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EFFECT OF BUDGETARY PROCESS ON PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA, A CASE OF MIGORI COUNTY

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Abstract: **Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals. Budgetary control systems are universal and have been considered an essential tool for financial planning. The purpose of budgetary control is to provide a forecast of revenues and expenditures this is achieved through constructing a model of how our business might perform financially speaking, if certain strategies, events and plans are carried out (Nyambura 2016). The purpose of this study is to determine the effects of budgetary process on performance of county governments, a case of Migori County Government. The specific objective of the study was as follows; to determine the effects of budgetary participation on financial performance of Migori County government. The study was be guided by theory of budgetary process and contingency approach. The study adopted a descriptive survey research design with a target population of all the 72 employees directly with the budgetary process of Migori County government. A census was used in data collection. The instrument for data collection was the questionnaire. Piloting was done to test the validity and reliability of the data collection instrument. Inferential statistics such as ANOVA and multiple regression models will also be used. The finding of the study revealed that there is a significant effect of budgetary participation and budgetary process. This study will be of significant importance to the management of the Migori County government in execution of effective and efficient budgetary controls and administration towards enhancing performance of the county's operations.**

Keywords: **Budgetary Control, Financial performance.**

1. BACKGROUND OF THE STUDY

Performance is a set of nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske, 2006). It also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all organization's operations and strategies (Venkatraman & Ramanujam, 2001). Thus, there is need for managers to assess factors which determine performance such as budgetary process. Financial performance being the degree to which financial goals are being or has been achieved is what all firms are sourcing (Pimpong & Laryea, 2016). Over the years, budgets, budget process and budgeting has become vital in ensuring effective financial management and to avoid uncertainty or wastage of financial resources (Kironde, 2004). Budgets help to allocate resources, coordinate operations and provide a means for performance Measurement (Blocher *et al*, 2002). Hilton *et al* (2002) agree with this view and claim that the budget is the most widely used technique for planning and control purposes. In addition, Blumentritt (2006) noted the budgeting provides information on funding and accountability. If applied properly, budgeting processes improve an organization's ability to create and sustain superior performance. The budgeting and strategic management processes when properly applied, have positive impact on performance.

Budgeting process is not so much as a financial plan but as the performance management process that leads to and executes that plan. Thus, budgetary process is an entire performance management process (Hoper and Fraser, 2003). This process is about agreeing upon and coordinating targets, rewards, action plan, and resources for the year ahead, and then measuring and controlling performance against that agreement. It is also vital that, the entire budgetary process be evaluated and reviewed to suit the organizations needs hence the need for budgetary evaluations (Jayamaha and silva, 2012). According to Jayamaha and Silva (2012) budgeting process encourages managers to plan, consider the stakeholders involved, provide information for improved decision making, increase and enhance communication and coordination among departments, and for evaluation. Abdullah (1998), mentions that budgeting process interaction has significant relationship to performance of goals of a cost-centre of an institute. The process of preparing and agreeing on budgets is a means of translating the overall objectives of the organization into detailed, feasible plans of action. Welsh (2003) opines that budgeting is the only comprehensive approach to management so far developed that, if utilized with sophistication and good judgment fully recognizes the dominant role of manager and provides a framework for implementing such fundamental aspects of scientific management as management by objectives, effective communication, participative management, dynamic control, continuous feedback, responsibility accounting, management by exception and management flexibility.

Globally, budgets play a significant role in many firms worldwide, as it allows enterprises to achieve their strategic goals that have been set for the future. The ongoing civil war in the country of Yemen has devastated the country's economy. However, small and medium-sized enterprises (SMEs) have grown and represent the majority of businesses in Yemen, playing a significant role in job creation and the economy of the country. Budgeting has been seen as an important tool that might play an important role in the financial performance of SMEs in Yemen. The globalisation of the world economy has required goods and services to be delivered in a timely manner, without compromising the quality of the products and services rendered to customers. Furthermore, it is important that businesses are able to enhance their financial performance by increasing their profit, reducing their cost, and ensuring that their employees are competent, meanwhile providing value to their customers, as this will ultimately determine the longevity of the firm's business survival (Pimpong & Laryea, 2016).

Financial performance is a general measure of a firm's financial well-being, which is an outcome of an organisation's ability to manage resources while ensuring productivity is efficiently performed, organisation's earnings are more than the cost incurred, and that the organisation's market value is greater than its' book value (Almajali, Alamro & Al-Soub, 2012; Walker, 2001). The financial performance of an organisation will not only benefit shareholders but stakeholders as well. Although the financial performance of multinational corporations (MNCs) has a strong role in liberalisation, regionalisation, and globalisation (Haller, 2016), small and medium-sized enterprises (SMEs) are also key players in the national economy of countries around the world. Qi, (2010) researched on the impact of budgeting process on performance of small and medium-sized firms in China. What she discovered, from the OLS regression output is that, there is a significant and positive relationship between formal budgeting process and firm performance and that formal budgetary control cannot be said to have a much stronger impact on profits than on sales revenue. That is, there is a stronger relationship between formal budgetary control and sales revenue than on profits. Player (2010) investigated on how budgeting affects the performance of SMEs in China. He reviewed the budgeting process in business firms and performance measurement in SMEs and found out that more formal budgeting planning stimulates greater growth of sales returns in SMEs, clear and difficult budget goals improve budgetary performance of institutions, a higher level of budgetary complexity results in a lower profit growth of SMEs, more formal budgetary control leads to a higher growth of profit in the organisations and a greater budgetary involvement leads to better managerial performance.

