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The undersigned people certify that, they have supervised the student Mlambo Meblyn's dissertation entitled "A study into the effectiveness of budgeting and budgetary control in sourcing funds in Nongovernmental organisations: A case study of Norwegian Refugee Council (NRC)", submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree at Midlands State University.

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RELEASE FORM

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DEDICATION

This dissertation is dedicated to my dear caring husband, Gift Sithole.

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I am grateful to my supervisor Mrs Mwedzi for her guidance, patience and assistance during the research and compilation of this dissertation. I also appreciate the fatherly advice given by Mr P. Mvura.

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ABSTRACT

Ineffective budgeting and budgetary controls in nonprofit organisations have impacted negatively in sourcing funds to carry out humanitarian Aid. Ineffective budgetary controls in nonprofit organisations has also affected the implementations of projects and has left most vulnerable persons helpless as the organisations fail to secure more funding. The purpose of this research was to study the effectiveness of budgeting and budgetary control in sourcing funds in nonprofit organizations. The research used a descriptive research design on a case study of Norwegian Refugee Council. Questionnaires were administered and the interviews were conducted with management personnel, secondary data was obtained from the internal records of the organization. The research findings indicated that budgets and budgetary control are time consuming and are presented as fixed. The findings also indicated that budgets and budgetary control also attracts more funding from donors as they increase donor transparency and accountability. The study recommends that the organization should establish a budget committee so that it facilitates all the budgeting processes in the organization for instance, setting up of budget manuals and budget periods. It also recommends that the organization should adopt an effective or sound budgetary control system in order to secure funding from its already existing and new donors.

LIST OF TABLES

Table	Title	Page number
1.1	SIDA Budget for 2011	3
3.1	Sample size as a proportion of population	27
4.1	Questionnaire response rate	32
4.2	Conflicting Objectives is a problem associated with budgetary control	33
4.3	Management control of the project improves project performance	40

LIST OF FIGURES

Table	Title	Page number
4.1	Budgetary control is time consuming	35
4.2	Budgets are presented as fixed	37
4.3	Budgeting and budgetary control is affected by human behavior	38
4.4	Budgetary control improves management individual accountability	42
4.5	Budgetary control improves project monitoring or supervision	44
4.6	Budgetary control improves donor transparency	46
4.7	Donors measure accountability through budgetary control	48
4.8	Budgetary control is an indicator of showing good faith	49
4.9	Budgetary control results in the creation of budgetary slack	51
4.10	Budgetary control results in timely and proper allocation of resources	53

LIST OF APPENDICES

Appendix	APPENDICES	Page number
1	Research project letter	71
11	Research project questionnaire	73
111	Research project interview guide	76

LIST OF ABBREVIATIONS AND ACCRONYMS

NRC	Norwegian Refugee Council
NPO	Nonprofit making organization
ECHO	European Commission-Directorate General-Humanitarian Aid and Civil Protection
SIDA	Swedish International Development Cooperation Agency
NMFA	Norwegian Ministry of Foreign Affairs

ITEM	TABLE OF CONTENTS	Page number
	PRELIMINARY CONTENTS	
	Approval page	i.
	Release Form	ii.
	Dedication	iii.
	Acknowledgements	iv.
	Abstract	v.
	List of Tables	vi.
	List of Figures	vii.
	List of Appendices	viii.
	List of abbreviations and acronyms	ix.
	Table of Contents	
	CONTENTS	
	CHAPTER 1: INTRODUCTION	
1.0	Background to the study	1
1.1	Statement of the problem	4
1.2	Research objectives	5
1.3	Research questions	5
1.4	Delimitation	6
1.5	Limitation of the study	6
1.6	Definition of Key terms	7

1.7	Summary	7
	CHAPTER 2: LITERATURE REVIEW	
2.0	Introduction	8
2.1	Problems associated with budgets and budgetary control	8
2.1.1	Conflicting objectives	8
2.1.2	Budget as a fixed contract	10
2.1.3	Time consuming	11
2.1.4	Human behaviour	12
2.2	Ways to improve project performance through budgetary control	13
2.2.1	Budgetary control improves management control of the project	13
2.2.2	Budgets and budgetary control improves management individual accountability	15
2.2.3	Budgetary control improves project monitoring or supervision	15
2.3	Effects of budgets and budgetary control in project implementation	17
2.3.1	Results in the creation of budgetary slack by managers	17
2.3.2	Results in timely and proper allocation of resources	18
2.4	Effects of budgets and budgetary control in sourcing finance	20
2.4.1	Budgets and budgetary control works as an indicator of transparency to donors	20
2.4.2	Budgets and budgetary control measures the accountability of NPOs	21
2.4.3	Budgetary control is an indicator of showing good faith to donors	22

2.5	Summary	23
	CHAPTER 3:RESEARCH METHODOLOGY	
3.0	Introduction	24
3.1	Research Design	24
3.2	Target Population	24
3.3	Sampling	26
3.3.1	Sampling Method	26
3.3.2	Sample Size	26
3.4	Research instruments	27
3.4.1	Questionnaire	27
3.4.2	Interviews	29
3.5	Validity and reliability	29
3.6	Data presentation and Analysis	30
3.7	Summary	30
	CHAPTER 4: DATA PRESENTATION AND ANALYSIS	
4.0	Introduction	32
4.1	Response rate	32
4.2	Problems associated with budgets and budgetary control	33
4.2.1	Conflicting objectives	33
4.2.2	Budgetary control is time consuming	35
4.2.3	Budgets are presented as fixed	37
4.2.4	Affected by human behaviour	38

4.3	Ways to improve project performance through budgetary control	40
4.3.1	Budgetary control improves management control of the project	40
4.3.2	Budgets and budgetary control improves management individual accountability	42
4.3.3	Budgetary control improves project monitoring or supervision	44
4.4	Effects of budgetary control in sourcing finance	46
4.4.1	Budgetary control increase donor transparency	46
4.4.2	Donors measure accountability through budgetary control	48
4.4.3	Budgetary control is an indicator of showing good faith	49
4.5	Effects of budgetary control in project implementation	51
4.5.1	Budgetary control results in creation of budgetary slack	51
4.5.2	Budgetary control results timely and proper allocation of resources	53
4.6	Summary and analysis of interview responses	54
4.6.1	What are the problems associated with budgets and budgetary control?	54
4.6.2	In which way does budgetary control improve project performance?	55
4.6.3	What are the effects of budgets and budgetary control in project implementation?	56
4.6.4	What are the effects of budgets and budgetary control in sourcing funds?	57
4.7	Summary	58
	CHAPTER 5: CHAPTER SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.0	Introduction	59
5.1	Chapter Summary	59

5.2	Major findings	60
5.3	Conclusion	60
5.4	Recommendations	61
5.5	Suggested areas of further study for future research	61
5.6	Summary	61

CHAPTER 1

INTRODUCTION

1.0 BACKGROUND TO THE STUDY

Non-profit organizations (NPO's) rely on funds donated by willing donors. Tennant et.al (2006) are of the view that direct marketing can be used by NPO's to build relationships and improve the effectiveness of fundraising. Likewise, funding organizations require budgets, information about funds applied somewhere as part of their application forms for funding (Hedy and Keith, 2011). As a NPO, there should be evidence of effective budgeting and budgetary control system in previous and current activities. No donor is willing to inject funds in a rather weak budgeting system. Hence, budgeting is important for NPOs since they are not for profit maximization but to bring utmost return to its stakeholders (Mott Lin, 2007). Thus, this would mean that NPO's are accountable to their stakeholders through budgeting and budgetary control at all levels of operations.

Sargient (2001) pointed out that its difficult for NPO's to do long term planning since they will not know in advance whether their requests for funding will be approved. Norwegian Refugee council donors, from 2011 to 2013, were Swedish International Development Cooperation Agency (SIDA) and Norwegian Ministry of Foreign Affairs (NMFA), the contribution being 60% (SIDA) and 40% (NMFA). From 2011 up to 2013 the organization was running two projects which were Food security and livelihoods and education and the budgets for these two projects had surpluses of US 73 086 in 2011,US 50 842 in 2012 and US 72 174 in 2013. NPO's

need to be aware of their budgeting system that they deal with and take advantage of its benefits such as ways of increasing funding and maximize fiscal flexibility(Mott Linn, 2007) .

It is, however, a concern that at Norwegian Refugee Council (NRC) ineffective budgeting and budgetary control had led to setbacks such as underfunding and delays in project implementation. This was revealed by the NRC Finance and Admin Manager (FAM) in the statement made at the budget review meeting of the 6th of September 2012, It was said that there are surpluses because there has not been effective budget control by budget holders. Budget holders spend far much less than the projects require, what they budgeted for and requested during funding proposals. Van der Sterde (2000) in his research finds out that when managers are involved in budgeting they have a tendency to intentionally bias the process so as to secure greater resource distribution.

The Country Director (CD) in a budget holders meeting held on 14Feb 2013 said, no additional funding can be acquired to venture into new projects as a result of ineffective budget control. The CD continued to say, previously, the 2011 applied funding to UNICEF was rejected because the budget for the current projects had surpluses, so UNICEF considered funding other organizations with deficits in their budgets for undergoing programmes. Furthermore, the project proposal drafted in 2012 when applying for funding from European Commission-Directorate General-Humanitarian Aid and Civil Protection (ECHO) was also rejected according to the CD's statement. This is a reflection of budgeting and budgetary control in disarray at NRC, hence the needy for the study to establish the system in this respective organization

With this ineffective budgetary control taking place, humanitarian aid had been adversely affected as operating budgets show that NRC was spending little on the intended projects, which had not attracted donor funding. Humanitarian assistance as the core business of NRC, is important as the organization had transformed the lives of people in Chipinge and Chiredzi communities, in areas such as food security, shelter, education and livelihoods. The operations of the organization were addressing recent findings that a significantly high number of Zimbabweans about 4 240 (50% children) per province particularly in rural areas (like Chipinge and Chiredzi where NRC operates) and high density communities are still economically helpless and need access to most basic services, including food, health, education, clean water and shelter (Global political agreement review, 2011). In light of this contribution to humanity, ineffective budgeting and budgetary control at NRC resulted in reduced expenditure, which made donors pull out thereby affecting the economic vulnerable people. The following is a summary of NRC SIDA project budgets for 3 years.

Table 1.1 SIDA Budget for 2011

Year	Acc Group	Type of Expenditure	Budgeted	Actual	Variance	% Variance
2011	66	Repairs & Maintenance	5 768	7 164	(1 397)	(24%)
	42	Purchasing equipment	235 838	176 117	59 721	25%
	70	Transport Costs	76 092	54 271	21 821	29%
2012	66	Repairs & Maintenance	1 562	2 019	(457)	(29%)
	42	Purchasing equipment	139 440	109 921	29 519	21%
	70	Transport Costs	59 906	43 852	16 054	27%
2013	66	Repairs & Maintenance	3 060	4 090	(1 030)	(34%)
	42	Purchasing equipment	143 640	105 023	38 617	27%

	70	Transportation Costs	123 220	75 672	47 548	39%
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SOURCE:FINANCIAL PROJECT REPORT NORWEGIAN REFUGEE COUNCIL(2013)

From the table above, the repairs and maintenance suffered deficits of 24% in 2011, 29% in 2012 and 34% in 2013. This was because they budgeted less than what they required under this account group since the account group had nothing to do with the project. The purchasing equipment had surpluses of 25% in 2011 because the project was still starting and they were expecting to purchase more equipment, 21% in 2012 because less equipment was purchased since some was bought in 2012 and 27% in 2013 because the project was delayed but the budget was not adjusted. Transportation cost were 29% in 2011, 27% in 2012 and 39% in 2013 because NRC obtained offices in the fields it was operating and also relocated some of its staff to these offices and this cut on transport costs but the budget was not adjusted. Donors regard spending at a rate of 0-10% as reasonable and acceptable hence there is need to focus on budgeting and budget control.

