BUDGETARY CONTROLS AND FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN MOMBASA COUNTY, KENYA

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DECLARATION

This research is my own work and has not been earlier submitted in other learning institution.

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Signed: _________________________ Date: _______________________

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This study has been presented for purposes of assessment with my consent as the supervisor.

Signed: _________________________ Date: ________________________

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DEDICATION

I particularly dedicate this study to my parents Mr Samuel Bironga Mokaya and Dr. Sophia Moraa Bironga for the encouragement, love and concern.

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LIST OF ABBREVIATIONS AND ACRONYMS

ABGL:	Almasi Beverages Group Limited
CPBB:	Centre for Priority Based Budgeting
EAPCCL:	East Africa Portland Cement Company Limited
GDP:	Gross Domestic Product
GSE	Ghana Stock Exchange
KAM:	Kenya Association of Manufacturers
KNBS:	Kenya National Bureau of Statistics
M&E:	Monitoring and Evaluation
NACOSTI:	National Commission for Science, Technology and Innovation
NGOs:	Non-Governmental Organizations
PBB:	Priority Based Budgeting
PBBS:	Performance-Based Budgeting System
PSV:	Public Service Vehicle
ROA:	Return on Assets
ROE:	Return on Equity
ROI:	Return on Investment
SMEs:	Small and Medium Enterprises
UK:	United Kingdom
VIF:	Variance inflation factor

DEFINITION OF TERMS

Budgets: This refers to total estimates of the resources,costs as well as revenues over a given duration of time which shows a reflection of future financial condition of the organization as well as financial goals

Budget control: It refers to a management system that puts into comparison the organization's actual income together with the estimated income and expenditure with an aim of assessing if there is adherence of the laid down plans and also to determine if there is need for the change in the plans so as to maximize profit.

Budget committee: This is a collection of individuals who come together to discuss plan, establish and ensure maintenance in the fiscal responsibility of a firm or organization.

Budget planning: This is the process of evaluating the firm's eranings as well as expenses and then make a projection of future monetary intakes as well as monetary outakes

Financial performance: This refers to the overall measure of the organizations financial state over certain duration of time by using return on assets.

Budget monitoring and evaluation: This is a prevention process against misuse or embezzlement of finances through restrictions limiting the financial behavior.

Manufacturing companies: This refers to entity that takes in raw materials or unfinished goods and makes or produces finished good.

Return on Assets: This is the percentage of the companys assets' profitable in generating revenue.

Internal Audit: Is the objective assurance, independent, and consulting activity that adds value to and improves the operations of an organization.

ABSTRACT

The manufacturing sector is expected to carry out a critical role in realisation of Kenya's Vision 2030 through the creation of employment opportunities and wealth. In the manufacturing sector, high levels of technology and production systems are required, which usually requires enormous large financial resources and hence the need to adopt robust flexible budgets to enhance their financial performance. However, despite the importance of coming up with budgets when planning to achieve the company's objectives, manufacturing firms do not have adequate budgetary controls to realize substantial financial performance. The researcher seeks to evaluate effect of budgetary controls on the manufacturing firms' financial performance in Mombasa County. Specific objectives were to evaluate effects of budget planning, budget committee, budget M&E on financial performances of manufacturing firms in Mombasa County. Additionally, the researcher deployed priority based budgeting theory, budget control theory as well as goal setting theory. Additionally, the study utilised descriptive research design. Moreover, study population was finance managers in 44 manufacturing firms of Mombasa County registered under KAM. Census approach was used as the study population was considered small. The study ensured privacy of information obtained by locking research tools in secure room and allowing authorized individuals only to enter the room. The research employed primary data that was gathered by use of structured questionnaires. It generated qualitative as well as quantitative data. The qualitative data was analysed using thematic analysis and findings presented in a narrative form while the quantitative data utilised descriptive and inferential analysis that was conducted using SPSS version 22. Descriptive statistics as well as inferential statistics was used. Results were presented in figures and also tables. The study therefore concluded that budgetary controls which were analysed using budget planning, budget committee and budget M&E had significant positive influence on manufacturing companies' financial performance within Mombasa County. This study therefore recommended that manufacturing firms ought to ensure proper record keeping for future reference during budget planning to facilitate in-depth analysis of the available resources and come up with a good budget plan aimed at increasing profitability of the firm and also ensure that all the committee members take part in budget setting process.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, financial performance is critical to health and survival of businesses. It is concerned with the level at which they achieve the identified financial objectives. Agbenyo, Danquah and Shuangshuang (2018) state that the foremost objective associated with the financial performance is the maximization of shareholder's wealth. Therefore, managers have to prioritise it as it guarantees steady growth, enhances the chance of pursuing future prospects, and offers a buffer against risks. According to Jones (2016), superior financial performance is often connected to better effectiveness and efficiency of managers in utilizing a company's resources.

Normally, organisations utilise various kinds of resources in their operations that include financial and human resources. According to Mgobhozi (2012) budgeting practices are critical to the attainment of the set organizational objectives, which necessitates the effective development and implementation of budgets. Qi (2015) state that the budgeting process may vary in different organisations. For instance, large organisations may have formal processes undertaken by special committees while small ones may entirely be conducted informally by business owners. Well-managed budgeting processes are critical for the achievement of financial objectives by different organisations. Various actions are dependent on them such as production, procurement, and marketing. Business organisations can become profitable in a sustainable way by preparing and managing their budgets well. Therefore, it is essential for organisational executives to coordinate them properly (Agbenyo, Danquah & Shuangshuang, 2018). Failure to coordinate the decision-making that touches on these aspects often leads to conflicts as different managers seek to pursue different interests. For instance, a marketing manager may steer a promotional campaign with the aim of raising sales, which may spark a rise in demand for products beyond what a production department can handle.

According to Jones (2016), companies in the United Kingdom mostly make budgets to facilitate planning, assessment of performance, and control. Mgobhozi (2012) states that manufacturing firms in US indicated that a positive association that exists between capital budgeting practices such as budget identification, development of capital investments, and budget control, and their financial performance are the main reasons why they create budgets. According to Qi (2015) Chinese SMEs adopt formal budgeting planning processes as they associate them with higher sales revenues.

Agbenyo, Danquah and Shuangshuang (2018) evaluated the association between budgetary controls and reported financial performance by publicly listed manufacturing companies in Ghana and found that there existed a positive association between them. In addition, Pimpong and Laryea (2016) stated that budget committee, planning, monitoring and evaluation had moderate strong relationship with the performances of Ghanaian firms, which was statistically significant.

In Uganda, Kabayaga (2013) indicates that budgeting contributes to organizational performance in terms of time management as way of appropriate time planning and proper distribution of resources which helps manufacturing firms to generate profits in time, and also gives direction on future progress. Asantina (2018) carried out a study in Tanzania and established that formal budgeting planning and control processes portray different impacts on the financial performances of different firms in the country in terms of the levels of sales revenue and profitability. Onduso (2013) studied firms in Kenyan capital of Nairobi and found out that formal budgeting process that include budget planning, committees, monitoring and evaluation had a strong association with financial performances of manufacturing firms that was measured by return on assets (ROA). Nafisatu (2018) states that the budgeting processes had a positive effect on sales turnover and pre-tax profit of EAPCCL.

1.1.1 Budgetary Controls

As stated by Manoj and Rajesh (2018), budgetary control is the process that relevant managers use budgets to monitor and control their organisations' operations and related costs for specific accounting periods. Therefore, it involves the comparison of actual results with the set goals and making necessary adjustments if necessary. Enya (2012) states that budgetary controls are essential to make sure that the actual performance of a firm does not vary significantly from the anticipated performance. A budget estimates the expenses and revenue of a business for a particular period and should be prepared and evaluated regularly. Budget plays an essential role in businesses performance as it is a planning and controlling tool that guides organizations in the utilisation of scarce financial to realise set goals. Since all business organisations seek to enhance their financial performances, they have to adopt different systems and structures to ensure that they grow profitably. Therefore, budgets provide useful information to company executives to facilitate the assessment of organisational performance and guide resource (Mgobhozi, 2012). A budget serves as a great guide for an organisation to oversee how revenue trickles in and highlight any risks that may arise. Consequently, the budgeting process is valuable for businesses as it helps them to keep track of what they earn and what they spend.

According to Jones (2016) budgeting from a financial management perspective involves the preparation of budget requests and performance plans that outline goals, measures, and outcomes associated with specific activities that are geared towards the achievement of set goals. These components are crucial as they break down performance measures that are set out in the larger annual plans based on specific objectives in a budget period. Different studies outline different components of a budget. For instance, Mgobhozi (2012) indicates that the components of a budget include budget identification, development of capital investments, budget control and capital budgeting application/practice. In China, Qi (2015) indicates that the components of a budget included budgeting planning, budget committee and budget monitoring and evaluation. In Ghana, Agbenyo, Danquah and Shuangshuang (2018) highlights the components of a budget like planning, committee and monitoring and evaluation. In Kenya, Onduso (2013) indicates that a budget encompasses budget planning, budget committee and budget monitoring and evaluation.

1.1.2 Financial Performance

According to Onduso, (2013), financial performance is the level at which organisations achieve their financial objectives. It is critical for businesses to undertake the process of measuring their results that arise from their operations in monetary terms. By measuring their financial performance, they can determine whether they have enough resources to enable them to continue delivering their offerings, remunerating their staff, meeting the obligations due to their creditors and vendors, and maintaining a favourable credit risk. If a company improves its financial performance, it means that its management is more effective and efficient in utilizing its resources and stands a better chance of realizing other objectives. The financial performance of a manufacturing company is reported based on information that is gathered from various sources, which portray the perspectives of various departments and stakeholders.

Financial performance is measured in terms of profitability, which may be represented by profit margin, ROI, ROE, and ROA. Alternatively, non-financial performance includes customer satisfaction, adoption rate of new products, and market share. Profitability is the capability of an enterprise or a firm to generate profits from its business activities. Asantina (2018)) indicates that one of the objectives of a company is profit maximization. The measurement of a company's profitability plays a major role in showing which strategies need to be revised or which ones needs to be introduced to increase inefficiency in the utilization of the available resources (Kabayaga, 2013). Therefore, profitability ratios are used in the determination of the bottom line of a company and its investors' returns.

Most companies, globally, make use of financial performance measures such profit margin ratio, ROA, ROI and ROE. According to Onduso (2013), ROA is a critical measure of financial performance that usually portrays how efficient management of assets in a firm generates income. Return on assets is the value obtained after dividing net income value against the values of total assets. ROE is a critical measure of profitability of companies. It is the result obtained through dividing net income of a firm with the shareholders equity. ROI is the ratio of net profit in a firm and its cost of investment (Agbenyo, Danquah & Shuangshuang, 2018).

1.1.3 Manufacturing Firms in Kenya

Kenyan economy has been taken over by agricultural sector from the country's independence. The share of monetary GDP that is attributed to the industrial sector has remained between 15 and 16% with the manufacturing sector contributing only about 10% in the last two decades. Therefore, activities in the manufacturing sector account for the highest share of output, which makes it the largest in the industry (Kenya Association of Manufacturers, 2017).

The Kenyan manufacturing sector constitutes over 2,000 companies and it is highly fragmented into various sub-sectors. The top three subsectors contribute about 50 percent of the overall

GDP, 50 percent of the export trade, and 60 percent of the formal jobs offered. Approximately 50 per cent of Kenyan companies in the sector employ 50 people or less with majority of them owned and operated by families. Besides most of the manufacturing companies, which constitute about 95 percent, produce basic products such as food and beverages, household chemicals, and building materials (KAM, 2017). Kenyan manufacturing firms are focusing on being efficient as well as flexible in their methods of manufacturing in order to improve their profits as well as ensure they produce products that are environmentally friendly, that boost consumers' trust and also confidence.

