure 1 shows the relationships that exist between the dependent and independent variables under study. The independent variables that will be investigated to establish their level of influence on the dependent variable are: technology, employee's competence, donor policies and leadership and culture. The dependent variable is budgeting process of donor funded projects whose main indicator is budget control, budget objective and budget acceptance.

### **2.2.1 Technology**

Information technology (IT) is becoming an increasingly important component of projects undertaken by international development organisations (Moussa & Schware, 2009). Technology transfer has long been identified as a key issue within the development process, with the realisation that transfer is problematic. Problems are seen to arise from a number of issues. Technology is more than just equipment, and also incorporates a surrounding shell of infrastructural requirements, technical and managerial skills that are needed in order to operate it. Lind

(2006), for example, cites a case in Zambia in which computing equipment remained unused due to a lack of necessary systems development skills within the recipient organisation.

Porter (2008) outlines the challenges of budgeting as emanating from the approach to budgeting where incremental budget increases lead to; budgets that are not focused on the schools system's current technology requirements, inadequate account management can result in expenditures that are unrelated to the items in the budget approved by the Board of Education, technical staff may not have needed skills causing excessive reliance on contracted services, staff training may not match system priorities, and no technology refreshment plan.

### **2.2.2 Employee Competence**

This management function includes fiscal planning, accounting and revenue, and expense controls. Budgeting requires specific planning, a thorough understanding of objectives and future programmes, a sixth sense of economic conditions and realities, and a hunch for predicting the unpredictable.

In many cases, an organization specifies the budget system being used. It could be based on historical data (what you had last year with variations for the coming year); 0-based data where the budget is created and justified on a line-item basis according to programmes and priorities; an MBO system - management by objectives whereby specific objectives are funded; and a PERT system - programme review and evaluation technique - where each programme is reviewed and assessed according to its contribution to specific goals.

These are only a few of the budgeting systems in use. However, the key elements of any budget system consist of determining what line items are necessary in terms of objectives; in line with policies, determining the financial amounts for each line; determining overhead, surplus, and/or profit margins; determining anticipated revenue from fees, grants, gifts, contracts, etc.; drafting a budget with specific amounts and justifications; and discussing and making adjustments to produce a working budget.

The budget then becomes a guide which, however, may always be in a state of change. The budget process is not in a vertical something that one does only once a year; it is a continual process of regular review and possible revision. One should always be checking to see how one is doing compared with how one anticipated doing. (Waldron, 1994).

Budget management, then, consists of three parts: budget determination - allocating revenue according to priorities and by line items; budget accountability - how well the anticipated budget matches reality; and using a +, 0 - notation in answering the questions and by placing the notations in the boxes on the chart. In this way, one can get a picture of the predominant types of management modes currently being used. While this may be useful in describing what is, it could be even more useful in describing what could be. It is also useful in providing some clues as to possible areas of role conflict - the scholarly research model would likely collide with the competent practitioner model (Waldron, 1994).

Structure is the basis for many modern business organizations because we live in a

structured society, although the concept of structural rigidity and hierarchy is now being challenged by a more educated, creative, and intrinsically motivated workforce. The structural approach shows graphically that the organization has a distinct physical shape or form provided by an internal form. A competent manager in this system is able to solve problems, to figure out what needs to be done, and then enlist whatever support is needed to get it done. This approach is favoured by traditional, hierarchical, job-specific, uncreative organizations.

A more organic management method is based on paradigms. A paradigm refers to a method of approaching a problem or situation and the kinds of assumptions, values, and attitudes associated with thinking about the situation (Ottaway & Terjeson, 1986). It connotes a pattern or structure that is dynamic, changeable, and responsive to the environment (Waldron, 1994). The most dramatic illustration of a paradigm shift was the shift from the Ptolemaic theory, which saw the earth as the centre of the universe, to the Copernican theory, which saw the sun as the centre of the universe. A paradigm shift results in a total restructuring in the ways we think about a situation and the kinds of assumptions we make about former observations. Covey (1992) speaks of paradigm shifts: things, people, and structure can and do change - nothing is constant. He shows how almost every significant breakthrough is first a break with tradition, with old patterns, with old ways of thinking, and with old paradigms. Senge (1990) states that a "shift of mind" is necessary because "the unhealthiness of our world today is in direct proportion to our inability to see it as a whole." In terms of management, extension

managers should view people not as "helpless reactors, but as active participants in shaping their reality - from reacting to the present to creating the future" (p. 68-69).