1.1 STATEMENT OF THE PROBLEM

Budgeting and budgetary control, in nonprofit organizations (NPO's), is crucial tool if the organization wants to obtain additional funding during project proposals. This tool will ensure transparency and accountability to potential donors in order to continue offering humanitarian assistance to the economic vulnerable population. However, at NRC, there has not been effective budgeting and budget control by budget holders as they spend far much less than the projects require, what they have budgeted and requested for during funding proposals. This has led to project proposals like the 2011 UNICEF, 2012 ECHO and 2013 SIDA, being reject by potential

donors because the whole project budgets become under spend hence returning some amounts of money to the donor despite sending proposals each year for more funding to expand its coverage in the country. Moreso, because extra funds will be used in activities that have nothing to do with intended projects. Reports have shown that each year NRC is not able to consume the budgeted amount for that year. Resultantly, the organisation has not been able to obtain new funding from other donors and fund extension from its existing donors since 2011 despite drafting funding proposals. Thus the study seeks to establish the nature of budgeting and budgetary control system at NRC, and find ways to ensure the effectiveness of the system.

1.2 RESEARCH OBJECTIVES

The main research objective is to study into the effectiveness of budgeting and budgetary control to non-profit organizations in sourcing funds

Sub objectives:

- (i) To identify the problems associated with budgets and budgetary control in NRC.
- (ii) To find out ways to improve NRC project performance through budgets and budgetary control measures
- (iii) To investigate the effectiveness of budgets and budgetary control in the implementation of projects
- (iv) To investigate the effectiveness of budgets and budgetary control in sourcing finance

1.3 RESEARCH QUESTIONS

In order to achieve the above objectives the following research questions will be used:

- (i) What are the problems associated with budgets and budgetary control in NRC?
- (ii) What can be done to improve project performance in NRC through budgets and budgetary control?
- (iii) What are the effects of budgets and budgetary control in the implementation of projects?
- (iv) What are the effects of budgets and budgetary control in sourcing finance?

1.4 DELIMITATION

This research is concentrated on budgeting and budgetary control systems for donor funds managed by Norwegian Refugee Council Zimbabwe and mainly Chipinge and Chiredzi offices in particular. The research would cover SIDA and NMFA budgets, budgetary control and how budgets for these projects were implemented from 2011 to 2013. The research also focus on how donor funds are budgeted for, controlled and spend. The people of study will be the project coordinators (budget holders) and finance officers in NRC.

1.5 LIMITATION OF THE STUDY

The limitations of this study are the following:

- (i) Lack of effective information as some of the information required may be too sensitive for the organization to provide and could expose NRC secrecy and confidentiality. The researcher can conquer this by promising those in position of the information that he/she will not share it with anyone else besides the lecture supervising the research project.
- (ii) Data gathering under the area of study because of lack of effective information storage for example filing and this can be defeated by utilizing the little resources available.

(iii) Response from the employees (project coordinators and finance officers) may be a bit slow. This is because of reasons such much work load on the part of the management and finance officers of NRC. However this can be dealt with by asking the employees to respond during their spare times.

1.6 DEFINITION OF KEY TERMS

Budget - It is defined as a complete plan which sets out, in monetary terms, the plans of income and expenditure in respect of a future period of time Weetman (2003).

Budgetary Control – Drury (2006) defines budgetary control as a control procedure whereby budgeted and actual data are compared one with the other and the managers held responsible for any differences, take essential control action or revise the budget.

1.7 SUMMARY

This chapter discussed the background of the study, statement of the problems, objectives, research questions, scope (delimitation) of the study, limitations of the study, definition of key terms used in the study. The next chapter makes a review of the related literature.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter seeks to review work previously carried by other authors in the study of this topic under budget and budgetary control and its effectiveness in nonprofit organization in sourcing funds for humanitarian aid. Budgeting and budgetary control is not a new topic hence the study had to take into considerations what other authors had to say about the subject.

2.1 PROBLEMS ASSOCIATED WITH BUDGETS AND BUDGETARY CONTROL

2.1.1 Conflicting Objectives

Ax et.al (2009) claims that budgets are often used to offer several purposes and these can conflict with each other for example, planning can conflict with motivation. Thus if the targets sets at the planning stage are too difficult to accomplish they can be de motivating for the employees. This is because challenging budgets that may not be easily achievable are suitable for planning purposes (Schacter, 2008) and may be appropriate to motivate highest performance, but they should be based on more realistic and easier targets that are expected to be met for the budget to be effective (Lili, 2011). This means that the motivational impact of a budget is reduced if the targets seem to be unattainable for employees and as a result the budget becomes unproductive as it would have failed to serve all its intended purposes.

Likewise in nonprofit organizations like NRC where they use the budgets to achieve several organizational objectives, those objectives may result in budgets being ineffective if they are compiled together in budgets as they may possibly conflict (Behn, 2003). Furthermore Smith, (2007) states that budgets are set in advance for planning purposes and are based on the anticipated set of circumstances as a result conflicts arise if actual performance is compared to original budget because the managers had no control over any changes to the circumstances. Thus, conflicting objectives will result in inadequate budget control as different objectives may require different methods to achieve (Rubin, 2010).

In addition budgets have also resulted in departmental conflicts during the allocations of scarce resources by management and this hinders joint management planning (Prendergust, 2000). Therefore in organizations like Norwegian Refugee council where there are various project departments, it is possible that conflicts may arise during the allocation of support services costs that may need to be apportioned to all the department budgets for example, the allocation or sharing of fuel costs between departments.

However, Morris et.al, (2004) states that in organizations where a budget committee exists, conflicting objectives are less foreseeable as the committee consist of the senior members of the organization such as departmental heads of every department. In agreement, Van de Stede, (2001) asserts that the budget committee limits conflicting objectives as its main objective is to agree on all departmental budgets, normal standards and allocation of resources. Also Hansen, (2003) is of the view that it is not always the case that the purposes of the budget result in conflicting objectives. A budget can form a gap between the long term plans and short term

objectives if they are not closely linked (Libby and Lindsay, 2010). Hence the budget is capable of bringing together organization's objectives and plans

2.1.2 Budget as a fixed contract

In most organizations, budgets have become a fixed performance agreement on which employees ought to be committed to and this is based on the fact that organizations use a budget to evaluate their workers overall performance (Hoque, 2005). Thus if budget targets are met it means that performance has been achieved resulting in workers to concentrate on budget follow ups. Smith (2007) states that fixed agreements leads to ineffective budgetary control as it may result in budget playoffs.

Thus for instance, in nonprofit organizations like NRC units are likely to spend the remaining part of the budget towards the end of the financial year, even if it is not necessary so that they suit their interests in performance appraisal and also will not receive less amounts in the next period. Blumetritt (2006) also highlighted that problems, such as, employees altering the budgets to suit their interests in performance appraisal arise from how these budgets are finalized, they are presented as fixed in most cases.

If the budget is presented as fixed target that is unchanging target, it becomes difficult for the organizations to manage their budgetary control Margah (2005). In a world of constant change and uncertainties, budgets and budgetary control becomes ineffective as fixed budgets may become outdated before the budget year or during the year providing no value to its intended purpose (Hope and Fraiser 2003). Resultantly, presenting a fixed budget in nonprofit

organizations such as Norwegian Refugee Council will possibly cause the employees responsible to concentrate on cost reduction rather than value addition. Furthermore, fixed targets can be harmful to the organization in the long run and the outcome of these fixed budgets can be undesirable to the overall accomplishment of the organization's goals (Robinson, 2007).

2.1.3 Time Consuming

Budgetary control process requires a lot of time to the extent of deflecting managers from their core business of running the organization (Banham, 2000). This is because in the case of NPOs, the managers are entrusted with the responsibility of budgetary processes and these processes requires concentration hence cannot be carried out concurrently with other activities, but in their own time. A view shared by McNally (2000), indicates that budgeting and budgetary controls consume too much time and incur high costs. Therefore because of its demand for too much time organizations like NRC may choose not to put much of their focus on budgetary control but on other issues they deem more important and adding value to the organization.

In support, (Morris et.al 2010) claims that it is too time consuming as compared to the value it contributes with to the organization. This means that budgets and budgetary control do not add the value that is directly proportional to the time it takes. Hansen et.al (2003) also accuses the budget of being time consuming to establish in relation to the benefits it is aimed to put in with. Moreso, because budgets cannot be generated automatically, some primary steps are needed to be accomplished before the budgets are implemented and this requires proper me and attention of management (Bescos et.al, 2003). Therefore this might become a setback in profit making

organizations as well as nonprofit firms like NRC as the progress of their operational activities may perhaps be delayed if they choose to concentrate on budgets and budgetary control.

However, Drury (2003) claims that the establishment of a budget period in nonprofit organizations will result in equal allocation of time between budgetary works and other activities of the organization. This means that budgetary control will not consume the time for other activities as budget period is the length of time for which the budget is prepared and employed and the period can be fixed for the purposes of convenience. The establishment of the budget period in an organization will ensure that there will be specific time for budgets preparation and budgetary control other than doing it haphazardly in an organization. The budgets could be established into control periods which could be monthly, quarterly or yearly so as not to affect the time of other activities (Collis and Hussy, 2007).

2.1.4 Human Behaviour

Budgetary control is also associated with human behavioural problems in nonprofit making organizations (Bratton and Gold, 2007). These problems arise as a result of the behaviour of human factor that is changeable (Lu, 2011). A normal human being changes like weather with situation to their best advantage and this may result in organizations achieving more of personal objectives other than organizational objectives. Hence forth, the same person that can change is the same person who is expected to supply the information on which the formulation of budgetary works would be based (Verbruggen, Christiaens and Milis, 2011). Therefore it is possible that the budgeting process in NRC is highly influenced by the human behaviour and as a result the budgetary control will be regarded as ineffective.

The person is also expected to use the budget to achieve the organizational objective and may choose to be dedicated or unconcerned about it (Miller et.al 2001). This means that there is a probability that in NRC the person may provide the information that best suits their positions during budgeting and budgetary control. Also in the case of the nonprofit sector the subordinates may consider that their managers wants to benefit at their expense, they may therefore bring in wide variables into the budget, most especially where they are informed that the budget would serve as a reference point in determining their performance (Covalesk et.al, 2007). Therefore the budgets are set by human judgment and they are subjected to the same likelihood which attends all human activity

However Rubin (2010) discovered that the impact of human behaviour in relation to budgets depends on the style in which the budget is used or implemented. If there is participation or consultation between the management and staff prior to establishing budgetary goals, there will be creation of a positive team spirit in all aspects that is target level setting and analysis of budget variances (Shah, 2007).

2.2 WAYS TO IMPROVE PROJECT PERFORMACE THROUGH BUDGETS AND BUDGETARY CONTROL

2.2.1 Budgets and budgetary control improves management control of the project

Effective budgeting works, that is budgeting and budgetary control, improve organizational performance by guiding the manager's decisions and activities (Bonner, 2008). In the study of Libby and Lindsay (2007), the findings show that budget holders in nonprofit organizations

agreed that management through budgets is the only way to improved project performance in the nonprofit sector. This means that for NPO like Norwegian Refugee Council to achieve greater performance in their projects, there is need for them to make use of effective budgetary control. This is because managerial contribution in budgetary control practice, with a positive approach, is directly associated with enhanced performance (Hartmann, 2006).

In an organization where budgetary control is high, management participation makes positive contribution to the overall performance of the project (Otley and Pollanen, 2000). Thus the involvement of managers in budgetary control gives them control over the project and hence improved performance. Furthermore, budget targets measure the expectations of the management on whether the selected financial and non financial elements of a project are performing as originally planned (Bhimani et.al, 2008). This implies that budgetary control allows and ensures that management control the activities being carried out in the project so that they are as planned and in the right direction. Moreover, budgets can be used as a control mechanism by the managers to regulate the behaviour of the employees to work towards the desired performance level (Behn, 2003).

