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Budgeting Effect on Financial Control Practices in Community Support Funds in Kenya: A Case of Maasai Mara Community Support Fund

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Abstract:
Studies conducted in Kenya reveal that weaknesses in financial control practices in community support funds have led to poor management of funds by officials, due to this, organizations risk losing funding from donors. Therefore, the overall objective of this study was to determine the effect of budgeting on financial control practices of the Maasai Mara Community Support Fund. The study adopted a census survey design. The study targeted a population of 136 members. The study used a census because the population was manageable. Data was collected using questionnaires. The validity and reliability were tested to ensure that the questionnaires provide the data that was required for the study. The data was analyzed using descriptive statistics for frequency and percentages, Pearson correlation analysis, t- test and regression analysis. The study established that budgeting was key in the financial control of community supported fund ($r = 0.965$; p- value = 0.000). The findings of the study will assist in formulation of appropriate policies on financial control for not only community support funds but to all organizations seeking effective financial control. This study is expected to provide information on the factors affecting financial control practices of the Maasai Mara community support fund.

Keywords: *Budgeting, financial control practices, community support funds*

1. Background of the Study

All activities, be it production, marketing, human resources development, purchases and even research and development, depend on the adequate and timely availability of finance both for commencement and their smooth continuation to completion. Finance is regarded as the life-blood of every form of community fund initiative. The efficient management of a community fund, project or business is closely linked with the efficient management of its finances. The need of finance starts with the setting up of fund. Raising of money, alone, is not enough. Terms and conditions while raising money are more important. Cost of funds is an important element. Its utilization is rather more important. If funds are utilized properly, tangible results would be possible and easily seen (Cliff & Ann, 2011). Community funds are both cash and in kind contributions made by organizations and institutions to community organizations and programs and normally they help immediate community. Funds come in many types and forms around the world for example Scholarship funds, Donor advised funds and Field of interest funds. They serve different objectives and goals. These funds benefit from millions collected by the government and the business sector. Their purpose is to provide a wide variety of financial support to the communities involved in order to ease confrontational sentiments and reduce the hatred and emotions towards the other players within the community (Karen & Patricia, 2006).

Financial control is an integral part of financial management which is concerned with the acquisition, financing, and management of assets with some overall goal in mind. The decision function of financial management can be broken down into three major areas: the investment, financing, and asset management decisions. It is also concerned with the financial decisions that must be made in order to maximize shareholders' wealth or donors'/contributors' stipulations. According to (Pandey, 2004) financial management is that managerial activity that deals with the planning and controlling of the firm's financial resources. Though it was a branch of Economics till 1890, as a separate activity or discipline it is of recent origin. Still it has no unique body of knowledge of its own, and draws heavily on Economics for its theoretical concepts even today. Financial control is the phase in which financial plans are implemented; control deals with the feedback and adjustment process required to ensure adherence to plans and modification of plans because of unforeseen changes (Besley& Bringham, 2005). The control function of the financial manager becomes relevant for funding which has been raised. The manager needs to determine if the various activities of the organization meet set objectives. This will be determined when data of actual performance versus forecast are compared. Forecast data in this case will have been prepared in the light of historical data modified to reflect expected future actuals (Brinkerhoff, 2001).

Although Community funds are important, it is common to find that the funds in the country are experiencing a myriad of problems that include ineffective boards, absence of strategic planning activities, poor recording practices, lack of necessary policies and procedures, high turnover of employees and volunteers and dependence on a limited number of funding sources (Padilla, Staplefoote & Morganti, 2012). Effective financial management practices are therefore essential in improving transparency, efficiency, accuracy and accountability resulting in the organizations achieving their objectives. Typically, Community support funds are reliant on donations from their members, the local community and at times sponsorship from government and businesses. Some get their funding from international donors such as agencies, religious organizations and even individuals (Hendrickse, 2008). With the increasing levels of donor interest and funding, Community support funds need to be more accountable and improve in their financial management practices because they are flexible, less bureaucratic, more responsive and closer to the people. In particular, financial control practices such as budgeting and accurate reporting is essential in not only meeting the donor objectives but also building their confidence.