### **2.2.3 Donor Policies**

While this might be a spurious relationship caused by the fact that aid-dependent countries are also poor and have weaker institutions it still raises an interesting question about the role of donor agencies in supporting and promoting budget transparency and accountability. In countries where donor funding is high, aid represents a sizable share of public resources; in some cases donor contributions are greater than the government's domestic revenues. Where aid has such an important role, how it is given inevitably has an impact on budget transparency and accountability practices. It also is interesting that countries that receive a sizable share of their aid as direct budget support, which is more conducive to budget transparency, do not seem to fare significantly better in terms of budget transparency than countries where aid mostly comes in the form of project assistance (Putting Aid on Budget. Synthesis Report: 2008).

There are four main ways in which bilateral and multilateral donor organizations can affect budget transparency and accountability in aid-recipient countries. The first is by influencing recipient governments' capacity and commitment to make budgets more transparent. The second is by supporting other actors (CSOs, legislatures, SAIs, etc.) in making better use of available budget information. The third, and most direct way, is by changing their own practices with regard to transparency and accountability. Finally,

the fourth is by conducting additional analysis on the ways in which aid affects budget transparency and accountability in poor countries (Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010:2008).

#### **2.2.4 Leadership and Cultures**

The role of budget data in evaluating managerial performance is emphasized in the accounting literature. Hopwood (2002) characterized supervisory style in terms of extent and manner of budget use in performance evaluation. He found that a budget constrained style (BC), compared to a profit constrained (PC) style led to greater stress and more hostility toward supervisors. He also reported that BC style superiors were less likely to meet their budgets and more likely to falsify it. As Briers & Hirst (2009) noted this result may have been caused because under a BC style supervisors relied on “meeting the budget” and the use of the budget criterion in an unquestioning, evaluative manner. Under a PC style supervisors had “concern for costs” and the use budget criterion in a problem solving manner.

Otley (2008) replicated Hopwood’s study, but found no significant performance and stress differences between managers evaluated on BC rather than a PC style. Imoisili (2009) hypothesized that context differences related to task interdependency and uncertainty could explain the contradictory results in these two studies. He confirmed Hopwood’s finding that BC style managers reported higher stress, but he did not find a main or interaction effect between task characteristics and budgetary style. Therefore, the literature suggests that supervisors’ style of budget emphasis affects

subordinates perceptions. Supervisor’s budget use style and subordinates’ perceptions could be influenced to motivate outlets to achieve the goals of restructuring.

Culture plays a significant role in the process by which supervisory styles emerge and subordinate perceptions are formed. Hofstede et al., (2000) found that the organizational culture is related to the dimensions of job vs. employee and process vs. results orientations, and are influenced by the philosophy of the leaders in an organization. Hofstede et al. believed that when units are evaluated against external standards such as achievement of certain level of sales to meet profit goals, subordinates view the organizational culture as a less employee oriented. Typically an employee oriented culture was associated with greater decentralization and a job oriented culture was associated with a more centrally structured companies. Additionally, this dimension of organizational culture also had a strong correlation with national culture, such that a less decentralized decision-making was associated with greater formalization of authority in a company. While many studies have evaluated the implications of Hofstede et al (2000) national culture dimensions for successfully implementing budgets. The organizational culture dimension related to power distance has been found to moderate the usefulness of participation in budgeting and performance evaluation (Gul et al. 2005).

#### **2.2.5 Budgeting Process**

Budgeting is the process of efficiently allocating organization’s available financial resources to its units, activities and investments. The budgeting process includes a review of the prior period’s financial results,

projections for sales, operating expenses whether fixed, variable or semi-variable, as well as financing expenses, examination of proposals for capital expenditures, and means of rolling up and rationalizing figures from different functional departments to ensure they meet company-wide profit expectations (Blumentritt 2006). Budgeting is used to monitor the performance of managers and employees.

Budgets are critical part of the effective running of an institution, since it accomplishes many tasks. According to Linn (2007), a budget is not only a means of planning for various revenue streams, a control mechanism for an administration to keep from spending too much a procedure for controlling its units, a process to coordinate the many activities that an institution undertakes, and a way to communicate to all stakeholders a summarization of the activities that the various units will undertake, but it is also a technique for setting the organization's priorities by allocating scarce resources to those activities that officials deem to be the most important and rationing it to those areas deemed less vital.

According to the Certified Management Accountant Review (1994), a budget is a quantitative planning tool, that helps translate the objectives set out in the plan into financial terms and shows where the money will be got from and how it will be spent in order to achieve the set objectives in the plan. A budget is an objective measure of the financial underpinnings of operations that controls the financial health of the organization (Seer 2000). A budget facilitates planning and resource allocation. According to Drury (1992), it is a plan of action for the

future periods of the organization. Lucy (1996) adds that it is a quantitative expression of a plan of action prepared in advance of the period to which it relates.