A review of literature on financial performance found that factors such as corporate social responsibility, supply chain integration, corruption, bank credit, technological cost, leverage, liquidity, company size, and company age (Chang, Ellinger, Kim, & Franke, 2016; Deitiana & Habibuw, 2015; Hasan, Kobeissi, Liu & Wang, 2018; Ombongi & Long, 2018; Omondi & Muturi, 2013; Van Vu, Tran, Van Nguyrn & Lim, 2016) were found to have a significant relationship with financial performance. However, there is scarce research in the area of management accounting practices (MAPs), notably the budgeting process and its effect on the financial performance (Becker, Mahlendorf, Schäffer, & Thaten, 2016;

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Warue & Wanjira, 2013). Management accounting practices have been used as a key element in planning, control, and decision making, as it would lead to better financial performances. In fact, the use of MAPs has long been recognised as a technique that leads to better financial performance (Evans & Davis, 2005). In United State of America, the budgeting process is failing to meet its most basic obligations despite the popularity of fixing the budget process (Blondal and Dirk, 2003). Ensuring a disciplined budget process that best allocates the federal government's resources is a matter of national security and economic health has been a challenge (Washburn, 2011). While several reasons have been adduced for the late submission and poor performance of the federal budget, the budgeting process has been adjudged to be the culprit (Babalola, 2008). Garrison, Noreen, Brewer, Cheng, and Yuen (2015) stated that a budget is defined as a "detailed plan for acquiring and using resources over a specific time period" (p. 483). Budgets are important to SMEs, as they provided future oriented information, which will help businesses monitor and control their financial performance (Maduekwe & Kamala, 2016; Hallsworth, 2015). A budget is a financial planning tool that allows management to focus their attention on a company's finance, and overall operations (Silva & Jayamaha, 2012).The budgeting process involves participation, planning, control, and evaluation, which according to Silva and Jayamaha (2012), encourages managers to "plan, consider the stakeholders involved, provides information for improved decision making, increases and enhances communication, coordination among departments and evaluation" (p. 354). The absence of budgeting may lead to poor financial performance (Warue & Wanjira, 2013). In fact, research has shown that budgeting plays an essential role in weathering economies, whereby the budgeting process facilitates adaptation to externalities by mediating external threats and opportunities (Becker et al., 2016).

Budgeting and budgetary process is an essential aspect without which an enterprise cannot achieve much (Babalola, 2008). Every enterprise irrespective of the nature and size, greatly depends on budgets and plans of finances in order to achieve their goals (Suberu, 2010). A study of (Egbunike, 2017) showed that it is imperative for organizations to produce enough, sufficient and optimal output at the least cost as possible for firms and businesses. More interestingly, it was found that budget/budgetary control is a means of evaluating the performance (Egbunike, 2017). The subject of financial performance has received significant attention from scholars in the various areas of business and strategic management. The reason why the budget is prepared, is to enable vital motives of planning, enabling communication, harmonizing, allocating resources, control profits and operations, evaluating performance and providing incentives.

According to (Baldvinsdottir & Gustafsson, 2010), the budget is a control function, however today there are several objectives and purposes of the budget and the purposes differ with various institutions. Instead of expressing a budget as astatically financial plan or blueprint, the term "budgeting" refers to the act of preparing a budget or the activities of predicting and qualifying future requirements for finance. Budgeting in this regard is viewed as enabling the different functions of management control further, state that the budget represents their numbers and their benchmarks against which their performance is measured, (Faith & Richard, 2013). Budgeting involves the institution of programmed goals, the coverage of tangible performance domino effect and assessment of performance in terms of the predetermined goals. A study by Mukah (2018) revealed that budgetary controls are useful instruments for an economy because they allow planning for expenditure thus enabling efficient use of the financial resources. This reduces wastage of resources and assist in finding out weaknesses of organizations. These findings are in line with those of (Qi, 2010) who conducted a study on the impact of the budgeting process on performance in Small and Medium Enterprises (SMEs) in China and discovered that more formalized budgetary controls lead to a higher growth in profit of a firm. Similar results were also put up by (Faith, 2013) in her study on the effects of budgeting process on efficiency of commercial and manufacturing parastatals in Kenya.

