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Effect of Budgetary Control on Financial Performance of Commercial Public Corporations in Kenya

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Abstract:
Commercial public corporations are key players in the growth and stability of Kenyan economy. However, inadequate financial management practices are some of the areas that contributes to the misappropriation of the public funds and the underperformance of the institutions despite the access to finances which is made available by the government of Kenya through its annual budget. The commercial state-owned corporation have been experiencing low performance which has been caused by the unsupported expenditure, low revenue generated, lack of value for money that is caused by the inefficiencies in the utilization of the resources and the suboptimal operational activities. The other cause of the poor performance has been the increased in the borrowing level and the pending bills in the commercial public corporations. As a result, this study examined the impact of budgetary control on the performance of Kenya's commercial public corporations .The research focused on budget planning, budget implementation, budget monitoring and budget review as the independent variables while financial performance was the dependent variable. Descriptive research design was adopted by the study. The target population comprised 50 finance accountants in commercial public corporation in Kenya. Questionnaires was used in the collection of primary data, whereas a data collection sheet was used to collect secondary data. Pre-testing was used to determine the research instruments' reliability and validity. Cronbach alpha of 0.969 was obtained revealing that the instruments were reliable and the content validity was also performed. SPSS version 25.0, a statistical package, was used to analyze the data. A response rate of 70% was obtained from the questionnaires indicating 91% of the commercial corporation prepare a budget of less year,100% indicated that reviews are done on annual basis,100% showed that budget estimate is more than 10 million shillings, and majority of the people have been part of the organization for more than 5 years forming 78% of the respondents. Descriptive study was carried out by the study in which budget planning had a mean of 4.60 and standard deviation of 0.84, Budget implementation had a mean of 4.4 and a standard deviation of 0.79 while budget monitoring had a mean of 4.71 and standard deviation of 0.86 and finally the budget review had a mean of 4.59 and a standard deviation of 0.82 .Correlation analysis was obtained with the following Correlation Coefficients Budget planning and financial performance of 0.873, budget implementation and financial performance of 0.769, budget monitoring and financial performance of 0.773 and budget review and financial performance of 0.783.The study performed analysis of variance. The model summary obtained by the study was $Y=0.864+0.805X_1+0.717X_2+ 0.775X_3 + 0.679X_4$ *where Y – Financial performance of commercial public corporation in Kenya ,* X_1*- Budget Planning ,*X_2*- Budget implementation ,* X_3*- Budget monitoring and* X_4*- Budget Review. The study concluded that whenever a commercial public corporation does their budget planning, Budget implementation, budget monitoring and budget review they can increase their chance of success. The study recommended that budget plans should be well executed to avoid financial performance challenges, budget monitoring should be done regularly as per public financial management Act 2012 and commercial public corporation budget plans should be well executed to avoid financial performance challenges, customers and stakeholders met expectations account which should turn contribute to commercial public corporation performance, and public service delivery.*

Key Word: *Financial Performance, Commercial Public Corporation, Budget Planning, Budget Implementation, Budget Monitoring, Budget Review,*

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I. Introduction

Many countries in the world continue to struggle with issues related to the poor management of Commercial public corporation. Experts engaged in public corporations have a craving to improve the budgeting, changes in the reporting framework and strengthen their risk identification and reduction process and the corporate governance framework. They also desire their entities to be corruption free Cangiano, Curristine&Lazare, (2013). The emphasis on national resource administration in the governments is aimed at achieving the governmentwide sustainability and a level of growth that can be maintained into the future. To achieve efficient government resource management there is need for innovation in the entity wide. The general members of the society are in search for improvement of the commercial public corporations' governance which has led to increased pressure for the public corporation to engage in restructuring of the entity processes with an aim to enhance their success in all the spheres of their engagement with the general public, (Ntim&Soobaroyen, 2013).

A study done by Elliott and Yan (2013) concluded that system of accounting and internal controls can be credited for their pivotal role in the improvement of the economy. The study by Elliot and Yan revealed that sound budgeting embraced by the national government and other governmental institutions and ensuring that the established policies are applied in the manner they were designed to operate this has propelled China from third world to a first world country.A study done by McKinney(2015) in USA reveals that improvement of operations of the entity is always a desire of business. The structure of governance sets up goals which can be achieved through implementing rules and procedures relating to how the performance should be achieved both in the short run and long run. The study revealed that the improvement in performance can be achieved through enhanced internal control system that is strict.

A research project to determine the effect of budget control systems in deposit taking microfinance institutions in the Nyeri region in Kenya conducted by Karanja (2011).He employed a design that was descriptive in the process of the research with a population of one hundred and twenty accountants forming his population. During the course of the study, the researcher sampled twenty-three Saccos. The questionnaire was used to collect first-hand information, and the research concluded that accountants' involvement in the budgeting process improves the performance of Saccos in the region in all aspects, including financial performance.