Though the budgetary control system is widely used by most nonprofit organizations, it is far from being the best management control system (Hansen, Otley and Van de Stede, 2003). Bezemer et.al (2006) advocates that project performance in nonprofit sector can be increased by budgetary controls only but by the adoption of both private managerial tools and budgetary control systems

2.2.2 Budgets and budgetary control results in management individual accountability

Ashok (2009) is of the opinion that a budget is seen as a commitment by the manager, the superior. This is because the employees with budgetary responsibilities strive to operate within the budget guidelines. Warren (2011) points out that because the management are held accountable and answerable for any deviations that may exist in a budget, there is greater compliance to the budgets and this result in improved performance of any project. Mitchel (2007) is of the opinion that budgetary control is handling the financial situation in a responsible manner to achieve the desired performance level.

Therefore the application of effective budgetary control in NRC might results in the organization achieving its desired performance level because mangers will not want to be held accountable if performance is not met and therefore there is greater compliance to budgets. Thus if the desired performance level is not met, one is held accountable to their actions. Welsh (2003) opine that budgetary control enables those charged with responsibility to know when to adjust their current activities so as achieve the expected level of performance.

2.2.3 Budgets and budgetary control improves project monitoring/supervision

Budgetary controls in NPOs helps project managers monitor the activities of the employees carrying out the project (Morris et. al 2009). The continuous monitoring of project activities asses the direction in which the organization is moving towards. When the budget and budgetary control is successfully implemented, the organizations objectives are realized and once this has been done the organization is said to have achieved at performance level (Turyakira, 2004). Therefore if monitoring and supervision of the project is in place in organizations such as NRC,

then the organization might not experience reduced expenditure (spending little than budgeted for) because effective budgetary control is in place and as a result improved project performance is achieved. There will be clarification of goals by the management to the employee on what that employee is supposed to do, when and how to do it, thereby becoming easy for the management to supervise (Bogsnes, 2009).

Setting targets by way of putting in place targeted performance or activity level enhances the monitoring of the project performance (Drury, 2010). Therefore in the nonprofit sector like NRC budgetary control works as a method of monitoring or supervision ensures that project activities are being carried as planned if they are effective. Furthermore, in order to achieve the results expected, monitoring is necessary though it does not give assurance that the performance of a project increases (Carr, 2000).

Conversely budgetary control and monitoring practice assumes that expenditure must be the same with the budgeted plans and maintains information about expenditure (Kelly, 2003), thereby ignoring uncertainties to the budget which may hinder project performance. In support McGill (2001) points out that monitoring requires raw data to check performance yet it is time consuming and contributes less to the performance.

2.3 THE EFFECTS OF BUDGETS AND BUDGETARY CONTROL IN PROJECT IMPLEMENTATION

Project planning is an essential part in project management of any non profit organization (Mia, 2001). Hughes (2008) identifies two important steps in project implementation which are developing a work plan and budgets. Thus project implementation is somehow difficult without a budget, hence the following effects of budgetary control in this process.

2.3.1 Results in the creation of budgetary slack by the project managers

Budgetary controls can cause the managers to control the budget resources in excess of optimal to accomplish their own objectives if they are rigid (Drury, 2010). Thus, creating budgetary slack. In the view of Bhimani, al (2008) budgetary slack may be built into a project so that if the expenses are less than expected, the project and its managers are viewed favorably by the executives. Thus budgetary controls at the implementation phase of a project allow managers to have and use discretion to achieve both personal and organizational objectives through the creation of budgetary slack.

The creation of budgetary slack in NPOs can lead to the distortion of the distribution of resources and the resources required during the implementation of the project (Wu, 2005). Therefore the creation of budgetary slack in organizations like NRC will result in the budgeting and budgetary control being ineffective in implementing the project as greater part of the budgets will be left unspent due to overestimation of budget figures.

In addition, the creation of budgetary slack can reduce the ability to highlight problem areas during the implementation of the project (Al-Yahya, 2009). Hence inefficiencies in the implementation of the project may not be detected immediately. Ozar and Yimalz (2011) points out that slack creation in the nonprofit sector limit the objective evaluation of performance of project managers by using the budgetary information. This is because the project managers would have made a budget target more easily achievable by overestimating the costs or resources needed. In addition Hughes, (2008) states that the use of budgetary control may result in the creation of budgetary slack of which slack may be associated with the behavior of the management.

However, Robinson (2007) states that budgets and budgetary control give managers or those involved a sense of purpose other than negative perceptions and this motivates and improves attitudes amongst managers towards budgetary control. Furthermore, Abdullar, Warokka and Kuncoro, (2011) opines that, budgetary control processes are oriented as to its purpose and benefits, at the same time as attempting to erase negative perceptions by managers thereby minimizing creation of budgetary slack. Van de Sterde (2000) says that managers are normally involved in slack creations so that they would not run out of the available funds before the project is complete.

2.3.2 Results in timely and proper allocation of resources during the implementation phase

Margah (2005) asserts that effective budgetary control allows preparation for expenditure thus facilitating systematic spending in the implementation of projects. In this way, the resources required during the implementation phase of the project are acquired and distributed properly in

an organized manner. Lucey (2009) explains that budgets contain information of resources needed to carry out a particular project, hence, making it possible to determine the required resources needed in the implementation of the project. Therefore this might imply that effective budgetary control application in NRC will result in the organization allocating the available resources and money to their specific line items in right amounts for example, the allocation of resources between project costs and support services costs.

Smith (2007) asserts that budgets facilitate resource allocation and secure that the right amount of resources are being distributed to all the projects departments. Budgetary control is also a technique for setting the project priorities by allocating scarce resources to those activities that managers deem to be the most important and rationing it to those areas deemed less vital during the implementation phase (Sarrico et.al, 2011). For instance, in NRC the projects costs may be deemed to be most important other than support services costs.

This is because the quantity needed and types of the required resources will be stated in the budget (Henri, 2006). Through budgetary control, resources are put to optimum use leading to elimination of wastage and achievement of overall efficiency at the implementation phase (Warren, 2011). With the use of budgetary controls, any materials or resources required during the implementation phase are acquired within the specific time frame for them to be used (Merika, 2008).

However, in some NPOs proper allocation or distribution of resources is a result of good planning strategies embodied in the management of the organization and not only a result of effective budgetary control as budgets are estimates and not actual resources (Mia, 2001).

2.4 THE EFFECTS OF BUDGETS AND BUDGETARY CONTROLS IN SOURCING FINANCE

According to Maitland (2008), generally, most non profit organizations are facing challenges of dwindling supply of funds. This is mostly attributed to poor budget management and control. Hence, the following are its effects in sourcing funds.

2.4.1 Budgets and budgetary control works as an indicator of transparency to the donors

Noor and Othman (2012) are of the opinion that for NPO's to be able to get funding from the donors there is need for them to show transparent accounting and reporting to their donors. Thus, a great emphasis is made on NPO's like NRC for them to show transparency. In the findings of Anon (2003), it can be obtained that even if the organization's administrators choose not to develop a budget for their own purposes, there are third-party stakeholders who require a formal budget before taking into consideration grant applications, making pledges, gifts and bequests, and extending credit. Linn (2007) declares that NPO's can only show transparency through their budgeting systems.

Furthermore, before donors consider grant applications they first asses the level of transparency through the budgets and budgetary control systems presented to them by NPO's (Verschuere and Cantens, 2009). Hence, budgeting is important for NPOs, since they are not for profit

maximization, but, to bring utmost return to its stakeholders who include donors (Mott Lin, 2007). Thus, NRC as one of the nonprofit organizations is entitled to show transparency its stakeholders through budgeting and budgetary control because they depend on these donors for financial support.

2.4.2 Budgets and budgetary control measures the accountability of NPOs

Nonprofit organizations need to be accountable by providing or showing evidence of how responsible they have been with the funds entrusted to them by the donors (Gray et.al, 2006). Simmel and Berger (2000) are of the view that NPO's should be able to demonstrate to the donors what they achieve in a format easily understandable and that is through a budget and budgetary control measures. In the interviews carried out with Newziland donors, Mueller et. al (2004) found out that the donors are increasing focus on budgetary controls as they show how the funds donated to NPO's have been used, rather than outputs from the nonprofit organizations. Thus budgetary control is the way to show donors how their funds have been used as it presents information clearly.

Accountability in nonprofit organizations is seen as a felt responsibility in which organizations choose to genuinely account for their activities (Ebrahim, 2003). Budgetary control is seen as taking responsibility for one's actions and therefore includes accounting to donors taking into considerations their needs and expectations (Pratten, 2004). This will result in the continuous inflow of donor funds. Budgetary control as a way of showing accountability should form an intrinsic feature in nonprofit organizations such as NRC if they want to improve their funds (Gordon and Fischer, 2009). Furthermore, Goodin (2003) asserts that money is entrusted to

nonprofit organizations that are accountable and that budgetary control is the way to show accountability to various constituencies that include donors, clients and other regulatory bodies. Thus NPOs are dependent on these bodies for financial support (Natalie, 2014).

Moreover, funders want verification that money spent on programs results in proposed outcomes and communities, both in the short run and long run (Grey et.al 2006). Therefore accountability includes having sound budgetary controls and tight budget is an indication that the organization cannot waste funds on unsuccessful programmes (Coy and Dixon, 2004). Therefore if Norwegian Refugee Council prove to donors that they have been accountable for the funds donated to them by making use of effective budgetary control, the probability of acquiring more funds from the donors will be high.

2.4.3 Budgets and budgetary Control is an indicator of showing good faith to donors

Sound and strong budgetary control system in place is a key tool for showing good faith to the donors and sustains the nonprofit organizations (M2 Presswire, 2001). Having an effective budgetary control system is the responsibility of nonprofit organizations like NRC, so that donors will not suspect any divergence of funds (Connolly and Hyndman, 2004). This because the donors want their funds to be used as they initially intended. Feasy (2007) is of the opinion that donors should get satisfaction that the NPO's are not diverting funds from their initial intended use and this can only be achieved through budgeting.

Hence, in NPOs, budgetary control system serves as an indicator to the donors that their funds are run cautiously and honestly (Adams et.al 2003). Nonprofit organizations must reveal that

their programs and projects are effectively accomplished sincerely. This also applicable to NRC as the organization may increase its funding status by proving donors that no divergence of funds is taking place through the use of effective budgetary control.

2.5 SUMMARY

The chapter dealt with what has been published by other scholars on the subject matter. It covered the problems associated with budgetary control and the effects of budgeting and budgetary control in the sourcing of funds. The ways to improve project performance through budgetary control and the effects of budgets and budgetary control in the implementation of a project were also covered. The next chapter will look at the research methodology used to carry out the study.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter illustrated how the researcher carried out the research that is the research design used. It outlined the instruments used for data collection in the study as well as how the sample was selected from the target population and the justifications thereof. It also highlighted the methods used in presenting and analysing the data.

3.1 RESEARCH DESIGN

The research design refers to an overall plan that is used to combine the different components of the study (Neuman, 2000). Research design consists of the aims of the research, final selection of the suitable method, data collection techniques to be used, the chosen method of data analysis, interpretation and how they fit into the literature (White, 2000). The research design reduces the collection of haphazard data and ensures that data collected meets the objective of the study.

This study adopted the descriptive research design. Tripathi (2005) is of the view that the descriptive research involves collecting and or analyzing data to describe a group, idea or phenomena. It is meant to provide a systematic collection and presentation of data to give a clearer picture of a particular situation and to represent an accurate profile of the case (Saunders, 2011). Data is on first hand basis and obtained from their natural setting with a clear focus based on the research question.

The descriptive research design was found useful for the study because it involved describing the effectiveness of budgeting and budgetary control in sourcing funds for Humanitarian Aid in Norwegian Refugee Council. This research design was also engaged because of its use in both secondary and primary data. This allowed the researcher to obtain first hand information from primary data. It also fits well to the study because it is based on the already existing organization and that there is no manipulation that takes place hence the design suitable for this study. In addition, since the researcher had no control over the variables involved, a descriptive design was relevant as it reported what was happening on the ground. Kothari (2006) points out that the variables of the research cannot be prohibited by the researcher who can only report and describe on events.