According to Pimpong and Laryea (2016), this has attracted the attention of scholars on the subject of financial performance in the various areas of business and strategic management. It is imperative that businesses that want to remain competitive especially in developing countries such as Ghana need to have excellent control over their costs (Marginson, 2013). Koech (2015) also noted in his studies that one of the most drastically affected sides of organizations is the budget and budgetary control. It is indisputable that for any organization that wants to survive in the recent competition within the business sector need sharp tools and proven management strategies to forecast and determine the significant changes which are probably going to influence the business while they choose future direction and dimension of resources needed to ascertain the stated goals of the organization. Most organizations adopt new management tools with the desire to enhance their management and budget process. Jones and Pendlebury (2000) in concordant indicated that budgetary control is a demonstrated management tool that helps private firm's management and enhances the

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improved performance of any economy in various ways. Most manufacturing companies have performed poorly in Ghana due to challenges such as, competition from imported goods, low purchasing power and lack of market, depreciation of the country's currency, poor power supply and high cost of raw materials, high utility prices and cost of credit and access to credit and above all lack of effective and efficient budgets, and budgetary control systems to adequately and judiciously allocate resources to meet organizational goals, and maximize performance. Boquist (2001) conducted a study and found out that organizations continue to perform poorly because they lack effective budgetary planning which most of these companies are blind to. Most organizations ranging from small-scale businesses to large scale businesses, fail to recognize the influence of budgets and budgetary control over performance outcomes. These organizations go ahead without paying more attention to improving their performances through their budgets (Koech, 2015).

Regionally, the perspective of Budgeting Process shows that budgetary process is a crucial element in most organisations worldwide. According to Suleiman (2015) budget process like any other country across the globe is characterized by some challenges. One of the challenges with the budget process is the weak reporting culture of the Ministries, Departments and Agencies (MDAs). In Nigeria, budgetary process is on annual basis and has become a standard practice backed by legal provisions such as constitution and financial regulations in various states. The Budget Process begins on January 1st and ends December 31st.The Budget Office meets early in the fiscal year to assess and determine trends in revenue performance and macroeconomic indicators and the implication of such trends for the next three fiscal years. Following this determination with respect to revenue, the Medium-Term Expenditure Framework (MTEF) is developed outlining key areas of expenditure (statutory transfers, debt service and Ministries, Departments and Agencies(MDAs)' Expenditure) as well as the projected fiscal balance (Suleiman, 2015). Pimpong, and Laryea, (2016) wrote about budgeting and its impact on financial performance of non-bank financial institutions in Ghana. Their findings revealed that, there is a positive relationship between budgeting and firm performance. The further portrayed that, the firms made use of established budget processes to a greater extent and that budgeting coordination has a statistically moderate positive relationship on firm performance.

Locally, governments can operate with a haphazard budget process. However, a system designed with incentives to induce public officials to act in response to public needs is more likely to result in choices in the interest of the general public in the desired quality and quantity, at the desired times, locations and at the right cost. At minimum, the process must recognize competing claims on resources and should focus directly on alternatives and options. Reforming systems of public finance management in Kenya has long been a priority for the Kenyan government. Improvements in planning, budgeting and budget execution, and oversight were acknowledged to be fundamental in achieving development objectives (Folscher, 2007). Program review and forward budget (1974 - 1986), budget rationalization program (1986 - 1990), public investment program (1990 - 2000), and medium term expenditure framework (2000 - present) are four notable initiatives. The primary objective in these reforms has been to entrench greater fiscal discipline on the government. In spite of these past attempts to reform the budgetary process, Masya and Njiraini (2003) found that the budget process in Kenya remains an unsatisfactory instrument of achieving public policy objectives. In Kenya, there has underperformance of counties over the last five years. Several amendments have been made in the counties with an aim of maximizing performance, ensuring financial availability, financial stability and efficiency. This is not remarkable given that several amendments have been implemented with an aim of improving the performance of the lending counties (Onduso, 2013). Budgeting is very essential regulating the day to day operations of any business (Pimpong & Laryea, 2016). It is a framework for ensuring achievement of programmes concerned with business goal and objectives, under a given time period, by use of specific availed resources. The budget outlines the available resources as well as the future required resources (Smith & Lynch, 2004). The budget framework incorporates firm activities that are essential to the wellbeing of the organization (Koech, 2015). The components of the framework include budget control, budget planning, budget implementation and budget review.