Gacheru (2012) did a research on how the different approaches to the budget deficits were impacted by the choice of the budgetary controls in Kenyan project-based institutions. There was 6075 members that formed the target population and a research sample of 21. The analysis of data involved the use of descriptive research design method. The project-based organization's financial performance improved as a result of budget preparation, according to the findings.Entities objectives are expressed in timeframe as directed by mission and vision of the organization. The planning timeframe will be tailored to the organization's specifications in terms of goals, objectives, and uncertainties. The strategic plans are the most forward-thinking budgets, outlining the entity's overall goals and objectives. (Sikamoi, 2013).

Kimani (2014) did a study on how budgetary controls affected not-for-profit organizations, with a target population of 7,127 and a sample size of thirty. He chose judgemental sampling in the process and descriptive methods. With a conclusion that confirmed the existence of a weak positive correlation between budgetary controls and the overall monetary outlook in non-governmental entities.A study was conducted to determine the relationship between budget monitoring and the success of the Machakos County CDF kitty by Mburu (2015). He aimed for a population of 24 employees at the management level in each of Machakos County's eight constituencies over a five-year period beginning in 2011.The results were summarized using descriptive statistics and a conclusion that involvement of all the stakeholder in the entire from the planning stage all the way to evaluation will enhance the success of the undertaken projects.

There are many challenges that faces the commercial public corporation but key among them is the inadequate financial skills which leads to the mishandling of resources that is endowed to a company to aid to its success and inadequacies in the general operation mechanisms put in place by board of governance with a view of safeguarding the resources that are controlled by the entity. The lapses in this check has increased conspiracy coupled with dishonesty among the personnel that is entrusted with the responsibilities of dealing with the affairs of the company culminating to underutilized taxpayers' money (Mbo, 2017).

In Kenya, the budget process is an important part of government planning and decision-making. A financial year is the time period that governments use for accounting, budgeting, and financial reporting. In Kenya, the fiscal year begins on July 1st of the calendar year. It expires on June 30th of the following year. Thus, the first quarter runs from 1st July to 30th September; the second quarter runs from 1st October to 31st December; the third quarter runs from 1st January to 31st March; and the fourth quarter runs from 1st April to 30th June. Kenya's budget planning process enables national and county governments to prioritize people's needs. The process also enables them to align people's needs with government policy. The budget process includes the following stages: formulation, approval, implementation, audit, and evaluation of the budget (Masya&Njiraini, 2003).

Kenyan Commercial public corporation includes entities governed by the act of parliament which requires them to add value to commodities provided to general public (Mukah, 2015). There are 310 commercial public corporations in Kenya. These are businesses over which the government or state has a significant amount of control, either through full, majority, or significant minority ownership. Commercial public corporations are common with natural monopolies because they allow for the capture of economies of scale while achieving a public goal. As a result, Commercial public corporations primarily operate in infrastructure (e.g., railway companies), strategic goods and services (e.g., postal services, arms manufacturing and procurement), natural resources and energy (e.g., nuclear facilities, alternative energy delivery), politically sensitive business (e.g., broadcasting, banking) and demerit goods(e.g. alcoholic beverages), and merit goods (healthcare) Bottomley, Stephen. (1997). The state-owned enterprises are categorized into the service state owned parastatal which are mainly aimed at the provision of the services to the general public. They are not aimed at making profit but largely are involved in ensuring that the general public accesses the services that are rendered by the government including the education, health and general public health. They are funded by the exchequer in order to ensure that the welfare of the Kenyan people is served (Mukah, 2015). The other category of the parastatal consists of 50 commercial public corporations which are brought into existence by an act of parliament but with the aim of making profit thus generating revenue to the government. This includes the likes of the Kenya ports authority, Kenya aviation authority, Kenya power and lightening company. They provide services to the general public but with the aim of making profit. This category of the parastatals is mainly found under the ministry of finance. The commercial public corporation is our area of interest in the study.

StatementoftheProblem

Commercial public corporations have been of concern despite there being budgetary controls in place since independence, aimed at enhancing the achievement of financial performance of the commercial public corporations. Budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining, and investigating the differences between actual and budgeted performance and taking suitable remedial action so that budgeted performance may be achieved (Fang, 2006). Budgetary control involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done (Arora, 2005). The basic objectives of budgetary control are planning, coordination and control (Arora, 2005).

Many academics and citizens have been astounded by government budgeting's continued failure. Many studies have concluded that the ineffectiveness of governments' budgeting systems has resulted in their failure to meet financial targets in an environment where every government entity has used budgeting as a tool to assist in planning and controlling all costs associated with social amenities. (Kamau et al., 2017). Budgetary control systems always derive the purpose of financial performance with the support and acceptance of the top management team; however, if lower-level personnel sense that the top management does not fully embrace budgetary controls, their own attitudes reveal a similar lack of interest (Perrin et al., 2012). According to (Perrin et al., 2012), budgeting is a complicated process in which if the key management team does not commit to it, the other personnel are unlikely to adopt the budgeting system.