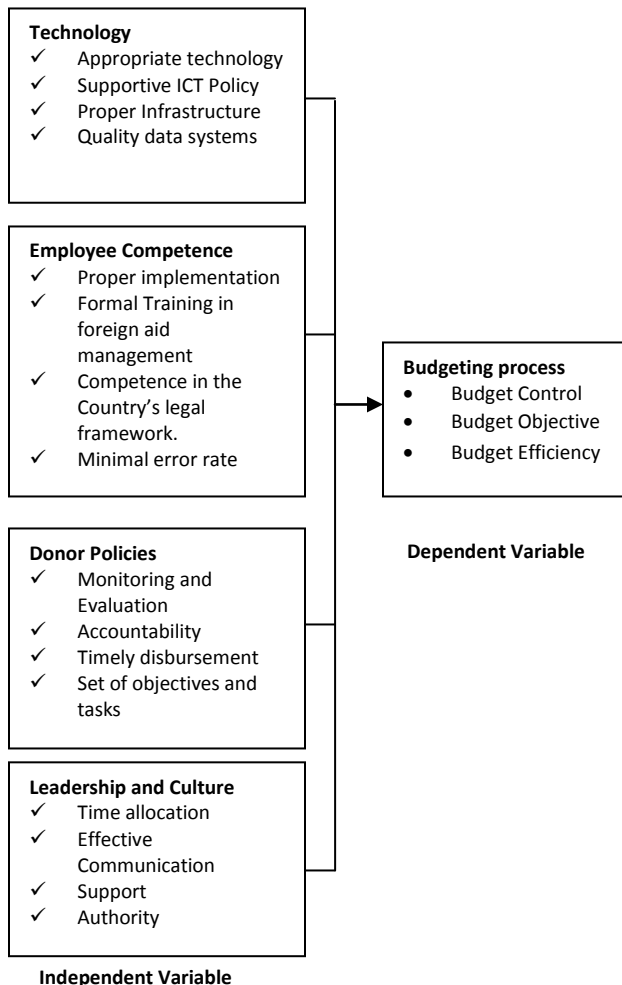
According to Kavulya (2006), Budgeting involves the process of identifying, costing and allocating revenue to the resources and activities that allow the objectives of the organization to be achieved. Essential preliminaries established before effective budgeting include: preparation of an organizational chart which shows the functional responsibilities of each member of the management team; establishment of budget centers; establishment of adequate accounting record to facilitate the recording and analysis of transactions in the organization; establishment of budget committees; budget timetable to enable timely flow of information; and the budget manual which shows budgetary procedures including budget centers and timetables (Balunywa, 2005). Over the course of the fiscal year that is being reviewed, reforecast and reallocated, the aim is to make the best use of the available financial resources (Seer, 2000).

According to Lega and Vendramini (2008), Budgeting is a management control tool. The average budgeting process is composed of five distinct phases, which include budgeting guidelines that represent the starting point and the boundaries of the budgeting process; budget preparation; budget negotiation where managers develop a meeting of the minds so that resources are allocated accordingly; budget review where targets are tweaked during the budgeting year to adjust to new, emerging conditions; budget assessment where accountable centers are

assessed to check if targets have been met. Leading scholars suggest that this phase is not considered merely the end point of the process but should be starting base of the following year's budget.

### Conceptual Framework

Mugenda and Mugenda (2003) refer conceptual framework as to how a researcher conceptualizes relationship between variables in a study and shows them graphically or diagrammatically. It shows independent variables and dependent variables and how they are related or influences one another.



**Figure 1 Conceptual framework**

## RESEARCH METHODOLOGY

### Research Design

This study employed a descriptive research design. Kombo and Tromp (2006) recommend the use of this design when investigating peoples' attitudes and views as they are, without manipulating the variables. In addition Mugenda and Mugenda (2003) assert that descriptive design helps a researcher to gather, summarize, present and interpret information for the purpose of clarification. Any research undertaking involves lots of cost implications hence this design will be deliberately selected for the study because it allows for quick data collection at a comparatively cheap cost (Grinnel, 1993).

A target population, according to Mugenda and Mugenda (1999), is that population which the researcher wants to generalize results. The study population comprised of the project management team and members of the projects and. The eight (8) projects in Kibera and mathare include Neema Rescue Centre, Neema Outreach, Neema Education, Neema PMPCT, Centre for Domestic Workers, Silange Youth Group, Roots CBO, Maji Mazuri CBO and have a membership of 100 members. Therefore, the target population consisted of 100 respondents.

Thus, the sampling frame for this study will consist of the list projects groups in Kibera and Mathare which is 100.

**Table 1: Representation of the Sampling Frame**

<b>Projects</b>	<b>Population</b>
Neema Rescue Centre	10
Neema Outreach	10
Neema Education	10
Neema PMPCT	10
Centre for Domestic Workers	15
Silange Youth Group	15
Roots CBO	15
Maji Mazuri CBO	15
<b>Total</b>	<b>100</b>

Stratified random sampling method was used to select the respondents to ensure that all different subgroups are adequately represented in the sample, and then simple random sampling method will be used to select respondents from each stratum. For the purpose of this study, the identified strata were the 8 in Kibera and 5 in Mathare. The researcher used purposive sampling to select the project managers from each stratum.