Gacheru (2012) did a study on effect of the budgeting process on budget variance of nongovernmental organizations in Kenya and concluded that budget preparation, budgetary control and budget implementation significantly influence budget variance. According to Cook (2008), budgetary control involves continuous planning and control after which the relevant information on the real results is passed to managers for comparison purposes against the planned budget. A developed and broad system of budget control is increasingly being recognized by many organizations as it ensures minimal differences between the planned budget and the outcome as well as increasing firm efficiency and reducing cost

(Alesina & Perotti, 1996). With budgetary control systems being at the center of increasing organizational efficiency and controlling costs, then the need to examine the role of the system in organization‟s financial performance is of paramount importance.Medium-sized firms achieve higher profit growth than small firms and state-owned enterprises achieve better non-financial performance than small firms. Onduso, (2013) conducted a research on the effects of budgets on financial performance of manufacturing companies in Nairobi County. The study used both primary and secondary data. A statistical package for social sciences was used as analyzing tool and also regression model was adopted to determine the association between dependent and independent variables. His findings revealed that, financial performance as measured by ROA is influenced by the use of budgets and influences of management. The research also revealed that, the qualifications of those employed to overlook the activities of the firm was not good and hence firms had to employ people from outside to help in the preparation of budgets. Mbugua, (2013) studying a sample of 60 companies using a cross-sectional research design concluded that aspects of budgeting practices such as budget planning and budgetary participation have a positively significant effect on the revenue collection efficiency of water service providers while budget control practices and budgeting approach have no significant effect on revenue collection in the studied industry. Mwangi, (2014) in assessing the effects of budgetary planning tools on the financial performance of registered public service vehicle companies in Kenya brought to light that, vehicle companies that adopted budgetary planning techniques had favorable performance ratios and those that did not practice those techniques had unfavorable performance ratios. The study also revealed that most people in the industry were not aware of such techniques and even those who were aware did not use them effectively. Koech, (2015) assessed the effect of budgetary control on the financial performance of selected manufacturing companies in Kenya and the findings showed that there is a significant relationship between financial performance in manufacturing companies and the three variables (planning, monitoring and control and participative budgeting) was henceforth obtained.

According to Adongo (2013), since independence Kenya has introduced a number of reforms to the budgetary process with an aim of maximizing benefits accruable from spending through budget reforms in the public sector. These reforms are necessitated by perceived unsatisfactory performance when compared with the expectations of the budget provisions. In spite of these attempts to reform budgetary process in Kenya, it remains unsatisfactory instrument of achieving public policy objectives. This is because budgets are not clearly linked to the planning process and approved policies. Wanyoike (2015) states that the mismatch between expenditures and revenues are unending which leads to mini-budgets, reallocations of budget lines and supplementary budgetary estimates. This study is focused on examining the effect of budgetary process. Budgeting facilitates the primary function of counties, in their capacity as agents that facilitates financial intermediation and the performance of core counties roles (Koech, 2015). Budgeting together with performance administration are important financial activities in the banking sector. How to advance the firms‟ performance is the concern for every manager. The successful provision of basic banking products and services must not be devoid of an effective budget control system, if the organizational goals and objectives are to be achieved (Mabrouk & Mamoghli, 2010). Despite the significance of budget control system, there remains limited empirical evidence on the effect of the same on financial performance specifically in the context of commercial banking. This study seeks to address the same. Substantial empirical evidence exists on budgetary control and performance. Akintoye (2008) examined the relationship between budget and budgetary control and performance of selected food and beverages companies in Nigeria and established that a significant relationship between budget and budgetary control and performance. Pimpong and Laryea (2016) studied budgeting and its impact on financial performance of non-bank financial institutions in Ghana and found a positive relationship between budgeting and financial performance. In Kenya, several studies have been done on budgetary control and performance of commercial banks in Kenya (Koech, 2015; Onduso, 2013; Munene, 2010; Kipkemboi, 2013).

Koech (2015) studied budgetary control and its effect on performance of companies listed on NSE and found that budgetary control has an impact on firm performance. Despite these findings, it is not obvious that such a relationship exists in the commercial banking sector hence the need for the current study. Onduso (2013) assed the influence of budgeting on firm performance in Nairobi, Kenya and found that budgeting and management influenced performance. Nevertheless, the study was done on manufacturing firms therefore the findings cannot be generalized on commercial banks. Hence in view of the gaps identified in these studies, there remains scanty empirical evidence on the link between budgetary control and performance hence the motivation of this study. In most organizations, budgetary process is important in performance of an organization. If the budgetary process works appropriately, it is believed that the process can motivate managers, earn trust, and increase their commitment to achieve the highest performance (Adongo & Jagongo, 2013). On the contrary, failure of the process working as expected may generate problems of management control. However, most of the counties do not deliver services as required due to lack of best financial management practices associated with budgeting (KIPPRA, 2013). A study at county level indicate political influence and public participation as key factors affecting the budget preparation process (Mugambi & Theuri 2014). The uncertainties prevailing in the business environment today means that, managers and stakeholders must be poised and prepared to compete favorably under these rapidly shifting conditions. It is observed that counties continue to suffer setbacks and fail because they have no proper budgetary process which they apparently fail to recognize. Some firms sense weakness in their budgetary process but view them as individual problems rather than systematic deficiencies. They misdirect efforts and produce greater frustrations. This flawed budgetary process or non-usage of budgets gives rise to the need to examine the budgetary process and the impact of firm performance. Though the counties have carried out the reforms mentioned above, this study notes that these reforms are not sufficient (Usman, 2015).