According to the reviewed literature, Kenyan commercial public corporation have not attempted to improve financial performance through the strict implementation of budgetary control systems, according to the empirical result of a study that was done where it was observed that project delays in public universities due to budgeting and procurement procedures., Njau (2013).He observed that the inadequacy of the budgeting and procurement systems has led to the dismal performance of the public universities. There are many challenges that faces the commercial public corporation but key among them is the inadequate financial skills which leads to the mishandling of resources that is endowed to a company to aid to its success and inadequacies in the general operation mechanisms put in place by board of governance with a view of safeguarding the resources that are controlled by the entity. The lapses in this check has increased conspiracy coupled with dishonesty among the personnel that is entrusted with the responsibilities of dealing with the affairs of the company culminating to underutilized taxpayers' money (Mbo, 2017).

The Consolidated National Government Investment Report for the 2019-20 financial year shows that out of 310 State owned corporations, 127 made losses. The Largest loss-maker during this period was Kenya Railways Corporation (KRC), with a loss rising from Sh8.47 billion in 2019 to Sh24.2 billion in the financial year ended 31 December 2020, followed by Kenya Broadcasting Corporation (KBC) making a loss of Sh9.8 The overall profitability of commercial State corporations plummeted by 91 per cent to Sh5.1 billion. The issue is does state-owned commercial corporations implement the budgetary control system to their expectation. Do they work within the dictates of their budgets in the day-to-day operation? The question as to whether government budgeting system is a formality or a reality has brought concern of many researchers and scholars. Therefore, this study attempts to determine how budgetary control system effectiveness leads to performance of commercial public corporations in Kenya.

Objectives of the Study

i) To establish the effect of budget planning on financial performance of commercial public Corporations in Kenya
ii) To determine the effect of budget implementation on financial performance of commercial public Corporations in Kenya
iii) To find out the effect of budget monitoring on financial performance of commercial public Corporations in Kenya
iv) To evaluate the effect of budget reviews on financial performance commercial public Corporations in Kenya.

II. LiteratureReview

Theoretical Framework

It entails a review of theories in support of the topic under consideration. In our research, we looked at the following theories: Petraf and Barney developed allocation of resource theory, Rubin coined theory of public expenditure, and the Stakeholder Model by Edward Freeman.

Allocation of Resource Theory

The Allocation of Resource Theory was developed by Peteraf and Barney (2003). It is concerned with the discovery of how governments, companies, or even individual households distribute all financial resources endowed to them through the budgeting process in order to achieve the highest level of the goals they have set in a time period. The companies seek to maximize the efficient resource allocation in order to obtain a competitive edge on the competitors to enhance the chances to stay afloat. Economic resources have the following characteristics: They are priceless, scarce, cannot be perfectly imitated or do not have perfect substitutes. Due to these qualities budgetary control systems are necessary in order to optimally allocate the resources (Anantadjaya, 2008). This is extremely valuable because it will serve as the foundation for the entities' long-term survival. The invisible hand theory plays an important role in resource allocation. The resources endowed by the organization are distributed through the competitive forces of demand and supply by natural or artificial persons (Peteraf, 2003).Companies, governments and the individual should distribute all their economic resources through a careful drawn budget that will enable them to meet their current and long-term objectives if they really want to operate as a going concern.

Therefore, this theory, comes handy when the organization are thinking about how they will be utilizing their resources through budget to maintain a competitive advantage over the competitors. The theory is used to guide the commercial public corporations in allocation of their resources in order to achieve the maximum financial performance through the budgeting and the budgetary control.