3.2 TARGET POPULATION

Bashal and Harter Ischool (2013) define target population as any set of persons or objects that possesses at least one common characteristic. The target population is defined as all elements that meet the criteria for inclusion in the research being undertaken (Bryman, 2003). For the purposes of the study, the research population consisted of 32 Norwegian Refugee council staff members based in Chipinge and Chiredzi. These were considered to have the required and necessary exposure or experiences in budget and budgetary control systems, which is critical for the study.

3.3 SAMPLING

Sampling is the deliberate choice of a number of people who are to offer data about some larger group (Wisker, 2009). The selected variables in sampling are the basis for estimating output regarding the whole target population.

3.3.1 Sampling Methods

In this study, the researcher used the stratified sampling technique. Stratified sampling is defined as the division of the population units into groups that do not overlap known as strata (Frey, 2011). In this sampling method the population was divided into a number of exclusive sub populations. This allowed the researcher to obtain a sample from each stratum after the division of the population into appropriate strata. Simple random sampling was then used to obtain a sample from each stratum after the division of the population into appropriate strata.

In this study, the respondents were grouped according to the positions they hold in the organization which are finance managers, finance officers, project managers and project officers. This allowed the researcher to determine the size of sample in each strata and to obtain accurate information. This grouping was done to ensure that the data obtained from the respondents is adequate for the study and gives the correct picture of the effectiveness of budgetary control in Norwegian Refugee council.

3.3.2 Sample Size

The sample size is the actual number of respondents who take part in the research study (Jones, 2012). Coolican (2009) says that a sample sizes larger than 30 and less than 500 are the suitable

for most research studies. According to Field, (2010), a sample size must be at least 30% of the target population to be regarded as reliable and valid for the research. Babbie (2009) also states that a sample size should be higher than 60% for it to be reliable and valid. The researcher used a sample population of twenty two of the entire population which was more than the generally stated sample size. This was done in order to get a more reliable and valid data for the research. This is shown in the table below

Table 3.1: Sample size as a proportion of population

Unit	Target Population	Sample size	Population %
Finance Managers	2	1	50
Finance Officers	4	2	50
Project Managers	6	4	67
Project officers	20	15	75
Total	32	22	69

3.4 RESEARCH INSTRUMENTS

Research instruments are tools used in a study to get information from every subject of the sample (Trochim, 2011). In consideration of the research design adopted questionnaires were used to seek out and obtain primary data on the subject of the study.

3.4.1 Questionnaire

A questionnaire defines questions to be asked, the potential answer, the order in which the questions must be asked and the conditions under which the questions have been asked (Marshall and Rossman, 2005). A questionnaire is a sequence of questions asked to individuals to acquire statistically useful information about a given topic (Haralambos, 2000). For this study, a questionnaire was prepared basing on the objectives of the study.

The researcher used mostly closed ended questions which had a likert scale and a few open ended questions. This was because closed and open ended questions allow respondents to use all their knowledge in the greatest possible way (Herman, 2009). Closed questions gave the researcher facts, easy to respond and keep control of conversation with the respondent (Greener, 2008). In addition the researcher used the questionnaires as they were designed to determine what people know, what they think or how they act.

The researcher chose questionnaires to collect primary data because the population was literate and the time for collecting the data was limited. They also gave the respondents an equal opportunity to respond to a set of questions anonymously without the interference of others hence giving confidence to the respondents. They were also less instructive as the respondents were free to complete them at their own pace without the interruptions of the researcher. The questionnaires are objective.

3.4.2 Interviews

The researcher used a self designed interview to seek information from the respondent because they avoid confusion and are suitable for a small sample size. It was made of open – ended questions so that the respondents are not limited in giving their views (Saunders, 2000). The interview help to gather valid and reliable data that is relevant to the research and objectives. The researcher chose interviews because the interviewer can investigate deeper into a response given by the interviewee. It is advantageous if the respondents cannot write eligibly and when the respondent lacks to answer a questionnaire. Two finance persons and two budget holders were interviewed, this enable the researcher to gather data from persons directly involved in the budgeting and budgetary control hence validating the research findings.

3.5 VALIDITY AND RELIABILITY

Validity is defined as the degree. to which a .certain interference to a test .is appropriate and meaningful (Leedy, 2012). Validity is the ability of an instrument to measure or test what is it supposed to measure (Sekaran, 2009). There are three methods of validating research instruments, criterion related validity, construct validity and content validity. The research made use of the supervisor who analyzed the data and considered the content of the questions to be appropriate to the topic, therefore to have content validity.

Reliability refers to the issue of whether the evidence and the measures used are consisted and stable (Remenyi, 2009).Adequate level of reliability means that the research instruments or methods produce the same data from time to time on every event when they are used and that any inconsistencies in the results obtained due entirely to changes in the subject being measured

(Herman, 2009). Both structured and non structured questions were asked in the questionnaire to get as much insight as possible. The use of stratified sampling to select the respondents who have knowledge on budgetary controls in Norwegian Refugee council guarantees the validity of the responses and the sample.

3.6 DATA PRESENTATION AND ANALYSIS

The data obtained was categorized so as to manipulate and review to make it more meaningful and the findings of the study was presented according to the type of data (Berg 2009). The quantitative data was presented in the form of tables, pie charts and graphs. Qualitative data was presented in the form of phrases.

Data analysis is the process of investigating, categorizing and tabulating raw data so as to obtain a meaning as well as addressing the research questions (Leedy, 2012). Data from the questionnaires was compiled, sorted, classified and coded. Statistical principles used in analyzing the data were frequencies and percentages. The researcher analyzed the data using the Microsoft word packages.

3.7 SUMMARY

This chapter focused on the methodology and the research design. It highlighted that a case study design was used and the explanations as to why it was chosen. A narration of the research instruments used in the data collection was presented. The data analysis techniques used and the data collection procedures are also part of this chapter. The researcher also included the issues of

reliability and validity. The following chapter will cover the data presentation, analysis and interpretation.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter presented and analyzed the data which were gathered from Norwegian Refugee Council through the questionnaires administered and interviews conducted in respect to the effectiveness of budgeting and budgetary control. The aim of this chapter was to answer the research questions. Data was presented and discussed objective by objective.

4.1 RESPONSE RATE

Table 4.1 Questionnaire response rate

Unit	Target Population	Questionnaires Administered	Questionnaires Returned	Response rate (%)
Finance Managers	2	1	1	50
Finance Officers	4	2	2	50
Project Managers	6	4	3	75
Project Officers	20	15	14	93
Total	32	22	20	91

From table 4.1 above, the researcher used the questionnaire as the major instrument in collecting the data. It can be observed that from a total of 22 questionnaires administered at Norwegian Refugee Council, 20 were completed and returned making a response rate of 91%. The unreturned questionnaires did not affect the research findings as the overall population representation of 63% (20/32) is higher than the 30% which was cited by Field (2010) to be valid and reliable for the research. Babbie (2009) also highlighted that a sample higher than 60% regarded to be reliable and also valid for the research which makes 63% valid and is close to the selected sample size of 69% (22/32). This means that a more than fair response rate was obtained as the overall response rate was high and this shows that the respondents were cooperative.

4.2 PROBLEMS ASSOCIATED WITH BUDGETARY CONTROL

4.2.1 Conflicting Objectives

Table 4.2 Conflicting objectives is a problem associated with budgetary control

Degree of Response	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
Responses	5	6	7	2	0	20
Percentage	25%	30%	35%	10%	0	100%

From table 4.2.1, the respondents were asked to give their opinion on whether conflicting objectives is a problem associated with budgets and budgetary control. In response 25% (5/ 20) strongly agreed, 30% (6/20) agreed, 35% (7/20) were uncertain, 10% (2/20) disagreed and none

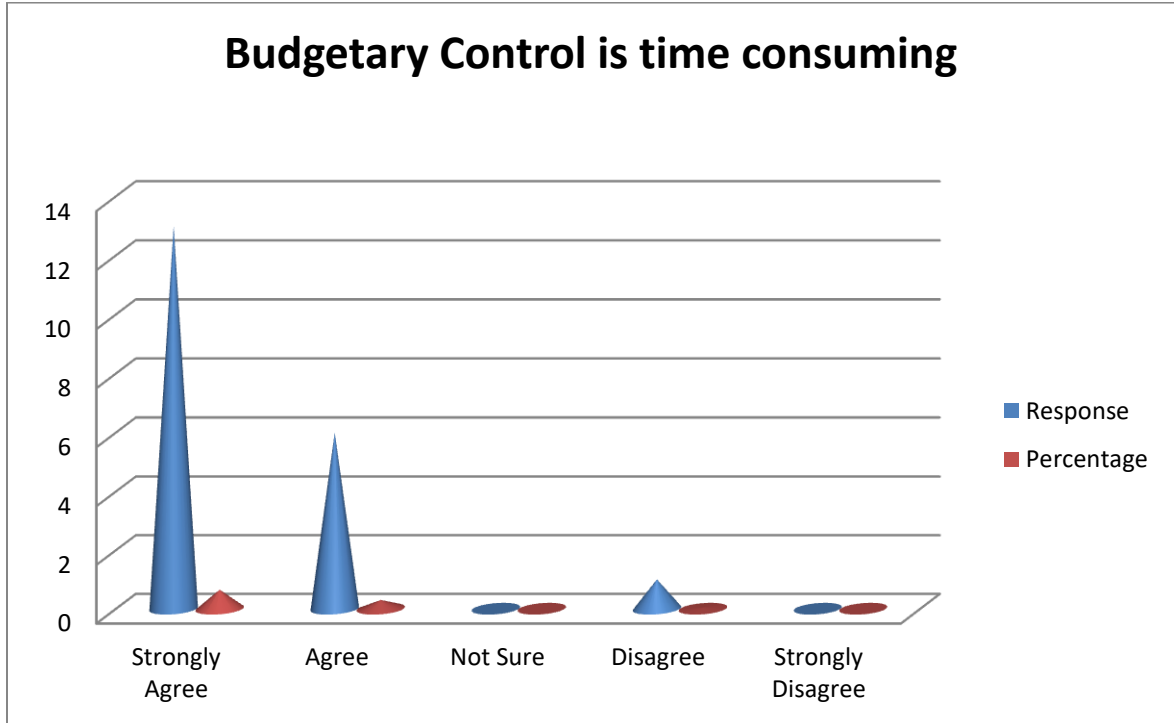
of the respondents strongly disagreed. In total it can be said that the greater part of NRC staff (55%) agreed that conflicting objectives arises during the budgetary control process.

This concurs with the findings of Prendergust (2000), who claims that budgets results in departmental conflicts during the allocation of scarce resources. This was also supported by Ax et.al (2009) who states that the purposes of a budget may conflict with each other as they are prepared or used to serve several and not only one purpose. Even though those who were indifferent about the issue were 35% of the total which is slightly a significant number, no one in literature obtained by the researcher supports their way of thinking.

Amongst the sampled population, a small percentage of (10%) of those who disagree supports Hansen, (2003) who points out that it is not the case in nonprofit organizations that budgetary control results in conflicting objectives, as objectives if not closely linked can form a gap (Lindasay, 2007) between a long term and short term plans. Conclusively 65% implies that NRC staff agreed that conflicting objectives is a problem associated with budgets and budgetary control.

4.2.2 Budgetary control is time consuming

Fig 4.1



As presented in Fig 4.1 above, 65% (13/20) of the respondents strongly agreed that budgetary control is time consuming, 30% (6/20) agreed and small percentage that is 5% (1/20) disagreed that budgetary control is time consuming. From the above table one can detect that from the respondents no one strongly disagreed that budget and budgetary control is time consuming.