The government of Kenya has in the past decentralized funds to the local level with the aim of controlling imbalances in regional development and engendering citizen participation in the management of public resources towards poverty alleviation and improving service delivery. These funds can be categorized into: funds for loan facilitation that include the Youth Enterprise Fund and Women Enterprise Fund; targeted specific-sector transfers such as Free Primary Education fund and broad composite funds that include the Constituency Development Fund (CDF) and the Local Authorities Transfer Fund (Mzalendo, 2015). In the tourism sector, the government introduced a policy that at least 25% of gate collection from the Game Reserves should go to the local communities neighboring game reserves (ROK, 1991). This led to the establishment of community support funds such as the Samburu support fund, Kakamega forest support fund, Lake Bogoria support fund and Maasai Mara support fund for communities neighbouring those areas. However, in practice it is not always the situation, it has been estimated that only 2% to 5% of Kenya’s total tourism receipts trickle down to the population at the grassroots level (Odindo, 2009).

With the new Constitution Narok County government domesticated the National policy with the establishment of Maasai Mara Community support fund that officially channels 19% of the total annual gate collections from the game reserve to the communities living around the reserve. The fund seeks to see improved economic advantage to the local people within the Maasai Mara Game Reserve. The fund is managed by a board that is made up of 8 members and ward representative committee. Policies at the county level are still struggling to be in line with the needs of the Maasai Community, which has brought about lack of accountability and inefficient utilization of resources (Mzalendo, 2015). There also has been a wave of discontent in the political circles that little is being done to benefit the communities that are supposed to be benefiting from the Maasai Mara Game Reserve (world vision Kenya, 2015).

The local community has severally taken up arms against lack of financial accountability in the Maasai Mara Community Support Fund, lack of proper internal controls and that the community seems not to be the major benefactor of the income coming from the park. Political elites have been said to manipulate formation of policies that drive the community fund resources to perpetuate their rule by skewing allocations in favor of kinsmen, supporters, sycophants and all manner of political hangers-on (Bripac, 2015). According to World vision Kenya, capacity assessment report of 2015, Maasai Mara community support fund management is still not clearly transparent and accountable due to lack of effective transactional systems. The capacity assessment report also showed that the fund did not have well developed financial tracking system to enhance its performance measurement.

1.1. Statement of the Problem

Community support funds are important for community growth and development. One such fund is the Maasai Mara community support fund which was created by Narok County government to domesticate the 25% national tourism policy. Financial control is a very crucial area in the management of a community support funds. Dealing promptly with any unforeseen deviations in finances of community support funds will ensure that the goals of the organization are being pursued appropriately (Besley&Bringham, 2005). Management of community support funds has not always been effective in service delivery due to weak financial controls (Wanyama, 2005). Several complaints concerning financial controls in Community support funds have been raised by the community and donors. For instance, quarterly financial reports submitted to Narok County assembly from Maasai Mara Community support fund showed lack of proper recording of financial transactions in the system and lack of capacity as regards to financial control (World Vision Kenya, 2015).

According to (Odindo, 2009) Community support funds in Kenya fail due to either lack of transparency and accountability in the use of funds or lack of proper records on how the funds are used. In addition, (Wanyama, 2005) observed that most CSFs do not have qualified personnel, lack sufficient resources, have inefficient systems in place and officials have self-interests and are corrupt. A more targeted report, as regards to Maasai Mara community support fund, done by World Vision Kenya in the region in 2015, revealed that there were evidences pointing to lack of transparency and accountability in financial transactions. The researcher hypothesized that budgeting was the possible factor responsible for these problems. Therefore, this study aimed at determining how budgeting affected financial control practices of the Maasai Mara community support fund.

1.2. Research Objectives

The objective of this study was to determine budgeting effect on financial control practices of the Maasai Mara community support fund.

1.3. Hypothesis of the Study

→ H_0 Budgeting has no significant effect on financial control practices of Maasai Mara community support fund.

2. Theoretical Framework

The theoretical foundation for this study anchored on the Public Budgeting model.