The budgetary process in Kenya is yet to be an accountable, effective and efficient tool for translating policies into tangible results. Poor synchronization between making policy, planning, and budgeting has led to a discrepancy between what firms promise in their policies and what they can actually afford. Policy making, planning and budgeting are three important processes that need to be linked. The absence of this interrelation in Kenya has led to a great divergence in policies and budget. Budgeting has become an annual struggle to keep things afloat, rather than allocating the anticipated resources based on planned policies intended to achieve agreed objective. In addition, research focuses heavily on budgeting and its application to large, publicly listed organizations in developed countries. There has been little attention and discussion in the academic literature on the relationship between budgetary process and performance of firms (Knight, 1993), researchers have not paid considerable attention to the possible relationship between budgeting process and performance in SMEs (Usman, 2015). So the process of budgeting and its relationship with performance in firms are still unclear. Moreover, limited study has been conducted on budget process of small firms in emerging economies like Kenya. Therefore, this study seeks to determine effect of the budgetary control on performance of counties.

2. EFFECT OF BUDGETARY CONTROL ON PERFORMANCE OF COUNTY GOVERNMENTS

Budgetary control is defined as the process of developing an expenditure plan and periodically linking actual expenditure against that budget to determine whether expenditure behavioural patterns need to be adjusted accordingly (Myint, 2019). According to Chartered Institute of Management Accountants (CIMA), budgetary control is the establishment of departmental budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, to ensure that individual actions of the objectives of that policy provide a firm’s basis for its revision (Enya, 2012).Budgetary control is one of the approaches to the control of firm’s financial activities. Enya (2012) argued that to ensure that the firm’s actual performance coincides with expected performance, it is necessary to initiate a system of controls. This method is used to ascertain deviation from the norms which are the result of the economy and make the necessary correction in order to forestall recurrence. Budgetary control is a complex function which is related to production planning and control, cost control and sales planning and control. If optimum balance is not achieved in planning and controlling this triangle of operations, financial planning and control will be adversely affected. It is worthy to note that budgeting aims at providing a benchmark for controlling performance of managers and their subordinates. Control is sought to be achieved by comparing actual performance with budgeted performance and taking action to correct the budget variance. The principle of management by exception should be applied while enforcing control through budgets. No action or intervention is required so long as the actual performance approximately conforms to the budget (plan). Management attention should be focused only on exceptional or significant deviations. To determine significant deviations, control limits that represent the range of normal deviations from budget (plan) should be developed.

According to Koech (2015), in the study on the effect of budgetary control on the financial performance of manufacturing companies in Kenya, it was found that a majority of the respondents were in agreement that budgetary control combines the strategic planning of the organisation with budgets and costs control processes, and budgetary control determines budgetary skills and financial skills to make better decisions. The author further stated that budgetary control determines sources of financial and business data, which gives insight into business strategies and financial strategies when converted into budgets. It also identifies when and how to monitor the financial indicators for the business, helps to interpret budgets

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and performance metrics as communication tools, and ultimately, helps to think interactively away from budgeting. Siyanbola's (2013) study also found that budgetary control can affect the financial performance of manufacturing companies in Nigeria. Finally in the research by Su, Baird and Schoch (2015), which involved 343 general managers in the Australian manufacturing sector, the researchers found that there was a relationship between management control and performance in the organizational life cycle stages, whereby a relationship may exist between budgetary control and performance.

Budgetary control looks at the future and lays down what has to be achieved. Controls check whether the plans are being realized and put into effect corrective measures and determines where deviation or short-fall is occurring (Egan, 1997). Egan emphasized that without effective controls, an enterprise will be at the mercy of internal and external forces that can disrupt its efficiency. When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or provide a basis for policy revision. Harelimana, (2016) conducted a study on "The Effect of Budgetary Control on the Financial Performance of Hotels in Rwanda": Case Study of Kigali Serena hotel. The study revealed that budgetary controls are viewed as imperative instrument in arranging and control of assets to upgrade execution in numerous associations. Pimpong, and Laryea, (2016) also wrote a paper in the International Journal of Academic Research and Reflections about budgeting and its impact on financial performance of non-bank financial institutions in Ghana. Their findings revealed that, there is a positive relationship between budgeting and firm performance. Koech, (2015) assessed the effect of budgetary control on the financial performance of selected manufacturing companies in Kenya. His results showed that there is a significant relationship between financial performance in manufacturing companies and the three variables (planning, monitoring and control and participative budgeting) was henceforth obtained. Wijewardena and De Zoysa (2001) showed a positive and significant relationship between budgetary control and sales growth. However, no significant difference was found between budgetary control and return on investment. To explain the insignificant relationship between budgetary control and ROI, they state that, although firms with a greater extent of budget control report higher rates of growth in sales, these revenues are not bringing about higher profits because of internal inefficiencies. Following Wijewardena and De Zoysa's research, Fonseka and Perera (2004) also studied the relationship between the budgeting process and performance in Sri Lankas's SMEs. The findings are consistent with the previous findings, which show that those firms engaged in more control processes have achieved higher growth rate in sales, but no significant relationship are found between budgetary control and ROI.