The sample size was 38 respondents comprising of 8 project managers and 15 projects members in Kibera, 5 Projects managers and 10 projects members in Mathare representing a 20% of the study sample.

The main data collection tools for this study were questionnaires for the project members and project managers.

The researcher issued the instruments for pretesting. The researcher targeted five respondents (3 project committee members and two project managers) from the target population for pre-testing the reliability in the questionnaire.

## **Ethical Considerations**

Ethical measures are principles which the researcher should bind himself with in conducting his research (Schulze, 2002). In order to conduct research at an institution, approval for conducting the research permit should be obtained before data is collected (Schumacher, 2001). In this study the researcher acquired a permit from the organization before proceeding to the study sites. Participants were given adequate information on the aims of the research, the procedure that would be followed, the credibility of the researcher and the way in which the results were used. This enabled participants to make an informed decision on whether they want to participate in the study or not. Information on participants should be regarded as confidential unless otherwise agreed on through informed consent (Schumacher, 2001). In this study participant confidentiality was not compromised as their names were not used in the collection of data.

## **DATA ANALYSIS, PRESENTATION AND DISCUSSION**

From the targeted population of 40 respondents who were all drawn from the eight (8) projects in Kibera and Mathare. A total of 37 responded. The research instrument was administered to the respondents who completed the questionnaires on the spot or later returned the completed instrument. Out of the 40 questionnaires administered, 37 were fully filled and returned. This was a response rate of 92.5%.

This response rate is adequate and conforms to assertions by Mugenda and Mugenda (2003) that a 50% response rate is adequate

for analysis and reporting, a rate of 60% is good while a response rate of 70% and over is excellent. Non-responses were attributed to unavailability of respondents even with persistent follow ups and the respondents considering the information sensitive. It is also in line with Berg (2004) who indicated that, a response rate of 60% and above is adequate to permit data analysis.

The study sought the opinions of experts in the field of study especially the supervisors. The study also made corrections according to the supervisor's guidelines and ensured that the questions were in accordance of the objectives of the study.

Using cronbach Alpha coefficient for internal reliability of each variable, cronbach alpha was tested for variables on information technology, employee's competence, donor specification and Retention. The findings showed that information technology had a Cronbach alpha value of 0.9255, employee competence (Cronbach alpha value of 0.8264), Donor specification (Cronbach alpha value of 0.8181) and leadership and culture (Cronbach alpha value of 0.8145). These variables indicated a high internal reliability on their relationship. According to Bryman 2008, if computed alpha coefficient is greater than 0.80, then it is an acceptable level of internal reliability.

**Table 2 :** Cronbach's alpha coefficient for the variables

	No. of Items	Cronbach	Mean	Standard Deviation
Information technology	6	0.9255	3.315	0.0594
Donor specification	8	0.8264	3.329	0.0599

Employees competence	4	0.8181	3.188	0.0141
Leadership and culture	13	0.8145	3.123	0.0324

From the findings it implies that the scales measuring the objectives met the reliability criteria ( $\alpha > 0.8$ ). This therefore indicated that the research tools were sufficiently reliable and valid and needed no amendment.

The gender of the respondents was analyzed in order to establish the representation of respondents in terms of gender in the donor funded projects in Kibera and Mathare.

Majority 20(54.2%) of the project members in Kibera and Mathare groups were male and 17(45.8%) were female. This reveals a gender equality in terms of representation in the donor funded projects in Kibera and Mathare. This is an indication that both genders were involved in this study and thus the finding of the study did not suffer from gender bias.

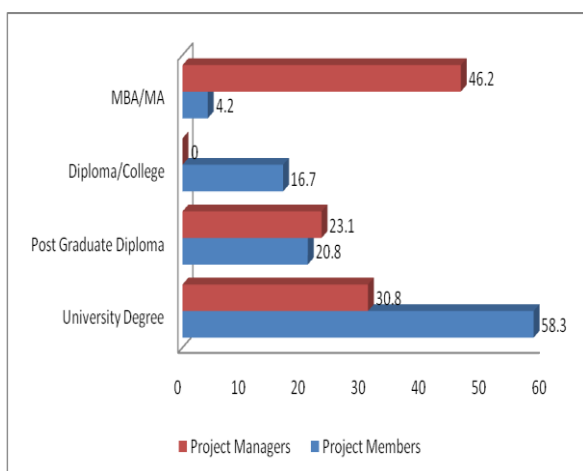
**Table 3: Respondent's Age**

Age	Project Managers		Project Members	
	F	%	F	%
>20	0	.0	3	12.5
20 – 29	0	0.0	6	25.0
30 – 39	3	23.1	9	37.5
41 – 50	4	30.8	4	16.7
<50	6	46.2	2	5.0
<b>Total</b>	<b>13</b>	<b>100</b>	<b>24</b>	<b>100</b>

### Education Level

Training is essential in enabling the employees to acquire necessary skills and thereby implement organizational programmes competently.