2.1. Public Budgeting Model

Budgeting is characterized by its approaches, functions, formation, and type. Since Community support funds characteristically resemble public bodies in many aspects, this model will be ideal for analyzing their behavior especially in terms of financial controls. The Public Budgeting model was first advanced by Smith and Lynch who described public budgeting through four perspectives. The political where the politician sees the budget process as "a political event conducted in the political arena for political advantage". The economical where the economist views budgeting as a matter of allocating resources in terms of opportunity cost where allocating resources to one consumer takes resources away from another consumer (Smith & Lynch, 2004). The role of the economist, therefore, is to provide decision makers with the best possible information. The accountant's perspective that focuses on the accountability value while budgeting which analyses the amount budgeted to the actual expenditures thereby describing the "wisdom of the original policy". According to Smith and Lynch's public manager's perspective on a budget is a policy tool to describe the implementation of public policy. In this study, only the accountant's perspective shall be considered since it gives more of a control perspective than the other two especially in variance analysis.

Several leading theorists like Cleveland, Willoughby, Key, Lewis and Musgrave have also provided many insights to public budgeting like giving a more precise definition and purpose, sparking the normative question regarding how scarce resources ought to be distributed to unlimited demands. Identification of the three roles of government in the economy, that is: allocation of resources, distribution of goods and services, and economy stabilization. (Jowell, 2009) suggested that budgetary decision making is largely political, rather than based on economic conditions while Rubin: facilitated the discussion of the dichotomy between theory and practice of public budgeting. Schick: outlined the three functions of budgeting as : Strategic Planning which is essentially deciding on the goals and objectives of an organization; Management Control which is the management's process of assuring effective and efficient accomplishment of goals and objectives laid out via strategic planning : and Operational Control which is focused on proper execution of specific tasks that provide the most efficient and effective means of meeting the goals and objectives ordered by management control.

The three values set forth in relation to budgeting and that are generally discussed in the literature of public budgeting are; accountability, efficiency, and efficacy. Accountability focuses on the inputs going into the system or program in action and is best characterized by the Line-item budgeting approach. It is best suited for the control and monitoring functions of a budget. Efficiency focuses on the process of the system or program and its conversion of inputs (resources) into outputs (policy). Its focus on the process makes this value appropriate for performance budgets and most in-line with management and steering functions. Efficacy focuses on outputs and outcomes, measuring the impact of policy. This value follows both the program budget and Program Planning Budgeting System budget approaches and coincides with the planning and strategic brokering functions.

Budgeting in this study follows the traditional Model which emphasizes on the control function and focuses on the consequences of expenditures. Studies indicate that only a small proportion of Community support funds demonstrate a high proficiency in budget development (Odindo, 2009). In practice, many organizations find preparing a budget being a major hardship. It is therefore not surprising to find many organizations express the need for training in budget development. These are areas that, without proper and detailed training at least for a cohort of implementers within an organization, there would be major constraints. This is because a budget will only be prepared after identifying the activities the organization plans to do and how to do them. After deciding on these activities then the source of funds can be thought of (Jowell, 2009).

3. Research Methodology

This census study design was used because the target population was not vast and it enabled the researcher to obtain a higher degree of accuracy in describing the values, perceptions, attitudes and behaviors' thus giving more accurate reasons behind the answers. The 136 target population for this study comprised of three groups of respondents, including: Maasai Mara community support fund management board, Maasai Mara community support fund employees and Narok County Ward representative committees. The primary data was collected using questionnaires. The study used the KMO sampling adequacy formula to establish the validity of the instruments and it was noted that the results obtained from each objective were above 0.4 and hence reliable. Reliability of the research instrument was calculated using Cronbach's coefficient alpha and the alpha reliability coefficient obtained was 0.880 and therefore accepted as reliable since the threshold was 0.7 according to Fraenkel&Wallen, (2000) and Kothari (2004).

Data was analyzed using descriptive statistics, Pearson correlation and simple linear regression modeled as;

$Y = \alpha + \beta_1 x_1 + \varepsilon$

Where,

y = financial control

α = constant.