Yang Qi, (2010) observed that more formalized budgetary control tends to lead to a higher growth of profit of a firm. The underlying reason can be that due to management control; the total expense of a firm will be at most minimized, which thus results into the growth of profit of the firm. It is also interesting to find that the formal budgeting planning and the formal budgetary control show different patterns in terms of their effect on performance. Akintoye (2008) in his work on budgetary control and its effect on firms' performance tested the association using turnover as one of the variables with the assumption of turnover as the budgetary control indicator on dividend per share. The importance of financial stability in enabling an organization to function efficiently and maximize the potential for service delivery cannot be underestimated. The quest for better service delivery under new public management in public organizations in Kenya necessitates the need for public organizations to have proper financial standing in order to run operations and motivate workers through better remuneration as well as improved working conditions, (Adongo, & Jagongo, 2013).

Kimani, (2014) in his study established that there is a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%. The research recommends that employees need to be sensitized on budgetary controls and the effect on performance of the organization. It also recommends that other factors that influence performance apart from budgetary controls should be investigated by organizations. It also suggests that further research should be done on the same area but a larger sample should be used. Onduso (2013) revealed that there is a strong positive effect of budgets on financial performance on manufacturing companies as measured by return on assets (ROA). The study recommends that effective budget implementation should be facilitated through capacity building, robust systems and processes prioritization, and close monitoring for evaluation. Stakeholders should get involved in budget execution to enhancing the overall budget implementation. Further, financial management systems should be supported in order to ensure prudent management of funds and adequate sensitization of both the employees and the public on best financial management practices to enhance the oversight role. Carolyn and Tammy, 2017) conducted a study on title „an examination of the effects of Budgeting control on performance: evidence from cities „and the result of their study shows that effective budgetary control has a positive effect on organizational performance. In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

Budgetary control is a management tool used by public institutions to effectively manage public finances in order to efficiently meet their financial performance goals. Siegel and Allison (2011) stated that available literature on budgetary control suggests that budgets form an important basis for financial control and performance. Budgetary control in government entities entails financial planning, controlling, financial evaluation and performance of budgets in order to efficiently achieve the public finance management goal, on proper resource allocation as per proposed budgets (Jones et al., 2009). The rationale behind budgetary control is to present firm's estimations of revenue and expenditure through constructing a model to show its financial plans, indicating how certain strategies and events have been carried out, which in turn facilitates measurements of actual financial operation against the forecast. Budgeting is a crucial exercise without which a firm or business cannot achieve much. Almost every enterprise, regardless of size, complexity or sector, relies heavily on budgets and budgetary systems to achieve strategic goals since it involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals, (Kamau, Rotich& Anyango, 2017).

Financial performance refers to the extent to which financial goals are accomplished. It is the process of ascertaining the actual operations outcome as compared to set financial goals of a corporate expressed in monetary terms. Moore and Petrin (2017) stated that financial performance also refers to the standard measurement of how a particular issue is handled or doing something successfully using knowledge, treated different from just possessing it. The subject of financial performance has gotten significant consideration from researchers in different regions of business and strategic management. It has additionally been the essential worry of business experts in a wide range of organization since financial performance has an effect on an organization's wellbeing and at last its survival (Onduso, 2013). Financial performance is used to assess institutions' general financial strength for a certain period of time and also it's as well used to benchmark institutions in the same sector (Bourke, 2015). High financial performance reflects corporate effectiveness and efficiency necessitated by proper utilization of reflects corporate effectiveness and efficiency necessitated by proper utilization of corporate resources which in turn enhances country's economy Financial Performance measurement is a fundamental part of whatever change process is adopted by an organization. It gives information in response to the effectiveness of the financial plans and their execution (Holland & Ritvo, 2008).

Financial performance being the degree to which financial goals are being or has been achieved is what all firms are sourcing (Pimpong & Laryea, 2016). However, budgeting at the early stage of its development was concerned with preparing and to permit correct performance evaluation and consequently rewards. Finance is continually being ignored in financial decision making since it includes venture and financing in here and now period. Further, likewise go about as a control in financial performance, since it does not add to return on equity (Rafuse, 1996). A very much composed and executed financial management is relied upon to contribute confidently to the formation of a firm's values and beliefs (Padachi, 2006). Broad writings with respect to the company's goals put much stress on the maximization of investor's wealth. Managers are in this manner worried about augmenting investor's wealth as it means future prospects, reflects the relentless development and gives a risk shield. In order to achieve this, Naser and Mokhtar (2004), argue that high performance reflects administration adequacy and efficiently making utilization of organization's assets. A worthy budget will give birth to adequacy and efficient utilization of the firm's assets.