Theory of Public Expenditure

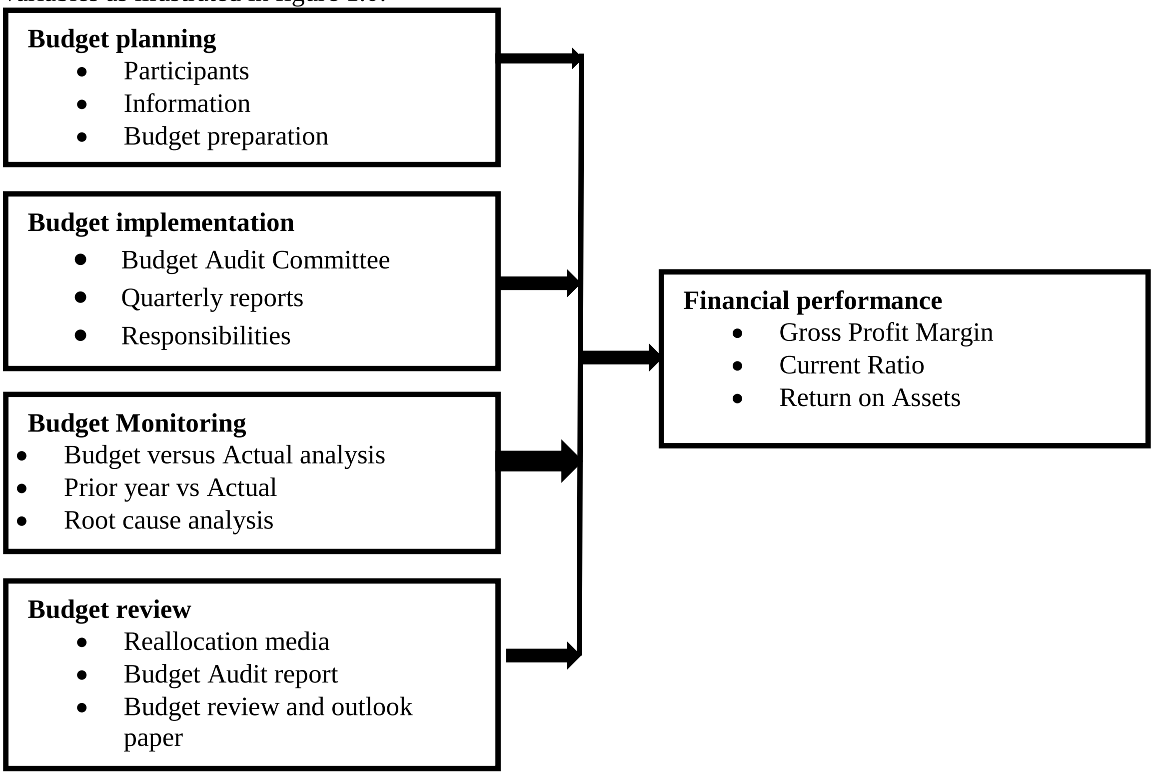
This theory was proposed by Rubin (1990). This theory has two legs: the normative theory leg and the descriptive theory leg. To start with is the Normative theory is concerned about how budgeting is used in the decision of the core policies of all manner of expenditure in an entity. The theory tries to explain why some activities of the organization are accorded first chance while some are of secondary priority or not even left out in the entire process of budgeting, which is the main drivers why some commercial public corporations perform better than others financially (Posner and Blondal, 2012).The theory tries to justfy all the expenditure that are incurred in the organization, why should an organization for instance decide to incur an expenditure on one item at the expense of the other items.This preferential treatment of the expenditure should be done in the most rational way so as to achieve the best out of the entire budgeting process.The budget process has gained weight as a predominant process of commercial public corporation since it is the go to tool that will enable the organization to improve there chances of survival in both the short and the longrun process of the expenditure allocation should be guided from the initiation all the way and this can be properly done through the budgeting process since it has the planning stage, implementation stage, monitoring stage and the review phase. The expenditure theory will be of much help in our research since it guides how the entities allocate their overall expenditure with the goal of improving the financial performance. If an organization will be careful in the way they allocate their expenditure and that the expense lines that are going to generate the most benefit to the organization are going to be given a chance over those with minimal returns then the organization will increase its chance of performing better financially and through this they can be assured of their survival in the longrun.

The Stakeholder Model

The theory argues that a firm should create value for all stakeholders, not just shareholders. In 1984, R. Edward Freeman originally detailed the Stakeholder Theory of organizational management and business ethics that addresses morals and values in managing an organization. In defining 'Stakeholder Theory' Clarkson (1994) states: "'The firm" is a system of stake holders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The purpose of the firm is to create wealth or value for its stake holders by converting their stakes into goods and services'. This view is supported in that the goal of directors and management should be maximizing total wealth creation by the firm. The key to achieving this is to enhance the voice of and provide ownership like incentives to those participants in the firm who contribute or control critical, specialized inputs (firm specific human capital) and to align the interests of these critical stakeholders with the interests of outside, passive shareholders. Consistent with these view policy makers, should encourage long-term employee ownership and encourage board representation by significant customers, suppliers, financial advisers, employees, and community representatives. This theory is relevant to our study in that we want to ascertain the impact of the budgetary control on the financial performance of the public corporation, and for us to achieve the profitability then we must ensure that the benefit that the organization is getting in terms of the revenues are more than the cost that is being incurred in the process. If the public corporation achieve the cost benefit analysis then they should be in a position to avoid all the project that have more cost than benefit and in case of mutually exclusive projects then the commercial public corporation will be in a position to choose the project that gives the highest benefit with the lowest cost and by so doing the profitability of the state owned commercial public corporations will increase significantly.

ConceptualReview

The conceptual framework is composed of a set of variables both dependent and independent. They are diagrammatically represented in order to increase the understandability of the relationship between the main variables as illustrated in figure 1.0.



Independent variables **Dependent variable**

Figure1.0:ConceptualFramework

Budget planning entails all the activities that an organization engages in in the process of coming up with the budget for the respective department or the entire organization. The budget planning involves the participants in the entire process coming together to initialize the whole process of budgeting. The participants include the employees, the departmental heads that are directly involved in the allocation of the resources in the entire organization and can also include the committees or subcommittees involved in the monitoring of the expenditure that the organization are endowed. The planning process involves the budget preparation. The budget preparation plays a pivotal role since this lays the blueprint of what actually the organization needs to achieve in the long run.