In Mombasa County, there are 44 manufacturing enterprises in numerous sub-sectors such as oil and petroleum refinery, glassware, vehicle assembly, and food and beverage processing. The manufacturing firms offer many employment opportunities for local residents and expatriates. However, the sub-counties of Nyali and Likoni do not have significant presence of manufacturing entities. Majority of the firms are found in Changamwe and Mvita (KAM, 2017). The county government of Mombasa has endeavoured to attract new investors into the industry by creating an enabling environment with the aim of exploiting the huge potential that the area provides.

1.2 Statement of the Problem

A fundamental responsibility is played by manufacturing sector in attainment of Kenya's Vision 2030 by creating wealth and providing jobs. The country's development programme envisages that the sector will make a 10 per cent contribution to annual GDP (Chirchir & Simiyu, 2017). This is yet to be accomplished fully. Manufacturing companies require a highly sophisticated technology and production system, which means that they must have huge financial resources. Apart from the initial purchase of production machinery, which requires huge capital outlays, these companies have also to make regular upgrades and replacements (Ngumi & Njogo, 2017). Therefore, it is essential for manufacturing entities to develop comprehensive budgets to enhance their chances of recording positive overall performances. Also, it is critical for organization that needs to bolster the operational efficiency and profitability (Kimunguyi, Memba & Njeru, 2015).

Manufacturing companies based in Mombasa County have recorded declining performances in the level of investment, total sales and exports, which have reduced from 33.9 percent in 2016 to 32.4 percent in 2017 (Exports Processing Zones Authority, 2018). In addition, Bilafif and Ibrahim (2019) indicate that manufacturing firms in Mombasa County experienced a decrease in return on assets between 2016 and 2017 from 6.3% to 5.8%. Wakulele, Chepkulei and Kiswili (2016) indicate that the net income of manufacturing firms in Mombasa County between 2015 and 2016 reduced by 19% while the total assets reduced by 5% in the same period of the year. Therefore, despite the importance of coming up with budgets when planning to achieve the company's objectives, some companies do not have adequate budgetary controls to realize substantial financial performance (Ngumi & Njogo, 2017).

Empirical researches that focus on association between budgetary controls and financial performance of Kenyan manufacturing firms have been limited to specific regions, companies and different components of budgetary controls. For instance, Onduso (2013) studied effect of budgeting on manufacturing organisations' financial performance within Nairobi County and discovered that the use of budget and managerial performance had an effect on performance. Although many studies focus on companies within Nairobi County, the researcher failed to examine the components of budget planning, committee, monitory and evaluation as independent variables but employed the use of budget, and managerial performance. In addition, Ngumi and Njogo (2017) studied the effect of budgeting practices of Kenyan insurance firms on their financial performance and established that variances in capital expenditure, operating expenditure, and human resources influence how they perform. Nonetheless the study was limited to insurance companies, whose organizational structure, resource requirements and budget are different from those of manufacturing firms. In addition, the study looked at capital expenditure, operating expenditure and human resource as budgeting practices. Consequently, the study examined influence of budgetary controls on financial performance.

1.3 Research Objectives

1.3.1 General Objective

General objective was to examine impact of budgetary control on financial performance of manufacturing companies in Mombasa County, Kenya.

1.3.2 Research Objectives

Specific objectives were;

i. To establish the influence of budget planning on financial performance of manufacturing companies in Mombasa County, Kenya

ii. To determine the influence of budget committee on the financial performance of manufacturing companies in Mombasa County, Kenya

iii. To assess the influence of budget M&E on the financial performance of manufacturing companies in Mombasa County, Kenya

1.4 Research Questions

The research strived to respond to the below questions;

i. How does budget planning influence financial performance of manufacturing companies in Mombasa County, Kenya?
ii. What is the influence of budget committee on financial performance of manufacturing companies in Mombasa County, Kenya?
iii. How does budget M&E influence financial performance of manufacturing companies in Mombasa County, Kenya?

1.5 Significance of Study

This research is fundamental to manufacturing firms' management within Mombasa County, policymakers and national government as well as academicians and researchers. To the management of manufacturing firms in Mombasa County, the research provides information on how budgetary controls affect their financial performance. This information may be used to develop strategies related to budget planning, budget committee, and budget M&E. In addition, the management of the firms may also use findings to help in detecting weaknesses that may arise in budgeting committee, control, planning or monitoring and evaluation.

The Kenyan manufacturing sector performs a key role in building national economy, therefore its performance is of great importance. Hence, to the national government as well as the policy makers in Kenya, this study provides information on ways in which budgets affect financial performance of manufacturing firms that can be used to develop and implement policies on budget planning, budget committee, and budget monitoring and evaluation so as to ensure an improvement in financial performance of Kenyan manufacturing firms.

To existing knowledge, this study contributes on influence of budgets on manufacturing firms' financial performance. To other academicians as well as the researchers, the study provides research material which can be employed in studies which are related to budgets and financial performance. Also, the study provides basis upon which more researches can be done regarding influence of budgets on manufacturing firms’ financial performance.

1.6 Scope of the Study

The researcher examined three constituents of a budget: budget planning, committee, monitoring and evaluation. The study was conducted among manufacturing firms within Mombasa County registered under the Kenya Association of Manufacturers. According to KAM (2018), there are forty four manufacturing firms within Mombasa County. Target population consists of 44 heads of finance sections in manufacturing organizations in Mombasa County. The secondary data on return on assets covered a period between 2014 and 2018.

1.7 Limitation of the Study

Manufacturing firms’ management in Mombasa County was not willing to give permission to conduct the study since the information regarding budgetary control and financial performance is regarded to be strategic essential and their competitors can duplicate it. Nonetheless, the researcher got permission from the University in order to indicate that the on-going study is to be used for academic reasons only. Additionally, the management was assured by the researcher that they were to be given a copy of final study. Participants were as well unwilling in disclosing information requested since they feared being victimized. However, with the letter from the university and direction from the management they were guaranteed of confidentiality of the information.

1.8 Organization of the Study

This research project is divided into five chapters. Moreover, chapter one presents introduction of the study, background, objectives, problem statement, research questions, significance of the study, scope and limitations. Chapter two presents literature review. Moreover, this focuses on theoretical, empirical review as well as research gaps. Moreover, it presents conceptual framework. Third chapter consist of the design, target population, census, tools and procedures for gathering data and lastly analysis and also presentation. Further, chapter four entails the results. Lastly, chapter five presents summary of study results and makes conclusions together with recommendation for additional studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter sets out review of related literature on budgetary control and financial performance of manufacturing companies. The section also presents theoretical and also empirical reviews on influence of budget planning, budget committee, budget M&E and budgetary participation on of manufacturing organizations' financial performance. Finally, summary of related literature is given.

2.2 Theoretical Literature

This subsection reviews theory related to the impact of budget planning, budget committee, budget M&E and budgetary participation on manufacturing organizations' financial performance. These theories include: priority based budgeting theory, budget control theory and GST.

2.2.1 Priority Based Budgeting Theory (PBB)

The above theory was founded by Chris Fabian in Centre for Priority Based Budgeting (CPBB) in 2008. The PBB is a management accounting method that strives to increase profitability by calling for managers to re-evaluate their activities as well as determine priorities. It aims to reduce costs as well as channel company resources into business areas of high-priority (Connolly & Ashworth, 2017). The (PBB) theory provides a broad review of the operating budget in the entire organization, identifying and also ranking services (programs) provided on the basis of community's priorities. Moreover, diagnostic process assists organizations management to link decisions on funding to priorities in strategic plan (Jones, 2016).

The PBB point of view includes "Results", which are essential reason as to why organization exists, and what an organization is to provide in business. Result defines in detail and also expands on factors affecting the results that an organization strives to accomplish and for which all programs/services would then be ranked on and gauged by. The methodology included in execution of PBB process can be categorized into four different steps: determination and clarity vision/results, identification of services and processes that need funding, allocation of resources to services and processes and scoring of services and processes based on results (Nafisatu, 2018).

In this study, the priority-based budgeting theory demonstrates the role of budget planning in financial performance of manufacturing companies. The budgetary planning involves setting of goals of the year, identifying activities and processes in the firm that need financing, allocation of resources including financial resources and evaluation of production processes based on results. This theory however doesn’t have enough information about budget committee, therefore the use of the second theory budget control theory.

2.2.2 Budget Control Theory

Budgeting control theory was coined by Aaron Wildavsky in 1964. An effective budgetary control generally solves the organizational plan by forming an effective control system and considers how to deal with the needs of possible future risks and opportunities according to this theory. Silva and Jayamaha (2012) define budgeting theory as a variance detector between objectives of an organization and performance. Moreover, budgets are regarded to be a major component of effective control and as a result essential part to umbrella idea of efficient budgetary control. The theory is categorized into two; descriptive as well as normative. Moreover, descriptive theory is usually focused on close involvement. In addition, theorists describe how events unfold, trends and also infer causes, focusing on local differences and inequalities across cases. Further, advice of normative theory may be focused on observations of smaller variety compared to descriptive theory and also suggests that resolutions may perhaps be centered on values instead of observations. However, if descriptive theory explanatory power is weak, or if normative theory advice is used and then abandoned or not adopted at all by public officials since it doesn't function, then the disparity between practice and theory may become excessively large (Silva & Jayamaha, 2012).

This theory explains the role of budgetary committee in financial performance of organizations with respect to this study. The budget committee is responsible for the process of budgetary control, which is employed by organizations as an expenditure as well as revenue allocation framework. The committee ensures that the products produced as well as services delivered attain their objectives. Moreover, to ensure performance and sustainability, good budgeting system should show effectiveness and efficiency of the firm's income as well as expenditure (Robinson & Last, 2009).

This theory will help us understand better how budget committee has an effect on financial performance in manufacturing companies. This theory however doesn't have enough information about budget goals and performance, therefore the use of the third theory, Goal Setting theory.

2.2.3 Goal Setting Theory

The above theory was founded in 1960s by Edwin Locke who presents GST of motivation. According to this theory, goal setting is basically related to task performance (Latham, Brcic & Steinhauer, 2017). It reveals that challenging and specific goals together with proper feedback aid to high performance. Goals show as well as direct an employee on what requires to be done and the amount of efforts that are required to be put in. As stated by the developer, there are four mechanisms that determine the process of setting goals and they include: direct attention, energizing, persistence of task as well as effective strategies. Regarding the goal, direct attention is focused on the behavior that can achieve the goal, and it is shifted from the behavior that will not. Energizing focus on inspiration to show a specific amount of effort based on the difficulty of attaining one's goal. Task performance is based on time spent on behavior to accomplish a goal. Effective strategies focus on how an individual want to achieve a goal and seek out different ways to achieve it (Shoaib & Kohli, 2017).

Importance and also self-efficacy increases individuals' goal commitment. An individual should find the goal significance and must also believe that he/she can accomplish it. Additionally, making the significance of the goal personal, motivates the person to move away from failure and also uphold the path towards the goal. A person's explanation for the discrepancy depends on how the goal is presented (Han, 2018).

In relation to this study, performance is influenced by goal mechanisms through increasing motivation to achieve the set budgetary goals. Moreover, the mechanisms are inputs that influence behavior in individuals, which usually heighten attention to a goal, persistence in attaining it, energy in accomplishing it and potential to strategize in order to accomplish. When a team or individual can pay attention to behaviors that will achieve the set budgetary goal, they as well turn attention from behaviors that will not accomplish the goal (Beruchashvili, Moisio, & Heisley, 2014). Budgetary goals makes people to expand more effort based upon the effort that is needed to attain certain goal. Finally, when people are pursuing a goal, they will look for efficient ways to achieve it by ensuring the goal is measurable, achievable and time bound, specifically if the achieving the goal is difficult (Han, 2018).