The mode of (13/20) is in accordance with the literature reviewed in the second chapter. The results obtained from the questionnaires are in harmony with Frowet. al (2010) who asserts that budgets and budgetary controls are time consuming as compared to the value they contribute to the organization. Therefore, even though budgets and budgetary control does not add more value to the organization, they take much time for those responsible in undertaking the process. This becomes a setback as the general progress of other activities is affected.

Bescos et.al (2003) also agrees with the data collected by claiming that, since the budgets are not automatically generated, there are steps needed to be accomplished before budgetary control system is implemented and this requires proper or much time and attention of the management and staff. Thus there is no doubt that budgetary control is time consuming. This simply means that budgetary control can deflect managers and staff from their core businesses of running the organization or carrying out their activities if they decide to put much of their time or focus on budgetary works. No one was uncertain that budgetary control is time consuming.

Although only 5% (1/20) from the data collected from NRC disagree, they were supported by Collis and Hussy, 2007) who states that if there is establishment of budget period there will be a specific time for budgetary control and this does not consume the time for other activities. Conclusively, NRC budgets and budgetary control is time consuming as staff occupying different positions in the organization agreed.

4.2.3 Budgets are presented as a fixed contract

Fig 4.2

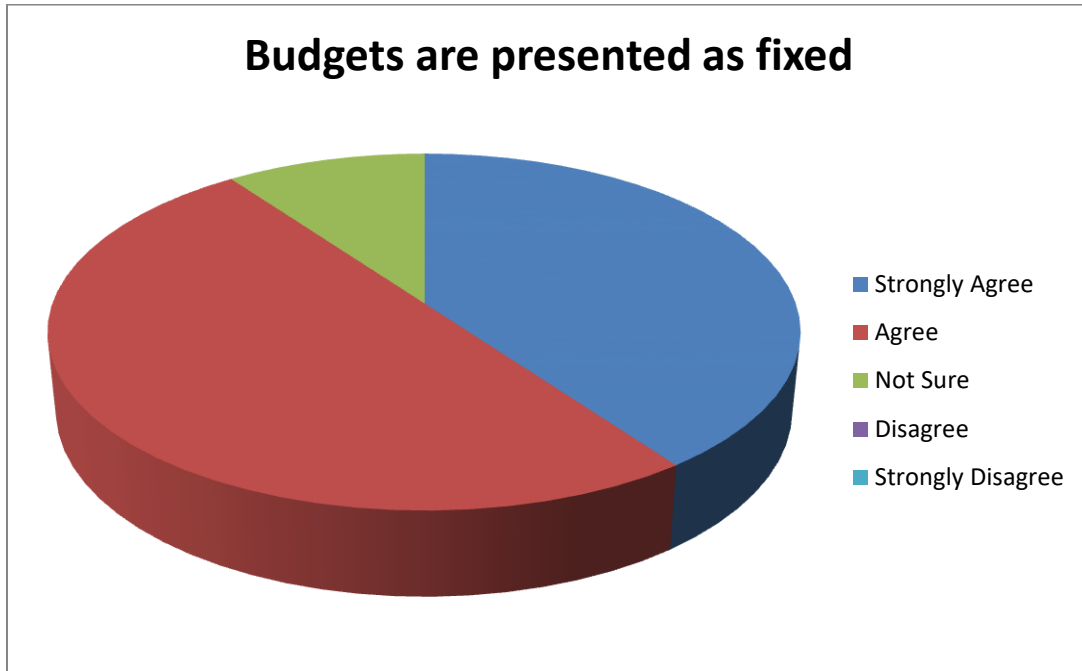


Fig 4.2 indicates how NRC staff responded on whether the budgets are presented as fixed. From the information obtained from the questionnaires issued, 40% (8/20) strongly agreed, 50% (10/20) agreed and 10% (2/10) were not sure. In aggregate 90% of the respondents agreed that the budgets are presented as fixed. These findings are in line with Hoque (2005), who was of the view that budgets have become a fixed performance contract on which employees ought to be committed to. From those who fill in the questionnaires no one disagreed to the fact that the budgets are presented as fixed.

The pie chart in Fig 4.2 shows that the greater portions of the presented data are those who agreed to asked question. According to the literature, presenting the budget as fixed in a world of constant change and circumstances results in budgets providing no value to its intended purposes

because they become outdated (Margah 2005). A little portion (10%) shown is of those who were not sure if budgets are presented as fixed. It can therefore be concluded that budgets are presented as fixed in NRC and hence the organization is prone to the consequences of presenting the budgets as fixed.

4.2.4 Budgetary Control is affected by Human Behaviour

Fig 4.3

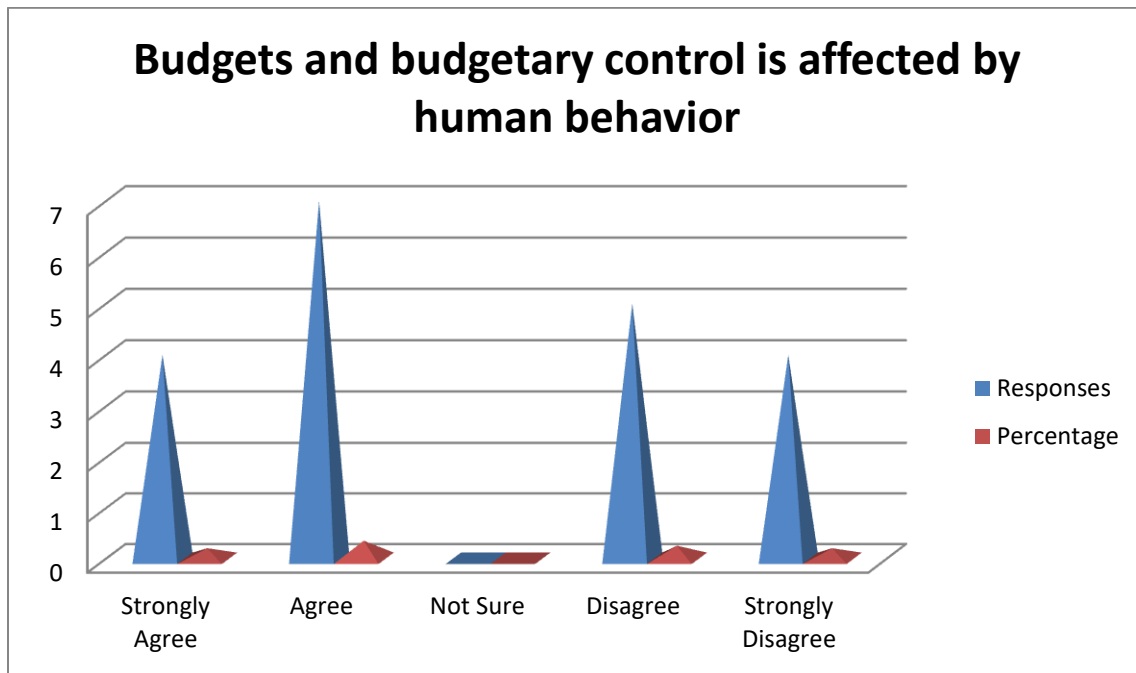


Fig 4.3 show how the NRC staff respondent after being asked to give their view on whether human behaviour is a problem associated with budgetary control. From the results obtained, 20% (4/20) strongly agreed, 35% (7/20) agreed, 25% (5/20) disagreed and 20% (4/20) strongly

disagreed. From the data presented in the above table, it can be deduced that in overall 55% agreed to the fact that budgetary control is affected by human behaviour.

A total percentage of 55% of those who agreed, support Verbruggen, Christiaens and Milis (2011). The authors claim that a human being can change like whether with the situation to suit their best advantage and the same person who can change is expected to supply the information on which the formulation of budgetary works will be based. Therefore the behaviour of humans influences budgets and budgetary control in an organization as employees may supply the information that favors their desires rather than organizational desires or objectives. As presented in the above table, no one among the staff members was indifferent.

Furthermore, 45% (9/20) of the respondents disagreed that human behaviour affect budgetary control. This concurs with the discovery made by Rubin (2010). Rubin discovered that the impact of human behaviour in relation to budgets depends on the style in which the budget is used or rooted. Therefore human behaviour on the budgetary control depends on how the organization has implemented and used its budgets. This means that it is not always the case that budgetary control is affected by human behaviour and it is up to how the organization wants to use and implement its budget that causes it to be influenced by to human behaviour.

Thus Fig 4.3 depicts that the greater population of the sampled population agrees that budgetary control is affected by human behaviour. The mean of the data collected is 3.1 and this means that overally budgeting and budgetary control in NRC is affected by human behaviour as most of the staff agreed to it.

4.3 WAYS TO IMPROVE PROJECT PERFORMANCE THROUGH BUDGETARY CONTROL

4.3.1 Budgetary control improves management control of the project

Table 4.3 Management control improves project performance

Degree of Response	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
Responses	12	5	0	3	0	20
Percentage	60%	25%	0	15%	0	100%

From Table 4.3 above, the respondents were asked to say out their view on if project performance improves if budgetary control improves management control of the project. The results show that from the sampled population 60% (12/20) strongly agreed, 25% (5/20) agreed and 15% (3/20) disagreed. No one amongst the sample strongly disagreed that project performance is improved as a result of improved management control through budgetary control.

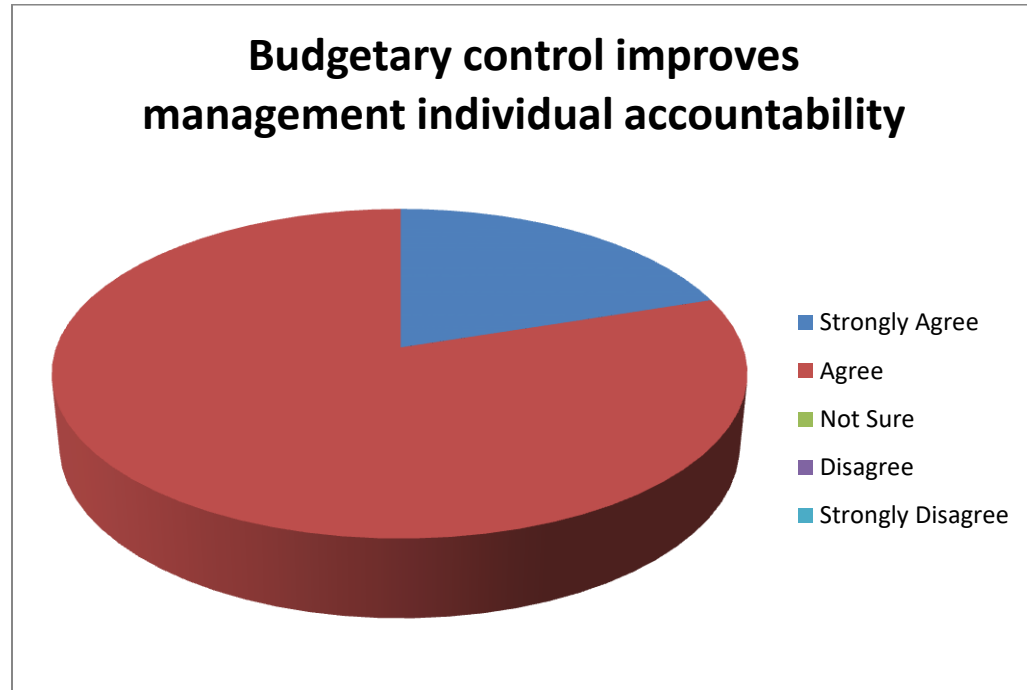
Overall, 85% (17/20) of the whole NRC staff sampled agree to the fact that budgetary control improves project performance as management control of the project is improved. This is in harmony with the findings of Thompson (2007), who states that budgetary controls improves organizational performance as manager’s decisions and activities are guided. Budgetary control gives the management the capacity to control the whole project as it ensures that all activities are being carried out are as planned and in the right direction. This was also supported by Behn, (2003) who advocates that budgetary control improves performance of a project as it can be used

as a control mechanism by the managers to regulate the behaviour of the employees so that they work towards the desired performance.