**Figure.2: Respondents Level of Education**



Employees need various skills in order to cope with the demands of their management and job tasks. Such skills can be attained through formal training, and it is encouraging to note that majority of the employees had Bachelor Degree and even some had attained a Master's level of education. This is an indicator that the respondents had the necessary skills to deal with the budgeting process in their organization.

### Working Experience

Work experience is the period of time an individual performs an activity in a work setting (whether paid or voluntary) to the programme of study.

Majority 5(38.5%) of the project managers had worked for a period between 10 and 14 years, 4(30.8%) for a period of over 15 years, 3(23.1%) for a period between 5 and 9 years and only 1(7.7%) had worked for less than 5 years. On the other hand, majority 8(33.3%) had worked for a period between 10 and 14 years, 7(29.2%) had worked for more than 15 years, 6(25.0%) had worked for of 5 and 6 years and 3(12.5%) indicated their work experience of less 5 years.

The study established that, majority 6(46.2%) of the project members had stayed in the

current station for a period between 10 and 14 years, 4(30.8%) for a period between 5 and 9 years, 2(15.4%) for over 15 years and 1(7.7%) for less than 5 years. On the other hand, majority 13(54.2%) of the project managers had stayed for a period between 5 and 9 years in the current organization, 6(25.0%) for a period of 10 to 15 years, 3(12.5%) for over 15 years and 2(8.3%) for less than 5 years. These findings imply that majority of the respondents had worked for long periods, which shows that they had wealth of experience which would enable them to contribute to the research adequately.

### Factors Influencing Effective Budget Process in Donor Funded Projects

#### Knowledge of Information Technology

The first research objective sought to determine the influence of technology on budgeting process in donor funded projects in United States Self-Help Funded Projects

Qualitative data was obtained from the project managers. The frequencies and mean are presented in table 4.4.

**Table 4: Influence of Technology on Budgeting Process**

statement	SA %	A %	U %	D %	SD %	Mean	Std. Deviation
Members of team understands the project software used in the budgeting process	48.6	24.3	0	18.9	10.8	3.46	0.236
Members of the project team possess necessary technical skills required in the process of budgeting	62.2	18.9	0	5.4	13.5	3.58	0.163

Project team have adequate technology at their disposal	70.3	13.5	0	10.8	5.4	3.54	1.192
Members of the project team are familiar with technology provided	43.2	29.7	0	13.5	10.8	3.04	1.246

**Key:** **SA** – Strongly Agree =5; **A** – Agree=4; **U** – Undecided=3; **D** – Disagree=2; **SD** – Strongly Disagree=1

Table 4 shows majority 48.6% strongly agreed that Project team have adequate technology at their disposal with a mean of 3.46 and a standard deviation of 0.236 , 62.2% strongly agreed that Members of the project team are familiar with technology provided with a standard deviation of 3.58 and a standard deviation of 0.163 , 18.9% disagreed that Members of team understands the project software used in the budgeting process while 13.5% strongly disagreed that Members of the project team possess necessary technical skills required in the process of budgeting. Diamond & Khemani (2006) studied accounting systems among businesses in the developing countries, focusing on Africa deduced that budget execution and accounting processes were either manual or supported by very old and inadequately maintained software applications and hardware. He found that this had damaging effects on their functioning due to the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting negatively impacting budget management. Further, the study found that there was poorly controlled commitment of resources. This meant that the nature of the

computerization of accounting affected the budgeting process.

### Employee Competency

The second research objective sought to establish the influence of employee's competences on budgeting process in donor funded project in United States Self-Help Funded Projects in Nairobi. To establish this, the project managers were given a list of items in a table regarding the influence of employee competency on budgeting process. They were required to rate their agreement levels with the items on a five-point Likert scale ranging from strongly agree to strongly disagree.