The financial system has been a major obstacle in effective planning, budgeting and implementation of government programmes. Financial management in Kenya has been poor and systems have been stand alone and fragmented. The fragmented systems have been weak in information delivery and compliance has been low. As a result, pending bills (Government current liabilities) have escalated to unmanageable levels and overspending has been significant.

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Procurement processes have been inefficient and in many instances the probity of contracts awarded has been severely criticized. The flow of donor funds has also been severely affected by the weak financial system. Costing of activities and programmes has not been possible under existing systems and therefore the linkage between inputs and outputs in plans and Budgets is difficult to establish. In general, compliance, transparency, accountability and good governance are hindered by the lack of effective systems, procedures and processes. The implementation of IFMIS will help to overcome the widespread corruption, which has also been a serious obstacle to social and economic development in Kenya and has led to most development partners choosing alternative channels for aid disbursements and significantly reducing their support to the country.

3. METHOD

The study adopted descriptive survey research design with a target population of 72 employees directly involved in the budgetary process of Migori County from all the fourteen (14) departments of the county. This study employed a census since the target population was small. Questionnaires were used as the instrument to collect data. Piloting was done to test the validity and reliability of the data collection instruments. Data was reduced, organized, coded, edited, classified using a table and analysed to bring a meaning under each of the factors. The data was codified and entered into a spread sheet and analyzed using SPSS (Statistical Package for Social Sciences). The study used Correlation and Regression analysis to estimate the causal relationships between variables. Multiple regression analysis and analysis of variance was adopted to test the significant levels of one variable over the other.

4. RESULTS AND DISCUSSIONS

Enya (2012) argued that to ensure that the firm's actual performance coincides with expected performance, it is necessary to initiate a system of controls. This method is used to ascertain deviation from the norms which are the result of the economy and make the necessary correction in order to forestall recurrence.

Budgetary control is a complex function which is related to production planning and control, cost control and sales planning and control. If optimum balance is not achieved in planning and controlling this triangle of operations, financial planning and control will be adversely affected. The second objective of the study aimed at to establish the effect of budgetary control on performance of Migori County. To achieve this, the study sought to know whether budgetary control affects performance of Migori County is supportive. The results are presented in the table 4:1 below.

Table 4.1: Effect of Budgetary Control on Performance of Migori County

statement	SA	A	N	D	SD	Total
The budget plan is strategically focused and are often not contradictory	22.0	16.3	4.5	31.9	25.3	100
The county cost plans are made through annual operating plan using the budgeted control system	40.0	23.7	12.9	2.0	21.4	100
The budget plan is documented as part of the strategic plan in our organization	31.0	30	1.5	10.4	27.1	100
System of controls are initiated to ensure that the firm's actual performance coincides with expected performance	28.4	25.7	7.1	24.7	14.1	100
Budget controls definitely ascertain deviation from the norms which are the result of the economy and make the necessary correction in order to forestall recurrence	17.0	38.0	15.0	5.0	25.0	100
Budget control report higher rates of growth in sales in organisations	42.0	18.0	4.0	21.0	15.0	100
Budget control enhances performance	23.0	47.0	3.0	10.0	17.0	100

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The findings showed that majority 31.9percent of the respondents disagreed while 25.3percent strongly disagreed that the budget plan is strategically focused and are often not contradictory. This cumulatively gave a majority of 57.2percent. But 22.0 percent strongly agreed, 16.3 percent agreed while 4.5 percent were neutral. This implies that majority disagreed that the budget plan is strategically focused and are often not contradictory.

The results of the study further sought to establish whether the county cost plans are made through annual operating plan using the budgeted control system. They showed that while majority 40.0percent strongly agreed; 23.4percent agreed, 2.0 percent disagreed and 21.4 percent of the respondents strongly disagreed while 12.9percent were neutral. This cumulatively showed that majority of the respondents agreed that the county cost plans are made through annual operating plan using the budgeted control system.

The findings sought to know whether the budget plan is documented as part of the strategic plan in our organization. The results showed that majority 30.0percent agreed while 31.0percent strongly agreed, 10.4 percent strongly disagreed, 27.1 percent strongly disagreed while 1.5percentwas neutral that the budget plan is documented as part of the strategic plan in our organization. This implies that majority 58.5percent agreed that the budget plan is documented as part of the strategic plan in our organization.

The results of the study on system of controls are initiated to ensure that the firm's actual performance coincides with expected performance also showed that 28.4percent strongly agreed, 25.7percent agreed, 7.1percent were neutral, 24.7percent disagreed and 14.1percent strongly disagreed that system of controls are initiated to ensure that the firm's actual performance coincides with expected performance. This implies that 52.8percent agreed that systems of controls are initiated to ensure that the firm's actual performance coincides with expected performance.