This theory was used in this research because it helped me see the significance of budget goals in manufacturing firms. The theory holds that challenging and specific goals together with proper feedback contribute to a high task performance. Goals indicate as well as direct an employee on what requires to be done and the amount of efforts that are required to be put in.

2.3 Empirical Literature

The section entails presentation of empirical review with respect to the influence of budget planning, budget committee, budget monitoring and evaluation control, budgetary participation on manufacturing companies' financial performance.

2.3.1Budget Planning and financial performance

In Tanzania, Sebastian (2018) assessed the effects of budgeting on financial performance of selected manufacturing firms within Kinondoni District Dar es salaam. Descriptive research design was employed and 75 participants from manufacturing institutions selected were used. It was found that the formal budgeting planning exhibits different types in relation to their effect on financial performance. This plan has a greater impact on the growth of sales of manufacturing institutions, compared to the formal budgetary control.

Stella (2018) researched on the impact of budget planning on financial task of retail businesses in Kenya. The study adopted survey research method and established that some employees of the retail businesses lacked information that budget planning is an exercise in their enterprise. Therefore, their performance is susceptible to working risks as well as inaccurancy.

Pimpong and Laryea (2016) did a research on the influence of budget planning on the financial task of manufacturing organizations in Ghana. The study adopted quantitative research strategy. The study noted that budget planning influenced to a large extent the performance. In addition, there was an overall organizational approach on budgetary, set guidelines as well as schedule for budgetary planning and the top management assists in reduction of resources wastage and communicates the budget plan.

In Kenya, Kimunguyi, Memba and Njeru (2015) researched on the impact of budgetary planning on financial tasks of NGOs in Health sector. The researchers used descriptive research design and found that budgetary planning has significant effect on financial taks of NGOs in Health sector. Results also revealed that budgeting guide management planning, gives a good framework for assessing performance and also encourages effective coordination and communication among diverse departments of NGOs.

Mwaura (2013) researched on the impact of budget planning on the financial tasks of automobile organizations in Kenya. The study used descriptive research design and discovered that budget planning has very strong impact on financial performance of automobile organizations. The study also established that budget planning helps management to avoid wastage by making procedures and policies which facilitate a closer coordination between the different business functions.

Wijewardena and De Zoysa (2011) researched on whether financial planning influences financial SMEs performance situated in Australia. The researchers adopted a survey research design and established greater comprehensiveness in financial planning as well as control processes leads to improved sales.

2.3.2 Budget Committee and financial performance

In Tanzania, Sebastian (2018) assessed effects of budget committee on financial performance in selected manufacturing firms within Kinondoni District. Descriptive design was employed and seventy-five respondents from manufacturing organizations selected were used. The results indicated that budget committee had effect on financial performance in selected manufacturing companies. In addition, the results showed that budget committee is the joint effort of all leaders required to make the budget. Everyone could be involved in developing goals, making plans. Budget management is a responsibility of the budget committee. The budget committee consists of executive from various departments.

In Kenya, Rureri, Namusonge and Mugambi (2017) conducted an assessment on the function of budget in performance of steel manufacturing companies. Study population was 46 quoted Steel Manufacturing Companies. The researchers found that management support including the budget committee contributes to the performance of Kenyan Steel Manufacturing companies significantly.

Raja and Bodla (2014) evaluated of the impact of budget committee on business performance in manufacturing institutions of Pakistan. Moreover, 65 managers from the department of quality assurance were sampled and responses were gathered using structured tool. The study found out that budget committee has significant impact on manufacturing firms' financial performance in Pakistan. The results also showed that the functions of the budget committee include providing general guidance for budget preparation, providing technical advice, receiving and reviewing individual budgets, proposing changes, coordinating budget activities, approving or unreviewed budgets, and revisions of budget report later. Budget Committee coordinates the undertaking of the whole section and exercises effective control over these activities. Kiringai (2012) conducted a study on the impact of budgetary committee on the performance of business organizations. Primary and also secondary methods were deployed in collection of data and sample methods were used in analysis of data. The results found that budget committees normally review as well as approve departmental budgets submitted by different department heads. Additionally, the committee gives suggestions and changes in budgets according to the organizational objectives. In addition, the committee identifies duties for poor performance and if necessary, recommends proper actions.

2.3.3 Budget M&E and financial performance

Agbenyo, Danquah and Shuangshuang (2018) examined the impact of monitoring as well as control and coordination as well as evaluation on financial performance of quoted manufacturing firms on GSE. Moreover, cross-sectional as well as convenient sampling methods were employed to choose 51 respondents as study's sample size. Study found that monitoring and control and coordination and evaluation have positive impact on manufacturing firms' financial performance.

Simiyu, Manini and Singoro (2018) studied the relationship between budget tracking and listed Kenyan sugar companies' financial performance. In addition, the research deployed descriptive research design. Further, study population was 5 Public Sugar Firms licensed to operate in Kenya and through stratified sampling 734 employees were selected. Studies showed that communication and budget participation had a strong association with public sugar companies' financial performance. Ng'wasa (2017) analyses association between budgetary control and financial performance in organizations in Dodoma, Tanzania. Purposive sampling was used. The results indicated insignificant association between budget monitoring and financial performance. Additionally, findings proved no significant correlation between budgetary participation and companies' financial performance.

In Kenya, Chirchir and Simiyu (2017) evaluated the impact of budgetary M&E on ABGL financial performance. Moreover, the researcher used a descriptive design and heads of departments were chosen via purposive sampling techniques. The findings discovered that M&E influences ABGL financial performance significantly.

In Murang'a County Government, Kenya Kibunja (2017) researched on impact of budget M&E on financial performance. Additionally, the researcher deployed explanatory non experimental descriptive survey design. Additionally, study population comprised of 2,074 employees in the county in 13 Operational departments. Sample size 83 employees was obtained by employing systematic sampling. The study indicated that budget monitoring has strong significant influence on financial performance of County Government of Murang'a. Components of budget monitoring that were examined found flaws in internal controls, such as auditing, stakeholder oversight, and regulatory compliance.

In Kenya, Machoka (2014) examined the influence of budgetary monitoring on Financial Performance in Nzoia Sugar Company. Moreover, study population was 132 personnel. Further, the researcher employed a census approach whereby all department heads, supervisors as well as heads of sections were interviewed. The results indicated insignificant association between budget monitoring and financial performance.

2.4 Summary of Literature Review and Research Gaps

Various researches have indicated that there's an impact of budget control, budget planning, and also budget goals on organization's financial performance. However, these researches have been performed in different sectors, countries and also institutions and employed diverse study populations therefore findings were not generalizable to this research.

Table2.1:Summary of Literature and Research Gaps

Author	Study	Results	Research gaps	How to Address the Gap
Budget Committee				
Raja and Bodla (2011)	Effect of budget committee on business performance in manufacturing firms of Pakistan	The study discovered that budget committee has significant impact on performance in manufacturing firms of Pakistan.	• The study was only limited to Pakistan, thus the results are not applicable to manufacturing firms in Kenya	• The current research will be performed in manufacturing firms in Mombasa County, Kenya
Sebastian (2018)	The influence of budget committee on selected manufacturing firms' financial performance in Kinondoni District Dar es salaam	The results indicated that budget committee had an effect in selected manufacturing firms' financial performance.	• The researcher was limited to Tanzania, and because of differences in macroeconomic factors among other factors, the findings cannot be applied in Kenya.	• The research focused on f manufacturing companies' financial performance in Mombasa County, Kenya
Rureri, Namusonge and Mugambi (2017)	An assessment on the function of budget common performance of Kenya steel manufacturing companies	The research found that the support management including the budget committee aids significantly to the Kenyan Steel Manufacturin	• The study was limited to steel manufacturing firms only and hence findings cannot be used in other manufacturing firms.	• The study will generally target manufacturing companies in Mombasa County, Kenya

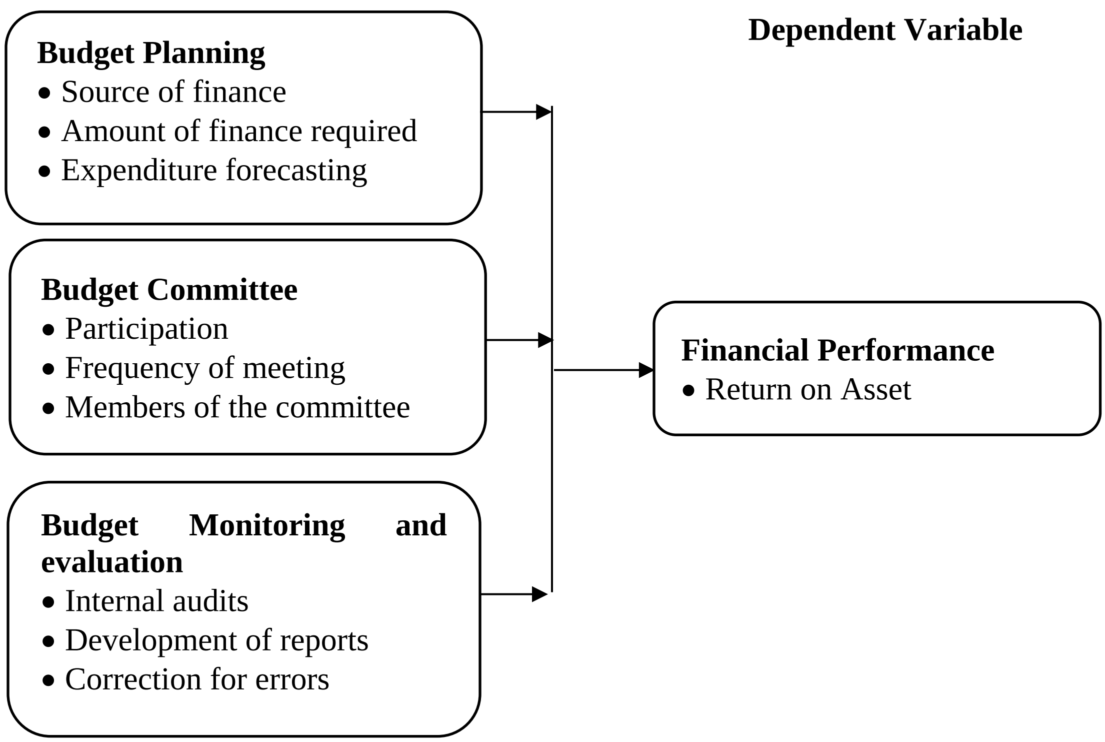
		g companies' performance.		
Budget planning				
Wijewardena and De Zoysa. (2011)	The effect of financial planning on SMEs financial performance in Australia	The study discovered that financial planning has significant positive influence on SMEs performance in Australia	• The study was performed in Australia hence results cannot be applied to Kenya because of variation in geographical location. • The study population of this study was SMEs in Australia hence the results are not applicable to manufacturing firms due to disparity in institutional frameworks	• The research will be conducted in Kenya and will show the influence of participation, frequency of meetings and members of the committee on manufacturing firms' financial performance
Pimpong and Laryea (2016)	Influence of budget planning on of manufacturing firms' financial performance in Ghana	The study discovered that budget planning influenced to a greater extent performance.	• The study failed to address the influence of participation, frequency of meetings and members of the committee on manufacturing firms' financial performance	• The current study address the influence of participation, frequency of meetings and members of the committee on financial performance of manufacturing firms

Sebastian (2018)	The effects of budgeting on financial performance of selected manufacturing firms in Kinondoni District Dar es salaam Tanzania	It was also found that the formal budgeting planning shows different patterns in terms of their effect on financial performance.	• The study was carried out in Kinondoni District, Tanzania and hence results cannot be applied in Kenya	• This study was conducted in Kenya
Budget Monitoring and Evaluation				
Agbenyo, Danquah and Shuangshuang (2018)	The impact of coordination and evaluation and monitoring and control on listed manufacturing firms' financial performance on Ghana Stock Exchange	The study found that monitoring and control as well as coordination and evaluation have positive influence on manufacturing firms' profitability.	• This research was based on manufacturing firms located in Ghana and hence the results cannot be applied in Kenya	• The research focused on of manufacturing companies' financial performance in Mombasa County, Kenya
Chirchir and Simiyu (2017)	Influence of budgetary monitoring and evaluation on financial performance of ALMASI Beverages Group	The findings showed a significant influence of M&E, measured using frequency and participation, on financial	• The researcher was limited to only one company in in Kenya, a water bottling company, therefore the results are not applicable to other categories	• The research showed the influence of internal audits, development of reports and correction for errors on performance of Kenyan

	Limited, Kenya	performance of ABGL.	of manufacturing firms in Kenya.	manufacturing firms
Machoka (2014)	Effect of budgetary monitoring on Firm Financial Performance in Nzoia Sugar Company, Kenya	Results found insignificant association between budget monitoring and financial performance.	• The study was only limited to Nzoia Sugar Company thus the results are not applicable to other manufacturing firms in Kenya, including manufacturing firms in Mombasa.	• This research focused on manufacturing companies' financial performance in Mombasa County

2.5 Conceptual Framework

Conceptual framework is defined as a diagrammatic representation of concepts that provide explicit diagrammatic explanation on the correlation between independent and dependent study variables (Machoka, 2014). This research assessed influence of budgetary control on manufacturing companies' financial performance in Mombasa County. Specific goal was to evaluate budget planning, budget committees, budget M &E of the effect on manufacturing companies' financial performance in Mombasa County. Figure 2.1 shows how study variables interact to influence financial performance. Budget planning, committee and monetary evaluation influence how the company performs financially.