Budget implementation is the process of ensuring that the budget that the board of directors has adopted is put to actualization. Budget operationalization and execution is the day-to-day operations of the organization and the implementation of the strategy to avoid surprises. The people responsible in the successful implementation of the budget is the budget audit committee, they should be involved in the budget implementation process to ensure that the senior management undertake the day-to-day activities that will lead to the achievement of the actual goal of the budgeting process. The budget audit committee should ensure that the senior management that are tasked with the actualization of the budget have a responsibility over what they control. This should be clearly outlined and matched with their key performance indicator so that this can be measured objectively and that they can be held accountable if they cannot meet their targets. This fosters the sense of responsibilities to all that are involved in the process of budgeting.

Budget monitoring is the process of continuous comparing the actual as they measure to the plans that are set in the development stage. The organisation should always have the actual versus budget analysis on a periodic level. This ensures that the organization finds out if they are on track in the achievement of the organizational goal. They come up with tables that shows the variance between the intended result and the actual result. Other than the actual versus budget analysis there should be a comparison between the prior year versus the actual to ensure that they are consistent in the long run so that they can ensure that as they meet their goals in the current year they are engaging in the activities that are sustainable over time. This ensures that there is an improvement from what they achieved in the prior year so that they can grow. Budget monitoring is the go-to tool that can be utilised by the organization to ensure that they are spending within limits and that any excessive consumption or any abnormally low revenue are investigated before they run out of hand.

Budget review is the process of analysing the accuracy and the authenticity your budget, the review presents an opportunity to check on the performance of the organization at a given point in time while working on to improve your budgeting process. The budget review focuses on whether the performance targets was met, exceeded or the company did not meet the set target. This also looks at what point should there be a reallocation in the spending as it is informed by the budget monitoring. The reallocation media specifies at what parameters should the commercial state corporation change it spending or think about the change in tact on how to achieve their intended budget. The process of budget reallocation should be well documented to ensure that any reallocation process can be justified and supported by the organization policy.

Financial Performance involves the assessment of the overall financial health of the organization which can be measured using various matrices. The organization will engage in a process that will inform them whether they are doing well in comparison with either the targeted the financial performance is of concern to both the internal and external shareholders of the organization. The internal audience wants to know how well they are managing the organization, and this can also be used as a basis for the remuneration of key personnel. For the external users the performance will help them in evaluating whether the venture is an economically viable investment. For the customers they want to know whether they will get the supply of the commodities produced, for the suppliers they are interested to know if the company possess the ability to make timely payments and for the government whether the entity will pay its taxes on time

EmpiricalReview

This provides the review of relevant studies. The review will concentrate on each study variable. This section deals with earlier studies that were done in relation to the independent variables and the depended variable.

Budget Planning and Financial performance

Kimani (2014) did a research on how the budgetary controls impacted the not for profit organizations with 7,127 being his targeted out of which a sample of thirty was picked for the study. He chose judgemental sampling in the process and descriptive methods. With a conclusion that affirmed that the existence of weak positive correlation between budgetary controls and the overall outlook in financial terms of non-governmental entities. Mwaura (2010) did a research with an objective of finding out if the participation of the key stakeholders will improve the financial performance of the listed companies on the Nairobi Securities The population comprised all the fifty-five listed companies on the exchange. He decided to use a research design that was the conclusion of the study was that budgetary controls affect the return on capital employed.

Budget Implementation and Financial performance

Research conducted on influence of budgeting on performance in settlement companies was undertaken by Abdirisaq and Ali (2013). A sample of 103 entities was selected with judgemental sampling technique. The analysis employed the descriptive statistics, standard deviation and analysis of correlation. The conclusion was that there is a moderate influence of budgeting in remittance companies on their performance. Research determining in what way budgetary control improves the performance in financial terms of an electricity producing company in Tanzania, was carried out between the year in 2006 -2012 by Marygoreth (2014). The research used a case study research design. Employees of TANESCO formed the population. Administered interview, group discussion and questionnaires interchangeably. The conclusion reached was the performance in financial terms are affected by the budgetary controls. A research project determine the effect of budget control systems in deposit taking microfinance institutions in the Nyeri region in Kenya conducted by Karanja (2011).He employed a design that was descriptive in the process of the research with a population of one hundred and twenty accountants forming his population. The researcher sampled twenty-three Saccos during the process of the research. The questionnaire was used to collect first-hand information, and the research concluded that accountants' involvement in the budgeting process improves the performance of Saccos in the region in all aspects, including financial aspects.