Contrary, 15% (3/20) of the respondents disagreed. These respondents are in line with the thinking of Bezemer et.al (2006), who suggested that project performance is not increased by budgetary controls only but by the adoption of both private managerial tools and budgetary control systems. Thus there are other management tools that can be used to improve project performance. There was no one amongst the respondents who were indifferent about the issue and there is nothing in literature to support their view. As the literature supports the greater part of the data collected or data obtained from the questionnaires, it can therefore be concluded that the use or application of budgetary control systems in Norwegian Refugee Council is associated with improved project performance as agreed to by the staff occupying different positions

4.3.2 Budgetary control improves management individual accountability

Fig 4.4



From the data presented in Fig 4.4 above, 20% (4/20) strongly agreed and 80% (16/20) agreed that project performance improves when management individual accountability is increased through budgetary control. In aggregate 100% of the entire sampled population agreed that budgetary control improves project performance. With reference to the accompanying literature in chapter 2, it is evidenced that project performance is increased if management individual accountability is improved and this can be done through budgetary control.

The responses concur with Ashok (2009), who was of the view that employees with budgetary responsibilities (managers) strive to operate within the budget as the budget is seen as a commitment. Thus by putting it into consideration that they should operate within the budget, they are being accountable and as a result working towards organizational performance. In the

same breath, Warren (2011) advocates that budgetary control enables greater compliance to the budgets by the management because they are held accountable and answerable for any deviations that may exist in a budget, therefore the result will be improved project performance.

From the mode of 80% (16/20), it can be concluded that budgetary control improves management individual accountability and hence project performance is also improved. Fig 4.4 shows that amongst the respondents, no one disagreed and a larger portion comprises of those who were in support. This means that if NRC makes use budgetary control it is guaranteed that management individual accountability is enhanced and this will come with improved project performance.

4.3.3 Budgetary control improves project supervision or monitoring by the managers

Fig 4.5

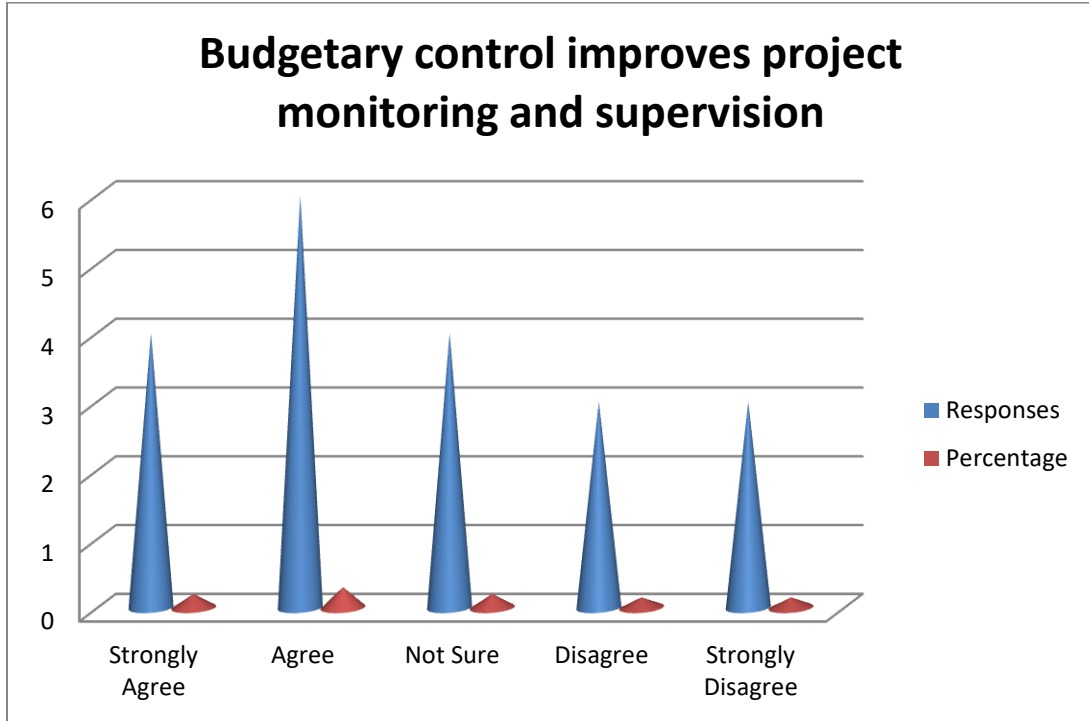


Table 4.5 above presents how the respondents answered after being asked to give their view on whether project performance improves if budgetary control improves project monitoring and supervision. From the responses given, 20% (4/20) strongly agreed, 30% (6/20) agreed, 20% (4/20) were uncertain, 15% (3/20) disagreed and the remaining 15% (3/20) strongly disagreed.

The mean of the data is 4.3 and this concurs with Drury, (2010) who is of the view that setting targets by way of putting in place targeted performance through budgetary control enhances project performance. Furthermore, Davila et.al (2009) asserts that budgetary controls in NPOs helps project managers monitor the activities of the employees carrying out the project. This

means that if organizations put in place budgetary controls, they enable managers to run the project towards the target performance set as monitoring the activities of the project is improved.

From the data presented in Fig 4.5 above, 20% (4/20) of the responses were indifferent about what was asked. These respondents concur with Carr, (2000) who suggested that though monitoring is necessary to the enhanced performance of the project, it does not normally give assurance that the performance level will be achieved.

However, in aggregate 30% (6/20) of the sampled population disagreed to the fact that budgetary control improves project performance through improved project monitoring by the managers. These respondents are in harmony with the findings of Kelly, (2003) who opines that budgetary control and monitoring practices assumes that expenditure must be the same with the planned or budgeted thereby ignoring uncertainties to the budget which may hinder project performance. Overallly this only means that management supervision or monitoring of the project through budgetary control does not increase the performance of the project according these respondents. Conclusively budgets and budgetary control in NRC results in improved management control of the project and hence performance will also improve.

4.4 EFFECTS OF BUDGETARY CONTROL IN SOURCING FINANCE

4.4.1 Budgetary control increases transparency to donors

Fig 4.6

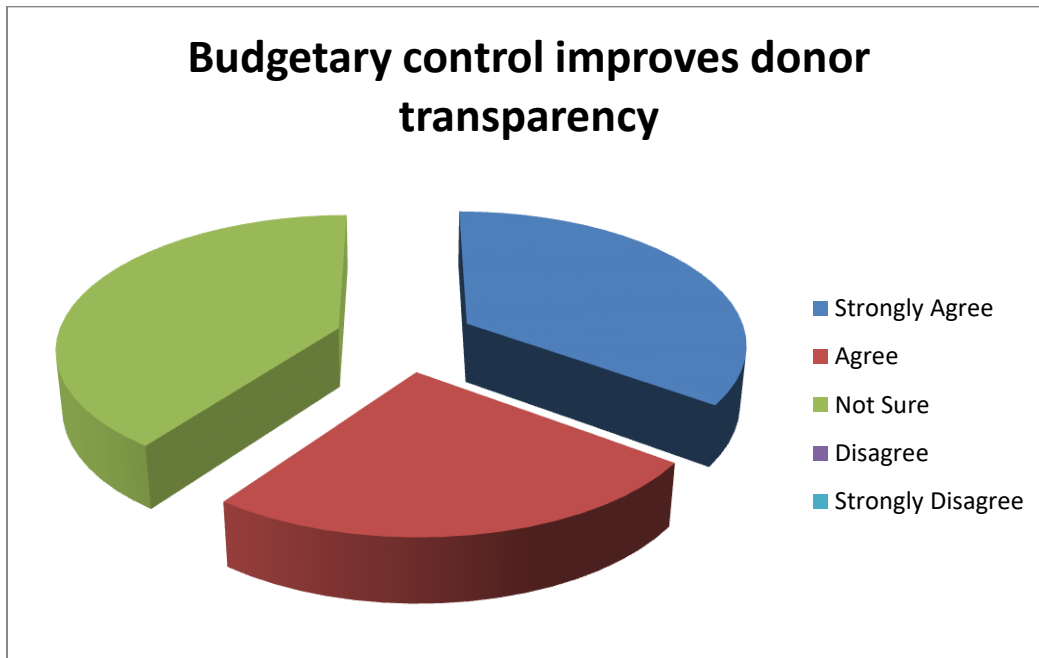


Fig 4.6 represents the data obtained from the respondents after being asked if budgetary control increases transparency to donors. From their view, 35% (7/20) strongly agreed, 25% (5/20) agreed and 40% (8/20) were uncertain. From a total sample of 20 people, it can be deduced that 60% agreed that budgetary control increases donor transparency and this results in organizations getting more donor funding.

This is in accordance with the literature reviewed in chapter 2 of this study. In the findings of Noor and Othman (2012), it was discovered that for nonprofit organizations to be able to get more funding from the donors, there is need to show transparent accounting and reporting to their existing donors. In the same view, Linn (2007) claims that, NPOs can only show

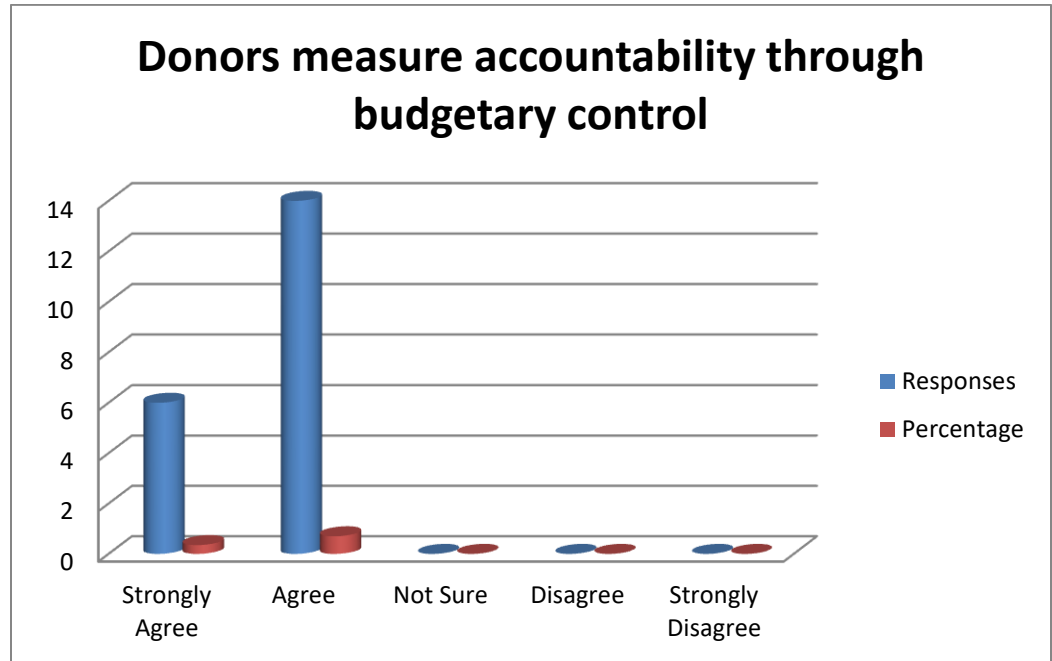
transparency to donors through budgetary control. Thus agreeing to the above results obtained from the respondents.

Furthermore, (Verschuere and Cantens, 2009) bring out the fact that before the donors consider grants applications, they first assess the level of transparency through the budgets and budgetary control presented to them by nonprofit organizations. This means that transparency is a requirement when it comes to the sourcing of finance. The mode, 40% (8/20) comprises of those who were indifferent about what was asked. This shows that a significant number of NRC staff members are not sure of whether transparency to donors through budgetary control can make NRC secure more funding from their existing donors and in the literature no one supports their view.

However, Fig 4.6 shows that from all the respondents no one disagreed with the negative effects of budgetary control. This means that, although others are uncertain about the effects of budgetary control, the greater portion (60%) of NRC agreed that the existence of budgetary control in an organization increases donor transparency and this lures more funding to carry out humanitarian aid.