Source: Research Data (2019)

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter sets out presentation of procedures which were used in this study to choose respondents and to analyse data. Specifically, this chapter constitutes of research design, target population, census and data collection instruments. This chapter further consists' the procedures for collecting data comprising the pilot testing, validity and also reliability of research tool. This chapter composes data analysis, results presentation and also ethical considerations.

3.2Research Design

Stokes and Wall (2017) argues that it is a blueprint for gathering, measuring as well as analyzing collected data. This research deployed descriptive research approach. In addition, descriptive research design entails regaining available information regarding the present status of a phenomenon to describe in detailed description on recent conditions regarding conditions and study variables without changing variables. Russell (2013) suggests that descriptive design is defined as the entire process of gathering data so as to explain current status of phenomenon under investigation. Descriptive researches are normally the best techniques for gathering information that explain relationships and also describe the world as it is. Descriptive research design was employed in the present study since it provides opportunity for merging qualitative as well as quantitative data in order to determine the features of a phenomenon/population being studied. Moreover, the design was used because it enables the researcher to apply the findings to the whole population.

3.3 Target Population

A target population is defined as a collection of items with observable attributes which is employed to generalize the finding of the study (Russell, 2013). As stated by Stokes (2017) study population refers to a collection of individuals, cases, items or articles with common features. The unit of analysis was 44 manufacturing firms within Mombasa County registered under KAM. The unit of observation was the finance managers in the 44 manufacturing firms within Mombasa County registered under KAM. The reason for taking finance managers as the target population is because they are the ones who directly deal with issues of budgeting controls from all other departments.

3.4 Sample size and Sample Technique

A sample size should be large to give a suitable representation of the whole population (Kothari, 2004). Creswell (2006) indicates that information gathered from the sample size should be enough and can be analyzed easily. A census refers to a study of everyone, every unit or everything within a population (Kothari, 2012). Since target population is not big small, this study undertook census by using a target population of all the 44 finance managers in the 44 manufacturing firms in Mombasa County.

Yin (2016) explained that sampling technique is the process of choosing a small representative group from entire population. Since target population is not big small, this study undertook census by using a target population of all the 44 finance managers in the 44 manufacturing firms in Mombasa County. This implies that all respondents will be included in the study

3.5 Data Collection Instruments

The present research deployed primary data. Sahu (2013) asserts that primary data refers to raw data gathered for the first time. Moreover, Bryman (2012) describes different methods which can be employed to gather primary data: group discussion, observation, administration of structured questionnaires, interviews (individual or telephone interview) and dissemination of questionnaires to respondent's emails. Structured questionnaires were administered to the participants in order to enable primary data collection. Kothari (2012), states that questionnaires are usually employed where the participants are cooperative as well as accessible. Moreover, the method is suitable as it can be employed where the participants are literate. Further, structured questions were employed because they are cost effective in terms of time, financial cost and they also enable easier analysis because they are in immediate forms.

The research tool was categorized into 6 sections with the first section constituting the biographic information of respondent. Second to fifth part constitutes of questions regarding the independent study variables (budget committee, budget planning, budget monitoring and evaluation) while last section consists questions concerning the dependent variable (financial performance). Questionnaires were employed in present study because are cost effective and are able to cover the study population.

3.6 Data Collection Procedures

First step in data gathering process, the research got a letter for collecting data from Kenyatta University and authorization letter from NACOSTI. The researcher further wrote transmittal letter to individual participants. The questionnaires were administered to finance manager by the researcher by use of drop-and-pick later method. Drop and pick method was employed where respondents were not present or were not be capable of filling in the questionnaire instantly because of time constraints. Moreover, follow-ups were made every day to monitor participants' progress in filling the research tool. Data collection took two weeks.

3.6.1 Pilot Testing

The researcher performed pilot test in order to identify as well as exclude questions which could be misunderstood by the respondents or were ambiguous. Additionally, the test enabled the researcher to remove typographic errors and determine whether the questions are relevant to this study. The researcher used 10% of the whole sample size when performing a pilot study. Pilot test was performed in manufacturing companies in Mombasa County. Sahu (2013) indicated that when performing a pilot study, 10 percent of the whole sample size should be used. Moreover, the researcher used simple random sampling to choose the group that was to be involved in pilot study. However, the results from pilot group were excluded in main study.

3.6.2 Validity of Research Instrument

The researcher assessed items clarity and checked the relevancy of the items to the objectives of present study to examine content validity. The items were cross examined against the stated objectives to ensure content validity. The degree in which results from data analysis embodies the phenomenon being investigated is known as validity (Creswell, 2014). This study focused on face validity and content validity. Face validity is a possibility that a given question is either misunderstood or misinterpreted. Bryman and Cramer (2012), pre-indicates that appropriate way to improve the probability of face validity is through testing. The research tools' face validity was enhanced by performing pilot study as well as modifying ambiguous and also unclear question. Moreover, content validity, on the other hand is the degree in which a measure depicts all social construct facets. In this research, content validity was enhanced by obtaining experts' views mainly the supervisor in area of study.

3.6.3 Reliability of Research Instrument

Bhattacherjee (2012) argue that reliability examines whether an assessment tool employed give similar findings each time it is employed with similar types of subject in similar settings. In the present study, reliability was measured using internal consistency. Moreover, internal consistency coefficient provides measurement estimate reliability by presupposing that items measuring constructs that are similar should correlate. The most often method used for gauging internal consistency is Cronbach's alpha. In this method, reliability heightens with Cronbach's alpha value where alpha values deployed are ranging from 0 to 1. Creswell (2014) suggest that when coefficient employed ranges from 0.6 and 0.7, it is regarded as acceptable value whereas if value is either 0.8 or more than, it is considered as good reliability. A 0.7 value of Cronbach's alpha was deemed as acceptable in this study.

Table 3. 1: Reliability Test Results

Variable	Cronbach's Alpha	Number of items	Interpretation
Budget Planning	0.905	9	Excellent
Budget Committee	0.882	9	Excellent
Budget Monitoring and Evaluation	0.764	9	Excellent
Financial Performance	0.790	9	Excellent

The construct budget planning had an average Cronbach's reliability alpha of 0.905, budget committee had 0.882, budget monitoring and evaluation had an average 0.764, and financial performance had 0.790. This means that the study questionnaire met reliability criteria ($\alpha > 0.7$).

3.7 Data Analysis and Presentation

Research instrument generated quantitative as well as qualitative data. In addition, the researcher used thematic analysis for qualitative data analysis and findings displayed in form of narrative. Descriptive as well as inferential statistics were deployed to analyze quantitative data with the support of SPSS version 22. In addition, descriptive statistics include frequency distribution, mean, percentage, and standard deviation (Adrian, 2010). This study will use inferential statistics, including multiple regression as well as correlation analysis. Results were displayed in tables as well as figures including bar charts as well as pie charts. Moreover, correlation and also regression analysis was employed to assess an association between independent and dependent variables. Moreover, the researcher used 95% level of confidence which means that for independent study variable to influence dependent variable significantly, the p-value should not be more than 0.05 or significance level.

In this study independent variables are four in number, therefore multi regression model was as shown below;

$$Y = \beta_0 + BPX_1 + BCX_2 + BMEX_3 + \varepsilon$$

Whereby; Y =Financial Performance; β_0 = Constant; X_1- X_3 =Coefficients of determination; BP= Budget planning; BC = Budget committee; BME= Budget Monitoring and Evaluation; and ε = Error term

Before conducting regression analysis, diagnostics tests were conducted and were used to determine the assumptions in linear regression by using five tests. The tests included multicollinearity, auto-correlation, linearity, homoscedasticity, normativity and heteroscedasticity test. Multicollinearity occurs when predictor variable in a particular model correlates with other study variables. Additionally, one variable can be forecasted from another with some degree of accuracy (Hair, 2011). In Perfect multicollinearity, predictor is only one and cannot also be inverted. In the current study, VIF was employed to test for Multicollinearity. Tolerance is used to determine how independent variable influences other independent variables. In case the VIF is greater than ten, it depicts the presence of multicollinearity. Otherwise when the VIF is less than ten, it depicts absence of multicollinearity.

Linearity test is used to assess whether the association between elements under investigation is linear. This entails assessing for outliers because linear regression is affected by the presence of outliers (Creswell, 2014). A scatter plot is used to test for the linearity assumptions. The x-axis in a scatter plot is used to plot standardized residuals while the y-axis is used to plot y value. When a scatter plot follows a linear pattern then is implies that the assumption in linearity is met.

Autocorrelation test is used to determine whether there is presence or absence of autocorrelation among elements under investigation. Incase residuals are dependent it depicts presence of autocorrelation (Russell, 2013). The present study utilized Durbin-Watson test to examine the autocorrelation. The test focuses on testing the null hypothesis that there is absence of linear correlation in tested residuals. Value of the test range between zero and four. Value that is greater than 2 depicts presence of autocorrelation while values less than 2 depict no autocorrelation in a particular data set. Nonetheless, Durbin-Watson test strictly focuses on determining linear autocorrelation among elements under investigation by assessing first-order effect (Wilson, 2010).

Presence of heteroscedasticity in linear regression tends to affect results since it gives biased coefficients (Creswell, 2014). The study used Cook-Weisberg or Breusch-Pagan test for heteroscedasticity. Heteroscedasticity is present if variance of error term differs across observations (Wilson, 2010). With respect to null hypothesis, stable variance is present while an alternative hypothesis asserts that heteroscedasticity is not. Additionally, homoscedasticity violation leads to increase as heteroscedasticity increases.

To fulfill normal distribution requirement, Shapiro Wilk test was employed in the current research to evaluate whether data acquired from the population that is normally distributed. In Shapiro Wilk test, null hypothesis is that study population is distributed normally. Henceforth, null hypothesis however is rejected incase p value is below alpha level: implying that data acquired from the population is not normally distributed (Bhattacherjee, 2012).