The results of the study also showed that majority 40.0 percent of the respondents agreed while 20.0 percent strongly agreed that budget controls definitely ascertain deviation from the norms which are the result of the economy and make the necessary correction in order to forestall recurrence. But 15.0 percent were neutral, 5.0 percent disagreed and 25.0 percent strongly disagreed. This shows that majority agreed that budget controls definitely ascertain deviation from the norms which are the result of the economy and make the necessary correction in order to forestall recurrence.

Further, the results of the study also showed that majority 20.0 percent of the respondents agreed while 40.0 percent strongly agreed that budget control report higher rates of growth in sales in organisations. But 5.0 percent were neutral, 20.0 percent disagreed and 15.0 percent strongly disagreed. This shows that majority 60 percent agreed that budget control report higher rates of growth in sales in organisations.

Finally, the results of the study also showed that majority 47.0 percent of the respondents agreed while 23.0 percent strongly agreed that budget control enhances performance. But 3.0 percent were neutral, 10.0 percent disagreed and 17.0 percent strongly disagreed. This shows that majority 70.0 percent agreed budget control enhances performance.

4.2 Inferential Statistics

The researcher did inferential statistics on the quantitative data. The statistics done included correlation, regression and ANOVA. The results are presented in the section below.

4.2.1 Effect of budgetary control on performance of Migori County

Correlation

The study analysed data on the effect of budgetary control on performance of Migori County and obtained the Pearson correlation and presented the results in table 4:2below.

Table 4.2: Pearson Correlation of budgetary control on performance of Migori County

Variable	**Test**	performance of Migori County
	Pearson Correlation	.672**
Budgetary control	Sig. (2-tailed)	.000
	N	68

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

Table 4:2 shows that budgetary control has positive relationship on performance of Migori County. The r value is 0.672 which is relatively strong at 2 tailed significance of 0.000 which is below 0.01 level of significance.

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Regression

The study did regression on quantitative data between budgetary control and performance of Migori County and presented the findings in the Table 4:3.

Table 4.3: Coefficients[a] Determination of Effect of budgetary control on performance of Migori County

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.423	.181		31.550	.000
Budgetary control	.098	.066	.279	1.462	.148

a. Dependent Variable: performance of Migori County

Table 4:3 provides the information needed to predict performance of Migori County from effect of budgetary control. Both the constant and budgetary control contributes significantly to the model. The regression equation is presented as follows; (Y) performance of Migori County = 2.423 +0.098 (budgetary control)

Model Summary

The model summary between budgetary controls against performance of Migori County is presented in Table 4:4.

Table 4.4: Model Summary of budgetary control against performance of Migori County

Model 1	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.348[a]	.139	.074	.494

a. Predictors: (Constant), budgetary control

Table 4:4 provides the R and R2 value. The R value is 0.348, which represents the simple correlation. It indicates an average degree of correlation. The R2 value indicates how much of the dependent variable, "performance of Migori County", can be explained by the independent variable, "budgetary control". In this case, 13.9 percent can be explained, which is relatively significant.

In summary

$Y = \beta_0 + \beta_1 X_1 + e$

By replacing the values

(Y) Performance of Migori County = 2.423 +0.098 (budgetary control)

Multiple regressions give the constant as

Therefore the overall regression model is

(Y) (Y) performance of Migori county = 2.990 +0.098 (budgetary control)

Statistical analysis shows that budgetary control had a significant influence on performance of Migori County

Based on these findings:

The null hypothesis H_{02}: Budgetary control has no significant effect on performance of Migori County: *is rejected* Therefore, Budgetary control has a significant effect on performance of Migori County.

5. CONCLUSIONS AND RECOMMENDATIONS

The objective of the study aimed at to establish the effect of budgetary control on performance of Migori County and finding indicated the budget plan is strategically focused and are often not contradictory and that the county cost plans are not made through annual operating plan using the budgeted control system. The findings indicated that the budget plan is documented as part of the strategic plan in our organization and that systems of controls are initiated to ensure that the firm's actual performance coincides with expected performance. The results of the study also showed that budget controls definitely ascertain deviation from the norms which are the result of the economy and make the necessary correction in

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order to forestall recurrence and that budget control enhances performance. Based on findings, the study concluded that budgetary control has a significant effect on performance of Migori County.

Based on the findings, the study recommends that the county government of Migori Should make sure that involvement all the stakeholders especially in decision making of the county on issues of budgetary process. There is therefore need for all departments to participate in the budgeting process. Furthermore, organizations should encourage discussions with other staff members about the budget without wondering. Also, budget review should be done at institutions and performance targets for each department should be agreed on. Moreover, the top management should always hold budget conferences to review performance. The management of the county government of Migori should plan their budget to qualify the county's plan for a future period. Additionally, there is need for prepared budgets to qualify different areas of operation in the organization. The county government of Migori should also formulate their budget objectives from the set goals and during the budget planning; coordination among various department should be enhanced**.**

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