4.4.2 Donors measure accountability through budgetary control

Fig 4.7



From Fig 4.7 respondents were requested to give their opinion on the effect of budgetary control in sourcing funds. From the questionnaires issued to the sampled population, 35% (6/20) strongly agreed, 70% (14/20) agreed that budgetary control if applied in an organization it improves accountability to donors. None amongst the sampled population gave a negative effect as no one was indifferent or disagree.

The results obtained are in harmony with the findings of Goodin (2003) who asserts that money is entrusted to nonprofit organizations that are accountable and budgetary control is the way to show accountability to various constituencies that include donors and other regulatory bodies. This means that accountability is a prerequisite in sourcing donor funding. Therefore as evidenced by the information provided by the respondents, it can be said that for NPOs to get the

financial support they need from donors to carry out their activities, they must show accountability in all areas of operation through budgetary control.

Conclusively the implementation and practice of effective budgetary control systems in NRC makes it easy for the organization to get more funding as donors will get satisfaction that the availed funding is accounted for. This is because accountability includes having sound budgetary controls and is an indication that the organization cannot waste funds on unsuccessful programmes (Coy and Dixon, 2004).

4.4.3 Budgetary control is an indicator of good faith

Fig 4.8

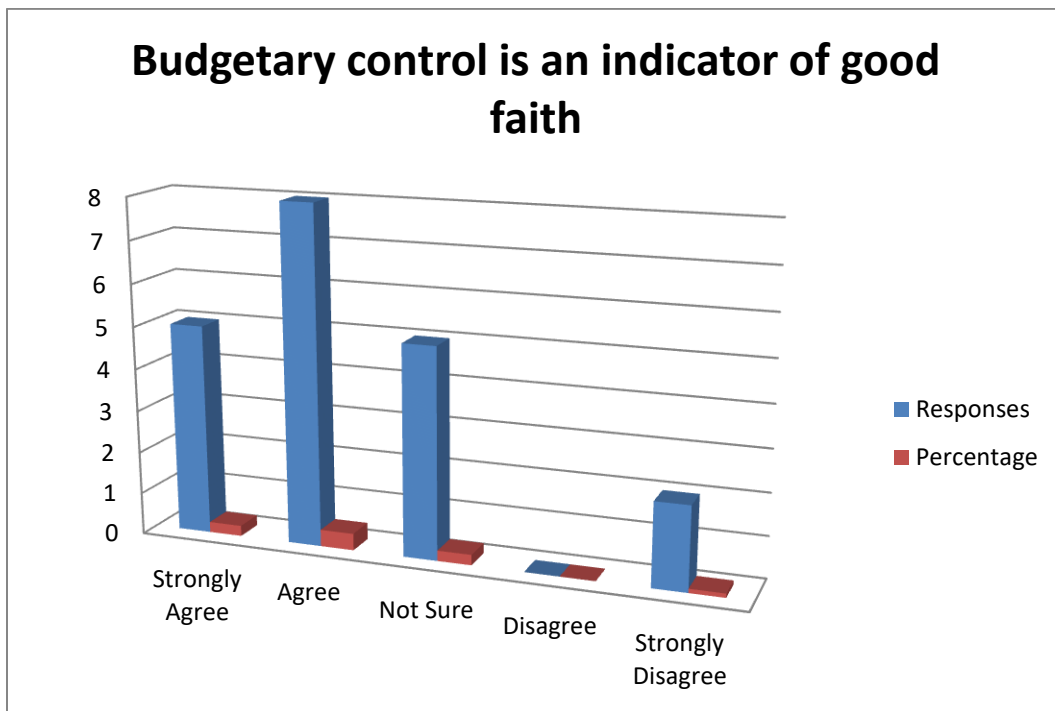


Fig 4.8 show how the responses were from the data collected. As shown in the table, 25% (5/20) strongly agreed, 40% (8/20) agreed, 25% (5/20) were uncertain and 10% (2/20) strongly disagreed. None of the respondents disagree and 35% comprise of those who were indifferent and those who disagree to what was asked.

It total one can observe that 65% (13/20) agreed. The data presented in Fig 4.8 show that the greater portion comprises of those who agreed that budgetary control is an indicator of good faith. This is in compliance with the literature in which M2 Presswire (2001) is of the opinion that sound and strong budgetary control system in place is a key tool of showing good faith to the donors and sustains nonprofit organizations. Thus they show donors that their funds are being used cautiously and honestly and that no divergence of funds is taking place.

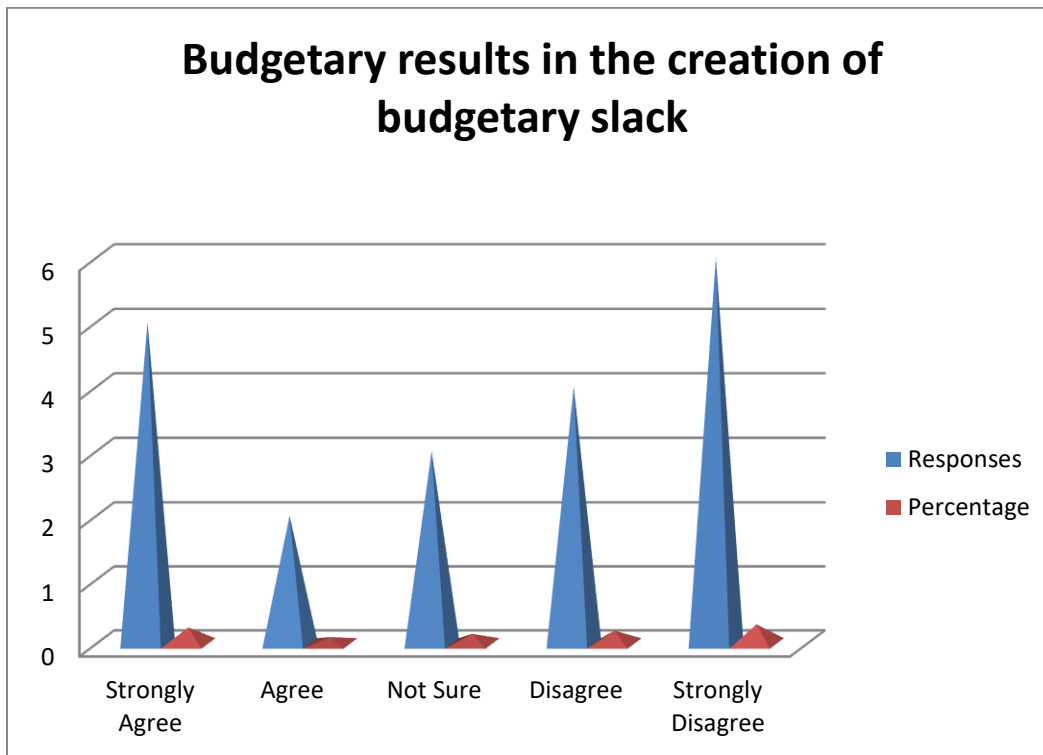
This on its own attracts more donors as there will be evidence that their funds are being used accordingly. The mean of the data presented is 3.7, and is in line with the findings of Connolly and Hyndman, (2004) who explained that donors will not suspect any divergence of funds if an effective budgetary control system is in place.

It can therefore concluding that funding will be availed to NRC if they show their donors that they are operating in utmost good faith and honestly by making use of effective budgetary controls.

4.5 EFFECTS OF BUDGETARY CONTROL ON PROJECT IMPLEMENTATION

4.5.1 Budgetary control results in creation of budgetary slack

Fig 4.9



From Fig 4.9 above, the respondents were asked to give their view on one of the effects of budgetary control. It was asked if budgetary control results in the creation of budgetary slacks at the implementation phase of a project. In the results presented in the table above, 25% (5/20) strongly agreed, 10% (2/20) agreed, 15% (3/20) were uncertain, 20% (4/20) disagreed and 30% (6/20) strongly disagree. In aggregate 35% agreed and 50% disagreed while 15% were indifferent.

With reference to the accompanying literature in chapter 2, 35% of the respondents who agreed support the view of Drury (2010), who states that rigid budgetary controls cause the managers or

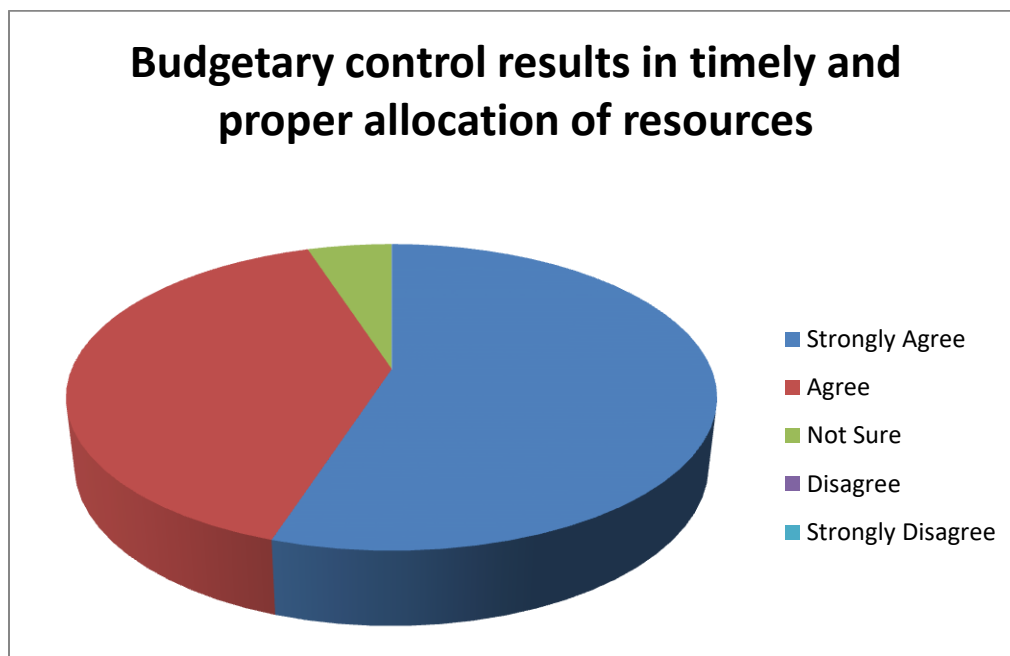
those involved to control the budgets resources in excess of optimal to accomplish their own objectives. Thus managers make a budget target more easily achievable by overestimating the costs of a budget at the implementation phase. This leads to the distortion of the resources required during the implementation of a project (Wu, 2005). Therefore in this case the creation of budgetary slack reduce the ability of the managers to highlight problem areas of concern.

However, 50% of the respondents disagree to the fact that budgetary control results in the creation of budgetary slack. This concurs with Robinson (2007) who states that budgets and budgetary control give managers or those involved a sense of purpose other than negative perceptions and this motivates and improves attitudes amongst managers towards budgetary control. Morris et.al (2006) is also of the opinion that, budgetary control processes are oriented as to its purpose and benefits, at the same time as attempting to erase negative perceptions by managers thereby minimizing creation of budgetary slack.

According to Fig 4.9, 15% of those asked were indifferent concur with addition Hughes, (2008) who states that slack is influenced by the behaviour of the management of which the use of budgetary control may also result in the creation of budgetary slack. The overall mode of the data collected is (6/20) 30% and this means that the use of budgets and budgetary controls in NRC does not result in the creation of budgetary slack or budget playoffs by those involved.

4.5.2 Budgetary Control Results in timely and proper allocation of resources

Fig 4.10



From Fig 4.10 above there is evidence that 55% (11/20) strongly agreed, 40% (8/20) agreed and 5% (1/20) were uncertain to the effect of budgetary control. None amongst the respondents disagreed and in literature which contradicts with Mia, (2001) who pointed out that allocation of resources is a result of good planning strategies embodied in the management and not an outcome of effective budgetary control as budgets are estimates and not actual resources. Overall, 95% of the respondents agreed that budgetary control results in the timely and proper allocation of resources during the implementation of a project.