β_1= the slope which represents the degree in which financial control practices changes as the independent variable change by one-unit variable.

x_1= Budgeting

ε = error term

4. Research Findings and Discussions

4.1. Descriptive Analysis

The objective of the study was to establish whether budgeting affects financial control practices. The respondents responded to various statements that defined the objective and the results were presented in Table 1.

Statement	SD	D	N	A	SA
Cash is withdrawn only after authorization has been given	0	0	11(9.6%)	44(38.3%)	60(52.2%)
No official can perform a cash transaction alone	0	7(6.1%)	27(23.5%)	65(56.5%)	16(13.9%)
The controls in place are adequate	0	6(5.2%)	14(12.2%)	89(77.4%)	6(5.2%)
Maasai Mara CSF operates with a periodic budget	0	13(11.3%)	7(6.09%)	46(40.0%)	49(42.6%)
Maasai Mara CSF experienced high budget variances in the last reporting period	0	16(13.9%)	14(12.2%)	53(46.1%)	32(27.8%)
Maasai Mara CSF employees and board members participate in the budgeting process	0	8(7.0%)	24(20.9%)	37(32.2%)	46(40.0%)
Maasai Mara CSF budgeting process relies on historical data	0	6(5.2%)	41(35.7%)	37(32.2%)	31(27.0%)
Maasai Mara CSF budgeting process is led by an experienced staff	0	0	24(20.9%)	62(53.9%)	29(25.2%)

Table 1: Response on Effect of Budgeting on Financial Control.
Key: SD=Strongly Disagree; D=Disagree; N=Neutral; A=Agree and SA=Strongly Agree

From the results presented in Table 8 Majority 60(52.2%) of the respondents strongly agreed while 44(38.3%) agreed that cash is withdrawn only after authorization has been given, while 71(44.1%) of the respondents agree with the above statement and only 11(9.6%) were not sure of the statement. This shows that at the conservancy there is clear authorization of funds withdrawal from the organizations account. This ensures that the money allocated to the various activities is only utilized with proper authority. This agrees with the studies by (Waren, 2011), (Preetabh, 2010) and (Scarlett, 2008), who noted that a budget is an important tool in enhancing the operations of an organization since it puts measures on hoe cash and other activities are to be performed in the organization including authorization of expenditure by the finance team.

On whether No official can perform a cash transaction alone, the majority 65 (56.5%) of the respondents agreed while 16(13.9%) strongly agreed with the statement. Only 27(23.5%) of the respondents were not sure while 7(6.1%) disagree. Meaning that most of the respondents were aware that there is no one official of the organization who can perform cash related transaction alone. This ensures that funds are effectively utilized. On whether the controls in place are adequate, the majority 89(77.4%) of the respondents agreed while 6(5.2%) strongly agreed with the statement and only 14(12.2%) were not sure while 6(5.2%) disagreed to the statement. This shows that the financial controls at the conservancy are adequate and hence can ensure effective budgetary controls. This also agrees with the findings of (Waren, 2011), (Preetabh, 2010) and (Scarlett, 2008), whose findings on role of the budget in control of organizational activities enhances financial control for most organizations.

On whether Maasai Mara CSF operates with a periodic budget, the majority 49(42.6%) strongly agreed while 46(40.0%) agreed with the above statement. Only 7(6.09%) were not sure about the statement. This indicates that most of the respondents were aware that the fund operates using a periodic budget which is also common to other organization. It was also noted that Maasai Mara CSF experienced high budget variances in the last reporting period. The results show that majority 53(46.1%) agree while 32(27.8%) strongly agreed to the above statement while only 14(12.2%) were not sure about the statement while only 16(13.9%) disagreed to the above statement. This is in line with the findings of (Margah, 2005), (Neely, 2001) and (Nafula, 2004) who also observed that many organization do experience budget variances and this shows that if the budget is not prepared properly it will affectfinancial controls as a result of the variances.