3.8 Operationalization of the variables

Table 3. 2: Operationalization of the variables

Objectives	Variables	Indicators	Measuring Scale	Research Approach	Data Analysis Techniques	Tool of Analysis
To determine influence of budget planning on manufacturing companies' financial performance in Mombasa County, Kenya	budget planning	• Source of finance • Amount of finance required • Expenditure forecasting	Ratio	• Quantitative • Qualitative	• Descriptive statistics • Inferential statistics	• Univariate regression analysis • Multiple regression analysis • Person correlation analysis • Mean and Standard Deviation • Thematic content analysis
To determine the influence	budget committee	• Participation Frequency of meeting	Ratio	• Quantitative • Qualitative	• Descriptive statistics	• Univariate regression analysis

of budget committee on the financial performance of manufacturing companies in Mombasa County, Kenya		• Members of the committee			• Inferential statistics	• Multiple regression analysis • Person correlation analysis • Mean and Standard Deviation • Thematic content analysis
To assess evaluate influence of budget M&E on financial performance of manufacturing companies in Mombasa County, Kenya	budget M&E	• Internal audits • Development of reports • Correction for errors	Ratio	• Quantitative • Qualitative	• Descriptive statistics • Inferential statistics	• Univariate regression analysis • Multiple regression analysis • Person correlation analysis • Mean and Standard Deviation • Thematic content analysis
	Financial performance of manufacturing companies	• Return on Assets	Ratio	• Quantitative • Qualitative	○ Descriptive statistics • Inferential statistics	• Univariate regression analysis • Multiple regression analysis • Person correlation analysis • Mean and Standard Deviation • Thematic content analysis

3.9 Ethical Considerations

Researcher in present study is conversant with all ethical principles as outlined in constitutional rights of very person, therefore confidentiality of every respondent was considered in the researcher to encourage the respondents to effectively cooperate when obtaining data. The study ensured information privacy by locking research tools in secure place and allowing authorized individuals only to enter the room. Further, researcher ensured respondent's voluntary participation as those reluctant were not forced during data collection. Additionally, finance managers were informed on the aim of the research together with its benefit in order to ensure there is maximum contribution. Additionally, the researcher obtained data gathering permit from NACOSTI and university prior to the process of obtaining data. To avoid plagiarism, other scholars' work was recognized by the researcher.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This below section comprised of data analysis as well as presentation of the results in relation to general as well as specific study objectives. Additionally, the study sought to investigate the impact of budgetary control on manufacturing companies' financial performance situated within Mombasa County. Particularly, the study examined the influence of budget planning, budget committee, budget M&E on manufacturing companies' financial performance in Mombasa County. Moreover, the chapter covers response rate, biographic information and descriptive statistics on budget planning, budget committee, budget M&E on manufacturing companies' financial performance in Mombasa County. The chapter further encompasses inferential statistics which included correlation and regression analysis.

4.2 Respondents' Response Rate

Sample size was 44 finance managers from 44 manufacturing firms registered in Mombasa County. Moreover, a total of 44 questionnaires were distributed to the respondents during data collection and 41 were fully filled thus making 93.2% response rate. Kothari (2012) argues that a more than 50% response rate is deemed as adequate whereas excellent response rate is usually over 70%. This denotes that response rate in present research is good for making conclusions and also recommendations.

4.3 Biographic Information

Biographic information in this research entailed the highest level of education achieved and duration of work within the organization. The biographic information was displayed in tables and figures.

4.3.1Highest Level of Education

Finance managers were requested to point out their highest academic level. Findings were depicted in Figure 4.1.

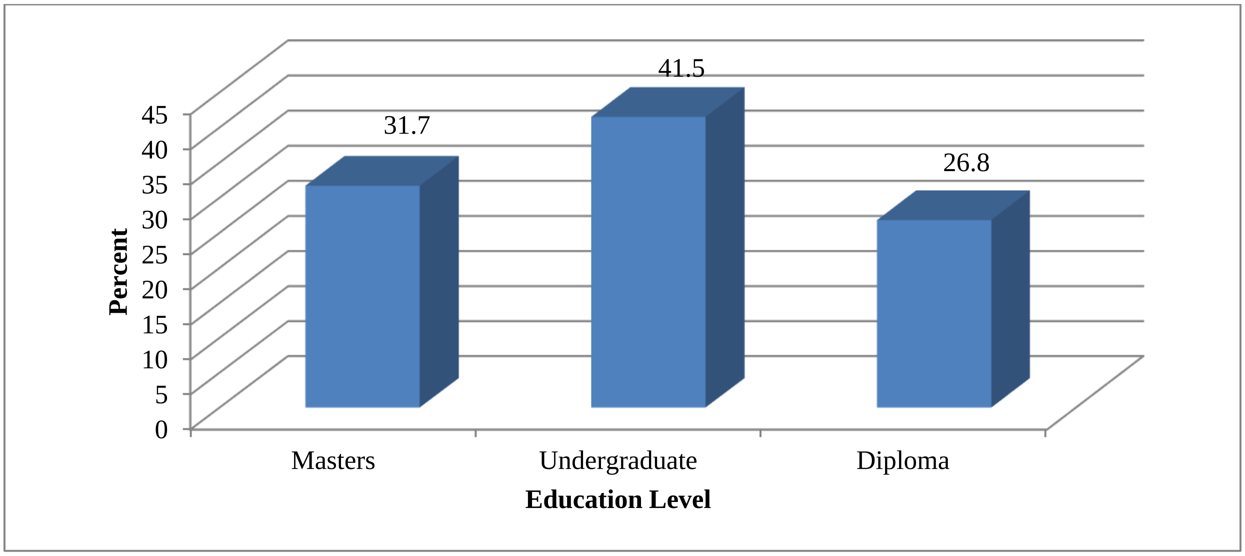


Figure 4. 1: Highest Education Level

From the results, 41.5% of the participants indicated undergraduate degree, 31.7% pointed out master’s degree while 26.8 % of the respondents had diploma. This denotes that large number of the participants were undergraduates. This implies that finance managers in manufacturing firms had the required level of education to effectively perform their duties and also to understand and answer appropriately questions related to the study objectives.

4.3.2 Duration of Work in the Department

As part of biographic information, the participants were required to point out the duration of time they had been working in their various departments. The results were as presented in Figure 4.2.

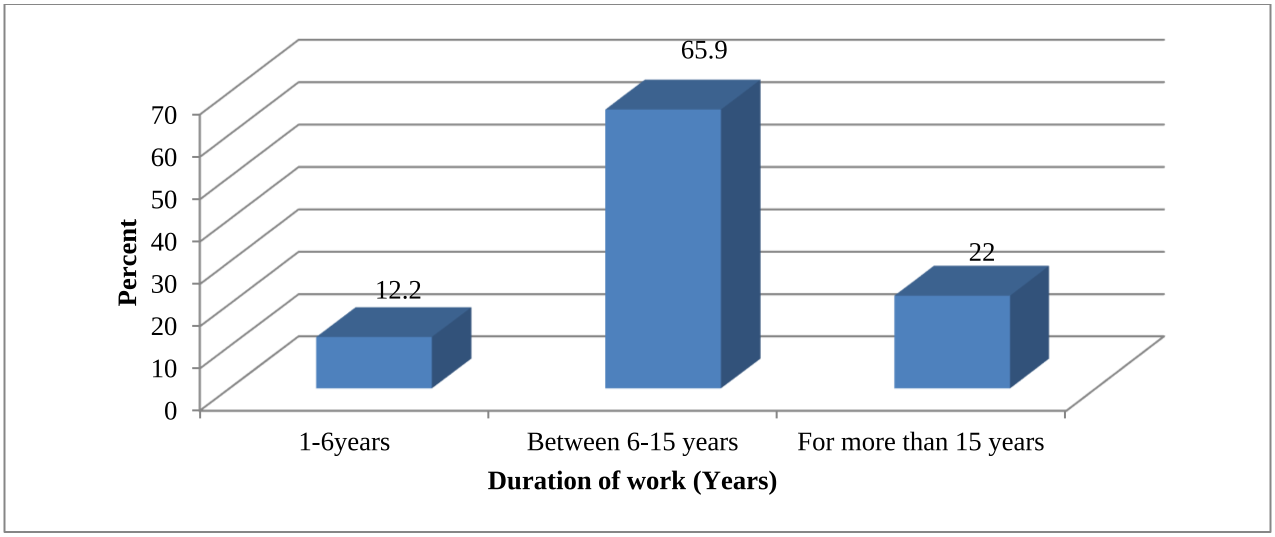


Figure 4. 2: Duration of Work in the Department

From the results, 65.9% of the respondent pointed out they had served in their departments for between 6 years and 15 years, 22% of the respondents indicated more than 15 years while 12.2% indicated between 1 year and 6 years. Therefore, this means that majority of finance managers had worked in their departments for duration of between 6 years and 15 years therefore they had adequate experience to effectively deliver in their specific areas of operation and also to answer the questions correctly.

4.4 Budget Planning

The first specific objective was to determine influence of budget planning manufacturing companies' financial performance in Mombasa County. Participants were required to point out the level they agree with all aspects of Mombasa County Manufacturing Company's budget planning and financial performance. A five-point Likert scale was employed, 1 represent strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, 5 is strongly agree. Additionally, the results were displayed Table 4.1.

Table 4. 1: Budget Planning and Financial Performance

	1	2	3	4	5	Mean	Std. Deviation
Budgeting determines the source of financing for manufacturing firms	0.0	0.0	14.6	61.0	24.4	4.098	0.625
Budget planning entails evaluation of the source of capital before opting for it	0.0	0.0	7.3	39.0	53.7	4.463	0.636
The process of selecting the right source of financing involves in-depth analysis of every source of fund	0.0	0.0	17.1	29.3	53.7	4.366	0.767
The amount of financial resources allocated during budgeting meet activities requirement	0.0	7.3	24.4	51.2	17.1	3.781	0.822
Financial resources are effectively used to achieve set objectives and goals	0.0	0.0	24.4	63.4	12.2	3.878	0.600
The quality of raw material provided by the manufacturing firms conforms to original specifications at the planning stage	0.0	0.0	31.7	68.3	0.0	3.683	0.471
The majority of the organization budget line expenditure is within the budget line	0.0	0.0	22.0	46.3	31.7	4.098	0.735
Planned budgets are regularly referred to when reviewing the budget	0.0	0.0	7.3	53.7	39.0	4.317	0.610
Planned activities at start of a financial year are accomplished within the set time frames	0.0	0.0	31.7	68.3	0.0	3.683	0.471

From the findings, the participants agreed that budget planning entails evaluation of the source of capital before opting for it. This is indicated by mean of 4.463 (std.dv=0.636). Further, with mean of 4.366, (std.dv=0.767), respondents agreed that selecting the appropriate source of financing involves extensive analysis of every source of fund. In addition, with an average of 4.317, (std. dv = 0.610), finance managers agreed further that planned budgets are regularly referred to when reviewing the budget. Wijewardena and De Zoysa (2011) argued that in-depth analysis of each and every source of fund during budget planning leads to improved financial performance.

By a mean of 4.098, (std. dv = 0.610), financial managers agreed that budgeting determines the source of financing for manufacturing firms. In addition, as depicted with an average of 4.098

(standard deviation = 0.735), participants also agreed that the majority of organizations' budget line expenditure is within the budget line. By mean of 3.878, (std=0.600), respondents agreed that finance resources are effectively used to achieve set objectives and goals. These arguments are supported by the findings of Sebastian (2018) who revealed that proper budgeting leads to effective and efficient use of organizational resources hence positively influencing the organizations' financial performance.

From the results, the participants agreed that the amount of financial resources allocated during budgeting meet activities requirement. This is indicated by mean of 3.781, (std.dv=0.822). With mean of 3.683 (std.dv=0.471), respondents agreed that quality of raw material provided by the manufacturing firms conforms to original specifications at the planning stage. Further, by a mean of 3.683 (std. dv = 0.471), financial managers agreed that planned activities in every financial year are attained within set time. The results conform to Pimpong and Laryea (2016) findings that adequate resource allocation together with resource planning influences the organizations' financial performance to a large extent.