Budget Monitoring and Financial Performance

Research work done to establishing relationship between the budget monotoring and the success of Machakos county CDF kitty done by Mburu (2015). He targeted a population of 24 employees in the management level of the 8 constituencies at Machakos County for five years commencing from 2011. The results were summarized using descriptive statistics and a conclusion that involvement of all the stakeholder in the entire from the planning stage all the way to evaluation will enhance the success of the undertaken projects. To establish how budget monitoring and the financial performance in commercial public corporation was done in Europe in for ten years by Marcarmick and Hardcastle (2013). 40 governmental institutions were considered in this research. Secondary data collection methods were used, and regression analysis for analysis of data variable. They concluded that there was a relationship between budget monitoring and financial outcome of state-owned corporations which was positive. Nickson and Mears (2012) carried out a study on the impact of budget monitoring and financial performance of ministries for ten years. They sampled five of the ministries in Massachusetts. They employed secondary data in their work. The study applied a regression analysis model for the data. The finding was that a budget monitoring has huge influence on performance of the ministries.

Budget Review and Financial Performance

Ekpenyong (2014) conducted research on budgets as a management success measurement tool at the University of Calabar in Nigeria. The study's target population was the entire university staff. 250 senior employees were selected to form the sample using inferential design tool. The data was statistically analyzed using the mean and independent t-test, and the conclusion was that budgetary review was an effective tool for assessing management performance. Gekonde (2013) conducted a study in Kenyan parastatals on the impact of budgeting on the financial performance of all Kenyan parastatals. It was a census, so a descriptive research design was used.The conclusion of the study was that the various aspects of budgeting such as targets set, and evaluation have major impact on how the parastatal are managed in Kenya. Gacheru (2012) did a research on how the different approaches to the budget deficits were impacted by the selection of budgetary controls budgetary controls in Kenyan project-based institutions. There was 6075 members that formed the target population and a research sample of 21. The analysis of data involved the use of descriptive research design method. The conclusion was that budget preparation enhanced the financial performance of the project-based organization.

III. MaterialAndMethods

The research design used in this study was a descriptive one. There are 310 parastatals in Kenya, 50 of which are Commercial State Corporations. The study targeted finance managers in the various commercial public corporation in Kenya giving us a population of 50 respondents. The study was a census hence the entire population was selected. The main data for the research were collected via the use of a questionnaire. Them was decided to utilize structured questionnaires since respondents could either self-administer them or have someone else do it for them, and also because most of the respondents were literate. For the secondary data, the study focused on the individual corporations websites for the financial information.

A sample of 5 respondents was used for the pilot test since previous studies. In this study, Cronbach alpha which is the reliability coefficient was used to indicate how well the items in the data set are correlated to each other.We obtained a Cronbach alpha of 0.969 which meant that our research instrument was reliable. The study performed a content validity in assessing the extent in which the data to be collected by use of a research tool characterizes a specific domain or a concept content.In order to do statistical analysis on the quantitative data, version 25 of the SPSS program was used. Statistics such as the mean scores as well as the standard deviation were approximated for every quantitative variable and the presentation done in table. The coefficient of Pearson’s moment correlation to establish whether there is a strong correlation in the variables. Multiple regressions was performed to reveal the combined effect of the budgetary control on the financial performance.

IV. Result and Discussion

Descriptive Analysis

The objective of the descriptive analysis was to describe the properties of the data and to identify any unusual observations that may cause problems during inferential analysis. These are descriptive statistics for the study variables are as follows

Budget Planning

The study established that the involvement of people involved in budgeting process contributes to better financial performance of commercial public corporation in Kenya with a mean of 4.51,the commercial public corporations plan ahead by creating a calendar of budgetary milestones with a mean of 4.66.Most of the public corporations have Budgeting policies and procedures have been established beforehand with a mean of 4.60 and the loading of the workload in advance before submitting to the board with a mean of 4.76 while a mean of 4.53 was gained for budget plans for each department are compiled and reviewed.

Table 1: Budget Planning

	Mean	Std. Deviation
I'm a part of the budgeting process.	4.51	0.82
We plan ahead by creating a calendar of budgetary milestones?	4.66	0.76
Budgeting policies and procedures have been established?	4.60	0.93
We load the budget in advance before submitting it to the board	4.76	0.93
The budget plans for each department are compiled and reviewed.	4.53	0.75

Budget Implementation

The respondents had a mean of 4.50 on the existence of the budget audit committee in the organization and a mean of 4.36 that the manager's responsibilities for budget implementation are well defined. The research also found out that the the budget implementation system has the support and commitment of top management with a mean of 4.76 which shows that many of the respondents greatly agreed on the statement. Majority of the respondents agreed that the organization ensures that managers are involved in the budget implementation system with a mean of 4.56.