On whether Maasai Mara CSF employees and board members participate in the budgeting process, the majority 46(40.0%) strongly agreed to the statement while 37(32.2%) agreed, 24(20.9%) were not sure and only 8(7.0%) disagreed with the statement. This indicated that all the people in the conservancy participated in the budgeting process. This is in line with (Jowell, 2009) and (Koitaba, 2013) who said that a budget is not a wish-list but a carefully worked out plan that must involve every board member. It t is also a tool of control that will guide the management of an organization as they implement their activities within a specific period of time (Ghosh, 2005).

Similarly, majority of the respondents 41(35.7%) strongly agreed, 37(32.2%) agreed, 31(27.0%) were not sure and the rest 6(5.2%) disagreed with the statement. This indicates that that Maasai Mara CSF budgeting process relies on historical data, meaning that most of the budgets at the funds originate from the previous budgets. On whether Maasai Mara CSF budgeting process is led by an experienced staff, the majority 77(47.8%) strongly agreed to the above statement while 23(14.3%) agreed and only 61(37.9%) of the respondents were not sure of the statement. This agrees with the findings of (Vincent & Emil, 2000) and (Wanyama, 2005) who also noted that organizations have experienced staff in their budgeting process to ensure that the financial control practices are adhered to in budget preparation.

4.2. Pearson Correlation

Pearson's correlation analysis was also done to establish the relationship that exists between budgeting and financial control in community funded projects. The findings are presented in Table 2.

		Budgeting	Financial Control
Budgeting	Pearson Correlation	1	.965**
	Sig. (2-Tailed)		.000
	N	115	115
Financial Control	Pearson Correlation	.965**	1
	Sig. (2-Tailed)	.000	
	N	115	115

Table 2: Relationship between Budgeting and Financial Control
p> .05 (2-tailed); a = 0.05.

The study also established that there is a very strong positive, statistically significant relationship (R = 0.965; p- value = 0.000) between budgeting and financial controls in community supported funds, this shows that budgeting is a very important aspect in the effectiveness of financial control in any organization.

4.3. Simple Linear Regression

The study further sought to establishes the strength of the relationship between budgeting and financial control of the community funded projects. The results are presented in Table 3

Model	R	R Square	R Square Change	F Change	df1	df2	Sig. F Change
1	.965[a]	.931	.931	1527.548	1	113	.000

Table 3: Simple Regression Analysis
p> .05 (2-tailed); df =113; critical r = 3.93; a = 0.05.

From the results presented in Table 3 it is noted that any change in financial control at the community funded projects can be explained by only 93.1 % of the effect of budgeting by the employees. This relationship was significant since the p- value was less than 0.05 and hence the null hypothesis that there is a no statistically significant relationship between budgeting and financial control of community funded projects was rejected since the critical F value at 0.05 is 3.93 and its less than the calculated value (F (1,113) = 1527.548).

5. Conclusion and Recommendations

The objective of the study was to establish whether budgeting affects financial control practices. The respondents responded to various statements that defined the objective and the results indicated that the respondents agreed that Cash is withdrawn only after authorization has been given, no official can perform a cash transaction alone, the controls in place are adequate, the firm operates with a periodic budget, and experienced high budget variances in the last reporting period, employees and board members participate in the budgeting process. This shows that the firm's financial control practices are influenced by the budgeting process. The t- test statistic indicates that the influence of the budgeting process on financial control is not just by chance and therefore the null hypothesis is rejected meaning that **b**udgeting has a statistically significant effect on financial control practices of Maasai Mara community support fund.

The study concluded that budgeting has an influence on the financial control of the firm. According to the results the study established that having an appropriate budget plan for the firm enhances financial control more effectively. It further concluded that through the budget the firm ensures that cash is only withdrawn by those people who are authorized to do so, again since the budget is prepared periodically it enhance how funds are used by the firm. The involvement of the employees in the budget process was seen to have an effect on the financial control of the firm.

The study recommends that good budgeting plans must be drawn by the firm if the firm seeks to enhance the financial control. The results have indicated that budgeting has high influence on the financial control of the firm and therefore firms should seek to have an effective committee to enhance the budgetary process that will support financial control.

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