As presented in Fig 4.10, there is evidence that a greater portion agreed and this is in harmony with Smith (2007) who asserts that budgetary works (budgeting and budgetary control) facilitates

resource allocation and secure that the right amount of resources are being distributed to all the projects departments at the right time. Furthermore, through budgetary control, resources are put to optimum use leading to elimination of wastage and achievement of overall efficiency at the implementation phase (Warren, 2011).

Therefore as only 5% of the respondents were indifferent and there is no supporting literature, it can be concluded that budgetary control if applied or implemented results in the proper and timely allocation of project resources at the implementation phase as agreed to by 95% of NRC staff occupying different positions.

4.6 SUMMARY AND ANALYSIS OF THE INTERVIEW RESPONSES

The researcher conducted interviews with four members of the organization of the management whereby the responses to sub-research questions were obtained.

4.6.1 What are the problems associated with budgeting and budgetary control?

From the above question, all the respondents that is respondent number one, two, three and four were of the same opinion. They all highlighted that budgeting and budgetary control is time consuming as it consume much of their available time. They further elucidate that the time taken during the process is not equivalent to the value budgeting and budgetary control adds to the entire organization. This was supported by Hansen et.al (2003) who accuses a budget of being time consuming to establish in relation to the benefits it is aimed to put in with. Thus the process may take the time for other business activities with more value or advantages to NRC as a whole.

The third respondent added that budgeting and budgetary control is associated with high costs. This responded supports McNally (2002) who is of the view that budgeting and budgetary control consume too much time and incur high costs as it is done by not only one person but a number of people in an organization. The second respondent further articulate that budgets are presented as fixed and according to this respondent this causes them to focus on cost reduction so as to meet the stated budget targets.

This concurs with Hope and Fraiser, (2003) who claim that presenting a budget as fixed causes the employees to concentrate on cost reduction other than value addition. The second respondent goes on to say budgets are used to measure their performance and for them to be able to get positive performance appraisal they comply with the budget even if going beyond the budget is more advantageous to NRC. Therefore, the respondents states that budgeting and budgetary control is time consuming, incur high costs and lastly that budgets are presented as fixed.

4.6.2 What are the ways to improve NRC project performance through budgetary control?

The first respondent was uncertain about the question and this to the researcher show that the respondent had no knowledge about the ways to improve project performance through budgetary control. The second respondent was of the opinion that if budgetary control is put in place it increases the control of the budget by the managers and this increases the performance of a project. The respondent further illustrate that here will be control of activities and resources to suit what was originally planned. This respondent is in harmony with Otley and Pollanen (2000) who asserted that setting budget targets and budgetary control measure the expectations of the

management on whether the selected financial and non financial elements of a project are performing as originally planned.

The third and fourth respondents were of the idea. They both highlighted that the existence of budgetary control practices in NRC improves project performance because it results improved project monitoring by the budget holders. The accompanying literature in chapter two supports this view. Turyakira (2004) states that when budgets and budgetary control is successfully implemented it becomes easy for budget holders or managers to monitor as it gives clarification to the employees on what they are supposed to do, when to do and how to do it thereby achieving desired performance level. Thus clarification of goals and responsibilities within the organization points towards reaching the goals of the organization.

4.6.3 What are the effects of budgets and budgetary control in project implementation?

All the respondents that is respondent number one, two, three and four gave the same response. They all highlighted that budgets and budgetary control results in the timely and proper allocation of resources during the implementation phase of a project. They all agreed that resources are distributed to the project at the proper time and in the right quantity as it will be previously planned in a budget.

These respondents are in harmony with the findings of Margah (2005) who states that budgets budgetary control allows the preparation of expenditure and facilitates systematic spending. This means that the resources required during the implementation of a project are not only bought but they are bought as per plan and in accordance to the stated quantity and quality in a specific

budget. Budgeting and budgetary control is a technique for setting the project priorities by allocating scarce resources to those activities that managers deem to be the most important and rationing it to those areas deemed less vital during the implementation phase of a project (Sarrico et.al, 2011). This means that budgets and budgetary control enables allocation of scarce resources in order of importance to the project at the same time apportioning the little resources available to all the departments of a project according to NRC staff.

4.6.4 What are the effects of budgets and budgetary control in sourcing finance?

The first, second and third respondent were of the same view. They illustrate that budgets and budgetary control improves donor transparency and accountability. From their explanation from this, they explained that donor transparency and accountability results in organization getting more funding as donors are willing to injects their funds to those organizations who account for their funds and who show indicate how the funds have been used.

This concurs with the findings of Mueller et.al (2004) in their study carried out in Newziland. The authors found out that donors are increasing focus on budgetary control as it shows how the funds donated were used. This means that the donors are mostly interested on how their funds are being spend. The fourth respondent was uncertain about the issue. The researcher discovered that the respondent number four had no knowledge of the effects of budgets and budgetary control in sourcing funds.

4.7 SUMMARY

This chapter analyzes data collected by the researcher. Tables, graphs and pie charts were used to present and analyze the data gathered. Chapter five looks at the conclusions and recommendations drawn from the study findings.

CHAPTER 5

CHAPTER SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter summarized what was discussed in earlier chapters and draw a conclusion from what was established from the findings of the administered questionnaires and interviews conducted. The conclusions are based on the facts obtained from the organization's response and other opinions gathered from literature.

5.1 CHAPTER SUMMARY

Chapter one looked at the background to the study. The background to the study highlighted that NRC is failing to get adequate funding to carry out humanitarian aid due to ineffective budgeting and budgetary control by its budget holders and has also affected implementation of its projects. The chapter also covered the statement of the problem, research objectives, sub research questions, delimitation, limitations to the study and the definition of key terms.

Chapter two review related literature from various scholars and discussed results found in related studies with specific reference to NRC. Most of the authors found in literature put more emphasis on budgets and budgetary control in profit making organisations ignoring its effect or impact on funding in the non profit sector. The main or key authors in this chapter were Van de Stede (2000), Margah (2005), Libby and Lindsay (2007), Drury (2006) and Lucey (2009). Also in this chapter were the effects of budgets and budgetary control in the implementation of the project and the effects of budgets and budgetary control in the sourcing of finance.

Chapter three examined the research methodology used in carrying out the study. The descriptive research design and stratified random sampling method used and why there were used in this study was covered in this chapter. The chapter also highlighted that the questionnaires and interviews were data collection instruments used by the researcher. The validity and reliability of the instruments used to collect data were also discussed.

Chapter four presented and analyzed data collected using pie charts, tables and graphs. The analysis and presentations are arranged according to the order of the questions in the questionnaire. Analysis was done for those presentations according to the responses given by the participants.

5.2 MAJOR FINDINGS

The findings are presented on the objectives addressed to the study. This research has revealed the problems associated with budgeting and budgetary control in NRC, ways to improve the performance of projects carried out in the organization, the effects of budgeting and budgetary control in the implementation of a project and the effects of budgeting and budgetary control in the sourcing of finance to carry out humanitarian aid.

It was found out that most of the respondents selected for this study have knowledge on budgets and budgetary control as they manage to respond to the questions asked in the questionnaire and interviews conducted. The findings revealed that 95% of NRC staff know and agree to it that budgeting and budgetary control is time consuming and takes much of their time and 45% did not buy the fact that it is affected by human behavior. All the employees that is 100% were of the opinion that project performance increases as a result of management individual accountability through budgets and budgetary control

On the effects of budgets and budgetary control in the implementation of the project, about 95% of NRC staff supports that budgets and budgetary control results in the timely and proper allocation of resources and 50% disagreed that budgetary control results in the creation of budgetary slack. About 40% of the respondents were indifferent on whether donor transparency increases as a result of budgets and budgetary control in NRC. In a total of twenty respondents, 95% were certain that donors use budgets and budgetary controls to measure the accountability of NRC.

5.3 CONCLUSION

From the findings of the study, it was concluded that NRC uses budgets and budgetary control and they can be used as management tools in different ways to enhance the performance of the project. Though there are problems associated it, budgets and budgetary control if used and implemented effectively, there is assurance that NRC will attract more funding from existing and new donors. In addition budgets and budgetary controls have positive effects on the implementation of projects in an organization.

5.4 RECOMMENDATIONS

With the summaries and conclusions above, the researcher therefore recommend that NRC should establish and make use of the budget committee to facilitate the budgeting process so that the rate of conflicts during the allocation of resources is reduced. This committee will also facilitate the setting of budget period for the preparation and implementation of its budgets. This

will ensure that there will be a specific period of time in which budget preparation and implementation will be done without affecting other activities in the organization.

Secondly, NRC should implement and make use of effective budgeting and budgetary control through its management so that it attracts donors to finance their activities. This is because the organization is not in a position to generate its own income but is dependent on donors and other bodies for financial support.

5.5 SUGGESTED AREAS OF STUDY FOR FURTHER RESEARCH

The results of this study points out to various opportunities for further research into budgetary control and sourcing of funds in non profit organizations

- 1) The future research should attempt to investigate other factors other than budgetary control that affect the sourcing of funds for humanitarian aid in Norwegian Refugee Council
- 2) There should also be an effort to gather data from other nonprofit organizations and donors other than NRC only.

5.6 SUMMARY

The chapter dealt with summary of chapter one to chapter four giving the details contained in each chapter. It also covered research findings, conclusion, recommendations and the suggestions for further research.

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APPENDIX 1: RESEARCH PROJECT LETTER

Midlands State University

Faculty of Commerce

Department of Accounting

P. Bag 9055

Gweru

19 Sept 2014

Norwegian Refugee Council

638 Woodpecker Road

Chiredzi

Dear Respondent

RE: RESEARCH QUESTIONNAIRE ASSISTANCE

I am a Bachelor of Accounting Honors Degree student at Midlands State University. I am in the process of working towards finalizing my research project. I would appreciate your assistance in completing the attached questionnaire.

As a respondent to this study, the information provided will be treated strictly confidential for the purposes of this study only and your identity will also not be known in your response. To ensure anonymity the names of all the respondents will not be recorded or required anywhere in the questionnaire. I therefore urge your maximum participation

Your cooperation will be highly appreciated

Yours faithfully

APPENTIX 11: RESEARCH QUESTIONNAIRE

QUESTIONNAIRE

Instructions

- i. Please do not write your name on the questionnaire
- ii. Respond by showing the extent to which you agree or disagree by placing a tick in the box or by filling in the blank spaces provided

1. How do you view the following problems associated with budgeting and budgetary control?

	Statement	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree
1	Departmental objectives conflict during the budgeting process					
2	Budgets are presented as a fixed contract					
3	Budgetary control is time consuming					
4	Budgetary control is affected by human behavior					

2. Do you think project performance is improved if budgetary control improves the following?

	Statement	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree
1	management control of the project					
2	management individual accountability					
3	project monitoring and supervision by managers					

3. How do you view the following effects of budgets and budgetary control in relation to donor funding

	Statement	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree
1	Budgetary control increases transparency to donors					
2	Donors measure accountability through budgetary control					
3	Good faith to donors can be shown through effective budgetary control system					

4. What do you think of the following effects of budgets and budgetary control at the implementation phase of the project?

	Statement	Strongly Disagree	Disagree	Not sure	Agree	Strongly agree
1	Involvement of managers and staff in budgetary controls results in budget playoffs /budgetary slack					
2	Budgetary controls results in timely and proper allocation of resources.					

5. Any other issues you may wish to raise in budgeting and budgetary control

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.....

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.....

.....

THANK YOU



APPENDIX 111: RESEARCH PROJECT INTERVIEW GUIDE

INTERVIEW GUIDE

1. What are the problems associated with budgets and budgetary control?
2. What are the ways to improve project performance through budgets and budgetary control?
3. What are the effects of budgets and budgetary control in the implementation of projects?
4. What are the effects of budgets and budgetary control in sourcing finance?