Financial managers were also requested to specify how else budget planning affects financial performance of manufacturing companies in Mombasa County. From the results, the finance managers indicated that budget planning outlines how a firm will utilize its resources to achieve desired objectives. Further, budget planning allows organizations to create expenditure plans to achieve set performance target. Budget planning helps firms to identify suitable sources of money to meet set performance targets. It also supports the overall strategic planning process. The respondents further revealed that budget planning enables management to determine how to deal with uncertainties that may prevent the attainment of set objectives. In addition; it quantifies the operational activities by anticipating the expenses. Kimunguyi, Memba and Njeru (2015) revealed that budget planning lays a framework on how the available resources will be effectively as well as efficiently used to meet the set objectives which in turn leads to better financial performance of an organization.

The respondents also revealed that budgeting adopts systems that help firms to enhance profitability levels through balancing of resource allocation to operations and identification of deviations in anticipated performance for correction. Budgeting assists managers to communicate plans across a firm to enable each department to undertake its responsibility. Further, it helps in determining realizable sales objectives and supports the allocation of resources to areas that are critical to achieving financial objectives. Budgeting enables firms to create a practical framework to raise funds and ensures that there is control over spending, which enhances the achievement of business objectives. Further, budgeting creates an effective monitoring structure. Budget planning ensures allocation of resources to the most deserving operational activities. It assists with long-term planning through forecasting income and expenditure. In addition, budget planning guides management regarding the most impactful activities to achieve high performance**.** Mwaura (2013) established that budget planning helps management to communicate the financial plans of the organization to each and every department with an aim of ensuring collective responsibility in improving the firms' financial performance.

4.5 Budget Committee

The second specific objective was to evaluate influence of budget committee on manufacturing companies' financial performance within Mombasa County. The finance managers were asked to indicate their level of agreement on different aspects of budget committee and financial performance of manufacturing companies in Mombasa County. The results were as shown Table 4.2.

Table 4. 2: Budget Committee and Financial Performance

	1	2	3	4	5	Mean	Std. Deviation
I am involved in budget setting process	0.0	0.0	31.7	51.2	17.1	3.854	0.691
All departments are always involved in the budgeting process	0.0	0.0	24.4	75.6	0.0	3.756	0.435
We are alerted on budget control process	0.0	0.0	29.3	63.4	7.3	3.781	0.571
We regularly held meetings to review budget	0.0	0.0	53.7	46.3	0.0	3.463	0.505
Activities' costs of are consistently reviewed by budgeting committee	0.0	0.0	51.2	41.5	7.3	3.561	0.634
Managers call for budget review meetings regularly to review performance	0.0	0.0	34.1	65.9	0.0	3.659	0.480
Members of the committee are involved in identification of key financial indicators	0.0	0.0	65.9	34.1	0.0	3.542	0.480
Operational managers are part of budgeting committee	0.0	0.0	19.5	80.5	0.0	3.805	0.401
Members of budgeting committee assess budget bids such as alignment with organization's priorities	0.0	0.0	0.0	41	0.0	4.000	0.010

From the findings, participants agreed that members of budgeting committee evaluate budget bids such as alignment with organization's priorities. This is indicated by mean of 4.000 (std. dv=0.010). Further, by mean of 3.854 (std. dv=0.691), respondents agreed that they are involved in budget setting. In addition, by a mean of 3.805, (std. dv = 0.401), financial managers agreed that operational managers are part of budgeting committee. Raja and Bodla (2011) pointed out that the functions of the budget committee include providing general guidance for budget preparation, providing technical advice, receiving and reviewing personal budgets, evaluating the budget bids, suggesting changes to align the budget with the organizations priorities, reconciling budgeting activities, approve or not review the budget, and modify the budget report later.

By a mean of 3.781, (std. dv = 0.571), finance managers agreed that they are sensitized on the budget control process. In addition, with an average of 3.756 (standard deviation = 0.435), the finance managers further agreed that all departments are usually involved in budgeting process. By a mean of 3.659, (std. dv = 0.480), respondents agreed that managers call for budget review meetings frequently to review performance. These arguments are supported by the findings of Sebastian (2018) who indicated that all departments in a given organization should take part in goals setting as well as making policies in budgeting process. Further, the committee members should be sensitized on budget control process.

From the results, the participants agreed that costs of activities are constantly reviewed by budgeting committee. This is depicted by mean of 3.561, (std.dv=0.634). By mean of 3.542 (std. dv=0.480), respondents agreed that all members of committee are included in identification of key financial indicators. Nevertheless, with mean of 3.463 (std. dv=0.505), respondents were neutral that they regularly held meetings to review budget. Sebastian (2018) indicated that all committee members should be involved in each step in budgeting process most especially in identification of key financial indicators.

The respondents were further requested to point out in their own opinions how else budget committee influences the financial performance of manufacturing companies in Mombasa County. The respondents indicated that budget committee is involved in adopting a suitable budgeting philosophy that supports overall planning. Further the committee guide other departments in making contributions in the development of a budget that prioritizes overall financial objectives. The committee also approves budget documents that prioritize the achievement of higher performance. It is also involved in monitoring performance by analyzing reports to ensure targets are achieved

In addition, the respondents revealed that the budget committee adopts the best policies and provides operational managers with the support that they require in the budget making and implementation processes. Further, the committee evaluates budget proposals and picks the best based on the ones that will support the real. Raja and Bodla (2011) revealed that budget committee in any organization is responsible for adopting a suitable budgeting philosophy, guiding other departments in making contributions in the development of a budget and monitoring financial performance of the organization by analyzing reports.

The budget committees develop and recommend corrective actions on budgets to close performance gaps. Further, the budget committees take a comprehensive approach in planning, which boosts the chances of higher performance. It also harmonizes and adopts budget estimates from different functional departments to ensure that they are lined up to achieve objectives and recommends changes during execution of a budget**.** The budget committee is also responsible in collecting and incorporating suggestions from different departments into budgets to support realization of anticipated financial goals. It also develops and adopts a budget manual that will help the organization to create effective budgets to boost performance.

The participants further revealed that the budget committee develops suitable policies that guide the pursuit of organizational policies, evaluate and recommend budget modifications that will support better performance and coordinate the identification of financial goals that will improve overall efficiency. Further, the committee maintains the fiscal responsibility of the organization to ensure the achievement of set targets. It also keeps track of budgets to ensure the smooth operation of activities and financial solvency. Further, the committee identifies and addresses financial problems that would have a negative impact on performance. These arguments are supported by the findings of Sebastian (2018) who revealed that it is the duty of the budget committee to develop and recommend corrective actions on budgets to enhance financial performance of the firm.

The respondents further revealed that budget committees prepare budgets based on anticipated performance objectives. They are responsible for effective implementation of budgets to ensure activities are coordinated to achieve desired performance objectives. Committees exercise budgetary control to ensure that corrective actions are taken. Further, the committees provide necessary information to functional managers to help them understand budgets and activities that they should prioritize. They receive and evaluate budget estimates from various departments and develop budgets that align functional and organizational goals. The committee review ongoing projects to determine whether they are aligned with overall objectives. Committees develop frameworks that support the development of practical organizational budgets. Kiringai (2012) indicated that among the key duties of budget committee include effective implementation of budgets, receive and evaluate budget estimates and develop frameworks that support the development of practical organizational budgets which leads to better financial performance.

4.6 Budget Monitoring and Evaluation

The third specific objective aimed at evaluating influence of budget M&E on manufacturing companies' financial performance within Mombasa County. The participants were requested to specify their agreement level on various aspects of budget M&E and manufacturing companies' financial performance within Mombasa County. The findings were as displayed Table 4.3.

Table4. 3: Budget M&E and Financial Performance

	1	2	3	4	5	Mean	Std. Deviation
Internal audits are conducted to check on spending of manufacturing firms	0.0	0.0	24.4	29.3	46.3	4.220	0.822

Approval of internal audits is done by the head of departments	0.0	0.0	22.0	65.9	12.2	3.902	0.583
Manufacturing firms have competent internal auditors	0.0	0.0	17.1	68.3	14.6	3.976	0.570
Budget performance evaluation reports are prepared regularly	0.0	0.0	9.8	68.3	22.0	4.122	0.557
Budgets allow for systematic reporting of performance at all levels	0.0	0.0	22.0	70.7	7.3	3.854	0.527
Budgets allow for systematic monitoring and evaluation of performance of manufacturing firms	0.0	0.0	4.9	87.8	7.3	4.024	0.353
The budget provides the benchmarks to facilitate timely correction of errors	0.0	0.0	17.1	68.3	14.6	3.976	0.570
Budget deviations are reported to management	0.0	0.0	9.8	82.9	7.3	3.976	0.418
Managers always take timely corrective actions when adverse variances are reported	0.0	0.0	7.3	85.4	7.3	4.000	0.387

From the findings, participants agreed that internal audits are conducted to check on spending of manufacturing firms. This is depicted by mean of 4.220 (std.dv=0.822). Further, with mean of 4.122 (std.dv=0.557), respondents agreed that budget performance assessment reports are regularly prepared. In addition, as depicted by a mean of 4.024, (std. dv = 0.353), finance managers agreed that budgets allow for systematic monitoring and evaluation of performance of manufacturing firms. These findings conform to Simiyu, Manini and Singoro (2018) findings that effective internal audit system in an organization helps in minimizing wastage through ensuring spending is done in the intended way.

By a mean of 4.000, (std. dv = 0.387), the finance managers agreed that managers always take timely corrective actions when unpleasant variances are reported. In addition, by a mean of 3.976 (std. dv = 0.418), finance managers agreed that budget deviations are reported to management. By a mean of 3.976, (std. dv = 0.570), finance managers agreed also that budget provides the benchmarks to facilitate timely correction of errors. These arguments are supported by the findings of Machoka (2014) who found that through budget monitoring and evaluation deviations from the budget are easily traced and reported to the relevant committee for actions to be taken.

From the results, the participants agreed that manufacturing firms have competent internal auditors. This is indicated with an average of 3.976, (standard deviation = 0.570). With a mean of 3.902 (std. dv = 0.583), respondents agreed also that approval of internal audits is done by the head of departments. In addition, by a mean of 3.854 (std dv = 0.527), the finance managers agreed that budgets allow for systematic reporting of performance at all levels. Kibunja (2017) revealed that proper internal audit system in an organization leads to effective budget allocation hence improving performance.

Respondents were further requested to indicate in their opinion view how else budget monitoring and evaluation affects financial performance of manufacturing companies in Mombasa County. From the results, the respondents indicated that budget M&E allows the identification of priority areas that have the most impact on overall performance. **A**dditionally, it offers a platform to determine progress towards the achievement of objectives. Further, the respondents revealed that budget M&E allows for the clarification of operational goals that have an impact on the realization of overall objectives. Ng'wasa (2017) revealed that through budgetary monitoring and evaluation there is clarity in operational goals as well as identification of priority areas of concern this in turn leads to improvement in organization financial performance.

The respondents further revealed that budget monitoring and evaluation assist in making sure that operational plans developed in the budget process are implemented properly hence giving the management an opportunity to determine whether projects are performing based on initial expectations. Budget monitoring and evaluation ensures efficient steering of operational activities towards value-added results. In addition, it promotes accountability and transparency in efforts to attain set targets. Further budget monitoring and evaluation regularly establish whether activities are on track and deliver anticipated value and take remedial action. These findings conform to

Simiyu, Manini and Singoro (2018) findings that budget monitoring and evaluations leads to improved financial performance through proper implementation of strategies and also through accountability and transparency of operations.