Table 2: Budget Implementation

	Mean	Std. Deviation
There is a budget audit committee in place	4.50	0.82
The manager's responsibilities for budget implementation are well defined.	4.36	0.66
Quarterly reports are generated	4.02	0.93
The budget implementation system has the support and commitment of top management.	4.76	0.83
This organization ensures that managers are involved in the budget implementation system.	4.56	0.72

Budget Monitoring

On budget monitoring the respondents agreed to a great extent on all the five questions that were asked in the questionnaire. They all had a mean of more than 4.5 with Budget meetings are held on a regular basis by managers to review performance gaining a mean of 4.50, A comparison of planned and actual performance is made, and the difference is frequently reported a mean of 4.86,The actual result are compared to the prior year result with a mean of 4.72 and on the question about Root cause analysis being done on the variances noted we obtained a mean of 4.76 while a score of 4.72 was obtained on whether Budget deviations are reported to budget /committee/Executives

Table 3: Budget Monitoring

	Mean	Std. Deviation
Budget meetings are held on a regular basis by managers to review performance.	4.50	0.82
A comparison of planned and actual performance is made, and the difference is frequently reported	4.86	0.76
The actual result are compared to the prior year result	4.72	0.93
Root cause analysis is done on the variances noted	4.76	0.96
Budget deviations are reported to budget /committee/Executives	4.72	0.84

Budget Review

The other variable that we requested the respondents to give feedback was on the budget review which they gave the following responses on the five questions that were asked in the questionnaire. On the first aspect of the question about if there is a reallocation media in case there is a huge departure from the budgeted amount the respondent strongly agreed with a mean of 4.50while on the question of on whether the budget audit report are created at the end of the period the score was 4.36 which shows that they moderately agreed on the statement. They also strongly agreed on the statement that budget review and outlook report are generated at the end of the period with a mean of 4.72 while they still agreed to a great extent on the issue of whether Short term reviews are done by the organization with a mean of 4.76.On to whether the Capital budget reviews are done for all the capital projects they all agreed with a mean of 4.63

Table 4: ***Budget Review***

	Mean	Std. Deviation
There is a reallocation media in case there is a huge departure from the budgeted amount	4.50	0.82
Budget audit report are created at the end of the period	4.36	0.66
Budget review and outlook report are generated at the end of the period	4.72	0.93
Short term reviews are done by the organization	4.76	0.93
Capital budget reviews are done for all the capital projects	4.63	0.75

Correlation Analysis

The correlation coefficient (r) results are presented as shown in Table 5 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 5: Correlation Matrix

		Financial Performance	Budget Planning	Budget Implementation	Budget Monitoring
Financial Performance	Pearson correlation sig.(2-tailed) N	1			
Budget planning	Pearson correlation sig.(2-tailed) N	0.873**	1		
budget implementation	Pearson correlation sig.(2-tailed) N	0.769**	0.039	1	
budget monitoring	Pearson correlation sig.(2-tailed) N	0.773**	0.034	0.031	1
budget review	Pearson correlation sig.(2-tailed) N	0.783**	0.026	0.023	0.028

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

All the research study variables are perfectly correlated with themselves as revealed by the correlation coefficient of +1.The research findings illustrated strong positive relationship between the financial performance and the variables. There is a strong positive correlation between the independent variables and the financial performance: Budget planning and financial performance of 0.873, budget implementation and financial performance of 0.769, budget monitoring and financial performance of 0.773 and budget review and financial performance of 0.783.This shows that all the variables are very crucial determinants of financial performance of commercial public corporations in Kenya.

Linear Regression

Multivariate regression analysis was used in the research to determine the relationship between the dependent (performance of commercial public corporation in Kenya) and the independent variables(Budget planning, Budget implementation, Budget monitoring and Budget review).

Table 6: Regression Results of Disclosure of public sector financial information on Quality of financial reporting

Model	R	R Square	Standard Error of Estimate
	.983a	0.965	0.19184

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	25.632	3	8.544	0.144	.000
Residual	.920	25	.037		
Total	26.552	28			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Budget Planning, Budget implementation, Budget monitoring and Budget review

Table 6 above shows the regression model of financial performance of commercial public corporation in Kenya. Coefficient of determination R^2 at 0.965. This coefficient of determination R^2 indicated that 96% of the variation on Financial Performance of commercial public corporations can be explained by the set of independent variables. An explanation of the remaining 4% variation on financial performance of commercial public corporation can be given by other factors not in this model. The adjusted R square is slightly lower than the R square which implies that the regression model may be over fitted by including too many independent variables. Dropping one independent variable will reduce the R square to the value of the adjusted R square. The results of regression in table 6 shows significance value of 0.000 or F statistics which is less than 0.05.

Table 7 Regression Coefficients Results

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	0.864	0.412		2.097	0.037
Budget Planning	0.805	0.393	0.721	2.048	0.042
Budget implementation	0.717	0.244	0.664	2.939	0.038
Budget monitoring	0.775	0.339	0.718	2.286	0.024
Budget Review	0.679	0.278	0.629	2.442	0.016

The regression equation obtained from this outcome was:

$$\mathbf{Y=0.864+0.805X_1+0.717X_2+ 0.775X_3 + 0.679X_4}$$

Y – Financial performance of commercial public corporation in Kenya
X_1- Budget Planning
X_2- Budget implementation
X_3- Budget monitoring
X_4- Budget Review

Discussion of Research Findings

As per the study result, it was revealed that if all the independent variables were held constant at zero, then the financial performance of the commercial public corporation in Kenya will be 0. 864. From the finding, the study revealed that a unit increase in the budget planning will lead to a 0.805 increase in the financial performance of the commercial owned public corporation in Kenya. This variable was significant since p=0.0420 is less than 0.05 hence it was established that budget planning has an effect on the financial performance of the commercial public corporation in Kenya. This is consistent to a research that was done by Kimani (2014) on how the budgetary controls impacted the not for profit organizations with 7,127 being his targeted out of which a sample of thirty was picked for the study. He chose judgemental sampling in the process and descriptive methods. With a conclusion that affirmed that the existence of weak positive correlation between budgetary controls and the overall outlook in financial terms of non-governmental entities.