**Table 5: Influence of Employee Competency on Budgeting Process**

Statement	SA %	A %	U %	D %	SD %	Mean	r
I find the use of computers to be practical in budget process.	100	0	0	0	0	5.00	0.00
Regular trainings are conducted on foreign aid	100	0	0	0	0	5.00	0.00
I am proficient with basic software applications.	89.2	10.8	0	0	0	4.51	0.071
I am comfortable using a computer.	89.2	10.8	0	0	0	4.51	0.430
I have not committed budgeting errors in the last one year.	81.1	13.5	0	2.7	1	3.72	0.155
Donors have accepted my budget estimates with	75.7	8.1	5.4	5.4	5.4	3.8	0.23

no queries on the estimates.						2	8
I am knowledgeable on the appropriate budget implementation procedures.	59.5	21.6	2.7	10.8	2.7	3.19	0.205
I am knowledgeable on all the areas of the Kenya's legal framework on budgeting.	27	29.7	5.4	10.8	2.7	3.46	0.114

**Key:** SA – Strongly Agree =5; A – Agree=4; U – Undecided=3; D – Disagree=2; SD – Strongly Disagree=1

Table 6 shows that majority 89.2% strongly agreed that they were proficient with basic software applications and were comfortable using computer respectively, 29.7% agreed that they were knowledgeable on all the areas of the Kenya's legal framework on budgeting, 10.8% disagreed that they were knowledgeable on the appropriate budget implementation procedures while 5.4% strongly disagreed that Donors have accepted my budget estimates with no queries on the estimates. These findings concur with a study conducted by Chidi & Shadare (2011) in Nigeria who in focusing on challenges confronting human capital development in found that budgeting faced challenges by the businesses not taking ownership or not being accountable, there being a lack of cooperation and/or participation and a lack of understanding of the budgeting process or what's required. This was compounded by the inability to meet, deadlines, padding their budgets/providing unrealistic numbers and sheer ignorance of the importance of budgeting by the business owners. These researchers confirm that the skill that

managers have concerning budgeting affect the budgeting process. The influences of the managers inform whether the budget would be implemented as prepared or not.

### Donor Specifications

The third research objective sought to establish the influence of donor specifications on budgeting process in donor funded project in United States Self-Help Funded Projects in Nairobi. To establish this, the project managers were given a list of items in a table regarding the influence of employee competency on budgeting process. They were required to rate their agreement levels with the items on a five-point Likert scale ranging from strongly agree to strongly disagree.

**Table 6: Influence of Donor Specification on Budgeting Process**

Statement	SA %	A %	U %	D %	SD %	Mean	Deviation
Donors always disburse the funds on time.	89.2	10.8	0	0	0	4.45	0.143
Donors have put measures in place to enhance accountability.	94.6	5.4	0	0	0	4.68	0.178
Donors regularly monitor our activities.	100	0	0	0	0	5.00	0.00
Donors always evaluate our activities and give feedback.	67.6	18.9	10.8	2.7	0	3.34	0.126

**Key:** SA – Strongly Agree =5; A – Agree=4; U – Undecided=3; D – Disagree=2; SD – Strongly Disagree=1

The study also found out that all the respondents strongly agreed with the statement that Donors regularly monitor our activities and it was clear that Donors always disburse the funds on time with majority 89.2% strongly agreeing with the statement this was accompanied by the mean of 4.45 and a standard deviation of 0.143 which is very low showing a high degree of reliability on the statement. McLaney & Atrill (1999) argued that the value of the budget as a plan of what is to happen and as a standard against which actual performance will be measured, depended largely on how skillfully budget negotiation is conducted. When setting a budget, members of the organization should participate in explicitly defining budgetary goals. The members also have to be involved in subsequent revisions to these goals with the management (Chalos & Poon, 2000). When budget variance occurs, participation and discussion among different levels of management facilitate and enable accurate location of the possible source of the variance for corresponding corrective action. Based on Mahmood (2008), study, if the owners of the NGOs have clearly defined relationship with the business, the budgeting process becomes more formal, sophisticated and accurate due to the limited influence of the owners. According to James and Wong (2006) most common causes of project failure are; frequent change of specification/project scope, Unclear project goals, Unclear roles and responsibilities, Inadequate estimation of required human resources and efforts, Inadequate project monitoring and control, Inadequate project management skills, Inadequate risk management, Poor project planning, Staff turnover that affects the project.

### Leadership and Culture

The fourth research objective sought to establish the influence of leadership and culture on budgeting process in donor funded project in United States Self-Help Funded Projects in Nairobi. To establish this, the project managers were given a list of items in a table regarding the influence of employee competency on budgeting process. They were required to rate their agreement levels with the items on a five-point Likert scale ranging from strongly agree to strongly disagree.