The respondents further revealed that budget monitoring and evaluation ensures proper appropriation of expenditure to different organizational activities, Monitoring reports help evaluate the impact of activities on the financial position, which means corrective measures can be taken. Further, it helps to reallocate resources to activities that require them. Budget monitoring and evaluation supports effective re-allocation of resources to areas that are competing for funds. It ensures the standardization of operational goals to support the attainment of overall financial goals.

The respondents indicated that effective budget monitoring and evaluation supports sound decision-making to attain desired results. Further, it facilitates prompt remedial actions that support the achievement of set objectives. In addition, it involves setting goals that reflect operational strategies that are indicators of the level of financial performance**.** Machoka (2014) revealed that proper budget monitoring and evaluation leads to improvement in organization financial performance through efficiency in expenditure and ensures that resources allocated goes to the intended purpose hence minimizing wastage.

4.7 Financial Performance of Manufacturing Companies

The participants were requested to indicate return on asset of their firm from 2014-2018. The results obtained were as depicted in Table 4.4.

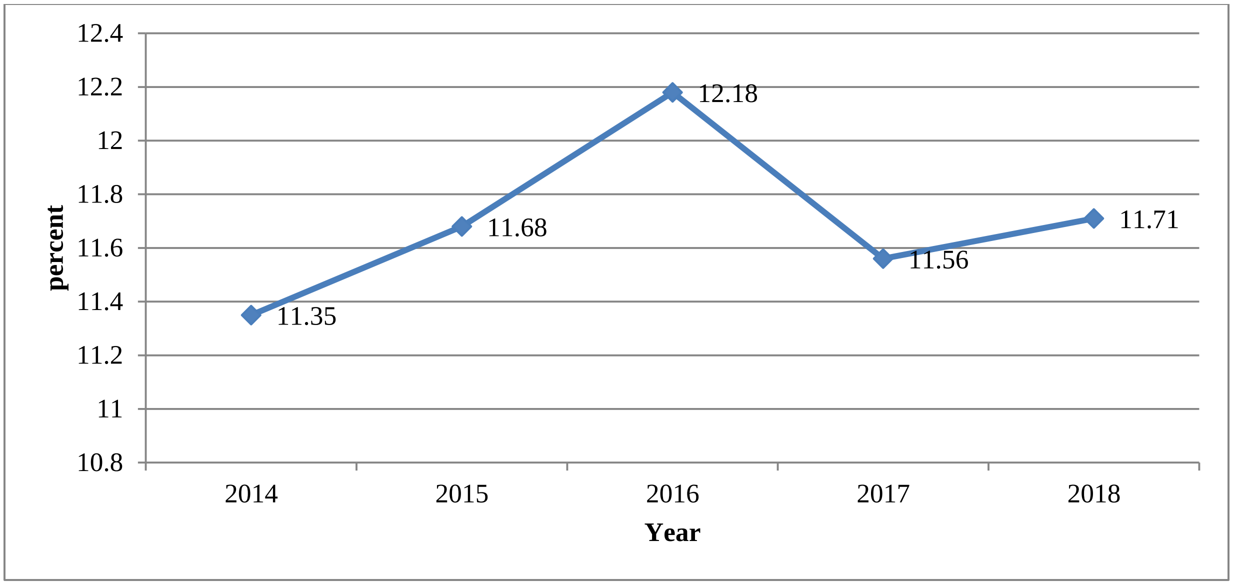


Figure 4. 3: Financial Performance of Manufacturing Companies

From the results, the average return on asset for the year 2014 was 11.35%, further, the average return on assets for the year 2015 was 11.68%, in the years 2016, the return on assets increased to 12.18%. Nevertheless, the return on assets dropped to 11.56% on the years 2017 while in 2018 the average return on asset was 11.71%. According to Onduso (2013), return on asset is one of the most important measures of financial performance. It generally shows how efficient management of assets in a firm generates income. Return on assets is the value obtained after dividing net income value against the values of total assets.

4.8 Testing Linear Regression Assumptions

Before computing regression analysis, the study tested the five assumptions that should be met for regression analysis. The assumptions were multicollinearity, auto-correlation, linearity, homoscedasticity, normativity and heteroscedasticity test.

4.8.1 Multicollinearity

The VIF was employed to measure multicollinearity. Hair, (2011) suggest that if VIF value is above 4, further study is required, if there is over one variable with a VIF value greater than five, then one of them need to be dropped.

VIF values for all study variables was below 5, a clear suggestion that multicollinearity is lacking between variables. The study variables were lacking high association amidst themselves. Hence, multiple regression analysis can be performed.

Table4. 4: Multicollinearity Test Statistics

	Collinearity-Statistics	
	Tolerance	**VIF**
Budget Planning	.979	1.022
Budget Committee	.379	2.640
Budget Monitoring And Evaluation	.802	1.246

4.8.2 Autocorrelation Test

Autocorrelation was examined in linear regression model by employing Durbin-Watson test. Null hypothesis for Durbin-Watson's d tests is that residuals are not linearly auto correlated. If d values are; $1.5 < d < 2.5$, d value is between 0 and 4 this denotes absence of data autocorrelation. Findings depicted in Table 4.2 reveal that d-value was 1.727; since value obtained lies within $1.5 < d < 2.5$, therefore the study concludes that there is absence of autocorrelation in the data, hence computation of regression analysis can be done.

Table 4. 5: Durbin-Watson Autocorrelation Test

Model	Durbin-Watson
1	1.727

4.8.3 Heteroscedasticity

Heteroscedasticity is present when error term size varies across independent variable (Creswell, 2014). The effect of violating homoscedasticity assumption is an issue of degree, increasing with heteroscedasticity. If p-value in test statistic is below the chosen threshold ($p < 0.05$) then homoscedasticity null hypothesis is rejected and then heteroscedasticity assumed. P-value of 0.1412 was beyond 0.05 meaning that the research accepts homoscedasticity null hypothesis.

Table 4. 6: Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

Ho: Constant variance			
Statistics	Df	Stat value	p-value
Chi-squared	5	1.6874	0.1412

4.8.4 Normality Assumption

Shapiro Wilk Test was employed to test normality assumption. Moreover, null hypothesis is that data obtained is normally distributed. Moreover, null hypothesis is rejected if p-value is below the 0.05 (significance level) implying that data employed is not obtained from normal population, therefore doesn’t follow normal distribution. Additionally, if p-value acquired is above 0.05 the level of significance that has been selected, the null hypothesis is not rejected hence we make a conclusion that data gathered is from normal population, hence it is normally distributed. The results of analysis reveals that Budget Planning had p-value=0.233>0.05; Budget Committee had p-value=0.086>0.05; Budget Monitoring and Evaluation had p-value=0.229>0.05 and Financial Performance had p-value=0.093>0.05. This means that all the study variables were normally distributed therefore, the data attains assumption of regression analysis of data normality.

Table4. 7: Normality Tests

	Shapiro Wilk		
	Statistic	**df**	**Sig.**
Budget Planning	.708	340	0.233
Budget Committee	.919	340	0.086
Budget Monitoring And Evaluation	.845	340	0.229
Financial Performance	.899	340	0.093

4.9 Inferential Statistics

Inferential statistics including correlation and also regression analysis were employed to assess the relationships between independent variables (, budget committee, budget planning, budget M&E) and the dependent study variable (financial performance).

4.9.1Correlation Analysis

This research adopted Pearson correlation in order to determine how the dependent variable (of manufacturing companies' financial performance in Mombasa County) relates with independent variables (budget planning, budget committee and budget M&E). The results were displayed in Table 4.7.

Table4. 8:Correlations Coefficients

		Financial Performance	**Budget Planning**	**Budget Committee**	**Budget Monitoring and Evaluation**
Financial Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	41			
Budget Planning	Pearson Correlation	.825	1		
	Sig. (2-tailed)	.000			
	N	41	41		
Budget Committee	Pearson Correlation	.796	.126	1	
	Sig. (2tailed)	.000	.090		
	N	41	41	41	

Budget Monitoring and Evaluation	Pearson Correlation	.828	.275	.280	1
	Sig. (2tailed)	.000	.082	.079	
	N	41	41	41	41

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

As illustrated in table 4.7, Budget planning has positive as well as significant association with financial performance of manufacturing companies within Mombasa County (r=0.825, p value =0.000). P-value (0.000) was less than significant level 0.05 hence making the association significant. Findings agree with Wijewardena and De Zoysa (2011) discoveries that budget planning influences financial performance in a significant and also positive way.

Results discovered that budget committee has significant positive effect on manufacturing companies' financial performance in Mombasa County (r=0.796, p value=0.000). Moreover, p-value (0.000) was below0.05 (significant level) thus making the association significant. These results are in line with Raja and Bodla (2011) arguments that budget committee has significant positive impact on financial performance

Results also discovered that budget M&E has significant positive impact on financial performance of manufacturing companies in Mombasa County (r=0.828, p value=0.000). The p-value (0.000) was less than the significant level 0.05 hence making the association significant. The findings concur with those of Chirchir and Simiyu (2017) who showed that there exists significant influence of budget M&E, measured in terms of frequency and participation, on financial performance.

4.9.2 Regression Analysis

The research deployed multivariate regression analysis in order to ascertain an association between independent variables (budget committee, budget planning, and budget M&E) and dependent study variable (financial performance).

multivariate regression model was as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y=dependent variable (manufacturing companies' financial performance in Mombasa County), β_0 =Constant Term; β_1-β_3 = regression coefficients; X_1= Budget Planning; X_2= Budget Committee; X_3= Budget Monitoring and Evaluation and ε = error term.

Table4. 9:Model Summary

Model	R	R Square	Adjusted RSquare	Std. Error of Estimate
1	.896[a]	.803	.801	.14884

a. Predictors.:(Constant), Budget M&E, Budget Planning, Budget Committee

The research used R-squared to show the changes in dependent variable (Financial performance) that could be counted for by independent variables (budget planning, budget committee and budget monitoring and evaluation). R-squared was 0.803, this denoted that 80.3% of dependent variable (Financial performance of manufacturing companies in Mombasa County) could be described by independent variables (budget planning, budget committee and budget M& E).

Table4. 10:ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.051	3	2.017	91.039	.000[b]
	Residual	.820	37	.022		
	Total	6.870	40			

a. Dependent Variable: Financial Performance
b. Predictors: Budget M&E, Budget Planning, Budget Committee

The research used ANOVA to determine if model was good fit for the data. From the Table 4.9, F calculated was 91.039 which is higher than F critical value 2.7118. Besides, p value was 0.000 which is below significant level (0.05). Moreover, this means that the model was a good fit for the data therefore can be deployed to show influence of independent variables (budget planning, budget committee and budget M&E) on the dependent variable (the financial performance of manufacturing companies in Mombasa County).

Table4. 11:Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.843	0.382		4.825	0.000
Budget Planning	0.412	0.062	0.411	6.645	0.000
Budget Committee	0.550	0.135	0.54	4.074	0.000
Budget M&E	0.567	0.094	0.565	6.032	0.000

a. Dependent Variable: Financial Performance

Regression equation was;

$Y = 1.843 + 0.412X_1 + 0.550X_2 + 0.567X_3$

The results noted that budget planning has significant positive impact on manufacturing companies' financial performance in Mombasa County (β_1=0.412, p.value=0.000). P-value (0.000) was less than 0.05 hence making relationship significant. This means that increase in budget planning units resulted in an increase in the financial performance of the Mombasa County Manufacturing Company by 0.412. These findings conform to Wijewardena and De Zoysa (2011) findings that budget planning influences financial performance in a significant and also positive way.

Results discovered that budget committee has influences manufacturing companies' financial performance in Mombasa County in a significant and also positive way (β_1=0.550, p value= 0.000). The p-value (0.000) was less than the significant level 0.05 hence making the relationship significant. This means a unit increase in budget committee lead to 0.550 increase in financial performance of manufacturing companies in Mombasa County. These findings conform to Raja and Bodla (2011) findings that budget committee has significant positive impact on financial performance.