The study further revealed that a unit change in the budget implementation world lead to a 0.717 unit change in the financial performance of commercial public corporation in Kenya. The Variable was significant since the p-value=0.0375<0.05 and hence there is aa great effect of budget implementation on the financial performance of commercial public corporation in Kenya. This is consistent to a research that was done by Abdirisaq and Ali (2013) on the influence of budgeting on performance in settlement companies with a conclusion was that there is a moderate influence of budgeting in remittance companies on their performance.The conclusion of this research is also consistent to a research that was done by Marygoreth (2014) on determining in what way budgetary control improves the performance in financial terms of an electricity producing company in Tanzania carried out between the year in 2006 -2012 that concluded that performance in financial terms are affected by the budgetary controls.This is also intandem with the research that was done to determine the effect of budget control systems in deposit taking microfinance institutions in the Nyeri region in Kenya conducted by Karanja(2011) the research concluded that accountants' involvement in the budgeting process improves the performance of Saccos in the region in all aspects, including financial aspects.

Moreover, the study showed that if all other variables are held constant, a unit change in the budget monitoring would lead to a 0.775 change in the financial performance of commercial public corporation in Kenya.This variable is significant since the p=0.0235 was less than 0.05.The finding relates to research work done to establishing relationship between the budget monotoring and the success of Machakos county CDF kitty done by Mburu (2015) which concluded that involvement of all the stakeholder in the entire from the planning stage all the way to evaluation will enhance the success of the undertaken projects.Also, a research done on budget monitoring and the financial performance in commercial public corporation in Europe in for ten years by Marcarmick and Hardcastle (2013) revealed that there was a relationship between budget monitoring and financial outcome of state-owned corporations which was positive.Finally Nickson and Mears (2012) carried out a study on the impact of budget monitoring and financial performance of ministries for ten years with the finding that a budget monitoring has huge influence on performance of the ministries which is consistent to our findings.

Finally, the study revealed that a unit change in the budget review would change the financial performance of commercial public corporation in Kenya by 0.679.This variable was concluded to be significant since the P value= 0.0156 was less than 0.05.This is in accordance with Gekonde (2013) who conducted a study in Kenyan parastatals on the impact of budgeting on the financial performance of all Kenyan parastatals. It was a census, so a descriptive research design was used.The conclusion of the study was that the various aspects of budgeting such as targets set, and evaluation have major impact on how the parastatal are managed in Kenya.Similar research was done by Gacheru (2012) on how the different approaches to the budget deficits were impacted by the selection of budgetary controls in Kenyan project-based institutions with a conclusion that budget preparation enhanced the financial performance of the project-based organization.

Overall, Budget planning had the greatest effect on financial performance of the commercial public corporations in Kenya , followed by budget monitoring then the budget implementation and finally budget reviews which had the least effect on the financial performance of commercial owned corporation in Kenya .All the variables were significant since the p-values were less than 0.05.

V. Conclusion and Recommendation

The study concluded that there was a positive correlation between the commercial public corporation in Kenya and the four variables under the study that is budget planning, budget implementation budget monitoring and budget review. Commercial state corporation incorporates both development plans and recurrent plans in the budget with, Budgeting links commercial public corporation budget programmes and budget activities to set goals and targets, Commercial public corporations budget at planning level considers stakeholders priorities in the coming year with, Budget implementation review is done by the office of controller of budgets every three months to examine budget performance, Budget implementation report considers revenue and expenditure performance against set targets with, commercial state owned corporation encounters challenges while implementing their budgets such as non-compliance with budgetary timeliness as per public financial management Act 2012. The study concluded that commercial public corporation budget passed in a financial year determines their financial performance, budget legislation and budget plans are well executed to avoid financial performance challenges.

The study recommended that budget plans should be well executed to avoid financial performance challenges; public corporation budget monitoring should be done regularly in a financial year to improve commercial state-owned performance. The study also recommends that there should be compliance with budgetary timeliness as per public financial management Act 2012, the budget implementation review should be done by the office of controller of budgets on monthly basis to examine budget performance and the commercial state-owned corporation budget at planning level should considers stakeholders priorities. The study recommended that commercial public corporation budget plans should be well executed to avoid financial performance challenges, customers and stakeholders met expectations account which turn should contribute to commercial public corporation performance, and public service delivery.

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