**Table 7: Influence of leadership and Culture on Budgeting Process**

	SA %	A %	U %	D %	SD %	Mea n	Std. Deviation
My team leader helps others develop themselves.	67.6	27	5.4	0	0	3.82	1.107
My team leader lets others know how they are doing.	40.5	27	2.7	18.9	13.5	3.43	1.058
My team leader gives personal attention to others who seem lost.	75.7	18.9	5.4	0	0	3.41	1.067
My team leader is always satisfied when others meet agreed-upon standards.	94.6	5.4	0	0	0	4.37	1.082
As long as things are working, my team leader	81.1	8.1	5.4	5.4	0	3.37	1.042

does not try to change anything.							
My team leader communicates the standard we have to know to carry out our work.	10 0	0	0	0	0	5.00	0.00

**Key:** SA – Strongly Agree =5; A – Agree=4; U – Undecided=3; D – Disagree=2; SD – Strongly Disagree=1

very flexible and easy to change.							
We view failure on projects as an opportunity for learning and improvement.	89. 2	2.7	0	8.1	16. 2	3.15	1.319

**Key:** SA – Strongly Agree =5; A – Agree=4; U – Undecided=3; D – Disagree=2; SD – Strongly Disagree=1

**Table 8: Influence of leadership and Culture on Budgeting Process**

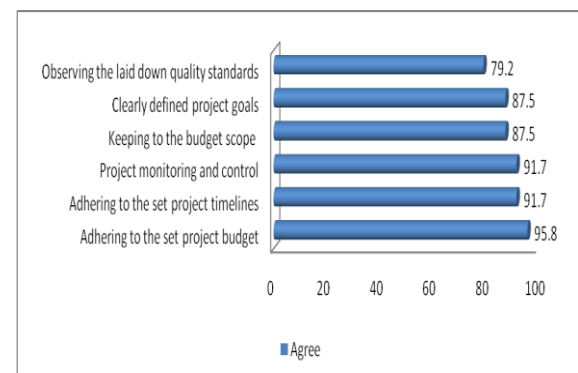
Information is widely shared so that everyone can get the information he or she needs when its needed.	89. 2	10. 8	0	0	0	4.11	1.057
People work like they are part of a team.	78. 4	16. 2	2. 7	2.7	0	3.65	0.174
The leaders and managers 'Practice what they preach'	89. 2	10. 8	0	0	0	4.36	0.218
When disagreements occur, we work hard to achieve 'win-win' solutions.	94. 6	5.4	0	0	0	4.82	1.235
It is easy to coordinate projects across different parts of the organization.	21. 6	27	5. 4	32. 4	13. 5	3.34	0.205
The way things are done is	8.1	48. 6	0	27	0	3.56	0.230

These findings are in line with Poon (2001), who found that budgetary participation provided a setting in which managers can exchange information and ideas to make budgetary planning and control more effective. Nouri & Parker (1998) also found that budget participation could facilitate information sharing between subordinates and superiors.

#### Measures of the Dependent Variable

The researcher further sought to determine the key pillars of a successful budgeting process in donor funded projects as the measure of the dependent variable, to which the respondents indicated as shown in figure 3.

**Figure 3: Measures to Successful Budgeting Process**



## Measures of Effective Budgeting Process

**Table 9: Measures of Effective Budgeting Process**

Statement	S A %	A %	U %	D %	SD %
<b>Budget Control</b>					
Budgets are not amended during project implementation.	28	13.5	0	5.4	5.4
The project receives timely disbursements as per the budget.	33	10.8	0	0	0
The treasurer is the ultimate control point.	30	8.1	7	2.7	5.4
<b>Budget Objective</b>					
The project funds are entirely used on the initial set out goals.	100	0	0	0	0
<b>Budget Efficiency</b>					
The projects do not have project overruns.	27	10.5	0	27	32.4
The project do not experience project under runs.	27	13.5	0	24.7	32.4
Projects are completed on the set out timelines.	75.7	13.5	2.7	5.4	8.1

**Key:** SA – Strongly Agree =5; A – Agree=4; U – Undecided=3; D – Disagree=2; SD – Strongly Disagree=1

Table 9 shows that all the respondents strongly agreed that the project funds are entirely used on the initial set out goals. 13.5% agreed that the project do not experience project under runs with majority 24.7% disagreeing on the same. 13.5% also agreed that Projects are completed on the set out timelines and 8.1% strongly disagreed on the same.

**Table 10: Correlation Coefficients**

	Budgeting process	Technology specification	Donor competence	Employees competence	Leadership and Culture
Budgeting Process	1				
Technology	.442**	1			
Donor Specification	.583**	.193	1		
Employees Competence	.387**	.193	.773**	1	
Leadership and Culture	.557**	.269*	.629**	.742**	1

From the correlation analysis, the study found that there is a positive relationship between the technology on budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi, where the correlation coefficients was 0.442 and a p-value of 0.0001. The study also found that donor specification and budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi correlate positively with correlation coefficients of 0.583 and p-value of 0.002. The study further established that there is a positive relationship between employees' competence and budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi with a correlation coefficient of 0.387 and p-value of 0.0001. Additionally, the study found that there is a positive relationship between leadership and culture and budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi with a correlation coefficient of 0.557 and a p-value of 0.037.

This infers that among the four variables, donor specification was influencing budgeting process in donor funded projects in United States Self-Help Funded Projects in Nairobi most, followed by leadership and culture, technology and lastly employees competence.