Furthermore, results discovered that budget M&E has significant positive effect on financial performance of manufacturing companies in Mombasa County (β_1=0.567, p value= 0.000). The p-value (0.000) was less than the significant level 0.05 hence making the relationship significant. This implies that a unit increase in budget monitoring and evaluation lead to 0.567 increase in financial performance of manufacturing companies in Mombasa County. The results concur with Chirchir and Simiyu (2017) findings that there exist significant influence of budget M&E, measured in terms of frequency and participation, on financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section sets out summary of research findings and makes conclusions together with recommendation for more studies. This discussion is done in line with the objective of the study which sought to investigate the impact of budgetary control on financial performance of manufacturing companies within Mombasa County. The study examined the influence of budget planning, budget committee, budget M&E on the manufacturing companies' financial performance in Mombasa County.

5.2 Summary of the Findings

The study sought to determine the impact of budgetary control on financial performance of manufacturing companies within Mombasa County by examining effect budget planning, budget committee, budget M&E on manufacturing companies' financial performance in Mombasa County. Results for each study objectives were summarized based on the study findings conducted on manufacturing companies' financial performance in Mombasa County.

5.2.1 Budget planning

The first specific objective was to assess influence of budget planning on manufacturing companies' financial performance within Mombasa County. Results from Pearson Correlation indicated budget planning has significant positive influence on manufacturing companies' financial performance. This implied that the budget planning largely helped in determining the source of financing, evaluation and in-depth analysis of every source of fund which were instrumental in achieving set objectives of determining the financial performance of manufacturing firms.

5.2.2 Budget committee

The second specific objective was to evaluate influence of budget committee on manufacturing companies' financial performance within Mombasa County. Both descriptive and inferential statistical methods were done to determine how budget committee affected manufacturing firms' financial performance. The study results indicated that budget committee had strong correlation on financial performance of manufacturing firm as they advocated in adoption of the best policies which provided operational managers with a suitable budgeting philosophy that supports overall planning that prioritize the achievement of higher financial performance through constantly reviewing costs of activities by budgeting committee. This implied that there existed significant statistical correlation between budget committee and manufacturing firms' financial performance in Mombasa County.

5.2.3 Budget Monitoring and Evaluation

The third specific objective was to assess the influence of Budget Monitoring and Evaluation on financial performance of manufacturing companies in Mombasa County. Both descriptive and inferential statistical methods were done to determine how Budget M&E affects manufacturing firms' financial performance in Mombasa County the study indicated that Budget Monitoring and Evaluation ensured that approval of internal audits was done by the head of departments and that internal audits were conducted by competent internal auditor who often prepared firm's assessment reports which provided the benchmarks to facilitate timely correction of errors. This implied that there existed significant correlation between Budget Monitoring and Evaluation and manufacturing firms' financial performance in Mombasa County.

5.3 Conclusion of Study

The study therefore concludes that of budgetary control has significant and also positive influence on financial performance of manufacturing firms in Mombasa County. It can therefore be concluded that budget planning has positive significant influence on manufacturing firms' financial performance in Mombasa County

The study concluded that budget committee of manufacturing firms is important to their performance. The conclusion was based on Pearson Correlation which found that budget committee had significant positive correlation influence on financial performance. This is because the better the composition of budget committee the more it can be used to generate internal controls to safeguard the organization resources.

Budget Monitoring and Evaluation was analyzed in terms of internal audits which are conducted to check on spending of manufacturing firms. The study concluded that Budget M&E was positively correlated with significant impact on financial performance of Mombasa manufacturing company.

5.4 Recommendation of Study

The findings revealed that budget planning helps in controlling over-expenditure of organizational resources. This research therefore recommends that management of Mombasa County manufacturing companies and National government should ensure an in-depth analysis of the available resources and come up with a good budget plan aimed at increasing profitability of the firm. Top management of manufacturing companies in Mombasa County should ensure proper record keeping for future reference during budget planning as the study findings found that planned budgets are regularly referred to when reviewing the budget and are very crucial. The study recommends that senior managers of manufacturing companies in Mombasa County should ensure that all the committee members and various departments of the firm are involved in budget setting process as the study findings revealed that budget committee had positive significant influence on manufacturing companies' financial performance.

Finally, the research recommends that management of manufacturing companies in Mombasa County ought to ensure strict internal audits are regularly conducted to check on spending of manufacturing firms, and that, the management should restrict approval of internal audits only to be done by the head of departments as the study findings further revealed that that budget M&E has significant positive influence on manufacturing companies' financial performance.

5.5 Recommendation for Further Studies

This research investigated influence of budgetary control on manufacturing companies' financial performance located within Mombasa County and hence the results are not generalizable to other manufacturing companies in other counties. Therefore, the study recommends that further studies ought to be carried out on impact of budgetary control on financial performance of manufacturing companies in other counties. In addition, the study found that 80.3% of financial performance of manufacturing companies could be explained by budget planning, budget committee and budget monitoring and evaluation. As such, more researches ought to be performed to assess other influencing elements financial performance of manufacturing companies.

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APPENDICES

Appendix I: Introduction Letter

Laura Kweng'e Bironga
D53/CTY/PT/33767/2015
Kenyatta University

Dear Respondent

I am a student pursuing a degree in BA. I am asking for your contribution in data collection process, particularly, on the effect of budgets on the financial performance of manufacturing companies in Mombasa County. The information obtained will be employed for learning reasons only therefore, your participation is of much benefit. Moreover, information given during data collection will be treated with confidentiality. Kindly answer each question given in the questionnaire by ticking the most accurate answer. Further, write a short answer if you are requested to do so.

Yours faithfully,

Laura Kweng'eBironga

D53/CTY/PT/33767/2015

Kenyatta University

Appendix II:Questionnaire

SECTION A: RESPONDENT'S PERSONAL DATA

The structure of this questionnaire is in such a manner that it enables data collection on the influence of budgets on manufacturing companies' financial performance in Mombasa County. Any information given by the participants will be treated with confidentiality. Kindly answer each question to your best level of knowledge.

PART A: Biographic Information

1. Please point out your highest education level?

   PhD level [ ]

   Masters level [ ]

   Undergraduate [ ]

   Diploma [ ]

   Secondary level [ ]

2. Please state the duration of time you have worked in finance department

   Below 1 year [ ]

   1-6years [ ]

   6-15 years [ ]

   For over 15 years [ ]

SECTION B: BUDGET PLANNING

3. Kindly specify your degree of agreement on different statements regarding influence of budget planning on manufacturing firms' performance. Kindly tick (√) in provided space. Scale: Strongly Disagree=1:Disagree=2:Neutral=3:Agree=4:Strongly Agree= 5.

Statements	1	2	3	4	5
Source of Finance					
Budgeting determine the source of financing for manufacturing firms					
Budget planning entails evaluation of the source of capital before opting for it					
The process of choosing the appropriate source of finance entails in-depth analysis of every source of fund					
Amount of finance required					
The amount of financial resources allocated during budgeting meet activities requirement					
Financial resources are effectively employed to attain its goals as well as objectives					
The quality of raw material provided by the manufacturing firms conforms to original specifications at the planning stage					
Expenditure forecasting					
The majority of the organization budget line expenditure is within the budget line					
Planned budgets are regularly referred to when reviewing the budget					
Planned activities at beginning of every financial year are attained within specified time					

4. In your own view, how does budget planning influence manufacturing companies' financial performance in Mombasa County?

i. ………………………………………………………………………………

ii. ………………………………………………………………………………

iii. ………………………………………………………………………………

SECTION C: BUDGET COMMITTEE

5. Kindly indicate your level of agreement on different statements concerning the influence of budget committee on performance of manufacturing firms. Please tick (√) the in space provided. Scale: 1=Strongly Disagree:2=Disagree:3=Neutral:4=Agree:5=Strongly Agree.

Statements	**1**	**2**	**3**	**4**	**5**
Participation					
I am involved in budget setting process					
All departments are always involved in budgeting process					
We are sensitized on budget control process					
Frequency of meeting					
We regularly held meetings to review budget					
The costs of activities are constantly reviewed by budgeting committee					
Managers call for budget review meetings frequently in order to review performance					
Members of the committee					
Members of the committee are involved in identification of key financial indicators					
Operational managers are part of budgeting committee					

Members of budgeting committee assess budget bids such as alignment with organization's priorities					

6. In your own view, what is the impact of budget committee on financial performance of manufacturing companies within Mombasa County?

   i. ……………………………………………………………………………………
   ii. ……………………………………………………………………………………
   iii. ……………………………………………………………………………………

SECTION C: BUDGET MONITORING AND EVALAUTION

7. Kindly indicate your level of agreement on diverse statements regarding the effect of Budget Monitoring and Evaluation on performance of manufacturing firms. Please tick (√) in the space provided. Scale: 1=Strongly Disagree: 2 connotes Disagree: 3 connotes Neutral: 4 connotes Agree: 5 connotes Strongly Agree.

Statements	**1**	**2**	**3**	**4**	**5**
Internal audits					
Internal audits are conducted to check on spending of manufacturing firms					
Approval of internal audits is done by the head of departments					
Manufacturing firms have competent internal auditors					
Development of reports					
Budget performance evaluation reports are prepared regularly					
Budgets allow systematic reporting of performance at all levels					

Budgets allow for systematic monitoring and evaluation of performance of manufacturing firms					
Correction for errors					
the budget provides the benchmarks to facilities timely correction of errors					
Budget deviations are reported to management					
Managers always take timely corrective actions when adverse variances are reported					

8. In your own view, what is the effect of budget M&E on financial performance of manufacturing companies within Mombasa County?

    i. ……………………………………………………………………………………
    ii. ……………………………………………………………………………………
    iii. ……………………………………………………………………………………

SECTION D: FINANCIAL PERFORMANCE

10. Dependent study variable is Financial Performance and its indicator is ROA. Kindly specify ROA of your company in the below years.

Measures of companies' financial performance	**2014**	**2015**	**2016**	**2017**	**2018**
ROA					

AppendixIII: List of Manufacturing Firms within Mombasa County

1. Yego Manufacturing
2. Pwani Oil Products
3. Mombasa Maize Millers Ltd
4. Kitui Flour Mills Limited
5. Aberdare Maize Millers
6. Murtaza Enterprises, Murtaza Enterprises
7. Aryuv Agencies Ltd
8. Kaveri films
9. Del Monte (K) Ltd
10. Kenya Cold Storage (Foods) Ltd
11. Ipac LTD
12. African Cotton Industries Ltd
13. Agni Enterprises Ltd
14. Eastern Chemical Industries Ltd
15. Kenya Petroleum Refineries Ltd
16. Maweni Limestone Ltd
17. Wartsila Eastern Africa Ltd
18. Chai Trading Company Limited
19. Laborex Kenya
20. Pharmaken
21. Southern Engineering Co. Ltd (SECO)
22. Rubi Plastic Industries Limited
23. Atta Kenya Ltd
24. Corrugated Sheets Limited
25. Springtech Kenya Limited
26. Oceanview Pharmaceutical Ltd
27. Robico Chemicals
28. Mombasa Hydraulics Ltd
29. Narcol. Aluminium Rolling Mills Limited
30. Binsha Industries
31. All Fruit EPZ Ltd
32. Segway Industries Ltd
33. Magadi Soda Company Ltd
34. Cables & Plastics Ltd
35. Avery (East Africa) Ltd
36. Landee Steel Pipe Manufacturer Co., Ltd
37. Crustacean processors
38. Curacid Kenya Ltd
39. Sasi Designs Ltd
40. Cesscolina East Africa Ltd
41. Sondhi Trading Ltd
42. East Africa Garment Factory Ltd
43. Kamyan Industries Ltd
44. Fine Spinners Ltd

Source: KAM (2017)