#### 4.8 Regression Analysis Results

A regression analysis based on the model  $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$  was done and the results are presented in table 11. The results show that predictors Advanced technology, donor specification, employees competence and leadership and culture explain 57.5% ( $R^2=.575$ ) of the change in Y (budgeting process).

**Table 11: Model Summary**

Model	R	Adjusted R		Std. Error of the Estimate
		R Square	Square	
1	.758 <sup>a</sup>	.575	.562	0.39768

Analysis of variance ANOVA was used to establish whether the model used was statistically significant or not. The F-ratio ( $F=772.020$ ,  $P \text{ value} = .000$ ) was significant since  $p \text{ value} < .05$ . Since F calculated is greater than the F critical (value = 772.020), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables, (Advanced technology, Donor specification, Employees competence, leadership and culture) explain the variation in the dependent variable which is Budgeting process.

**Table 12: ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	16.648	4	5.549	772.020	.000 <sup>b</sup>
Residual	.532	32	.007		
<b>Total</b>	<b>17.180</b>	<b>36</b>			

a. Dependent Variable: Budgeting process

b. Predictors: (Constant), Advanced technology, Donor specification, Employees competence, leadership and culture

Coefficients table shows the contribution of each variable to the change in Y and the statistical significance of such contribution. According to the results, Donor specification ( $\beta=1.843$ ,  $p=.022$ ) and advanced technology ( $\beta=.678$ ,  $p=.024$ ) contributed by a factor of 1.843 and .678 respectively. This contribution was statistically significant because the  $p \text{ value} < .05$ . Employees competence ( $\beta=.507$ ,  $p=.433$ ) contributed to budgeting process by a factor of .507. However, this contribution was not statistically significant because  $p \text{ value} > .05$ . Lastly leadership and culture contributed ( $\beta=.864$ ,  $p=.023$ ) Table 12 presents these findings.

**Table 13: Coefficients<sup>a</sup>**

Model	Coefficients			t	Sig.
	B	Std. Error	Beta		
(Constant)	.594	.071		8.400	.000
Donor specification	1.565	.669	1.843	2.341	.022
Advanced technology	.618	.138	.678	2.308	.024

Employees competence	.427	.542	.507	.788	.433
Leadership and culture	.765	.453	.864	1.564	.023

a. Dependent Variable: Budgeting process

From the regression findings, the substitution of the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$ ) becomes:

$$Y = 0.594 + 1.565 X_1 + 0.618X_2 + 0.427X_3 + 0.765X_4.$$

Where Y is the dependent variable (Budgeting process),  $X_1$  is Donor specification variable,  $X_2$  is Advanced technology variable,  $X_3$  is Employees competence and  $X_4$  is the Leadership and culture variable.

According to the equation, taking all factors (Advanced technology, Donor specification, Employees competence, leadership and culture) constant at zero, Budgeting process will be 0.594. the data findings also show that a unit increase in Donor specification variable will lead to a 1.565 increase in Budgeting process; a unit increase in Advanced technology will lead to a 0.618 increase in budgeting process; a unit increase in Employees competence will lead to a 0.427 increase in Budgeting process and a unit increase in leadership and culture variable will lead to a 0.765 increase in Budgeting process. This means that the most significant factor is Donor specification followed by Leadership and culture.

### Conclusion

From the study findings, the researcher concludes that:-

Technological knowhow should be embraced in the implementation of donor-funded projects for proper budgeting process and effective completion of such projects. From

the assertions of majority of the respondents on the responses supporting use of technology in implementation of the projects; it is important that the budgeting process be well managed by people who understand the project. Moreover, there should be adequate technology to support the project and technical tasks which include the necessity of having the necessary personnel for the budgeting team and ensuring that they possess the necessary technical skills. This strongly calls for embracing computer information technology to enhance efficiency in budgeting procedures.

The skills that managers have concerning budgeting affect the budgeting process in an organization. The organization should focus on capacity building of their employees on matters of effective budgeting process. Conduct workshops and seminars for the employees to share their views on how to improve their skills on project monitoring and scheduling. The project members should be involved in monitoring and evaluation in order to build their capacity in directing their own development projects. More training needed to be given to the project representatives to enlighten them on the goals the projects were meant to achieve. This knowledge will help them know whether the projects achieved their goals or not.

The donors should develop a strategic plan of all the funded projects focused on defining project goals and ensuring that the goals are well understood among stakeholders likely to increase effectiveness of implementation of donor funded projects compared to other practices such as favorable legal framework, and clear project feasibility. This could make sense given the argument that project

feasibility and legal frame work has to be considered within the structure of already set and agreed upon goals.

Effective budgeting process requires adequate communication channels which is extremely among all the departments and

levels in an organization. The importance of communication which embraces the functions of control, motivation, emotional expression and information from the management perspective need to be instilled.

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